NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: "A1"
Standard & Poor's: "A+"
Fitch: "A+"
(See "Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any 2012A Bond for any period that such 2012A Bond is held by a "substantial user" of the facilities financed by the 2012A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel observes, however, that interest on the 2012A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel is also of the opinion that interest on the 2012 Bonds is exempt from State of California personal income taxes. Bond Counsel also observes that interest on the 2012B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Bonds. See "TAX MATTERS."

$82,165,000
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
AIRPORT REVENUE BONDS

$6,715,000 2012 Series A (AMT)	$75,450,000 2012 Taxable Series B

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

This cover page is not intended to be a summary of the terms of, or the security for, the 2012 Bonds. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision. Capitalized terms shall have the meanings given such terms in the Official Statement.

The Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2012 Series A (the "2012A Bonds") and its Airport Revenue Bonds, 2012 Taxable Series B (the "2012B Bonds" and, together with the 2012A Bonds, the "2012 Bonds") will be issued under and secured by the Master Indenture of Trust between the Authority and The Bank of New York Mellon Trust Company, N.A., as amended and supplemented.

The 2012 Bonds will be issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as owner and nominee of The Depository Trust Company, New York, New York. The 2012 Bonds will be available for purchase in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of ownership interests in the 2012 Bonds will not receive physical bond certificates. As long as Cede & Co. is the registered owner as nominee of DTC, amounts due on the 2012 Bonds will be paid directly to such registered owner with such payment to be subsequently disbursed by DTC to the Beneficial Owners of the 2012 Bonds, as further described herein. Interest on the 2012 Bonds is payable on each January 1 and July 1 commencing July 1, 2012.

The 2012 Bonds are being issued: (i) to finance the 2012 Bond Project; (ii) to fund the 2012 Series Debt Service Reserve Fund; (iii) to provide capitalized interest with respect to the 2012 Bonds; and (iv) to pay the costs of issuance of the 2012 Bonds.

The 2012 Bonds will be subject to redemption as set forth herein.

The 2012 Bonds will be special obligations of the Authority payable solely from, and secured solely by a pledge of, the Trust Estate and the 2012 Series Debt Service Reserve Fund. The Trust Estate consists of the following, subject in each case to the application thereof on the terms and conditions set forth in the Indenture: Net Revenues (consisting of the Pledged Revenues available after the payment of Operating Expenses), Available Revenues and amounts in certain funds established under the Indenture. The pledge of the Trust Estate secures all Outstanding Bonds on a parity basis. The pledge of the Net Revenues and amounts in the Revenue Fund shall be on parity with other Parity Obligations issued in accordance with the Indenture. The pledge of the 2012 Series Debt Service Reserve Fund secures only the 2012 Bonds. Under the Third Supplemental Indenture, the Authority pledges the Pledged Customer Facility Charges as Available Revenues included in the Trust Estate.

The 2012 Bonds will not constitute a charge against the general credit of the Authority. The 2012 Bonds will not be secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except the Trust Estate and the 2012 Series Debt Service Reserve Fund. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, will be pledged to the payment of the 2012 Bonds, and the payment of the 2012 Bonds will not constitute a debt, liability or obligation of the State of California or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, other than the special obligation of the Authority as provided in the Indenture. The Authority has no taxing power.

Maturity Schedule on Inside Front Cover

The 2012 Bonds are offered when, as and if issued, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel to the Authority, and by Richards Watson & Gershon, A Professional Corporation, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by its counsel Stradling Yocca Carlson & Rauth, a Professional Corporation. It is anticipated that the 2012 Bonds in definitive form will be available for delivery through the facilities of DTC on or about May 10, 2012.

Citigroup

Dated: May 2, 2012

MATURITY SCHEDULE

2012 Series A Bonds (AMT)

$6,715,000 5.000% Term Bond due July 1, 2042 – Price: 102.798* – CUSIP†: 120827CQ1

2012 Taxable Series B Bonds

$13,285,000 Serial Bonds due as shown below

Maturity (July 1)	Principal Amount	Interest Rate	Price	CUSIP†
2015	$1,500,000	2.036%	100.000	120827CR9
2016	1,535,000	2.475	100.000	120827CS7
2017	1,570,000	2.775	100.000	120827CT5
2018	1,615,000	3.287	100.000	120827CX6
2019	1,670,000	3.587	100.000	120827CY4
2020	1,730,000	3.928	100.000	120827CZ1
2021	1,795,000	4.128	100.000	120827DA5
2022	1,870,000	4.228	100.000	120827CU2

$25,155,000 5.562% Term Bond due July 1, 2032 – Price: 100.000 – CUSIP†: 120827CV0

$37,010,000 5.812% Term Bond due July 1, 2041 – Price: 100.000 – CUSIP†: 120827CW8

* Price to par call on July 1, 2022.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

2627 North Hollywood Way, Burbank, California 91505

COMMISSION MEMBERS

Don Brown, President
Chris Holden, Vice President
Rafi Manoukian, Secretary
Susan Georgino
Bill Wiggins
Frank Quintero
Dave Weaver
Steve Madison
Terry Tornek

SENIOR MANAGEMENT OF THE AIRPORT

Dan Feger
Executive Director

John T. Hatanaka
Senior Deputy Executive Director

Kathy J. David
Deputy Executive Director,
Finance and Administration

Monica Newhouse-Rodriguez
Deputy Executive Director,
Facilities and Planning

Robert Anderson
Director, Engineering and Planning

Rudy Barrow
Director, Information and
Communication Technologies

Denis Carvill
Acting Director, Operations and Maintenance

Victor J. Gill
Director, Public Affairs and Communications

Mark D. Hardyment
Director, Noise and Environmental Programs

Edward B. Skvarna
Director, Public Safety and Chief of Police

Scott R. Smith
Director, Financial Services

PROFESSIONAL SERVICES

Copelan Consulting, LLC
San Antonio, Texas
Authority Consultant

Ricondo & Associates, Inc.
Cincinnati, Ohio
Airport Consultant

Richards Watson & Gershon
Los Angeles, California
General Counsel to Authority

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California
Bond and Disclosure Counsel

Public Resources Advisory Group
Los Angeles, California
Financial Advisor

The Bank of New York Mellon
Trust Company, N.A.
Los Angeles, California
Trustee, Bond Registrar and Paying Agent

This Official Statement is provided in connection with the initial offering and sale of the Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2012 Series A and 2012 Taxable Series B and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Authority and other sources which are believed to be reliable. This Official Statement is not to be construed as a contract or agreement between the Authority or the Underwriter and purchasers or owners of any of the 2012 Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. 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 or the Bob Hope Airport since the date hereof.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. 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, 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2012 BONDS AT A LEVEL ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2012 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The 2012 Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

relating to

$82,165,000
Burbank-Glendale-Pasadena Airport Authority
Airport Revenue Bonds

$6,715,000 2012 Series A (AMT)	$75,450,000 2012 Taxable Series B

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is furnished in connection with the offering by the Burbank-Glendale-Pasadena Airport Authority (the "Authority") of $6,715,000 of its Airport Revenue Bonds, 2012 Series A (the "2012A Bonds") and $75,450,000 of its Airport Revenue Bonds, 2012 Taxable Series B (the "2012B Bonds" and, together with the 2012A Bonds, the "2012 Bonds"). The 2012 Bonds will be issued under and secured by the Master Indenture of Trust between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), dated as of May 1, 2005 (the "Master Indenture"), as amended and supplemented, including as amended and supplemented by the Third Supplemental Indenture of Trust between the Authority and the Trustee, dated as of May 1, 2012 (the "Third Supplemental Indenture"). The Master Indenture as amended and supplemented is referred to in this Official Statement as the "Indenture." The 2012 Bonds and any bonds previously or subsequently issued under the Indenture are referred to collectively in this Official Statement as the "Bonds." Capitalized terms used in this Official Statement shall have the meanings given such terms in Appendix C, and if not defined in Appendix C, then in the Indenture.

The Authority

The Authority is a joint powers agency created in June 1977 pursuant to the Joint Powers Act and the Joint Powers Agreement among the Cities of Burbank, Glendale and Pasadena, California (collectively, the "Cities"). See "THE AUTHORITY–Joint Powers Agreement."

The Airport

The Authority owns the Bob Hope Airport (formerly known as the Burbank-Glendale-Pasadena Airport) (the "Airport"). The Airport is operated and maintained by the Authority through an airport management services agreement with TBI Airport Management, Inc. ("TBI"). See "THE AIRPORT–Airport Manager." The Airport is located on approximately 558 acres of land about 12 miles northwest of downtown Los Angeles. The Airport's passenger terminal facilities consist of three buildings aggregating approximately 213,000 square feet (the "Passenger Terminal"), divided into two terminals and an administration building. The Passenger Terminal has a total of 14 aircraft gates. There are two runways at the Airport, one of which is equipped with an instrument landing system. See "THE AIRPORT–Description of the Airport."

The Regional Transportation Facilities

To better accommodate access to the Airport by public transportation, consolidate rental car facilities at the Airport and reduce traffic in and around the Airport while enhancing safety and efficiency, the Authority is undertaking the construction of regional intermodal transportation facilities at the Airport (the “Regional Transportation Facilities”). The main element of the Regional Transportation Facilities is a new transportation center (the “Transportation Center”) housing the consolidated car rental facilities (the “Rental Car Facilities”) as well as commuter and shuttle bus facilities and pedestrian facilities (the “Transit Facilities”). The other major elements of the Regional Transportation Facilities are a new parking structure (the “Replacement Parking Structure”) and an elevated walkway connecting the Transportation Center with the Passenger Terminal (the “Elevated Walkway”). Other elements included in the Regional Transportation Facilities are street improvements, utility improvements and landscaping. See “THE REGIONAL TRANSPORTATION FACILITIES.”

The cost of the Regional Transportation Facilities is to be financed through a combination of 2012 Bond proceeds, Customer Facility Charges, Passenger Facility Charges, federal grants, an Authority equity contribution from the Facility Development Reserve (see “FINANCIAL INFORMATION–Investment of Airport Funds” herein) and a loan by the Authority from the Facility Development Reserve. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

2012 Bond Project

Proceeds of the 2012 Bonds are to finance those costs of the Regional Transportation Facilities consisting of the Rental Car Facilities and the portion of the costs of the Replacement Parking Structure attributable to the parking spaces displaced by the Rental Car Facilities. Such financing is referred to as the “2012 Bond Project.”

2012 Bonds

The 2012 Bonds will be dated their date of delivery and will bear interest from that date, payable on July 1, 2012, and on each January 1 and July 1 thereafter at the interest rates, and will mature on July 1 in the years and principal amounts, set forth on the inside cover page of this Official Statement. The 2012 Bonds will be issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as owner and nominee of The Depository Trust Company, New York, New York. The 2012 Bonds will be available for purchase in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. See “THE 2012 BONDS.”

Use of Proceeds

Proceeds of the 2012 Bonds will be used to (i) finance the 2012 Bond Project; (ii) fund the 2012 Series Debt Service Reserve Fund for the 2012 Bonds; (iii) provide capitalized interest with respect to the 2012 Bonds to and including July 1, 2014; and (iv) pay the costs of issuance of the 2012 Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Customer Facility Charges

Customer Facility Charges are Airport charges on rental car customers which, under California law, can be used only for consolidated rental car facilities at the Airport. The 2012 Bond Project has been approved for financing with Customer Facility Charges. The Authority has instituted Customer Facility Charges at the Airport and will apply Customer Facility Charges collected up to June 30, 2014 to the payment of the cost of the 2012 Bond Project. Customer Facility Charges received in each Fiscal Year after such date, up to the amount of debt service on the 2012 Bonds accruing during the applicable Fiscal Year (the “Pledged Customer Facility Charges), are to be applied to the payment of Bonds. Under the Third Supplemental Indenture, the Authority pledges the Pledged Customer Facility Charges as part of the Trust Estate. The Authority, however, based on current projections of Customer Facility Charges, does not anticipate collecting Customer Facility Charges in an amount equal to or greater than the amount of debt service on the 2012 Bonds. See "THE REGIONAL TRANSPORTATION FACILITIES–Expected Revenues Associated with the Rental Car Facilities–*Customer Facility Charges*," "SECURITY FOR THE 2012 BONDS" and "SOURCES OF PLEDGED REVENUES."

Rental Car Facilities Lease Payments

The Authority has entered into Non-Exclusive, On-Airport Rental Car Lease and Concession Agreements (the "Rental Car Company Agreements") with seven rental car companies (the "Rental Car Companies") for the use of the Rental Car Facilities. The Rental Car Company Agreements provide for payment of rent (the "Facility Rent"), commencing on the completion of the Rental Car Facilities, based in part on the amount of the Authority debt service payments in connection with the 2012 Bond Project, net of Customer Facility Charges budgeted to be received by the Authority. Four of the Rental Car Companies currently rent counters in the Airport terminal, two of the Rental Car Companies currently provide off-Airport service and one Rental Car Company will begin service upon the completion of the Rental Car Facilities. See "THE REGIONAL TRANSPORTATION FACILITIES–Expected Revenues Associated with the Rental Car Facilities–*Facility Rent*."

Report of the Airport Consultant

Ricondo & Associates, Inc. has served as the Airport Consultant (the "Airport Consultant") to the Authority with respect to the issuance of the 2012 Bonds and in such capacity has prepared and provided the Report of the Airport Consultant attached to this Official Statement as Appendix A (the "Report of the Airport Consultant"). Such report has been included in this Official Statement in reliance on the authority of Rincondo & Associates, Inc. and its subconsultants as experts in traffic matters and financial projections relating to airports such as the Airport. As stated in the Report of the Airport Consultant, such projections are subject to uncertainties. Therefore, there are likely to be differences between projected and actual results, and those differences may be material. The Report of the Airport Consultant has not been updated to reflect the final terms of the 2012 Bonds or other changes occurring after the date of such report. While the Authority has provided certain historical information as to Airport operations and financial results included in the Report of the Airport Consultant, the Authority assumes no responsibility for the conclusion or projections found in the Report of the Airport Consultant. See "REPORT OF THE AIRPORT CONSULTANT" and Appendix A: "REPORT OF THE AIRPORT CONSULTANT."

Trust Estate

The 2012 Bonds will be special obligations of the Authority payable from, and secured by a pledge of, the Trust Estate and the 2012 Series Debt Service Reserve Fund. The Trust Estate consists of the following, subject in each case to the application thereof on the terms and conditions set forth in the Indenture: Net Revenues, Available Revenues and the moneys in certain funds established under the Indenture. The Net Revenues consist of the Pledged Revenues after the payment of Operating Expenses. The Pledged Customer Facility Charges constitute Available Revenues which are to be deposited directly into the Debt Service Fund for the Bonds.

The pledge of the Trust Estate secures all Outstanding Bonds on a parity basis. The pledge of the Net Revenues securing the Bonds will be on parity with any pledge securing other Parity Obligations issued in accordance with the Indenture. See "SECURITY FOR THE 2012 BONDS–Pledge of Trust Estate" and "SOURCES OF PLEDGED REVENUES."

The 2012 Bonds will not constitute a charge against the general credit of the Authority. The 2012 Bonds will not be secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except the Trust Estate and the 2012 Series Debt Service

Reserve Fund. Neither the faith and credit nor the taxing power of the State of California (the "State") or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, will be pledged to the payment of the 2012 Bonds, and the payment of the 2012 Bonds will not constitute a debt, liability or obligation of the State or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, other than the special obligation of the Authority as provided in the Indenture. The Authority has no taxing power. See "SECURITY FOR THE 2012 BONDS," and Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

2012 Series Debt Service Reserve Fund

The Third Supplemental Indenture establishes the 2012 Series Debt Service Reserve Fund and establishes the Debt Service Reserve Requirement for such Fund as the maximum amount of annual debt service (based on Fiscal Year) on the Outstanding 2012 Bonds (the "2012 Bond Reserve Requirement"). The Third Supplemental Indenture also includes a pledge of the 2012 Series Debt Service Reserve Fund for the benefit of the Owners of the 2012 Bonds. The 2012 Series Debt Service Reserve Fund will be funded at the 2012 Bond Reserve Requirement with proceeds of the 2012 Bonds.

The 2012 Series Debt Service Reserve Fund does not secure the Authority's Outstanding Airport Revenue Bonds, 2005 Series A and 2005 Series B (collectively, the "2005 Bonds") or any other Bonds, except the 2012 Bonds. The 2012 Bonds are not secured by any debt service reserve other than the 2012 Series Debt Service Reserve Fund. See "SECURITY FOR THE 2012 BONDS–2012 Series Debt Service Reserve Fund" and Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Redemption

The 2012 Bonds will be subject to optional redemption and mandatory sinking fund redemption as described under "THE 2012 BONDS–Optional Redemption" and "THE 2012 BONDS–Mandatory Redemption."

Sources of Pledged Revenues

The Pledged Revenues consist mainly of the Airport's operating revenues which, in major part, are dependent on passenger activity at the Airport. For FY 2011* approximately 74.8 percent of the Authority's operating revenues related to passenger activity. While direct payments from the passenger airlines serving the Airport represent a relatively modest portion of operating revenues (approximately 10.1 percent in FY 2011), the Airport is dependent on such airlines attracting passengers to support other major categories of operating revenues including parking fees (approximately 43.7 percent of operating revenues in FY 2011), rental car company rent and concession fees (approximately 12.6 percent of operating revenues in FY 2011) and other Passenger Terminal rent and concessions (approximately 8.4 percent of operating revenues in FY 2011). See "SOURCES OF PLEDGED REVENUES" and "FINANCIAL INFORMATION."

Passenger Activity

Passenger activity at the Airport peaked in FY 2008 with approximately 5.84 million passengers and has declined in each year thereafter with approximately 4.36 million passengers in FY 2011. The Airport Consultant estimates this decline will continue through FY 2013 with passenger activity projected by the Airport Consultant at approximately 4.22 million passengers in FY 2013 and then gradually increasing with passenger activity projected by the Airport Consultant at approximately 4.45 million

* FY followed by a year indicates the fiscal year of the Authority ending on June 30 of the indicated year.

passengers in FY 2017, the final year of the Airport Consultant's projection period. See "AIRPORT OPERATIONS–Airport Traffic" and Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Air Traffic" and "–Financial Analysis and Projections."

Airlines Serving the Airport

As of April 1, 2012, the Airport was served by six U.S. carriers, including five of the nation's twelve major U.S. passenger airlines. Southwest Airlines Co. ("Southwest") is the dominant carrier at the Airport in terms of numbers of flights and enplanements, accounting for approximately 66 percent of enplanements at the Airport in FY 2011. The other major airlines serving the Airport are Alaska Airlines ("Alaska"), JetBlue Airways ("JetBlue"), SkyWest Airlines ("SkyWest") and US Airways. United Airlines ("United") and Delta Air Lines ("Delta") stopped mainline service to the Airport in recent years, but continue to serve the Airport through SkyWest (doing business as United Express) and SkyWest (doing business as Delta Connection) respectively. In addition, the Airport is serviced by Mesa Air Group (doing business as US Airways Express) ("Mesa Air"), and by all-cargo servicers AirNet Express, Ameriflight, FedEx and United Parcel Service. American Airlines ("American"), which filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in November, 2011, ceased operations at the Airport in February, 2012. The Authority does not expect that the bankruptcy of American nor its ceasing operations at the Airport will have a material adverse effect on the financial condition of the Airport. See "AIRPORT USE AGREEMENTS," "FINANCIAL CONDITION OF SIGNATORY AIRLINES," "AIRPORT OPERATIONS–Airline Concentration," "CERTAIN INVESTMENT CONSIDERATIONS–Effects of Airline Bankruptcy" and the information in Appendix A: "REPORT OF THE AIRPORT CONSULTANT" for more information regarding the airlines serving the Airport.

Airport Use Agreements

The Authority has separate but substantially identical Airport Use Agreements with the following airlines: Alaska, JetBlue, SkyWest (doing business as United Express and Delta Connection), Southwest and US Airways (collectively, the "Signatory Airlines"). On April 25, 2012, the bankruptcy court granted American's motion to reject its Airport Use Agreement with the Authority. References to "Signatory Airlines" with respect to periods prior to April 25, 2012 include American. The Airport Use Agreements set forth the business arrangement between the Airport and the Signatory Airlines including, but not limited to, the use of space in the Passenger Terminal, the landing fees and rent applicable to the Signatory Airlines and the Airport's rate setting mechanism. The current Airport Use Agreements expire June 30, 2014 with an Authority option to extend the agreement, upon acceptance of the Signatory Airlines, to June 30, 2019. The Authority cannot give any assurances that such an extension will be agreed upon. Under extraordinary circumstances (i.e. a Signatory Airline is unable to operate at the Airport as a passenger airline because of certain official action), a Signatory Airlines can terminate its Airport Use Agreement after notice as provided in the applicable Airport Use Agreement. See "AIRPORT USE AGREEMENTS," and Appendix D: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

Parity Obligations

As of April 1, 2012, there was $53,550,000 aggregate principal amount of 2005 Bonds outstanding under the Indenture. See "DEBT SERVICE SCHEDULE." While it has no current plans to do so, the Authority may issue Bonds under the Indenture in addition to the 2005 Bonds and the 2012 Bonds, which additional Bonds would be secured by a parity pledge of the Trust Estate. The Authority may also issue Parity Obligations outside the Indenture secured by pledge of Net Revenues and amounts in the Revenue Fund on a parity with the Bonds subject to the terms of the Indenture. See "SECURITY FOR THE 2012 BONDS–Additional Parity Obligations."

Authority for the 2012 Bonds

The 2012 Bonds will be issued pursuant to the provisions of the Indenture and the provisions of Article 4 of the Joint Powers Act. The issuance of the 2012 Bonds and the execution and delivery of the Third Supplemental Indenture were authorized by a resolution adopted by the Commission of the Authority (the "Commission") at its meeting on May 16, 2011, as amended and supplemented by a resolution adopted by the Commission on April 23, 2012.

Continuing Disclosure

The Authority has covenanted in the Indenture and in the Continuing Disclosure Agreement, for the benefit of the Owners and the Beneficial Owners of the 2012 Bonds, to provide certain financial information and operating data and to give notices of certain events to assist the underwriter of the 2012 Bonds named on the cover of this Official Statement (the "Underwriter") in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" and Appendix G: "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

Management's Discussion and Analysis

The Authority's analysis of its financial results for FY 2011 and FY 2010, and certain information concerning the operations at the Airport for such Fiscal Years, including declines in the number of passengers using the Airport, is contained in "FINANCIAL INFORMATION" below and in Appendix B: "FINANCIAL STATEMENTS–Management's Discussion and Analysis."

Certain Investment Considerations

The 2012 Bonds may not be suitable for all investors. Prospective purchasers of the 2012 Bonds should read this Official Statement in its entirety, including its appendices and the information under the section "CERTAIN INVESTMENT CONSIDERATIONS," before making an investment in the 2012 Bonds.

Miscellaneous

This Official Statement contains brief descriptions of, among other things, the 2012 Bonds, the Indenture, the Authority and the Airport's facilities and operations. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the 2012 Bonds are qualified in their entirety by reference to the form of the 2012 Bonds included in the Third Supplemental Indenture. The Authority maintains a website to provide information concerning itself and the Airport. The information on such website is not included as part of this Official Statement.

THE REGIONAL TRANSPORTATION FACILITIES

Description of Facilities

To better accommodate access to the Airport by public transportation, consolidate rental car facilities at the Airport and reduce traffic in and around the Airport while enhancing safety and efficiency, the Authority is undertaking the construction of the Regional Transportation Facilities. The Regional Transportation Facilities are referred to as Phase 1 of the RITC in the Report of the Airport Consultant. The major facilities included in the Regional Transportation Facilities are the Transportation Center, the Replacement Parking Structure and the Elevated Walkway. The Regional Transportation Facilities to be financed with 2012 Bond proceeds are the Rental Car Facilities (estimated cost to be approximately $74.6 million) and the portion of the costs of the Replacement Parking Structure allocable to parking spaces displaced by the Rental Car Facilities (estimated cost to be approximately $7.0 million).

The Transportation Center includes both the Rental Car Facilities and the Transit Facilities and is to be constructed over portions of an existing parking lot in the southeastern portion of the Airport.

The Rental Car Facilities consist of a three level facility (the "Main Structure") and a separate customer service building (the "Customer Service Building") which is built on columns to be at the same height as the second level of the Main Structure and the Elevated Walkway. The Main Structure includes Rental Car Company office space, quick turnaround ("QTA") facilities, communications equipment, ready/return rental car spaces, enclosed premium customer kiosks, vehicle washing stalls, fueling and vacuum facilities, exit booths, storage rooms, and electrical rooms. Based on need, vehicle washing stalls on each level may be converted for use as a light maintenance space for rental cars. The Customer Service Building provides facilities for processing the rental and return of rental cars. The Rental Car Facilities also include three 12,000-gallon underground storage tanks for rental car vehicle fuel. The Transit Facilities consist of a ground level bus/transit center for local and regional transit buses and shuttle services, including bus circulation, parking, loading and unloading area, and a bus passenger waiting area. The Transit Facilities are to be connected to the Elevated Walkway by escalator and elevator.

The Replacement Parking Structure is to be a five level parking garage with approximately 1,040 parking spaces. The Elevated Walkway is to be a covered walkway approximately thirty feet wide and eleven hundred feet long connecting the Transportation Center with the Passenger Terminal. The Elevated Walkway is to contain a moving sidewalk in each direction and additional space for pedestrian movement and electric carts. The facilities related to the major facilities of the Regional Transportation Center include a signalized, surface pedestrian walkway connecting the Transportation Center to the commuter train station adjacent to the Airport, improvements to public streets adjacent to the Airport and bicycle stations.

The Authority received fixed-price bids for the design and construction of the Replacement Parking Structure in January, 2012. The Authority received seven bids and the apparent low bid of $8,496,000 was submitted by Bomel Construction. The Authority received five fixed-price bids for the construction of the Regional Transportation Facilities, other than the Replacement Parking Structure, in March, 2012. The apparent low bid of $72,683,000 was submitted by McCarthy Building Companies. Promptly after receipt of the proceeds of the 2012 Bonds, the Authority intends to enter into contracts with Bomel Construction for the design and construction of the Replacement Parking Structure and with McCarthy Building Companies for the construction of the remainder of the Regional Transportation Facilities (including a design-build concrete component applicable to certain column lines). The Authority intends to give notice to proceed under each contract promptly upon its execution. The Replacement Parking Structure is scheduled to be completed in September 2013 and the Transportation Center, the Elevated Walkway and the other facilities under the McCarthy Building Companies bid are scheduled to be completed in May 2014.

For more information on the Regional Transportation Facilities, see "PLAN OF FINANCE" and Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Airport Facilities and Development."

Future Projects. After the completion of the Regional Transportation Facilities, the Authority expects to undertake additional projects ("Future Projects") related to such facilities. The Future Projects include the construction of an enclosed weather-protected pedestrian bridge connecting the Transportation Center with the commuter train station adjacent to the Airport, the acquisition and rehabilitation of parking lots adjacent to the Airport near the Transportation Center and the reconfiguration of certain runway uses. The Future Projects are referred to as Phase 2 of the RITC in the Report of the Airport Consultant. The Future Projects are ancillary components to the Regional Transportation Facilities and are not critical to the completion or functional operation of the Regional Transportation Facilities.

The estimated construction cost of the Future Projects is between $10 million and $15 million. The Authority does not plan to initiate construction of the Future Projects until plans are fully developed, financial plans are approved and the Regional Transportation Facilities are completed and fully operational. The Authority expects to pay such cost from a combination of Passenger Facility Charges, grant funds from the United States and available Authority funds. The Authority does not expect to issue any Additional Bonds or incur other Parity Obligations to pay for the cost of the Future Projects.

Expected Revenues Associated with the Rental Car Facilities

General. While the 2012 Bonds are secured by a pledge of the Airport's Net Revenues (as defined in the Indenture), the Authority expects both the Pledged Customer Facility Charges receipts and the Facility Rent paid by the Rental Car Companies under the Rental Car Company Agreements to provide sufficient funds to provide for debt service with respect to the 2012 Bonds and the loan from the Facility Development Reserve. For more information about such loan, see "PLAN OF FINANCE." No assurances can be given, however, as to the amount of Pledged Customer Facility Charges, or the amount of Facility Rent, that will actually be realized by the Authority.

Customer Facility Charges. The 2012 Bond Project is eligible for financing from Customer Facility Charges authorized to be levied pursuant to California Civil Code Section 1936 on customers renting vehicles at the Airport. Under California law, Customer Facility Charges imposed by the Authority can be used only for consolidated rental car facilities at the Airport. The Authority intends to apply Customer Facility Charges previously collected and collected up to June 30, 2014 directly to the costs of the 2012 Bond Project. See "PLAN OF FINANCE." Customer Facility Charges received in each Fiscal Year after such date, up to the scheduled debt service on the 2012 Bonds accruing in such Fiscal Year, are Pledged Customer Facility Charges to be applied to the payment of Bonds. Under the Third Supplemental Indenture, the Authority pledges the Pledged Customer Facility Charges as Available Revenues included in the Trust Estate. The Pledged Customer Facility Charges are to be deposited in the Debt Service Fund for the Bonds. The Authority, based on current projections of Customer Facility Charges, does not anticipate collecting Customer Facility Charges in an amount equal to or greater than the amount of debt service on the 2012 Bonds. As the projected annual amounts of Pledged Customer Facility Charges are less than the debt service on the 2012 Bonds, the Airport Consultant has assumed in its projections that all projected Customer Facility Charges received after July 1, 2014 will be Available Revenues applied to debt service on the Bonds. See "REPORT OF THE AIRPORT CONSULTANT" and Appendix A: "REPORT OF THE AIRPORT CONSULTANT."

Customer Facility Charges are collected by the car rental company and remitted to the Authority on a monthly basis. Demand for rental cars, and the total amount of Customer Facility Charges, are highly correlated to passenger activity (although other factors do affect a traveler's decision to rent a car upon arrival at the Airport, such as rental rates and alternative modes of transportation). For a discussion of passenger activity at the Airport, see "AIRPORT OPERATIONS" and Appendix A: "REPORT OF THE AIRPORT CONSULTANT" and Appendix B: "FINANCIAL STATEMENTS–Management's Discussion and Analysis."

Under the California law in effect prior to 2011, all airports in California levying a customer facility charge, including the Airport, were required to levy customer facility charges on a per transaction basis (meaning the customer facility charge was a flat charge regardless of the number of days of the rental). Under such law, the Airport previously imposed $10.00 per transaction Customer Facility

Charges on vehicles rented from the rental car companies at the Airport. In accordance with changes in California law, the Authority changed the Airport Customer Facility Charges to a per transaction day Customer Facility Charge, charging $6.00 per transaction day, with a five transaction day limit. The new Customer Facility Charge rate went into effect on July 1, 2011. The Authority has the ability, subject to compliance with California law, to raise Customer Facility Charges up to $7.50 per transaction day on January 1, 2014, and up to $9.00 per transaction day on January 1, 2017, in each case subject to a five transaction day limit. The Authority currently has no plans to increase the Customer Facility Charge rate.

In FY 2011, there were 318,083 rental car transactions at the Airport subject to Customer Facility Charges. Under the Customer Facility Charge rate of $10 per transaction, the Airport received approximately $3.2 million in Customer Facility Charges in FY 2011. Based on limited information provided by the rental car companies, the Authority estimates that the average length of rental car transactions in FY 2011 was 2.7 days. During the seven month period ended January 31, 2011, under the Customer Facility Charge rate of $10 per transaction, the Airport received $1,818,150 in Customer Facility Charges. During the seven month period ended January 31, 2012, under the new Customer Facility Charge rate of $6.00 per transaction day, the Airport received $3,038,060 in Customer Facility Charges. If the level of rental car transactions and average number of days per rental car transaction remains relatively the same in FY 2012 as compared to FY 2011, the Airport projects it will receive more Customer Facility Charges in FY 2012 under the new Customer Facility Charge rate of $6.00 per transaction day. The Authority, however, cannot predict the total amount of Customer Facility Charges it will receive in the future and does not currently anticipate receiving Customer Facility Charges in an amount sufficient to independently provide for the payment of debt service on the 2012 Bonds. For the Airport Consultant's projection of Airport Customer Facility Charges, see Table IV-9 in Appendix A: "REPORT OF THE AIRPORT CONSULTANT."

Facility Rent. The four rental car companies currently renting counters in the Airport terminal, two off-Airport rental car companies and one new entrant rental car company will relocate their operations to the new Rental Car Facilities upon its completion. In total, there will be seven Rental Car Companies (Avis Budget Car Rental, LLC ("Avis"), Budget Rent a Car of Southern California ("Budget"), DTG Operations, Inc. ("DTG"), Enterprise Rent-A-Car Company of Los Angeles, LLC ("Enterprise"), Fox Rent A Car, Inc. ("Fox"), The Hertz Corporation ("Hertz") and Midway Car Rental, Inc. ("Midway")) operating under nine brand names (Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, Midway and National) at the Rental Car Facilities. The Rental Car Facilities will allow the Rental Car Companies to consolidate their administrative, ready/return, and quick turnaround facilities into one location, providing customers a higher level of service, increased efficiency and environmental and safety benefits. In anticipation of this relocation, the Authority and each of the Rental Car Companies have entered into a Rental Car Company Agreement. Each Rental Car Company Agreement grants a ten year concession period, extendable by the Authority for two additional ten year periods, and a thirty year lease period of a portion of the Rental Car Facilities; provided that such lease period shall end prior to such time if the Authority does not extend the concession of the applicable Rental Car Company. The term of each Rental Car Company Agreement begins upon completion of the Rental Car Facilities. The Rental Car Company Agreements require all Rental Car Companies operating at the Rental Car Facilities to conduct all of their Airport operations at the Rental Car Facilities.

Under the Rental Car Company Agreements, the Rental Car Companies are responsible for the on-going costs of operating, maintaining and repairing the Rental Car Facilities. Each Rental Car Company is obligated to pay the Authority a concession fee consisting of the greater of such company's minimum annual guarantee or 10 percent of its annual gross revenues as defined in the Rental Car Company Agreement. The Rental Car Companies are also obligated to pay Facility Rent, which includes ground rent, that is to be the greater of (i) two dollars per square foot of the leased premises per lease year, indexed to the annual increase in the Consumer Price Index for the Los Angeles-Anaheim-Riverside

Metropolitan Area (1982-84=100) as published by the Bureau of Labor Statistics of the U.S. Department of Labor, or (ii) the sum of (A) the annual ground rent allocable to the Rental Car Facilities, plus (B) debt service on the 2012 Bonds and on the Facility Development Reserve loan, plus (C) replenishment of the debt service rolling coverage reserve as may be required by the debt service covenants, Authority resolutions, the Indenture or other applicable financing documents related to the 2012 Bonds or the Facility Development Reserve loan, plus (D) amounts equal to the total deposits needed to replenish all 2012 Bond reserves to required levels, and any other reserve funds, plus (E) reimbursement of the Facility Development Reserve monies used for the Rental Car Facilities, plus (F) the allocated costs of other off-site or other improvements or other expenditures, as may be agreed to between the Authority and the Rental Car Companies, plus (G) the estimated annual cost of any budget shortfalls, reserve or sinking funds, escrow accounts, capital improvements or other items requiring funding, if any, as may be mutually agreed to between the Authority and the Rental Car Companies, and less (H) the estimated Customer Facility Charge revenues to be remitted to the Authority by the Rental Car Companies plus any other revenues or credits to the Rental Car Companies.

Under this calculation of Facility Rent in the Rental Car Company Agreements, the Rental Car Companies are expected to pay Facility Rent in an amount which, in each Fiscal Year and along with the Pledged Customer Facility Charges, is expected to be in excess of debt service on the 2012 Bonds. The Authority cannot give any assurances as to what impact, if any, an increased Facility Rent due to less than the anticipated amounts of Customer Facility Charges being collected by the Authority will have on the operations of the Rental Car Companies or on the ability of the Rental Car Companies to make all rent and concession payments to the Authority under the Rental Car Company Agreements.

Airport Use Agreements. The Signatory Airlines have approved the 2012 Bond Project as a capital improvement under the Airport Use Agreements. The Airport Use Agreements permit the adjustment of the Rental and Joint Use Fees payable by the Signatory Airlines to include up to twenty-five percent of any estimated deficit resulting from parking and roadway operations, including the Transportation Center and the Replacement Parking Structure. The Airport Use Agreements also permit the adjustment of the Landing Fee rate payable by the Signatory Airlines to include another twenty-five percent of any estimated deficit resulting from parking and roadway operations, including the Transportation Center and the Replacement Parking Structure. The Airport Use Agreements also provide for a discretionary credit against the costs included in determining adjustments to the Rental, Joint Use Fees and Landing Fee rate based on revenues of the parking and roadway operations. The reduction or elimination of any such credit would increase the amount of Pledged Revenues payable by the Signatory Airlines. Because of the anticipated amount of Pledged Customer Facility Charges and the anticipated amount of Facility Rent to be paid by the Rental Car Companies under the Rental Car Company Agreements, the Authority does not expect to increase the amounts due from the Airlines under the Airport Use Agreements (either as direct costs or reductions in credits) with respect to the 2012 Bond Project. See "AIRPORT USE AGREEMENTS."

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PLAN OF FINANCE

Proceeds of 2012 Bonds

Proceeds of the 2012 Bonds will be used to (i) finance the 2012 Bond Project; (ii) fund the 2012 Series Debt Service Reserve Fund for the 2012 Bonds; (iii) provide capitalized interest with respect to the 2012 Bonds to and including July 1, 2014; and (iv) pay the costs of issuance of the 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Estimated Costs and Sources of Funding

The following charts reflect the estimated costs and the estimated funding sources for the Regional Transportation Facilities.

Estimated Costs

Project Component	**Estimated Cost** [(1)]
Rental Car Facilities	$ 70,831,000
Elevated Walkway and Transit Facilities	20,481,000
Replacement Parking Structure	11,135,000
Site Work	5,407,000
Off-Site Improvements	1,073,000
Total	**$ 108,927,000**

Estimated Sources of Funding

Funding Source	**Estimated Funds** [(1)]
2012 Bonds [(2)]	$ 59,274,000
Customer Facility Charges Through Construction	17,135,000
Passenger Facility Charges	16,198,000
Facility Development Reserve Equity	10,190,000
Facility Development Reserve Loan [(3)]	4,594,000
Federal Grants [(4)]	963,000
Interest Earnings	573,000
Total	**$ 108,927,000**

(1) Estimates as of March, 2012. Estimated costs may increase by up to five percent with any increases being funded from additional 2012 Bond proceeds.
(2) Represents 2012 Bond proceeds deposited into the Construction Fund.
(3) The Facility Development Reserve loan is to provide additional funds, if needed, for the costs included in the 2012 Bond Project. Such loan is not payable from or secured by a pledge of the Trust Estate and is expected to be repaid with interest from Customer Facility Charges, if any, in excess of the Pledged Customer Facility Charges and from Facility Rent paid by the Rental Car Companies under the Rental Car Company Agreements which are available for such payment from the Surplus Fund under the Indenture. See "SECURITY FOR THE 2012 BONDS–Flow of Funds" herein.
(4) The Authority has been awarded two federal grants in connection with the Regional Transportation Facilities. The Authority also received other federal grants for noise mitigation, facility improvement and security equipment which are not available for the Regional Transportation Facilities. Amounts received or receivable from the granting agencies, including those provided in connection with the Regional Transportation Facilities, are subject to audit and adjustment by the granting agencies. See Appendix B: "FINANCIAL STATEMENTS–Note 13."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the 2012 Bonds.

	2012A Bonds	2012B Bonds	Total
Sources of Funds:			
Principal Amount	$6,715,000.00	$75,450,000.00	$82,165,000.00
Net Original Issue Premium	187,885.70	-	187,885.70
Total Sources	$6,902,885.70	$75,450,000.00	$82,352,885.70
Uses of Funds:			
Deposit to Construction Fund	$5,868,271.90	$59,706,419.49	$65,574,691.39
Deposit to 2012 Series Debt Service Reserve Fund (1)	489,345.90	5,348,654.10	5,838,000.00
Capitalized Interest (2)	411,293.75	8,866,608.85	9,277,902.60
Costs of Issuance (3)	133,974.15	1,528,317.56	1,662,291.71
Total Uses	$6,902,885.70	$75,450,000.00	$82,352,885.70

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(1) Total represents the Debt Service Reserve Requirement for such Fund upon issuance of the 2012 Bonds. See "SECURITY FOR THE 2012 BONDS–2012 Series Debt Service Reserve Fund."

(2) Deposited in the Debt Service Fund to provide for interest payable with respect to the 2012 Bonds to and including July 1, 2014.

(3) Includes Underwriter's discount, rating agency fees, legal and other professional fees and other costs of issuing the 2012 Bonds.

THE 2012 BONDS

General

The 2012 Bonds will be dated their date of delivery and will bear interest from that date, payable on July 1, 2012, and on each January 1 and July 1 thereafter at the interest rates, and will mature on July 1 in the years and principal amounts, set forth on the inside cover page of this Official Statement. Interest on the 2012 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

Book-Entry Only System

The 2012 Bonds will be issued by means of The Depository Trust Company ("DTC") book-entry system with no distribution of physical bond certificates made to the public. One bond certificate for each maturity of each Series will be issued to DTC, and immobilized in its custody. The book-entry system will evidence ownership of the 2012 Bonds in the principal amount of $5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants.

When issued, the 2012 Bonds will be registered in the name of Cede & Co., as nominee of DTC. So long as DTC, or its nominee, is the registered Owner of all 2012 Bonds, all payments on the 2012 Bonds will be made directly to DTC, or its nominee, and disbursements of such payments to the DTC Participants will be the responsibility of DTC and disbursements of such payments to the Beneficial Owners of the 2012 Bonds will be the responsibility of the DTC Participants. For information on the DTC book-entry system, see Appendix E: "DTC BOOK-ENTRY ONLY SYSTEM."

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS, OR ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT DTC PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE

OWNERS OF THE 2012 BONDS; (C) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF EITHER SERIES OF THE 2012 BONDS; (D) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO ANY 2012 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2012 BONDS; OR (F) ANY OTHER MATTER RELATING TO DTC OR THE DTC BOOK-ENTRY ONLY SYSTEM.

Optional Redemption

Optional Redemption of the 2012A Bonds. The 2012A Bonds will be subject to redemption prior to maturity at the option of the Authority, from any source of funds, in whole or in part (in such amounts as are specified by the Authority), on any date on and after July 1, 2022 at a Redemption Price equal to the principal amount of the 2012A Bonds (or portions thereof) to be redeemed, plus unpaid accrued interest thereon to the redemption date, without premium.

Optional Redemption of the 2012B Bonds. The 2012B Bonds will be subject to redemption prior to maturity at the option of the Authority, from any source of funds, in whole or in part (in such amounts as are specified by the Authority), on any date, at a Redemption Price, as determined by the Designated Investment Banker, equal to the Make-Whole Redemption Price (defined below) plus unpaid accrued interest on the 2012B Bonds (or portions thereof) to be redeemed to the redemption date.

"Make-Whole Redemption Price" means, with respect to a redemption of 2012B Bonds (or portions thereof) at the option of the Authority, the greater of: (i) 100% of the principal amount of the 2012B Bonds (or portions thereof) to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the 2012B Bonds (or portions thereof) to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the redemption date, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 45 basis points.

"Treasury Rate" means, with respect to any redemption date for a particular 2012B Bond (or portion thereof), the rate per annum, expressed as a percentage of the principal amount of such 2012B Bond (or portion thereof), equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as determined by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2012B Bond (or portion thereof), the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the 2012B Bond to be redeemed (in whole or in part), and that would be utilized in accordance with customary financial practice of the Designated Investment Banker in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2012B Bond to be redeemed (in whole or in part).

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2012B Bond (or portion thereof), (i) the yield for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four

Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"Designated Investment Banker" means, as of any date, one of the Reference Treasury Dealers then appointed as such by the Authority.

"Reference Treasury Dealer" means, as of any date, each of the four firms specified by the Authority as of such date that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer").

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2012B Bond (or portion thereof), the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at or about 3:30 p.m. (New York City time) on the Valuation Date.

"Valuation Date" means, with respect to a redemption of 2012B Bonds (or portions thereof) at the option of the Authority, the third Business Day preceding the redemption date.

With respect to an optional redemption of any 2012 B Bond (or portion thereof), the Authority shall (i) specify four Primary Treasury Dealers as Reference Treasury Dealers in connection with such redemption and if any specified firm ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer for such firm if necessary so that there are at least four Reference Treasury Dealers in connection with such redemption; and (ii) appoint one of the Reference Treasury Dealers as the Designated Investment Banker.

Mandatory Redemption

Mandatory Redemption of the 2012A Bonds. The 2012A Bonds are subject to mandatory sinking fund redemption prior to their stated maturity, in part by lot, at a Redemption Price equal to the principal amount of the 2012A Bonds to be redeemed, without premium, on each July 1 commencing July 1, 2041, in the following principal amounts which are the Sinking Fund Installments for such 2012A Bonds:

2012A Bonds Maturing July 1, 2042

Year (July 1)	Principal Amount
2041	$1,155,000
2042 †	5,560,000

† Maturity Date

Mandatory Redemption of the 2012B Bonds. The 2012B Bonds maturing on July 1, 2032 are subject to mandatory sinking fund redemption prior to their stated maturity, in part by lot, at a Redemption Price equal to the principal amount of such 2012B Bonds to be redeemed, without premium, on each July 1 commencing July 1, 2023, in the following principal amounts which are the Sinking Fund Installments for such 2012B Bonds:

2012B Bonds Maturing July 1, 2032

Year (July 1)	Principal Amount
2023	$1,950,000
2024	2,055,000
2025	2,170,000
2026	2,290,000
2027	2,420,000
2028	2,555,000
2029	2,695,000
2030	2,845,000
2031	3,005,000
2032†	3,170,000

† Maturity Date

The 2012B Bonds maturing on July 1, 2041 are subject to mandatory sinking fund redemption prior to their stated maturity, in part by lot, at a Redemption Price equal to the principal amount of such 2012B Bonds to be redeemed, without premium, on each July 1 commencing July 1, 2033, in the following principal amounts which are the Sinking Fund Installments for such 2012B Bonds:

2012B Bonds Maturing July 1, 2041

Year (July 1)	Principal Amount
2033	$3,345,000
2034	3,540,000
2035	3,750,000
2036	3,965,000
2037	4,195,000
2038	4,440,000
2039	4,700,000
2040	4,970,000
2041 †	4,105,000

† Maturity Date

Method of Selecting the 2012 Bonds for Redemption

In the event that less than all of the Outstanding Bonds are to be redeemed at the option of the Authority, the principal amount of each Series, and the principal amount of each maturity within a Series, to be redeemed will be determined by the Authority. In the event that less than all of the 2012 Bonds of a Series and maturity are to be redeemed, the particular 2012 Bonds of such Series and maturity to be redeemed will be selected by lot in such manner as the Trustee determines.

Upon surrender of any 2012 Bonds to be redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner of such 2012 Bond, at the expense of the Authority, a new 2012 Bond or 2012 Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the 2012 Bond surrendered, of the same Series, maturity and terms as the surrendered 2012 Bond.

Notice of Redemption

Notice of redemption of 2012 Bonds will be sent by the Trustee not less than 30 nor more than 60 days prior to the date set for redemption by first class mail, postage prepaid, at the address shown on the Bond Register, to the Owner of each 2012 Bond to be redeemed in whole or in part. During any period that a Securities Depository or its nominee is the registered Owner of the 2012 Bonds to be redeemed, notices will be sent to such Securities Depository or its nominee. During such period, the Trustee will not be responsible for mailing notices of redemption to anyone other than such Securities Depository or its nominee.

Each notice of redemption of 2012 Bonds will specify the Series and maturity date of the 2012 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the 2012 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2012 Bonds to be redeemed, and, in the case of 2012 Bonds to be redeemed in part only, such notice will also specify the respective portion of the principal amount of such 2012 Bonds to be redeemed. Such notice will further state: (i) that on such redemption date there will become due and payable upon each 2012 Bond (or portion thereof) to be redeemed the Redemption Price thereof (or the Redemption Price of the specified portions of the principal amount thereof to be redeemed in the case of 2012 Bonds to be redeemed in part only); except that in the case of a redemption at the option of the Authority, such notice will state that such Redemption Price will become due and payable on such redemption date only if the Trustee holds sufficient funds to pay the Redemption Price of the 2012 Bonds to be redeemed; and (ii) that on such redemption date if the Trustee holds sufficient funds to pay the Redemption Price of the 2012 Bonds (or the portions thereof) to be redeemed, from and after such redemption date interest on such 2012 Bonds (or the portion of such 2012 Bonds to be redeemed) will cease to accrue and be payable.

The failure of any Owner of any 2012 Bond to receive any such notice or any insubstantial defect in such notice will not affect the validity of the proceedings for the redemption of the 2012 Bonds.

Notice of redemption of the 2012 Bonds is also to be sent by the Trustee at least 30 days before the redemption date to all organizations registered with the SEC as securities depositories for municipal bonds, to the Municipal Securities Rulemaking Board and to at least two information services of national recognition which disseminate redemption information with respect to tax-exempt securities. Failure to give notice to such agencies, or any defect therein, will not affect the validity of any proceedings for the redemption of any 2012 Bonds.

If at the time notice of any optional redemption of 2012 Bonds is given, there has not been deposited with the Trustee sufficient moneys to redeem all of the 2012 Bonds called for redemption, the notice will state that such redemption is conditioned upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of sufficient moneys to pay the Redemption Price of the 2012 Bonds to be redeemed. In the event a notice of redemption of 2012 Bonds contains such a condition and such moneys are not so received, the redemption of 2012 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of 2012 Bonds pursuant to the conditional notice of redemption.

DEBT SERVICE SCHEDULE

The following table sets forth for each Fiscal Year the annual accrued Debt Service requirements for the 2012 Bonds and the 2005 Bonds. When issued, the 2012 Bonds and the 2005 Bonds will be the only bonded indebtedness of the Authority.

Fiscal Year Ended June 30	2012A Bonds		2012B Bonds		2012 Bonds	2005 Bonds	2005 and 2012 Bonds Total
	Principal	Interest	Principal	Interest	Total	Total	
2012	-	$47,565	-	$566,149	$613,713	$5,416,638	$6,030,351
2013	-	335,750	-	3,996,345	4,332,095	5,417,612	9,749,707
2014	-	335,750	-	3,996,345	4,332,095	5,415,588	9,747,683
2015	-	335,750	$1,500,000	3,996,345	5,832,095	5,416,375	11,248,470
2016	-	335,750	1,535,000	3,965,805	5,836,555	5,415,775	11,252,330
2017	-	335,750	1,570,000	3,927,813	5,833,563	5,415,188	11,248,751
2018	-	335,750	1,615,000	3,884,246	5,834,996	5,416,762	11,251,758
2019	-	335,750	1,670,000	3,831,161	5,836,911	5,415,662	11,252,573
2020	-	335,750	1,730,000	3,771,258	5,837,008	5,419,588	11,256,596
2021	-	335,750	1,795,000	3,703,304	5,834,054	5,417,750	11,251,804
2022	-	335,750	1,870,000	3,629,206	5,834,956	5,415,500	11,250,456
2023	-	335,750	1,950,000	3,550,142	5,835,892	5,417,750	11,253,642
2024	-	335,750	2,055,000	3,441,683	5,832,433	5,418,750	11,251,183
2025	-	335,750	2,170,000	3,327,384	5,833,134	5,418,000	11,251,134
2026	-	335,750	2,290,000	3,206,689	5,832,439	-	5,832,439
2027	-	335,750	2,420,000	3,079,319	5,835,069	-	5,835,069
2028	-	335,750	2,555,000	2,944,719	5,835,469	-	5,835,469
2029	-	335,750	2,695,000	2,802,610	5,833,360	-	5,833,360
2030	-	335,750	2,845,000	2,652,714	5,833,464	-	5,833,464
2031	-	335,750	3,005,000	2,494,475	5,835,225	-	5,835,225
2032	-	335,750	3,170,000	2,327,337	5,833,087	-	5,833,087
2033	-	335,750	3,345,000	2,151,021	5,831,771	-	5,831,771
2034	-	335,750	3,540,000	1,956,610	5,832,360	-	5,832,360
2035	-	335,750	3,750,000	1,750,865	5,836,615	-	5,836,615
2036	-	335,750	3,965,000	1,532,915	5,833,665	-	5,833,665
2037	-	335,750	4,195,000	1,302,469	5,833,219	-	5,833,219
2038	-	335,750	4,440,000	1,058,656	5,834,406	-	5,834,406
2039	-	335,750	4,700,000	800,603	5,836,353	-	5,836,353
2040	-	335,750	4,970,000	527,439	5,833,189	-	5,833,189
2041	$1,155,000	335,750	4,105,000	238,583	5,834,333	-	5,834,333
2042	5,560,000	278,000	-	-	5,838,000	-	5,838,000
Total	$6,715,000	$10,062,315	$75,450,000	$80,414,206	$172,641,520	$75,836,938	$248,478,458

SECURITY FOR THE 2012 BONDS

The 2012 Bonds will be special obligations of the Authority payable solely from, and secured solely by a pledge of, the Trust Estate and the 2012 Series Debt Service Reserve Fund. The 2012 Bonds will not constitute a charge against the general credit of the Authority. The 2012 Bonds will not be secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except the Trust Estate and the 2012 Series Debt Service Reserve Fund. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, will be pledged to the payment of the 2012 Bonds, and the payment of the 2012 Bonds will not constitute a debt, liability or obligation of the State of California or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, other than the special obligation of the Authority as provided in the Indenture.

Pledge of Trust Estate

The 2012 Bonds will be special obligations of the Authority payable from and secured by a pledge of the Trust Estate and amounts in the 2012 Series Debt Service Reserve Fund. The Trust Estate consists of the following subject in each case to the application thereof on the terms and conditions set forth in the Indenture: (i) the Net Revenues; (ii) all amounts on deposit in the Construction Fund, the Revenue Fund, the Debt Service Fund, the Reserve and Contingency Fund and the Surplus Fund, including the investments, if any, thereof; (iii) the Available Revenues (as designated from time to time by the Authority); and (iv) any additional property that may from time to time, by delivery or by writing of any kind, be subjected to the lien of the Indenture by the Authority or by anyone on its behalf which additional property the Trustee is authorized and directed to accept as part of the Trust Estate securing the Bonds.

The Net Revenues, for any period of time, consist of the Pledged Revenues after the payment of Operating Expenses (as defined below). The pledge of the Net Revenues will be on a parity with other Parity Obligations issued in accordance with the Indenture.

Available Revenues, for any period of time, consist of the amount of Passenger Facility Charges, Customer Facility Charges and Grant Funds received by the Authority during each period and designated by the Authority in its discretion as Available Revenues. Available Revenues will be deposited in the Debt Service Fund and applied to the payment of the Bonds. "Grant Funds" means grants provided to the Authority by the United States or the State pursuant to a Letter of Intent in connection with Airport facilities or projects, including noise abatement projects for facilities which are not a part of the Airport, and which grants are permitted by the terms thereof to be deposited in the Debt Service Fund.

There are currently no Available Revenues pledged under the Master Indenture; however, the Third Supplemental Indenture pledges the Pledged Customer Facility Charges as Available Revenues as described under "–*Available Revenues*" below and "THE REGIONAL TRANSPORTATION FACILITIES–Expected Revenues Associated with the Rental Car Facilities."

In addition to the pledge of the Trust Estate, the 2012 Bonds will also be secured by a pledge of amounts in the 2012 Series Debt Service Reserve Fund. The pledge of the 2012 Series Debt Service Reserve Fund secures only the 2012 Bonds. The 2012 Bonds are not secured by any other Series Debt Service Reserve Fund or amounts in the Debt Service Reserve Fund securing the Participating Bonds. See "–2012 Series Debt Service Reserve Fund" below.

Pledged Revenues. Pledged Revenues mean all income, receipts, earnings and revenues received by or accrued to the Authority, determined in accordance with Generally Accepted Accounting Principles, excluding, except to the extent deposited in the Revenue Fund: (a) gifts, grants and other funds otherwise included in the definition of "Pledged Revenues" which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or Debt Service on Parity Obligations, (b) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of Operating Expenses or Debt Service on Parity Obligations, (c) except as and to the extent provided in the Indenture with respect to the rate covenant and the test for additional Parity Obligations, any Transfer, (d) when any Special Facility Bonds payable therefrom are outstanding, any Special Facility Revenue, (e) any gain or loss from the sale, exchange or other disposition of capital assets of the Authority, (f) any Released Revenues, (g) any unrealized gains or losses on securities held for investment by or on behalf of the Authority, (h) the proceeds of Obligations, (i) any Termination Payments paid to the Authority upon the termination of a Swap, (j) Facilities Construction Credits, (k) Passenger Facility Charges, (l) Customer Facility Charges, (m) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Authority Obligations, (n) any arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code, (o) Capitalized Interest, and (p) interest earnings or other investment earnings on any Account in the Construction Fund established by any Supplemental Indenture unless otherwise provided in such Supplemental Indenture.

Operating Expenses. Operating Expenses means the reasonable and necessary costs and expenses of operating, maintaining and administering the Airport, determined in accordance with Generally Accepted Accounting Principles, including (among other things), charges under management agreements for the operation and maintenance of the Airport, salaries and wages, payments in connection with medical, pension and post-retirement medical plans, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the Airport in good repair and working order, reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, legal fees and expenses, the costs of Capital Improvements to the extent said Capital Improvements are budgeted to be paid from the Operating Fund, the fees and expenses of the Fiduciaries, the regularly scheduled fees (but not the Reimbursement Obligations) to be paid pursuant to any Credit Support Agreement, expenses incurred in connection with the purchase or redemption of Parity Obligations and Subordinate Obligations (but not the purchase price or redemption price of such Parity Obligations and Subordinate Obligations), the amounts required to be paid into the Rebate Fund pursuant to the Rebate Instructions, and all other costs (including overhead of officers and employees of the member cities of the Authority) properly allocable to the operation, maintenance or administration of the Airport, but excluding in all cases amortization of intangibles or other bookkeeping entries of a similar nature, amortization and depreciation of Airport facilities and assets, charges for the payment of principal, Redemption Price, Purchase Price or interest on any Obligations and so long as the revenues in connection with any facility or assets of the Airport are not included as Pledged Revenues, all costs and expenses of operating, maintaining and administering such facilities and assets, including any Special Facility.

Available Revenues. Under the Indenture, Passenger Facility Charges, Customer Facility Charges and Grant Funds are excluded from the pledge of the Indenture unless the Authority, in its discretion, elects to deposit all or any part of the Passenger Facility Charges, Customer Facility Charges or Grant Funds received by the Authority into the Revenue Fund (in which case such deposited funds are considered Pledged Revenues) or elects to designate all or any part of such Passenger Facility Charges, Customer Facility Charges or Grant Fund as Available Revenues, in which case they are to be deposited into the Debt Service Fund for the Bonds (including but not limited to the 2012 Bonds). The Indenture provides that at any time and from time to time, the Authority may file with the Trustee a certificate of an Authorized Authority Representative specifying for any period of time the amount of Passenger Facility

Charges, Customer Facility Charges and Grant Funds which will constitute Available Revenues, during such period and containing a pledge of and granting a lien on and security interest in such Available Revenues to secure the payment of Bonds in accordance with the Indenture. After the filing of a certificate of an Authorized Authority Representative specifying Available Revenues pursuant to the Indenture, the Authority is to deposit the Available Revenues directly into the Debt Service Fund as soon as practicable after such Available Revenues are received. There are currently no Available Revenues pledged under the Master Indenture as security for the Bonds, but the Third Supplemental Indenture pledges the Pledged Customer Facility Charges as Available Revenues as described under "THE REGIONAL TRANSPORTATION FACILITIES–Expected Revenues Associated with the Rental Car Facilities–*Customer Facility Charges*."

The Revenue Fund. The Authority is obligated under the Indenture to deposit all Pledged Revenues into the Revenue Fund. Amounts in the Revenue Fund are to be deposited into the various funds and accounts and applied to the payments specified in the Indenture on a monthly basis. See "–Flow of Funds" below.

Release of Revenues from Pledged Revenues

The Authority may cause a category of income, receipts or other revenues ("Released Revenues") then included in the definition of "Pledged Revenues" under the Indenture to be excluded from such definition for all purposes of the Indenture by filing the following with the Trustee: (a) a written request of an Authorized Authority Representative to release such category of income, receipts and other revenues from the definition of Pledged Revenues, accompanied by a written certificate of an Authorized Authority Representative certifying the Authority is in compliance with all requirements of the Indenture; (b) a report of an Independent Certified Public Accountant to the effect that Net Revenues, excluding the category of Pledged Revenues proposed to become Released Revenues, for each of the two Fiscal Years for which audited financial statements are available immediately preceding the date of such report, were equal to at least 150 percent of Maximum Aggregate Adjusted Annual Debt Service; (c) a certificate of an Airport Consultant retained by the Authority to the effect that based upon current knowledge of the operations of the Airport, Pledged Revenues, excluding the category of Pledged Revenues proposed to become Released Revenues, remaining after payment of the Operating Expenses for the current Fiscal Year are expected to be at least 150 percent of Maximum Aggregate Adjusted Annual Debt Service; (d) a Rating Confirmation in connection with the withdrawal of the category of income, receipts and other revenues proposed to become Released Revenues; (e) a Favorable Opinion of Bond Counsel with respect to the exclusion of the category of income, receipts and other revenues proposed to become Released Revenues from the definition of Pledged Revenues; and (f) the written consent of each Credit Provider, if any, to the release of such category of income, receipts or other revenues then included in the definition of "Pledged Revenue" from such definition for all purposes of the Indenture. Upon delivery of such items to the Trustee, the Released Revenues will no longer be required to be deposited in the Revenue Fund and will not be available to make payments for Operating Expenses or Parity Obligations.

The Authority has not excluded any Released Revenues from the Pledged Revenues under the Indenture. See "CERTAIN INVESTMENT CONSIDERATIONS–2012 Bonds Special Obligations of Authority."

Rate Covenant

General. The Authority has covenanted (the "General Rate Covenant") that, while any of the Bonds remain Outstanding, it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the sum of the following amounts:

(i) the Accrued Debt Service for such Fiscal Year on all Outstanding Parity Obligations;

(ii) the required deposits during such Fiscal Year to the debt service reserves for all Parity Obligations, including the Debt Service Reserve Fund if applicable and each Series Debt Service Reserve Fund;

(iii) the Reimbursement Obligations and amounts due the Reserve Guaranty Providers required to be paid during such Fiscal Year;

(iv) the required deposits during such Fiscal Year into the Operating Reserve Account;

(v) the amounts required to be paid during such Fiscal Year in connection with Subordinate Obligations; and

(vi) the required deposits during such Fiscal Year into the Reserve and Contingency Fund.

The Authority has further covenanted (the "Coverage Rate Covenant" and, together with the General Rate Covenant, the "Rate Covenant") that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the ownership and operation of the Airport and for services rendered in connection therewith, so that for each Fiscal Year the Net Revenues for such Fiscal Year plus any Transfer (as defined below) will be equal to at least 125 percent of Accrued Debt Service on all Outstanding Parity Obligations for such Fiscal Year. For purposes of the Coverage Rate Covenant, the amount of any Transfer taken into account will not exceed 25 percent of the Accrued Debt Service on the Outstanding Parity Obligations for such Fiscal Year. The Indenture provides that Accrued Debt Service does not include Debt Service payable from Capitalized Interest and Available Revenues.

"Transfer" means, with respect to a Fiscal Year, the amount in the Surplus Fund on the last Business Day of such Fiscal Year, plus any amounts withdrawn from the Surplus Fund during such Fiscal Year to pay Operating Expenses and to make any required payments or deposits to pay or secure the payment of principal, Purchase Price or Redemption Price of or interest on Parity Obligations, less any amounts credited to the Surplus Fund from the Revenue Fund during such Fiscal Year.

When calculating Accrued Debt Service for purposes of the Rate Covenant, the amount of Customer Facility Charges designated as Available Revenues and deposited in the Debt Service Fund is a credit against Debt Service.

Failure to Meet Rate Covenant. If in any Fiscal Year either the General Rate Covenant or the Coverage Rate Covenant are not satisfied, the Authority will retain and direct an Airport Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of the Airport rentals, rates, fees and charges for the use of the Airport and for services rendered by the Authority in connection with the Airport. After receiving such recommendations, the Authority will take all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the Authority's business operations and schedule of rentals, rates, fees and charges as may be necessary to produce Net Revenues in the next Fiscal Year sufficient to satisfy the General Rate Covenant and, together with any permitted Transfer, the Coverage Rate Covenant.

In the event that in any Fiscal Year the General Rate Covenant or the Coverage Rate Covenant are not satisfied but, prior to or during the next succeeding Fiscal Year, the Authority has taken all lawful measures to comply with the recommendations of the Airport Consultant as to revisions of the Authority's business operations and schedule of Airport rentals, rates, fees and charges as described above, such deficiency in Net Revenues will not constitute an Event of Default under the Indenture. Nevertheless, if such measures fail to provide Net Revenues sufficient to satisfy the Rate Covenant in the next Fiscal Year (as evidenced by the audited financial statements of the Authority for such Fiscal Year), such deficiency in Net Revenues for two successive Fiscal Years will, with the applicable notice, constitute an Event of Default under the Indenture.

2012 Series Debt Service Reserve Fund

The Third Supplemental Indenture provides that neither Series of the 2012 Bonds will constitute Participating Bonds, so that the payment of the principal of and interest on the 2012 Bonds will be secured by amounts in the 2012 Series Debt Service Reserve Fund and not amounts in the Debt Service Reserve Fund securing the Participating Bonds, such as the 2005 Bonds, nor in any other Series Debt Service Reserve Fund. The Third Supplemental Indenture also includes a pledge of, and lien on, the 2012 Series Debt Service Reserve Fund, including the investments of such amounts and any Reserve Guaranties therein for the benefit and protection of the Owners of the 2012 Bonds. The 2012 Series Debt Service Reserve Fund does not secure the 2005 Bonds or any other Bonds, except the 2012 Bonds.

There will be deposited in the 2012 Series Debt Service Reserve Fund from the proceeds of the 2012 Bonds the amount required so that the balance on deposit in such Fund will equal the 2012 Bond Reserve Requirement, the maximum amount of annual debt service on the Outstanding 2012 Bonds, calculated immediately after the authentication and delivery of the 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

If on the Business Day immediately preceding an Interest Payment Date for the 2012 Bonds or any other date on which any principal or Redemption Price of, or interest on, the Outstanding 2012 Bonds is due, after applying amounts in the Debt Service Fund ratably (based on the amounts due) to the payment of the principal, Redemption Price, Parity Purchase Price and interest then due with respect to all Outstanding Bonds, the amount in the Debt Service Fund available for payment of the principal, Redemption Price, and interest then due with respect to all Outstanding 2012 Bonds is less than the amount due on such date, the Trustee is required to draw funds from the 2012 Series Debt Service Reserve Fund to the extent necessary to pay such principal, Redemption Price and interest.

If the amount on deposit in the 2012 Series Debt Service Reserve Fund at any time is less than the 2012 Bond Reserve Requirement, the deficiency is required to be made up as set forth under "Flow of Funds" below. Whenever the amount in the Debt Service Reserve Fund and all Series Debt Service Reserve Funds (excluding Reserve Guaranties, if any), together with the amount available therefor in the Debt Service Fund, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Fund and all Series Debt Service Reserve Funds are to be transferred to the Debt Service Fund and applied to the payment of the Outstanding Bonds (including principal or applicable sinking fund Redemption Price and interest thereon).

Under conditions specified in the Third Supplemental Indenture, the Authority may satisfy the 2012 Bond Reserve Requirement by delivering a Reserve Guaranty or Reserve Guaranties (consisting of a policy of municipal bond insurance, financial guaranty insurance, surety bond or a letter of credit qualifying under the Indenture) in an aggregate amount equal to the difference between the applicable 2012 Bond Reserve Requirement and the sum, if any, then on deposit in the 2012 Series Debt Service

Reserve Fund or being deposited in the 2012 Series Debt Service Reserve Fund concurrently with such Reserve Guaranty or Reserve Guaranties.

Moneys held in the 2012 Series Debt Service Reserve Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (a), (b), (c), (d), (g), (l) or (m) of the definition of "Permitted Investments" in the Indenture which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Fund, but in any event not later than five years from the time of such investment except that any security described in clause (g) of the definition of Permitted Investments may mature not later than 30 years from the time of such investment provided that the Trustee may make withdrawals of all or any part of such Permitted Investment without penalty upon not more than two Business Days notice. Interest or other income (net of that which (x) represents a return of accrued interest paid in connection with the purchase of any investment or (y) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the 2012 Series Debt Service Reserve Fund shall be paid into the Revenue Fund; provided, however, that such payment shall be made only to the extent the amount remaining in the 2012 Series Debt Service Reserve Fund is not less than the applicable 2012 Bond Reserve Requirement.

Flow of Funds

The Authority is required under the Indenture to promptly deposit all Pledged Revenues in the Revenue Fund upon receipt. The Authority may from time to time, in its sole discretion and without any obligation to do so, deposit moneys other than Pledged Revenues in the Revenue Fund.

As soon as practicable in each month, but in any case no later than the last Business Day of such month, the Authority will withdraw moneys from the Revenue Fund and apply such moneys to the deposits and payments indicated below, in the amounts set forth below:

First, to the Operating Fund, the total amount appropriated for Operating Expenses in such month pursuant to the then current Annual Budget less available amounts in the Operating Fund.

Second,

(i) to the Debt Service Fund*, the amount, if any, required so that the balance in said Fund (other than Capitalized Interest for future interest payments and Available Revenues) will equal the Accrued Debt Service on all Outstanding Bonds as of the last day of such month;

(ii) to the extent not included in Debt Service on Bonds, to each Credit Provider of a Credit Support Instrument relating to the Bonds, the amount of any Primary Reimbursement Obligation payable by the Authority during such month;

(iii) to each Qualified Counterparty the amount of any Net Payments payable by the Authority during such month in accordance with each applicable Qualified Swap relating to the Bonds or investments in funds established by the Indenture; and

(iv) to the applicable trustee or paying agent for, or owner of, Outstanding Parity Obligations not specified above, the amount, if any, required to be paid during such month

* Funds or Accounts held by the Trustee; all other Funds and Accounts held by the Authority.

to such trustee, paying agent or owner as and to the extent required by the Issuing Instruments for Debt Service on such Outstanding Parity Obligations.

Third, to the extent necessary to make the balance therein equal to the applicable Debt Service Reserve Requirement:

(i) to the Debt Service Reserve Fund* an amount equal to one-twelfth (1/12) of the applicable Debt Service Reserve Requirement;

(ii) to each Series Debt Service Reserve Fund* an amount equal to one-twelfth (1/12) of the applicable Debt Service Reserve Requirement; and

(iii) to the applicable trustee for each issue of Outstanding Parity Obligations other than Bonds, the amount, if any, required to be paid during such month to such trustee pursuant to the Issuing Instruments for such Outstanding Parity Obligations.

Fourth, to each Credit Provider any Excess Reimbursement Obligation, if any, payable by the Authority as of the last day of such month in accordance with each applicable Credit Support Agreement.

Fifth, to each Reserve Guaranty Provider any balance due by the Authority as of the last day of such month in accordance with each applicable Reserve Guaranty Agreement.

Sixth, to each Qualified Swap Counterparty any balance due by the Authority, if any, as of the last day of such month in accordance with each applicable Qualified Swap, including any Termination Payments.

Seventh, to the Operating Reserve Account one-twelfth (1/12) of the Operating Reserve Requirement, but only to the extent such deposit is required to make the amount on deposit in the Operating Reserve Account equal to the Operating Reserve Requirement.

Eighth, to the applicable trustee or paying agent for, or owner of, each issue of Outstanding Subordinate Obligations, the amount, if any, required to be paid during such month to such trustee, paying agent or owner with respect to debt service on such Subordinate Obligations pursuant to the applicable Issuing Instruments.

Ninth, to the applicable trustee or paying agent for each issue of Outstanding Subordinate Obligations, the amount, if any, required to be paid during such month to such trustee, paying agent or owner with respect to debt service reserves for such Subordinate Obligations pursuant to the applicable Issuing Instruments.

Tenth, to the Reserve and Contingency Fund the amount, if any, provided for deposit therein during such month pursuant to the then-current Annual Budget.

Eleventh, on the last Business Day of each month, the Authority may withdraw from the Revenue Fund and deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

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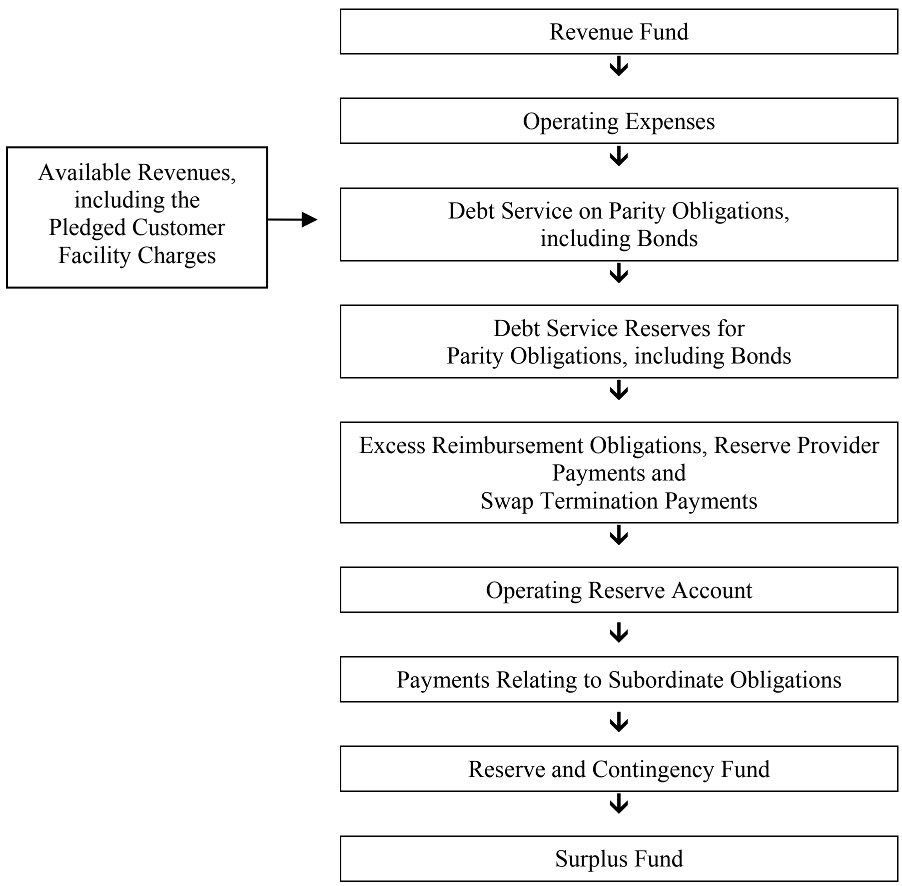
* Funds or Accounts held by the Trustee; all other Funds and Accounts held by the Authority.

In the event there is not then on deposit in the Revenue Fund sufficient moneys to make all the deposits and payments specified above, then such deposits and payments will be made in the priority indicated above. In the event any of the priorities specified above requires more than one such deposit or payment, and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments will be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available moneys.

The following chart indicates the monthly flow of the Pledged Revenues pursuant to the Master Indenture.



Additional Parity Obligations

The Authority is authorized under the Master Indenture (upon the satisfaction of the applicable conditions described below) to issue Parity Obligations. Such Parity Obligations which are Additional Bonds or Refunding Bonds will be secured by a pledge of the Trust Estate on a parity with the 2012 Bonds. The Authority may designate all or any of such Additional Bonds and Refunding Bonds as Participating Bonds which will be secured by amounts in the Debt Service Reserve Fund provided that the amount on deposit in the Debt Service Reserve Fund upon the issuance of such Participating Bonds is at least equal to the Debt Service Reserve Requirement for the Debt Service Reserve Fund. The Authority may designate all or any of such Additional Bonds and Refunding Bonds as not Participating Bonds and such Bonds may be secured by no debt service reserve or by a Series Debt Service Reserve Fund provided that the amount on deposit in any such Series Debt Service Reserve Fund upon the issuance of such Bonds is at least equal to the Debt Service Reserve Requirement for such Series Debt Service Reserve Fund.

The Authority may issue Parity Obligations other than Bonds under Issuing Instruments other than the Master Indenture which will be secured by a pledge of the Net Revenues and amounts in the Revenue Fund on a parity with the Bonds.

Under the Master Indenture, the Authority may issue Additional Parity Obligations if, among other things: (i) the Authority has provided the Trustee with either evidence indicating that the Authority is in compliance with the Rate Covenant or that the conditions described under the caption "SECURITY FOR THE 2012 BONDS–Rate Covenant–*Failure to Meet Rate Covenant*" apply and the Authority is acting on the recommendations of the Airport Consultant as described under such caption; and (ii) either of the following tests (the "Additional Bonds Test") is satisfied:

> (A) an Authorized Authority Representative or an Airport Consultant has provided to the Trustee a certificate stating that, based upon assumptions the Person signing the certificate deems reasonable and, at the option of the Authority, the assumption that in each Fiscal Year, Accrued Debt Service for all Parity Obligations which will be Outstanding during such period will equal Aggregate Adjusted Annual Debt Service for such Fiscal Year, projected Net Revenues will be sufficient to satisfy the Rate Covenant for each of the next five full Fiscal Years following issuance of the Additional Parity Obligations, or each full Fiscal Year from issuance of the Additional Parity Obligations through two full Fiscal Years following completion of the Capital Improvements financed by the Additional Parity Obligations proposed to be issued, whichever is later; provided that if Maximum Aggregate Adjusted Annual Debt Service with respect to the Parity Obligations to be Outstanding after the issuance of the proposed Additional Parity Obligations is greater than 110 percent of Aggregate Annual Adjusted Debt Service for such Parity Obligations in any of the test years, then the last Fiscal Year of the test must use Maximum Aggregate Adjusted Annual Debt Service instead of Accrued Debt Service; and provided further, that if there is Capitalized Interest for any Parity Obligations to be Outstanding after the issuance of the proposed Additional Parity Obligations in the last Fiscal Year of the test period described in this clause (A), the test will be extended through the first full Fiscal Year for which there is no such Capitalized Interest; or
>
> (B) an Authorized Authority Representative has provided to the Trustee a certificate stating that Net Revenues for either the most recent Fiscal Year for which audited financial statements of the Airport are available or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the month of issuance of the proposed Additional Parity Obligations were not less than 125 percent of the sum of (1) Accrued Debt Service during such 12-month period on all Parity Obligations Outstanding in such 12-month period, plus (2) the Maximum Aggregate Annual Adjusted Debt Service for such proposed Parity Obligations.

For purposes of paragraph (A) above, in estimating Net Revenues, the Person signing the certificate required by such clause may take into account (1) Pledged Revenues from Capital Improvements 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 Pledged Revenues which has been approved by the Commission and will be in effect during the period for which the estimates are provided or (3) any other increases in Pledged Revenues which the Person signing the certificate believes to be a reasonable assumption for such period. With respect to Operating Expenses of the Authority, the Person signing the certificate required by paragraph (A) above will use such assumptions as such Person believes to be reasonable, taking into account: (1) historical Operating Expenses of the Authority, (2) Operating Expenses associated with the Capital Improvements to be funded with the proceeds of the Additional Parity Obligations proposed to be issued and any other new Capital Improvements and Airport facilities and (3) such other factors, including inflation and changing operations or policies of the Authority, as the Person signing such certificate believes to be appropriate.

For purposes of paragraph (A) above, the amount of any Transfer taken into account in determining compliance with the Coverage Rate Covenant in any Fiscal Year will not exceed 25 percent of the Aggregate Adjusted Annual Debt Service for such Fiscal Year.

For purposes of paragraph (B) above, no Transfer will be taken into account by the Authorized Authority Representative. In addition, for purposes of paragraph (B) above, the Authority will be allowed to adjust Net Revenues for earnings arising from any increase in Airport rates, charges and fees which has become effective prior to the issuance of such proposed Additional Parity Obligations but which, during the 12-month period utilized by the Authority for purposes of paragraph (B) above, was not in effect for the entire 12-month period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in Airport rates, charges and fees had been in effect during the whole of the 12-month period under consideration, as determined by an Authorized Authority Representative.

Neither of the certificates described under paragraph (A) or paragraph (B) above will be required if the proceeds of Additional Parity Obligations being issued will be used to pay Costs of completing the Construction of a Capital Improvement for which Parity Obligations have previously been issued and the principal amount of such Additional Parity Obligations being issued for completion purposes does not exceed 15 percent of the principal amount of the Parity Obligations originally issued for such Capital Improvement and there is delivered to the Trustee a certificate of an Authorized Airport Representative or an Airport Consultant stating that the nature and purpose of such Capital Improvement has not materially changed and that the proceeds of such Additional Parity Obligations plus any other moneys in the Construction Fund available to pay the Costs of such Capital Improvement are expected to be sufficient to pay the Costs of completing the Construction of the Capital Improvement.

The 2012 Bonds are being issued in compliance with paragraph (A) above of the Additional Bonds Test.

Without satisfying the requirements of the Additional Bonds Test above, the Authority may issue or enter into an Obligation which is a Qualified Swap, the Net Payments under which will constitute Parity Obligations, provided that at the time of entering into the Swap (i) the Qualified Swap will relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations; (ii) the notional amount of the Qualified Swap will not exceed the principal amount of the related Parity Obligations or the amount of such investments, as applicable; and (iii) the counterparty will be a Qualified Counterparty.

The Authority may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in the Additional Bonds Test above are satisfied upon the issuance of such Refunding Obligations and the application of the proceeds thereof; or (ii) the Trustee has received a certificate of an Authorized Authority Representative certifying that the Aggregate Adjusted Annual Debt Service for all Parity Obligations to be Outstanding after the issuance of such Refunding Obligations will not exceed the Aggregate Adjusted Annual Debt Service for all Parity Obligations Outstanding prior to the issuance of such Refunding Obligations in each Test Year.

Without satisfying the requirements of the Additional Bonds Test above, the Authority may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Reimbursement Obligations with respect to Parity Obligations.

The Authority currently does not expect to issue any Additional Bonds. No assurances, however, can be given that no Additional Bonds will be issued.

Other Indebtedness

The Authority is authorized under the Master Indenture to issue debt other than Bonds or other Parity Obligations to finance its capital needs. The Indenture permits the Authority at any time to issue (a) bonds, notes or other obligations payable from and secured by revenues other than Net Revenues, including, but not limited to, Special Facility Bonds, bonds or other obligations payable from Passenger Facility Charges and Customer Facility Charges, and (b) bonds, notes or other obligations payable from Net Revenues on a basis subordinate to the Bonds and other Parity Obligations.

Special Facility Bonds. Special Facility Bonds are generally defined as any revenue bonds, notes or other obligations of the Authority, issued to finance any Special Facility that are payable from and secured solely by the proceeds of such obligations and by rentals, payments and other charges payable by the obligor under the applicable Special Facility Agreement. To date, the Authority has not issued any Special Facility Bonds.

Passenger Facility Charges Secured Indebtedness. The Authority currently imposes a Passenger Facility Charge of $4.50 per enplaned passenger. The Authority expects to use Passenger Facility Charges to pay a portion of the cost of the Regional Transportation Facilities. See "PLAN OF FINANCE." The Authority has used and expects to use Passenger Facility Charges to fund a portion of its capital projects and costs of its community noise compatibility program (see "ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS–Noise Abatement Programs–*Community Sound Insulation Program*"). The Authority currently has not issued any obligations payable from, or secured by, Passenger Facility Charges.

SOURCES OF PLEDGED REVENUES

Under the Master Indenture, Pledged Revenues include, generally, all of the operating revenues of the Authority and such operating revenues constitute most of the Pledged Revenues. Pledged Revenues include certain non-operating revenues, such as investment income on certain funds but does exclude significant categories of income. Unless deposited in the Revenue Fund, Pledged Revenues specifically exclude grants received from the United States, the State of California, or any other governmental entity or agency, Passenger Facility Charges, Customer Facility Charges, proceeds from Bonds or other borrowings of the Authority, moneys derived with respect to any Special Facility while financed with outstanding Special Facility Bonds, and insurance proceeds and condemnation awards. See Appendix C: "SUMMARY OF CERTAIN PROVISION OF THE INDENTURE."

The principal sources of Pledged Revenues are summarized below. The amount of Pledged Revenues received by the Authority are connected to and influenced by the level of passenger activity at the Airport. For further information concerning the sources of Pledged Revenues, see Appendix A: "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX B: "FINANCIAL STATEMENTS."

General

The Airport derives most of its operating revenues from the operation of parking facilities, tenant rent, concessionaire-assessed rents and fees, aircraft landing fees, and other assessments including ground transportation access fees and fuel flowage fees.

Table 1 illustrates a comparative summary of operating revenues for the last five Fiscal Years, along with information as to operating revenues for the initial six months of FY 2011 and FY 2012.

Table 1
Bob Hope Airport
Comparative Summary of Operating Revenues

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	6 mos. ended Dec. 31, 2010	6 mos. ended Dec. 31, 2011
Parking fees*	$26,116,002	$25,979,666	$21,820,676	$20,331,286	$19,825,325	$10,164,945	$ 9,969,313
Tenant Rent:							
Signatory Airlines	2,122,070	2,145,268	2,060,696	2,162,981	2,206,248	1,102,625	1,103,822
Other Tenants	11,022,008	11,933,896	12,492,940	11,909,562	11,414,382	5,787,747	5,702,051
Total Tenant Rent	13,144,078	14,079,164	14,553,636	14,072,543	13,620,630	6,890,371	6,175,873
Concession fees	9,454,270	10,004,525	8,744,000	7,944,325	8,098,199	4,052,905	4,234,201
Aircraft Landing fees	3,598,358	3,660,367	3,299,103	2,996,230	2,808,867	1,457,173	1,425,576
Other	1,279,908	1,224,677	992,499	1,033,033	1,011,990	511,766	490,383
Total Operating Revenues:	**$53,592,616**	**$54,948,399**	**$49,409,915**	**$46,377,417**	**$45,365,011**	**$23,077,161**	**$22,022,346**

Source: Burbank-Glendale-Pasadena Airport Authority.

As reflected in Table 1, total operating revenues* of the Airport decreased by $1,012,406, or approximately 2 percent from FY 2010 to FY 2011. In FY 2012 as of December 31, 2011, the total operating revenues* decreased by approximately $1.05 million when compared to FY 2011 as of December 31, 2010, from approximately $23.08 million to $22.03 million. These decreases are primarily the result of lower parking fees revenue, lower landing fee revenue and lower concession revenues resulting from decreases in passengers. See Appendix B: "FINANCIAL STATEMENTS–Management's Discussion and Analysis" and "AIRPORT OPERATIONS–Traffic Activities."

Parking Fees

General. Parking fees are collected by the Authority and such revenues* are the most significant revenue source for the Airport, comprising $19,825,325 or approximately 44 percent of total operating revenues for FY 2011. Public parking facilities at the Airport include a 431-space, four-level structure that was completed in 1969 for short-term parking, as well as valet parking and five economy lots. Airport parking facilities provide approximately 6,637 spaces. Shuttle buses operated by Standard Parking Corp. transport passengers to and from remote parking spaces (Economy Lots A, B, C and D). Parking in the short-term parking garage and short-term lot next to the Passenger Terminal costs $31.00 per day. Valet parking has two tier levels of cost: $21.00 per day for gold level service and $31.00 per day for platinum level service. The economy parking lots range from $10.00 per day to $12.00 per day (lots A, B and C costs $10.00 per day, and economy lot D costs $12.00 per day). The Authority increased the parking rates by $1.00 per day in February, 2011 with the proceeds of this increase to be applied to the settlement of an environmental contamination issue. See "CERTAIN INVESTMENT CONSIDERATIONS–Environmental Contamination" and Appendix B: "FINANCIAL STATEMENTS–Note 17." The Authority intends to replace the public parking spaces at the Airport displaced by the Regional Transportation Facilities with the Replacement Parking Structure. See "THE REGIONAL TRANSPORTATION FACILITIES."

Parking revenues generally coincide with the levels of passenger activity. Parking revenues* declined from $20,331,286 in FY 2010 to $19,825,325 in FY 2011. See Appendix B: "FINANCIAL STATEMENTS–Management's Discussion and Analysis." The Authority collects and forwards to the

* Includes a 12 percent City of Burbank parking tax, which is included in "other operating expenses" in Table 10 under "FINANCIAL INFORMATION" herein.

City of Burbank ("Burbank") 12 percent of its public parking revenues as part of Burbank's transient parking tax.

As a result of the construction of the Regional Transportation Facilities, approximately 1,040 parking spaces in Parking Lot D and the valet parking lot will be displaced. The Authority plans to replace those spaces on a one-for-one basis by constructing the Replacement Parking Structure. See "THE REGIONAL TRANSPORTATION FACILITIES."

Parking Services Agreement. On February 10, 2012, the Authority entered into a contract with Standard Parking Corp. for self-park management services, valet parking services and employee and customer busing services, ending the Authority's previous engagement with Central Parking System. Compensation under this contract is based on a fixed management fee and reimbursement of operating costs. In FY 2011, the costs under the contract with Central Parking System totaled $6,861,672.

Rent

The Authority currently leases approximately 19,000 square feet of exclusive use space and licenses approximately 95,000 square feet of joint use space in the Passenger Terminal to the Signatory Airlines pursuant to the Airport Use Agreements. The Authority has adopted terminal rental rates by classification of space and has adjusted those rates on an infrequent basis. Current terminal rates rental range from $8.74 to $26.74 per square foot per year. For FY 2011, the Signatory Airlines paid a total of $2,206,248 in terminal rents.

In addition to space in the Passenger Terminal made available to the Signatory Airlines under the Airport Use Agreements, the Authority also leases Passenger Terminal space to other tenants providing goods and services, including telephone, banking and security services. These leases expire in 2015, except for one lease set to expire in 2013 which is currently under negotiations for renewal. For FY 2011, the Authority received approximately $169,827 under such leases.

The Authority also currently leases approximately 3,364,000 square feet of land and the buildings and improvements on the land. These leases include 11 hangars and unimproved land for automobile storage as well as the land and facilities for 2 fixed based operators. The Authority currently has 41 such leases expiring in the years 2013 to 2031. For FY 2011, the Authority received approximately $11,244,555 under such leases.

The Authority also receives rent from rental car companies through the existing rental car lease and concession agreements. See "–Concessions–*Rental Cars*" below. Upon the completion of the Rental Car Facilities, the Authority will receive Facility Rent, which includes ground rent, from the Rental Car Companies under the Rental Car Company Agreements. See "THE REGIONAL TRANSPORTATION FACILITIES–Expected Revenues Associated with the Rental Car Facilities."

The total amount of tenant rent the Authority received in FY 2011 was $13,620,630, which is approximately 3 percent less than the total amount of tenant rent it received in FY 2010, $14,072,543. The Authority has the ability to adjust the rental rates for the Signatory Airlines in accordance with the terms of the Airport Use Agreements (see Appendix D: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."). The Authority also has the ability to adjust the rental rates for the current on-Airport rental car companies in accordance with the applicable leases and, upon completion of the Rental Car Facilities, for the Rental Car Companies in accordance with the terms of the Rental Car Company Agreements.

Concessions

In FY 2011, the Authority received $8,098,199 from concessions. The following is a breakdown of certain concessionaires at the Airport.

Food and Beverage. The Authority entered into an agreement with MCS Burbank, LLC, a Nevada limited liability company, for the exclusive operation of public food and beverage concessions at the Airport. The food service agreement, which expires June 30, 2013, provides for payment to the Authority of the greater of an annual minimum ($1,190,180 for FY 2011) or 12 percent of gross receipts from the sale of food and non-alcoholic beverages and 17 percent of the gross receipts from the sale of alcoholic beverages. During FY 2011, the Authority received $1,472,219 from food and beverage concessions.

Gift and Newsstand Concession. The Airport also has an exclusive agreement for gift and newsstand concessions with The Paradies Shops, Inc., a Georgia corporation. The gift and newsstand agreement, which expires on April 30, 2015, provides for payments to the Authority equal to the greater of 17.5 percent of annual gross revenue or an annual minimum ($780,411 for FY 2011), which amount includes $15,182 for space rental. During FY 2011, the Authority received $788,704 from gift and newsstand concessions. In addition, the Authority received a total of $520,605 in FY 2011 in connection with advertising concessions, flowers, wi-fi internet services, baggage carts and miscellaneous products and services.

Rental Cars. The Authority previously entered into separate non-exclusive rental car lease and concession agreements (the "Prior Rental Car Agreements") with three rental car companies operating four brand names that maintain counters in the terminal and that rent ready/return spaces adjacent to the Passenger Terminal – Hertz operating its Hertz brand, Avis operating its Avis brand, and Enterprise operating its National and Alamo brands. These companies pay the Authority a concession fee equal to 10 percent of gross revenue (subject to a minimum annual guarantee) and rent for the ready/return spaces. The Authority also has agreements with two companies that maintain counters in the terminal but shuttle their customers to their facilities off-Airport – Budget operating its Budget brand and Enterprise operating its Enterprise brand. These companies pay the Authority a concession fee equal to 9 percent of gross revenue (subject to a minimum annual guarantee). The Prior Rental Car Agreements currently have a month-to-month term. On-Airport rental car concession revenue amounted to $5,128,830 in FY 2011. In addition, there are two rental car companies that are located off-Airport and maintain no facilities on the Airport, which pay the Authority 8 percent of gross revenue – Fox and Midway. The Authority received $187,841 in revenues from these off-Airport operators in FY 2011. See "THE REGIONAL TRANSPORTATION FACILITIES–Expected Revenues Associated with the Rental Car Facilities" for information regarding the new Rental Car Company Agreements the Authority has entered into with the Rental Car Companies to operate in the Rental Car Facilities.

Landing Fees

The Airport Use Agreements provide for a landing fee rate for the Signatory Airlines of $0.80 per 1,000 pounds landed weight. The Authority sets the landing fee rate for aircraft other than those of the Signatory Airlines by resolution. The current landing rate for aircraft other than Signatory Airline aircraft is $1.29 per 1,000 pounds landed weight. The total amount of landing fees is dependent on the number of pounds of landed weight at the Airport. During the FY 2011, the total amount of landed weight for all aircraft including all-cargo airplanes was approximately 3.28 billion pounds. The total amount of landing fees the Authority received in FY 2011 was $2,808,867. This is a decrease from the FY 2010 results, which were approximately 3.49 billion pounds and $2,996,230, respectively. The Authority has the ability to adjust the landing fee rates for the Signatory Airlines in accordance with the terms of the Airport

Use Agreements and for others by Authority resolution. The Authority is reviewing its rates and charges under the Airport Use Agreements and is considering its options to meet increasing costs. The Authority expects to increase the landing fee rate commencing July 1, 2012 to $0.97 per 1,000 pounds landed weight for the Signatory Airlines and $1.56 per 1,000 pounds landed weight for other parties. The Report of the Airport Consultant assumes landing fee rate increases commencing in FY 2013. See Appendix D: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS" " and Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Financial Analysis and Projections–Airline Revenues."

AIRPORT USE AGREEMENTS

The Authority has separate but substantially identical Airport Use Agreements with the Signatory Airlines: Alaska, JetBlue, SkyWest (doing business as United Express and Delta Connection), Southwest and US Airways. United and Delta stopped mainline service to the Airport but United continues to serve the Airport through SkyWest (doing business as United Express) and Delta continues to serve the Airport through SkyWest (doing business as Delta Connection). American filed for bankruptcy in November, 2011 and ceased operations at the Airport in February 2012. On April 25, 2012, the bankruptcy court granted American's motion to reject its Airport Use Agreement with the Authority. As of March 1, 2012, American owed to the Authority approximately $42,000 under its Airport Use Agreement. While American is current in its payment obligations to the Authority (other than the pre-petition amount of $42,000), additional amounts may accrue but remain unpaid under the Airport Use Agreement with American. The Authority cannot predict how much, if any, of the amounts owed the Authority by American will be paid. The Authority does not expect the bankruptcy of American or American's termination of service at the Airport to have a material adverse effect on the financial position of the Authority.

The Airport Use Agreements set forth the business arrangement between the Airport and the Signatory Airlines including, but not limited to, the use of space in the Passenger Terminal and the landing fees applicable to the Signatory Airlines, provisions for airline approval of certain capital improvement projects, insurance, indemnification, environmental compliance, maintenance of Airport faculties, security deposit and the Airport's rate setting mechanism. The current Airport Use Agreements expire June 30, 2014 with an Airport option to extend the agreement, upon acceptance of the Signatory Airlines, to June 30, 2019. A Signatory Airline can, however, in extraordinary circumstances, where because of official action the Signatory Airline is unable to operate at the Airport as a passenger airline and where the Signatory Airline is not in default in its payments or other obligations to the Authority, terminate its respective Airport Use Agreement with advance written notice (the length of which varies depending on the circumstances) in accordance with the terms of the Airport Use Agreement. Upon termination, such Signatory Airline would have to either vacate and cease operations at the Airport, or continue operating at the Airport as a non-signatory airline.

For FY 2011, the Signatory Airlines and their affiliates accounted for virtually 100 percent of the enplaned passengers at the Airport and approximately 10.1 percent of the Airport's operating revenues for FY 2011.

Under the Airport Use Agreements, the Signatory Airlines lease Exclusive Use Space consisting of space designated for a Signatory Airline's administrative office, operations office, ticket counter, ramp storage, baggage service, cargo bay, baggage make up space and cargo public parking, and have a nonexclusive license to use Joint Use Space consisting of non-exclusive baggage claim space, non-exclusive holdroom space, non-exclusive ticket counter space and non-exclusive passenger screening space. The Authority is developing a Common Use Passenger Processing System ("CUPPS") to make more efficient use of the Passenger Terminal space and its fourteen gates while making passenger check-in easier. The Authority anticipates that the CUPPS system is expected to become fully operational in the spring of 2013 and will result in less Exclusive Use Space and more Joint Use Space in the Passenger Terminal for the Signatory Airlines.

Under the Airport Use Agreements, the Signatory Airlines agree to pay rent, joint use fees and landing fees. The Airport Use Agreements provide for adjustments to the rentals, joint use fees and landing fee rates generally on an annual basis with respect to the costs of the Passenger Terminal and the Airport's airfield areas. The Airport Use Agreements also provide for extraordinary increases in landing fee rates in the event Airport revenues are insufficient to satisfy Airport expenses. The Authority does not believe it will need to raise rent and fees under the Airport Use Agreements during the remainder of FY 2012, but the Authority anticipates it may have to raise rent and/or fees under the Airport Use Agreements in future Fiscal Years. Significant increase in rents, joint use fees or landing fees would increase the cost of the Signatory Airlines' operations at the Airport and could adversely affect the level of Signatory Airline activity at the Airport and the renewal of the Airport Use Agreements. No assurances can be given that the Signatory Airlines will be able to satisfy their obligations under the Airport Use Agreements or that the Airport Use Agreements will be renewed in their current form.

Under each Airport Use Agreement, the Signatory Airline is to make payments monthly for amounts due the Authority for both the occupation and use of space in the Passenger Terminal and for landing fees. Each Airport Use Agreement provides for a security deposit (any of a letter of credit, surety bond or cash) equal to three months estimated monthly rent and landing fees.

The Airport Use Agreements are subject and subordinate to the Indenture, and other trust agreements and resolutions of the Authority. If there are any conflicts between the Airport Use Agreements and the Indenture, the Indenture will govern. For more information on the Airport Use Agreements, see Appendix D: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

FINANCIAL CONDITION OF SIGNATORY AIRLINES

Information Concerning Airlines

The Authority makes no representation as to the business operations, financial condition or future viability of any airline and makes no representation about the filings referred to below.

The principal domestic airlines, or their respective parent corporations, including each Signatory Airline, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information, including financial information, with the Securities and Exchange Commission ("SEC"). The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Copies of such reports and statements can be obtained from the SEC website at http//www.sec.gov. The Authority has no responsibility for the completeness or accuracy of information available from the SEC, including, but not limited to, updates of information on the SEC's website or links to other websites accessed through the SEC's website. None of the information filed by the airlines or on the SEC's website is incorporated into this Official Statement.

Passenger Facility Charges

Airlines that serve the Airport are required not only to make payments under various agreements with the Authority but also to pay to the Authority the Passenger Facility Charges collected from passengers on behalf of the Airport. No Passenger Facility Charges are pledged to the repayment of the

Bonds although the Authority currently collects Passenger Facility Charges and expects to use Passenger Facility Charges to pay for a portion of the costs of its off-Airport sound insulation program (along with other funds, including Federal Aviation Administration ("FAA") Airport Improvement Program ("AIP") grants), and to pay for certain capital improvements to the Airport, including a portion of the costs of the construction of the Elevated Walkway, a component of the Regional Transportation Facilities. Passenger Facility Charges will not be used as a source of repayment on the Bonds.

The Passenger Facility Charge Acts (consisting of the Aviation Safety and Capacity Expansion Act of 1990, P.L. 101-508; the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century, P.L. 106-181; the VISION 100-Century of Aviation Reauthorization Act, P.L. 108-176; and the Federal Aviation Administration Extension Act of 2008, P.L. 110-330) provide that Passenger Facility Charges collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency imposing the Passenger Facility Charges, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for Passenger Facility Charge collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted to commingle Passenger Facility Charge collections with other revenues, but airlines that have filed for Chapter 7 or 11 bankruptcy protection are required to segregate Passenger Facility Charge revenue in a separate account for the benefit of the airport and cannot grant a third party any security or other interest in the Passenger Facility Charge revenue. If such airlines fail to segregate such Passenger Facility Charge revenues, the trust fund status may not be defeated by the inability to trace the precise funds in the accounts of these airlines. The airlines are entitled to retain interest earned on Passenger Facility Charge collections until such Passenger Facility Charge collections are remitted. The Authority cannot predict, however, whether an airline that files for bankruptcy protection will properly account for the Passenger Facility Charges or whether the bankruptcy estate will have sufficient moneys to pay the Authority in full for the Passenger Facility Charges owed by such airline.

Effect of Signatory Airlines Airport Operations

As discussed above in "SOURCES OF PLEDGED REVENUES," the Signatory Airlines, through payments of rent and landing fees, provided the Airport with $4,568,073 in revenue for FY 2011. That amounts to approximately 10.1 percent of the Airport's total operating revenue for FY 2011. While this percentage is still significant, it trails parking fees, non-Signatory Airline rent and concession fees extensively in terms of the total amount of revenue provided the Airport. Although Signatory Airline landing fees and rent are not a leading source of revenue for the Airport, it is important to note that the activity of airlines at the Airport is reasonably correlated with the total number of passengers at the Airport. It follows that these passengers pay for parking and concessions which account for large portions of the Airport's revenues. Thus, the financial condition of the airlines serving the Airport is reasonably expected to affect Airport operations. The Authority, however, cannot predict the extent of this impact or the financial condition of the airlines serving the Airport. See "CERTAIN INVESTMENT CONSIDERATIONS."

REPORT OF THE AIRPORT CONSULTANT

The Authority has retained Ricondo & Associates, Inc. as the Airport Consultant to provide the Report of the Airport Consultant in connection with the issuance of the 2012 Bonds. Such report has been included in this Official Statement in reliance on the authority of Ricondo & Associates, Inc. and its subconsultants as experts in traffic matters and financial projections relating to airports such as the Airport. As stated in the Report of the Airport Consultant, the projections contained therein are subject to uncertainties. Therefore, there are likely to be differences between projected and actual results, and those differences may be material. The Report of the Airport Consultant has not been updated to reflect the final terms of the 2012 Bonds or other changes occurring after the date of such report. While the Authority has provided certain historical information as to Airport operations and financial results included in the Report of the Airport Consultant, the Authority assumes no responsibility for the conclusions or projections found in the Report of the Airport Consultant. See “REPORT OF THE AIRPORT CONSULTANT” and Appendix A: “REPORT OF THE AIRPORT CONSULTANT.”

The Report of the Airport Consultant should be read in its entirety for a discussion of historical and forecast results of Airport operations and the assumptions and rationale underlying the forecasts. Table 2 summarizes the Airport Consultant’s forecasts of Pledged Revenues, Operating Expenses, Net Revenues, and deposits to the various funds and accounts under the Indenture, as well as Debt Service coverage for the period FY 2012 through FY 2017. The Report of the Airport Consultant is based on a number of assumptions and projections as discussed in such Report, including the assumption that all projected Customer Facility Charges received by the Authority after July 1, 2014 constitute Pledged Customer Facility Charges, and that such Pledged Customer Facility Charges, together with Facility Rent from the Rental Car Companies, will provide sufficient funds to provide for debt service on the 2012 Bonds. In the opinion of the Airport Consultant, the assumptions provide a reasonable basis for the forecasts. The forecasts indicate compliance with the Rate Covenant contained in the Master Indenture for each Fiscal Year of the forecast period. The Airport’s future operating and financial performance, however, may vary from the projections and such variances may be material.

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Table 2
Report of the Airport Consultant
Debt Service Coverage (Fiscal Years ending June 30)
Burbank-Glendale-Pasadena Airport Authority

		Actual	Estimated	Projected					MADS[1]
		2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2020**
Total Airline Revenues		$5,015,115	$4,976,162	$5,587,200	$6,565,900	$7,289,000	$7,871,900	$8,480,900	$8,480,900
Total Nonairline Revenues		40,349,896	38,075,000	38,841,300	39,425,900	41,923,800	42,760,100	43,373,800	43,373,800
Total Non-operating Revenues		2,513,144	2,400,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Total Pledged Revenues	[A]	$47,878,155	$45,451,162	$47,128,500	$48,691,800	$51,912,800	$53,332,000	$54,554,700	$54,554,700
Total Operating Expenses	[B]	$35,083,450	$37,760,169	$38,533,100	$39,934,500	$41,284,500	$42,544,800	$43,848,200	$43,848,200
Net Pledged Revenues (before Surplus Account)	[C = A-B]	$12,794,705	$7,690,993	$8,595,400	$8,757,300	$10,628,300	$10,787,200	$10,706,500	$10,706,500
Transfer from Surplus Account for 2005 Bonds [2]	[D]	0	0	1,354,403	1,353,897	1,354,094	1,353,944	1,353,797	1,354,897
Transfer from Surplus Account for 2012 Bonds [3]	[E]	0	0	0	138,300	1,772,500	1,772,300	1,772,000	1,772,200
Net Pledged Revenues (including Surplus Account)	[F = C+D+E]	$12,794,705	$7,690,993	$9,949,803	$10,249,497	$13,754,894	$13,913,444	$13,832,297	$13,833,597
Debt Service and Required Deposits									
Debt Service on 2005 Bonds		$5,420,438	$5,416,638	$5,417,613	$5,415,588	$5,416,375	$5,415,775	$5,415,188	$5,419,588
Debt Service on 2012 Bonds		0	0	0	553,147	7,089,900	7,089,025	7,087,900	7,088,900
Total Annual Gross Debt Service		$5,420,438	$5,416,638	$5,417,613	$5,968,735	$12,506,275	$12,504,800	$12,503,088	$12,508,488
Less: CFC Revenues for Debt Service		0	0	0	553,147	4,941,000	5,001,000	5,064,600	5,064,600
Total Annual Net Debt Service	[G]	$5,420,438	$5,416,638	$5,417,613	$5,415,588	$7,565,275	$7,503,800	$7,438,488	$7,443,888
Deposits to Operating Reserve Account		355,013	172,954	193,200	350,400	337,500	315,100	325,900	325,900
Total Debt Service and Required Deposits	[H]	$5,775,450	$5,589,592	$5,610,813	$5,765,988	$7,902,775	$7,818,900	$7,764,388	$7,769,788
Debt Service Coverage Ratios									
(Compliance with Rate Covenant)									
Net Pledged Revenues to Debt Service and Required Deposits (must equal or exceed 1.0x)	[I = C/H]	2.22	1.38	1.53	1.52	1.34	1.38	1.38	1.38
Net Pledged Revenues + Transfer [2][3] to Total Annual Debt Service (must equal or exceed 1.25x)	[J = F/G]	2.36	1.42	1.84	1.89	1.82	1.85	1.86	1.86

[1] MADS means maximum annual debt service.

[2] The Indenture allows the balance in the Surplus Fund, up to 25% of annual debt service, to be added to current Net Revenues (such addition, a "Transfer") to satisfy the 1.25x rate covenant test. The Authority intends to retain Pledged Revenues generated in FY 2012 equal to 25% of MADS on the 2005 Bonds in the Surplus Fund to provide for such a Transfer in FY 2013 and each subsequent Fiscal Year. Beginning in FY 2013, a transfer from the Surplus Fund equal to 25% of annual debt service for the 2005 Bonds is included in the annual calculation of debt service coverage for the purpose of determining compliance with the 1.25x rate covenant test.

[3] The Authority intends to deposit an amount equal to 25% of MADS on the 2012 Bonds in the Surplus Fund in FY 2013 to provide for such a Transfer in FY 2014 and each subsequent Fiscal Year. Beginning in FY 2014, a Transfer equal to 25% of annual debt service for the 2012 Bonds is applied to the annual calculation of debt service coverage for the purposes of determining compliance with the 1.25x rate covenant test.

Source: The Authority; Ricondo & Associates, Inc.

Table 2 includes only certain information found in the Report of the Airport Consultant. For more information about the Airport and about the forecasts of the Airport Consultant, see Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Financial Analysis." As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Therefore, there are likely to be differences between forecasts contained in the Report of the Airport Consultant and actual results, and those differences may be material. Regulatory and other restrictions may also adversely affect the ability of the Airport to achieve the projections in the Report of the Airport Consultant. Accordingly, the forecasts contained in the Report of the Airport Consultant 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 Airport 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 2012 Bonds are cautioned not to place undue reliance upon the Report of the Airport Consultant 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 are not realized, the amount of Available Revenues from Customer Facility Charges and Net Revenues 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 Bonds, including the 2012 Bonds, may be materially adversely affected.

For information regarding historical debt service coverage, see "FINANCIAL INFORMATION–Historical Debt Service Coverage."

THE AUTHORITY

Organization and Powers

The Authority was created in June 1977 for the sole purpose of owning and operating the Airport when the Cities of Burbank, Glendale and Pasadena entered into the original form of the Joint Powers Agreement pursuant to the provisions of the Joint Powers Act. Under the Joint Powers Agreement and the Joint Powers Act, the Authority has the powers common to the Cities to acquire, operate, repair, maintain, improve and administer the Airport, subject only to such restrictions upon the manner of exercising such powers as are imposed upon Burbank in the exercise of similar powers. Although the Authority has the authority under the Airport Use Agreements and its Rules and Regulations to establish rates and charges, and also has the ability under legislation to impose Passenger Facility Charges and Customer Facility Charges (subject to the restrictions contained in such legislation), the Authority does not have the power to impose taxes.

Commission Members

The Authority is governed by a nine-member Commission comprised of three members appointed by and serving at the pleasure of each of the Cities. The current Commissioners, their occupations and associations with the Cities, if any, are as follows:

Don Brown	President of the Authority; Retired Burbank police officer (appointed by Burbank in 2001)
Chris Holden	Vice President of the Authority; Real Estate Broker, member of Pasadena City Council (appointed by Pasadena in 1993)

Rafi Manoukian	Secretary of the Authority; Certified Public Accountant, member of Glendale City Council (appointed by Glendale in 2006)
Susan Georgino	Adjunct Professor, Woodbury University (appointed by Burbank in 2011)
Bill Wiggins	Chairman of Automation Plating Corporation (appointed by Burbank in 2001)
Frank Quintero	Vocational Counselor, member of Glendale City Council (appointed by Glendale in 2008)
Dave Weaver	Retired Civil Engineer, member of Glendale City Council (appointed by Glendale in 2009)
Steve Madison	Attorney, member of Pasadena City Council (appointed by Pasadena in 2010)
Terry Tornek	Real Estate Developer and Manager, member of Pasadena City Council (appointed by Pasadena in 2012)

Employees and Contractors

The only Authority employees are 33 full-time peace officers and 6 part-time peace officers, providing security for the Airport. The current collective bargaining agreement between the Authority and the Burbank Airport Police Officers Association ("BAPOA") covering all such peace officers went into effect on February 1, 2011, and expires on January 31, 2014.

The Authority has entered into contracts with other parties for all other services necessary for the operation and maintenance of the Airport, including a contract with TBI Airport Management, Inc. for general Airport management, operation and maintenance. The agreement with TBI expires on June 30, 2018, with one 10-year option exercisable by the Authority in its discretion. For more information, see "THE AIRPORT–Airport Manager."

Other contracts for services include: a contract with Pro-Tec Fire Services, Limited, for aircraft rescue and firefighting services; a contract with Standard Parking Corp. for self-parking management services, valet parking services and busing services; and a contract with Wyle Laboratories for services in connection with noise abatement.

Employee Retirement Plans

The Authority provides retirement benefits for all of its full-time employees, which consist only of the 33 peace officers discussed above. The Authority has a 401(k) program for such peace officers sponsored by the BAPOA into which the Authority contributes 6 percent of eligible base salaries as a retirement contribution. Employees may also contribute to their 401(k) account, but there is no additional Authority match. Prior to January 1, 2007, the Authority contributed such amounts into individual SEP IRA accounts managed at the employee's discretion on an annual basis. Beginning on January 1, 2007, the Authority contributed such amounts to the BAPOA 401(k) plan as part of a weekly payroll. The Authority's required accruals and contributions, calculated using the base salary amount of approximately $2.48 million, amounted to approximately $149,000 in FY 2011. The Authority has made all payments required of it in connection with employee retirement plans. The Authority does not provide any post employment benefits, including health care benefits, to employees other than the BAPOA 401(k) plan. Besides these peace officers, the Authority does not provide a retirement plan or other post employment benefits for any other personnel, including TBI personnel.

Joint Powers Agreement

Purpose. The Joint Powers Act permits the Cities to exercise their powers jointly for the acquisition, operation, repair, maintenance, improvement and administration of the Airport as a public airport. The Joint Powers Agreement was originally entered into by the Cities on June 14, 1977, and thereafter amended from time to time, including as amended by the Amended and Restated Joint Powers Agreement dated September 15, 1991, and the First Amendment dated as of November 25, 2003.

Organization of the Authority. The Joint Powers Agreement created the Authority as a public entity separate and apart from the Cities.

The Authority is governed by a Commission having nine members. Each of the Cities appoints three members to serve for a four-year term and at the pleasure of the appointing City. A President, Vice President and Secretary of the Authority are elected annually by members of the Commission. The Treasurer and the Auditor of the Authority are appointed by the Commission.

Action by the Commission normally requires approval by a majority of members of the Commission. However, at least two of the three members appointed by each of the Cities must approve any action which (i) authorizes the issuance of revenue bonds or other indebtedness under Article 2 of the Joint Powers Act, (ii) relates to the payment of surplus revenues, if any, or (iii) directly or indirectly authorizes any activity which may result in an increase in the size of the Airport noise impact area as of September 14, 1976 based on a Community Noise Equivalent Level of 70 decibels, or which could otherwise adversely affect operations of the Authority pursuant to the enabling legislation.

The Fiscal Year of the Authority ends on June 30 each year. The Joint Powers Agreement also establishes procedures for accounting, annual audits, receipt and disbursement of funds and the filing of public official bonds by members of the Commission and by the Treasurer and the Auditor of the Authority.

Powers of the Authority. The Authority has the powers common to the Cities to be exercised to acquire, operate, repair, maintain, improve and administer the Airport, subject only to such restrictions upon the manner of exercising such powers as are imposed upon Burbank in the exercise of similar powers. In addition, the Authority has such powers as are granted to joint action agencies by legislation which are in addition to the powers granted under the Joint Powers Agreement. Consistent with enabling legislation and the Joint Powers Agreement, the Authority cannot permit any activity which results in an increase in the size of the Airport noise impact area beyond specified levels, and the Authority must implement California noise monitoring requirements and mitigate adverse effects of noise to the greatest extent reasonably possible. The Joint Powers Act and the Joint Powers Agreement also prohibit any lengthening of the paved portion of the Airport runways as of March 24, 1978 and any purchase of fee title to condemned real property zoned for residential uses as of March 24, 1978. Included among certain enumerated powers of the Authority in the Joint Powers Agreement is the power to issue revenue bonds and to pay any surplus revenues to the Cities and other public agencies, but such payments to the Cities cannot be made if prohibited by any bond resolution or indenture adopted by the Authority. Such payments to the Cities are prohibited under the terms of grant agreements between the Federal Aviation Administration and the Authority.

No Liability of Cities. The debts, liabilities and obligations of the Authority will not constitute debts, liabilities of obligations of the Cities.

Term, Amendments and Termination. The term of the Joint Powers Agreement will continue so long as necessary to carry out the purpose of any agreement between the Authority and the United States of America and until all revenue bonds and other indebtedness, including interest thereon, have been paid or adequate provision for such payment will have been made. Thereafter, the Joint Powers Agreement may be terminated by mutual consent of the Cities. Pursuant to its terms, the Joint Powers Agreement cannot be terminated or amended by the Cities if such termination or amendment would be to the detriment of the Owners of the Bonds or other indebtedness issue by the Authority, would adversely affect operation, repair, maintenance, improvement or administration of the Airport, or would be contrary to the language, spirit or intent of any contract or grant agreement with the United States of America or the State of California.

THE AIRPORT

The Airport's service area consists generally of Los Angeles County and Ventura County with the Airport particularly well situated to serve downtown Los Angeles and the San Fernando Valley. In FY 2011, there were 57,306 commercial takeoffs and landings at the Airport with approximately 4.36 million passengers. The Airport has historically been served by approximately six to eight carrier groups, and is currently being served by five Signatory Airlines. Southwest, a low-cost schedule carrier, has been the dominant airline at the Airport since 1991. In FY 2011, Southwest accounted for approximately 66 percent of the total passengers using the Airport. See "AIRPORT OPERATIONS."

The size of the facilities for commercial air traffic has remained relatively constant since 1978, other than the addition of approximately 40,000 square feet of space in Terminal A to accommodate added security procedures at the Airport. The length of the two runways and the noise contour of the Airport are limited by California statute. Due to opposition by Burbank and citizen groups from Burbank, the Authority has not been able to expand or relocate its Passenger Terminal. The Authority and Burbank have executed the Development Agreement (described below) which limits the type of development which will be permitted at the Airport. For information regarding the Passenger Terminal, the Development Agreement and for information concerning the FAA's recent review of the Airport's operations, see "–Passenger Terminal–*Proximity of Passenger Terminal to Runway*," "–Passenger Terminal–*Runway Safety Action Plan*" and "–The Development Agreement" below.

Background

The Airport was originally owned and operated as a private airfield by Lockheed Air Terminal, Inc. ("LAT"), formerly a wholly owned subsidiary of Lockheed Martin Corporation ("Lockheed"). LAT owned the Airport from 1940 to 1978. When LAT announced plans to close the Airport, the Authority was formed for the purpose of acquiring and operating the Airport as a public airport pursuant to the Federal Aviation Act of 1958 and the Airport and Airway Development Act of 1970. The Authority purchased the initial real property and buildings of the Airport in June 1978 for $51,000,000. The Federal Airport Development Aid Program provided $35,500,000, and the balance of the purchase price was derived from the proceeds of Authority revenue bonds.

Description of the Airport

In addition to the information below, descriptions of the Airport facilities and diagrams of the layout of certain Airport facilities are included in Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Airport Facilities and Development."

The Airport is an Instrument Flight Rule facility providing the following services: air carrier and general aviation facilities, airframe and power plant repairs, fuel, oxygen, FAA-operated control tower, radar, air traffic control and related navigational aids. In February 1991, a new FAA control tower was opened. The Airport, approximately 558 acres in area, has two crossing asphalt-surface runways, 8-26 (east/west) and 15-33 (north/south). Runway 15-33, which was completely rebuilt in 1980, has the longer takeoff length of the two, 6,886 feet. Runway 8-26, 5,802 feet long, is equipped with an instrument landing system which permits aircraft operations in a variety of weather conditions.

Passenger Terminal facilities at the Airport consist of three structures south and east of the intersection of Runways 8-26 and 15-33 aggregating approximately 213,000 square feet. The Passenger Terminal consists of two terminal areas referred to as Terminal A and Terminal B and an administration building referred to as Building 9. The main terminal building constituting Terminal A was originally constructed in 1940 and has undergone numerous modifications since then. The addition of Terminal B to the Passenger Terminal was completed in 1974 and, while the size of Terminal B has not been increased, various improvements and renovations have been made to Terminal B to maintain the usefulness of the facility. In 2003 a $30 million Terminal Security Enhancement project was completed at the Passenger Terminal to provide the space necessary to accommodate the security equipment and procedures mandated by federal regulations following the September 11, 2001 terrorist event. There are fourteen aircraft loading gates serving the Passenger Terminal, nine in Terminal A and five in Terminal B. Building 9 is used as administrative offices for the Authority, the Airport Manager and certain Signatory Airlines.

Public parking facilities at the Airport currently include a 431-space, four-level structure that was completed in 1969, a short-term lot, valet parking and three economy lots. Airport parking facilities provide approximately 6,637 spaces. Shuttle buses operated by a contractor transport passengers to and from remote parking spaces. As a result of the Regional Transportation Facilities, approximately 1,040 parking spaces will be displaced. These parking spaces are to be replaced with the Replacement Parking Structure which is part of the 2012 Bond Project being financed with the proceeds of the 2012 Bonds.

General aviation facilities (fixed base operators) are concentrated in two principal areas on the Airport. General aviation hangars and offices provide tie-down and hangar space which accommodate approximately 400 aircraft, and include general aviation terminals. The major fixed based operators at the Airport provide a variety of maintenance and other services. The services include aircraft rental and charter, flight schools, aircraft repair and fueling. The major hangars were built between the World War II period and the late 1950s with major reconstruction in two areas in 1997 and 1999.

The Airport is easily accessible from a regional freeway, the Golden State Freeway (Interstate 5), and the local arterial street system. There are entrances to the Passenger Terminal at both Hollywood Way and Empire Avenue. Internal circulation is accommodated by a looped system of one-way routes. The general aviation terminals are located to the west of Runway 15-33. Other general aviation facilities are adjacent to the major surface streets bordering the Airport.

There are a number of limitations on increasing the size of Airport facilities. The Joint Powers Act specifically prohibits increasing the size of paved areas of the Airport's runways and taking any action which would increase the size of the noise contour of the Airport. See "ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS–Noise Restrictions." The Authority and Burbank have agreed to settle years of litigation concerning Airport growth through a development agreement, which, among other things, prohibits the Authority's expansion or relocation of the Airport's Passenger Terminal until March 15, 2015 (the "Development Agreement"). See "–The Development Agreement" below.

Passenger Terminal

General. The Passenger Terminal is located within the current FAA-designated Building Restriction Line, defined as 750 feet from the centerline of a runway, for both runways: Terminal A being approximately 300 feet from the Building Restriction Line and Terminal B being approximately 350 feet from the Building Restriction Line. As described below, the Authority previously undertook steps to identify and procure a new site for the Passenger Terminal that would meet the then current FAA airfield standards but was met with resistance from Burbank and groups of citizens from Burbank. As a result, the Authority then concluded that the Passenger Terminal relocation project was not achievable in the foreseeable future.

In 1980, the FAA and the Authority initiated discussions regarding the need for a replacement terminal and in 1981, the Authority began plans to construct a replacement terminal building. The preferred site for relocation of the Passenger Terminal was an area of approximately 131 acres (the "B-6 Property") adjoining the Airport. As a result of a series of lawsuits among the Authority, Lockheed, and Burbank, the Authority acquired title to a portion of the B-6 Property (approximately 50 acres), subject to agreements which limit the use of that property. The Authority sold 22 acres to Voit Development in 2003. Title to the balance of the B-6 Property (approximately 59 acres) has been transferred to a third-party trustee pursuant to the same agreements. Under these agreements, title to the 59 acres of the B-6 Property held in trust cannot be granted to the Authority and no portion of the B-6 property may be used for a passenger terminal facility unless approved by Burbank.

Since 1995, Burbank and a number of citizen groups from Burbank have taken action to prevent the building of a replacement terminal and other projects to increase the size of the Airport or level of Airport operations. These actions included litigation between the Authority and Burbank which ultimately resulted in a court decision that Section 2166l.6 of the California Public Utilities Code requires Burbank to consent to the acquisition by the Authority of any property within Burbank for airport purposes. In 2000, the voters of Burbank approved Measure B, which added Section 11-112 (now codified at Section 2-3-112) to the Burbank Municipal Code. Measure B provides that no approval by Burbank of any agreement between the Authority and Burbank for a relocated or expanded airport terminal project, or any other discretionary act by Burbank relating to the approval of a relocated or expanded airport terminal project, will be valid and effective unless approved by the voters voting at a Burbank election. Section 21661.6 of the California Public Utilities Code and Measure B are independent constraints on the ability of the Authority to relocate the Passenger Terminal or to make certain other capital improvements to the Airport and are in addition to any such constraints contained in the Development Agreement.

In November 2002, the Authority advised the FAA that it believed the relocation of the Passenger Terminal no longer appeared achievable in the foreseeable future. In response the FAA advised the Authority in a 2002 letter that, notwithstanding the FAA's interest in bringing the Airport up to current design standards and providing the highest level of safety, given the special operating procedures in effect for the Airport and the long history of operations with the Passenger Terminal, the FAA believed that the operations in the present location can continue safely in the future as in the past. As discussed below in "–Proximity of Passenger Terminal to Runway," the FAA identified additional measures that could enhance safety at the Airport. Although the Authority has no plans to relocate the Passenger Terminal in the foreseeable future, with the expiration of the Development Agreement in 2015 and the permission to seek public input on the future vision of the Airport, no assurances can be given that there will not be any relocation of the Passenger Terminal or any other major capital improvements at the Airport which may require significant Additional Bonds.

Proximity of Passenger Terminal to Runway. The proximity of the Passenger Terminal to the runway has been a repeated subject of review by the FAA for the last few decades. With the use of increasingly larger aircraft in the last few decades, the FAA has held that the Airport is not in compliance with current design safety standards concerning the distance between the Passenger Terminal and the runway. The FAA's design safety standards are in part dependent on the size of aircraft operating at an airport. In August 2010, the FAA visited the Airport and in its subsequent report, noted that the risks associated with airport geometry and operations with any substandard runway safety area should be mitigated to the extent feasible or practical, but that surface operations at the Airport have been considered safe based on the special operating procedures in effect. The FAA found that it would be appropriate, though, to review current Airport operations to help identify additional measures that could enhance the level of safety at the Airport. This recent finding by the FAA is consistent with the FAA's review of the Airport in 2002, when in a letter the FAA stated that, notwithstanding the proximity of the Passenger Terminal to the runway, given the special operating procedures in effect for the Airport and the long history of safe operations with the Passenger Terminal, operations in the present location can continue safely in the future as in the past.

The FAA, despite its finding that operations at the Airport are considered safe, has recommended discussions to continue between Burbank, the Authority, the FAA, elected officials, citizen groups and other interested parties to identify additional measures that could enhance the level of safety at the Airport. The FAA has indicated that topics to be reviewed in such discussions include operations, procedures, airport geometry and safety areas. The Authority is pursuing measures to enhance safety of operations with the Passenger Terminal. Given the various opposing interests, the Authority does not expect that the Passenger Terminal will be relocated in the near future but is currently working on seeking public input regarding the future vision of the Airport. The Authority cannot give any assurances at this time as to the future developments with respect to the Passenger Terminal. If any plan for a new or relocated Passenger Terminal is ever initiated, such initiative would likely require significant Additional Bonds.

Runway Safety Action Plan. During the August 2010 visit, the FAA identified certain other safety concerns, all of which have been addressed or are to be addressed by the Authority. The FAA's safety concerns (which include observations, among others, that certain equipment in the runway safety area may present a safety risk, blast fences could be made more conspicuous and relocated further from the runways and that an additional blast wall could be constructed to protect a parking lot) have been remedied or are expected to be remedied. The construction of a certain blast wall cannot be constructed until the completion of the Regional Transportation Facilities and the relocation of rental car operations currently utilizing the area where such blast wall is to be constructed to the Regional Transportation Facilities. The Authority does not expect that any costs associated with these remedies will have any adverse material impact on its financial position or on its operations. In addition, the FAA has noted that, while surface operations at the Airport have been considered safe based on the special operating procedures in effect, it would be appropriate to review current Airport operations to help identify additional measures that could enhance the level of safety at the Airport. See "*–Proximity of Passenger Terminal to Runway*" above .

Airport Manager

The Commission is responsible for the overall management and operation of the Airport. The Authority has provided for the day-to-day planning, management, operation and maintenance of the Airport by a corporate entity (the "Airport Manager") through a series of airport management services contracts. Currently, these services are performed by TBI pursuant to a July 1, 2008 Third Amended and Restated Agreement for Airport Management Services (as amended and supplemented, the "Airport Management Services Agreement"). TBI is owned by Airport Concessions and Development, Limited, a Spanish consortium, approximately 90 percent of which is owned by Abertis Infraestructuras S.A.

("Abertis"), a company based in Spain which owns and/or manages 29 airports in eight countries and a worldwide traffic level exceeding 90 million passengers annually (according to http://www.abertisairports.com/mainFigures.php, the contents of which are not incorporated herein). TBI, which was acquired by Abertis in 2005, operates London Luton, Cardiff, and Belfast International airports in the United Kingdom, Stockholm Skavsta Airport in Sweden, Orlando Sanford International Airport in the United States, and three airports in Bolivia.

Under the Airport Management Services Agreement, TBI provides the services and personnel necessary to operate, administer, inspect, maintain and supervise the Airport at a level at least equal to that of operators of comparable public land airports in the United States, including the operational, administrative, financial and staff personnel specified in such agreement. The Airport Management Services Agreement expires on June 30, 2018, with one 10-year extension option exercisable by the Authority in its discretion. TBI may terminate the Airport Management Services Agreement without cause by giving 12-months prior written notice, and the Authority may do so by giving 6-months prior written notice. The Airport Management Services Agreement requires the Authority to maintain commercial general liability insurance covering TBI as a named insured. The Authority currently maintains commercial general liability insurance in the amount of $300 million per occurrence. The Airport Management Services Agreement also provides that each party will indemnify the other with respect to costs and losses resulting from negligent acts, omissions, willful misconduct or unlawful acts in connection with performance under the Airport Management Services Agreement. The Airport Management Services Agreement also provides for indemnification by the Authority for TBI costs and losses in connection with Airport noise.

Compensation under the Airport Management Services Agreement is based on a base management fee and reimbursement of operating costs, which are subject to review and approval as part of the Authority's annual budget process. Costs incurred under this contract were $8.2 million in FY 2010, $9.1 million in FY 2011 and is budgeted at $10.2 million for FY 2012. As of March 1, 2012, TBI was providing 101 employees who serve as staff for the Authority and render management, operating and maintenance services in accordance with policies adopted by the Authority. Based on the outcome of current collective bargaining negotiations, there may be contractual adjustments for wages which would affect certain classifications of TBI employees providing maintenance services. The exact categories of maintenance services to be affected by this contractual adjustment is yet to be determined.

Senior Management

While the corporate identity of the Airport Manager has undergone a number of changes, the senior management personnel responsible for the operation and maintenance of the Airport have been relatively stable. The current senior management personnel at the Airport and their tenure at the Airport are described below. All senior management personnel are employees of TBI, except for Edward B. Skvarna, Director, Public Safety and Chief of Police.

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Bob Hope Airport
Senior Management

Name	Title	Current Position	Airport Tenure
Dan Feger	Executive Director	Since 2008	Since 1988
John T. Hatanaka	Senior Deputy Executive Director (1)	Since 2008	Since 2002
Kathy J. David	Deputy Executive Director, Finance and Administration (2)	Since 2011	Since 1992
Monica Newhouse-Rodriguez	Deputy Executive Director, Facilities and Planning (3)	Since 2010	Since 2010
Robert Anderson	Director, Engineering and Planning (4)	Since 2011	Since 1979
Rudy Barrow	Director, Information and Communication Technologies (5)	Since 2010	Since 2008
Denis Carvill	Acting Director, Operations and Maintenance (6)	Since 2012	Since 2009
Victor J. Gill	Director, Public Affairs and Communications	Since 1994	Since 1984
Mark D. Hardyment	Director, Noise and Environmental Programs	Since 2004	Since 1988
Edward B. Skvarna	Director, Public Safety and Chief of Police (7)	Since 2005	Since 2005
Scott R. Smith	Director, Financial Services (8)	Since 2004	Since 2004

(1) Previously, Mr. Hatanaka was Director of Passenger and Airport Service for Japan Airlines, T.A.
(2) Previously, Ms. David was Director, Administrative Services for the Authority.
(3) Previously, Ms. Newhouse-Rodriguez was Assistant Director of Aviation, Houston Airport System.
(4) Previously, Mr. Anderson was Manager, Engineering and Planning for the Authority.
(5) Previously, Mr. Barrow served in the IT Department of U.S. Customs and Border Patrol at Los Angeles International Airport.
(6) Previously, Mr. Carvill was Vice President, Airport Operations at Skybus Airlines.
(7) Chief Skvarna joined the BGPAA after his retirement from the Burbank Police Department at the rank of Captain.
(8) Previously, Mr. Smith was Director of Internal Audit of the City of Beverly Hills, California and a Senior Manager at KPMG LLP.

Insurance

The Authority maintains an insurance program with commercial insurance companies which covers both liability and all risk property loss with respect to the Airport. The insurance policies are for one year periods, except an environmental liability insurance policy in connection with the Regional Transportation Facilities that extends through July 2020. The program includes airport owner's and operator's liability insurance with policy limits of $300 million for each occurrence (no deductible), including war/terrorism liability also with a policy limit of $300 million. The program also includes: all risk commercial property insurance at replacement cost with policy limits of $209 million subject to various deductibles; earthquake/earthquake sprinkler leakage and flood coverage with policy limits of $10 million subject to deductibles of 5 percent of value at time of loss; war/terrorism coverage with policy limits of $35 million; business interruption insurance for insured perils covering actual loss sustained for 180 days; and insurance for business automobile and vehicle liability, public official and employment practices liability and for certain crimes. The various insurance policies with a term of one year, expire on July 1, 2012. The Authority plans to renew these insurance policies before their termination. The Authority also procured an Owners Controlled Insurance Program for the construction of the Regional Transportation Facilities, and an environmental liability insurance policy for the Regional Transportation Facilities, expiring in 2020, with a policy limit of $25 million.

The Authority is also in the process of procuring a builder's risk policy for the Regional Transportation Facilities, which policy is expected to cover (i) the costs to rebuild the Regional

Transportation Facilities if such facilities are damaged by an insured peril during construction, (ii) $25 million in coverage in the event the facilities are damaged due to earthquake or flood during construction, and (iii) one year of debt service coverage on the 2012 Bonds if there are any delays due to an insured peril during construction of the Regional Transportation Facilities.

Capital Improvements

The Authority budgets for capital improvements on an annual basis and has been funding such improvements from internally generated Airport funds, Passenger Facility Charge revenues, and grants, including FAA Airport Improvement Program grants.

The main capital improvements to the Airport are the Regional Transportation Facilities which includes the facilities and funding sources described under "THE REGIONAL TRANSPORTATION FACILITIES" and "PLAN OF FINANCE." The Authority expects to undertake the Future Projects as described under "THE REGIONAL TRANSPORTATION FACILITIES" if a funding source for such improvements is secured. Other than the 2012 Bonds, the Authority does not expect to issue any Additional Bonds in connection with the Regional Transportation Facilities or the Future Projects.

In addition to the Regional Transportation Facilities and the Future Projects, the Authority maintains a five-year Airport Capital Improvement Program ("ACIP") based on the federal fiscal year ("FFY") which starts October 1, of each year and ends in September of the following year. The ACIP, from the FFY ending September 30, 2013 through the FFY ending September 30, 2017 includes projects with an estimated total cost of approximately $35.6 million. Funding sources for such ACIP include $28.7 million in federal funding, $6.0 million in Passenger Facility Charges and $0.9 million in Authority funds. Such ACIP includes, among other things, the (a) runway shoulder rehabilitation along and adjacent to Runway 8-26 and Runway 15-33, (b) reconstruction and pavement of Taxiway B and (c) acquisition of two passenger shuttle buses fueled with compressed natural gas to replace existing diesel-fueled shuttle buses under a pilot program. For more information on capital improvements, see Table III-1 in Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Airport Facilities and Development."

The Development Agreement

The Authority and Burbank entered into the multiyear Development Agreement, effective March 15, 2005, defining airport development projects that will or will not be permitted on the Airport property for the term of the agreement and determining the uses and/or disposition of certain land during the term of the Development Agreement. The Development Agreement expires in 2015. The Development Agreement was amended on September 24, 2010 to permit the construction of the Regional Transportation Facilities. The Development Agreement was further amended on October 12, 2011 to permit the Authority and Burbank to jointly undertake a community outreach process that will involve creating a vision plan for the future of the Airport, which may include a new or relocated Passenger Terminal.

Pursuant to the Development Agreement, the Authority agreed not to (i) build or publicly announce plans for a new Passenger Terminal, (ii) expand square footage of the existing Passenger Terminal (with certain exceptions for security-related improvements), (iii) expand the general aviation area beyond an area specified in the Development Agreement and (iv) increase the number of commercial airline passenger gates at the Airport beyond its existing fourteen gates. Pursuant to the Development Agreement, Burbank agreed not to change its interpretation of permitted uses in the Airport Zone (as defined in the Development Agreement). Such permitted uses include (i) aircraft fabrication, testing and servicing, (ii) aircraft landing fields for aircraft and helicopters, runways and control towers, (iii) air passenger facilities and accessory uses, including airport-related vehicle parking, and (iv) personal wireless telecommunication services facilities. The Development Agreement may be amended or terminated if the FAA or a court renders a decision that would make it impossible or impractical for the Authority to comply with the Development Agreement.

AIRPORT OPERATIONS

The following is a summary of certain information regarding Airport operations. For additional information see Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Air Traffic" and Appendix B: "FINANCIAL STATEMENTS–Management's Discussion and Analysis."

Airport Traffic

The state of the national economy, the impact of increasing fuel costs and the ongoing restructuring of the airline industry could materially affect passenger traffic levels at the Airport. As illustrated in Table 3, passenger levels decreased by approximately 3 percent in FY 2011 (from 4,515,713 in FY 2010 to 4,359,928 in FY 2011), approximately 6 percent in FY 2010 (from 4,823,781 in FY 2009 to 4,515,713 in FY 2010) and approximately 17 percent in FY 2009 (from 5,841,021 in FY 2008 to 4,823,781 in FY 2009).

Table 3
Bob Hope Airport
Comparative Summary of Traffic Activities

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	6 mos. ended Dec. 31, 2010	6 mos. ended Dec. 31, 2011
Commercial carrier flight operations (takeoffs & landings)	70,982	72,982	67,836	63,730	57,306	30,841	27,788
Landed weight (000's pounds)	4,120,840	4,240,336	3,785,565	3,493,028	3,279,572	1,687,481	1,672,589
Total enplaned and deplaned passengers	**5,785,843**	**5,841,021**	**4,823,781**	**4,515,713**	**4,359,928**	**2,262,523**	**2,204,163**
Cargo tonnage (tons)	57,522	45,151	43,835	46,863	47,598	24,889	26,406

Source: Burbank-Glendale-Pasadena Airport Authority.

The drop in passenger traffic at the Airport since FY 2008 is primarily due to the economic recession which commenced in 2008. This reduction in passenger traffic resulted in decreases in capacity at the Airport: Southwest reduced service to each of its five nonstop destinations; JetBlue ceased service to Salt Lake City and Washington, D.C., while reducing capacity to New York; Delta and United discontinued their mainline service at the Airport in FY 2009 (these airlines continue to provide passenger service at the Airport through SkyWest); and Alaska reduced service to Seattle. Additionally, American, which operated three daily nonstop flights to Dallas, ceased operations at the Airport in February, 2012. The Authority estimates that the elimination of American's service, which accounted for approximately 7 percent of total passengers at the Airport in each of the last five Fiscal Years, results in an estimated decrease of approximately 300,000 passenger per year. The Authority does not know if, and to what extent, this decrease in passengers will be offset by increases in service from the other airlines serving the Airport or the addition of new airlines.

For further information concerning the operational and financial results of the Airport for FY 2011 and other relevant Fiscal Years, see "FINANCIAL INFORMATION" and Appendix B: "FINANCIAL STATEMENTS."

Passenger Operations

Most of the passengers using the Airport either originate or terminate their journeys at the Airport. Domestic origination and destination ("O&D") passengers accounted for approximately 99 percent of total scheduled passengers at the Airport in FY 2011.

Eight of the top ten O&D markets for the Airport in FY 2011 were in the western United States and accounted for over two-thirds of the total O&D passengers during this period. The top three cities in FY 2011 with the highest number of enplaned passengers for the Airport were Oakland, Las Vegas and Sacramento. In FY 2011, approximately 60 percent of O&D passengers at the Airport traveled 1 to 600 miles from the Airport, approximately 26 percent traveled 601 to 1,800 miles and approximately 13 percent traveled over 1,800 miles. See Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Air Traffic" for more information.

Table 4
Bob Hope Airport
Top 10 Domestic O&D Enplaned Passenger Markets
(FY 2011)

Rank	City Market *Airport*	Nonstop Miles	Domestic O&D Enplaned Passengers	Market as % of Total
1	San Francisco Bay Area		595,270	27.9%
	Oakland	*325*	*358,430*	*16.8*
	San Jose	*296*	*200,430*	*9.4*
	San Francisco	*326*	*36,410*	*1.7*
2	Las Vegas	223	254,410	11.9
3	Sacramento	358	208,070	9.8
4	Phoenix	369	177,290	8.3
5	Seattle	937	138,430	6.5
6	New York (1)	2,444	114,690	5.4
7	Portland	817	73,470	3.4
8	Dallas/Ft. Worth (2)	1,243	65,630	3.1
9	Salt Lake City	574	30,650	1.4
10	Denver	850	28,930	1.4
	Top 10 Markets		1,686,840	79.2%
	Other markets		443,490	20.8
	Total—All Markets		2,130,330	100.0%

(1) Market includes Kennedy, LaGuardia, and Newark airports
(2) Market includes Dallas/Ft. Worth airport and Love Field
Source: Burbank-Glendale-Pasadena Airport Authority.

Other Airports

The Airport (BUR) is one of five commercial airports serving the Los Angeles Basin. The other commercial airports serving the Los Angeles Basin are Los Angeles International (LAX), Long Beach (LGB), LA/Ontario International (ONT) and John Wayne (SNA). All of these airports are approximately 50 driving miles or less from the Airport. According to the Report of the Airport Consultant, the Airport generally serves communities in Los Angeles and Ventura County (the "Air Trade Area"), which are part of the Los Angeles Basin. Table 5, the information of which was gathered and prepared by the Airport Consultant (see Table II-1 in Appendix A: "REPORT OF THE AIRPORT CONSULTANT"), represents the percentage share of total enplanements of passengers by these five airports for the period 2007 through 2011.

Table 5
Bob Hope Airport
Percentage of Enplaned Passengers by Airports Serving the Los Angeles Basin[(1)(2)]

	BUR	**LAX**	**SNA**	**ONT**	**LGB**
Calendar Year	***Percent of Total***	***Percent of Total***	***Percent of Total***	***Percent of Total***	***Percent of Total***
2007	6.7%	70.4%	11.3%	8.2%	3.3%
2008	6.4	71.8	10.8	7.5	3.5
2009	5.9	72.9	11.2	6.3	3.7
2010	5.6	73.9	10.8	6.0	3.7
2011	5.2	75.1	10.4	5.5	3.8

(1) Refers to the total number of passengers served by these five airports
(2) Percentages may not add up to 100.0% due to rounding

As reflected in Table 5, the Airport's share of the total amount of enplaned passengers in the Los Angeles Basin has decreased, from 6.7 percent in 2007 to 5.2 percent in 2011. For more discussion on the Air Trade Area and additional comparisons between the Airport and other airports servicing the Los Angeles Basin, see Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Air Traffic–Regional Perspective."

Airline Concentration

Passengers by airline carrier are presented in Table 6. Southwest has been the Airport's largest airline in terms of passenger enplanements since FY 1991. Southwest's share of total passengers increased significantly from approximately 24 percent in FY 1991 to approximately 66 percent in FY 2011. Much of Southwest's growth at the Airport occurred in the first half of the 1990s, as it expanded the frequency and scope of its operations at the Airport. See "CERTAIN INVESTMENT CONSIDERATIONS–Concentration of Southwest Airlines."

In FY 2011, the top two airlines accounted for approximately 75 percent of total passengers, and the top four airlines accounted for approximately 88 percent of total passengers. Table 6 presents the number of total passengers at the Airport by airlines for the period FY 2007 through FY 2011.

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<u>Table 6</u>
Bob Hope Airport
Total Passengers by Airline

	FY 2007		FY 2008		FY 2009		FY 2010		FY 2011	
Air Carrier	***Number of Passengers***	***Percent of Total***	***Number of Passengers***	***Percent of Total***	***Number of Passengers***	***Percent of Total***	***Number of Passengers***	***Percent of Total***	***Number of Passengers***	***Percent of Total***
Southwest	3,639,186	62.9%	3,715,264	63.6%	3,161,398	65.5%	2,978,621	66.0%	2,864,328	65.7%
Alaska (1)	484,006	8.4	477,550	8.2	390,502	8.1	365,504	8.1	389,363	8.9
American (2)	340,517	5.9	354,696	6.1	309,445	6.4	325,409	7.2	318,594	7.3
JetBlue	455,103	7.9	458,281	7.9	424,686	8.8	313,713	7.0	273,104	6.3
US Airways (3)	294,375	5.1	260,041	4.5	200,961	4.2	230,124	5.1	212,240	4.9
United (4)	431,134	7.4	340,013	5.8	235,346	4.9	209,234	4.6	206,500	4.7
Delta (5)	127,346	2.2	129,422	2.2	101,443	2.1	93,108	2.1	95,799	2.2
Other (6)	14,176	0.2	105,754	1.8	-	-	-	-	-	-
Total Passengers	**5,785,843**		**5,841,021**		**4,823,781**		**4,515,713**		**4,359,928**	

(1) Includes data for Alaska and Horizon Air (an affiliate of Alaska)
(2) American filed for bankruptcy and ceased operations at the Airport as of February, 2012
(3) Includes data for US Airways and Mesa Air (doing business as US Airways Express)
(4) Includes data for United and SkyWest (doing business as United Express)
(5) Includes data for Delta and SkyWest (doing business as Delta Connection)
(6) Includes data for Skybus and Champion in FY 2007, and Skybus in FY 2008
Source: Burbank-Glendale-Pasadena Airport Authority.

For further information concerning the historic results of the Airport's operations, see the information in Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Air Traffic" and Appendix B: "FINANCIAL STATEMENTS–Management's Discussion and Analysis."

Passenger Airline Operations

Total passenger aircraft operations at the Airport decreased from 67,492 in FY 2007 to 52,422 in FY 2011. Mainline operations (aircraft activity with more than 99 seats) increased from 55,484 in FY 2007 to 56,752 in FY 2008, but then decreased to 40,700 in FY 2011. Operations by regionals/commuters (aircraft activity with 99 seats or less) also decreased from FY 2007 to FY 2011. Table 7 presents the number of mainline operations and regional/commuter operations at the Airport for FY 2007 through FY 2011. See Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Air Traffic–Historical Aircraft Operations and Landed Weight" for more information.

Table 7
Bob Hope Airport
Aircraft Operations – Airline Services

Fiscal Year	*Mainline*[1]	*Regionals/ Commuters*[2]	*Airline Total*
2007	55,484	12,008	67,492
2008	56,752	11,996	68,748
2009	48,266	11,976	60,242
2010	44,362	11,500	55,862
2011	40,700	11,742	52,442

(1) Includes scheduled and charter operations on aircraft greater than 99 seats
(2) Includes scheduled and charter operations by aircraft equal to or less than 99 seats
Source: Burbank-Glendale-Pasadena Airport Authority.

Cargo and Other Non-Airline Services

All-Cargo operations at the Airport declined from 15,294 in FY 2007 to 10,356 in FY 2011. Air taxi operations also saw a drop in the total number of operations from FY 2007 to FY 2011, but general aviation and military operations increased from FY 2007 to FY 2011. Table 8 presents the number of air cargo and other air service operations at the Airport for FY 2007 through FY 2011.

Table 8
Bob Hope Airport
Aircraft Operations – Cargo and Other Non-Airline Services

Fiscal Year	*All-Cargo*	*General Aviation*	*Other Air Taxi*	*Military*
2007	15,294	37,916	7,442	262
2008	13,116	33,131	6,845	210
2009	10,104	36,508	7,791	208
2010	10,040	37,668	7,969	246
2011	10,356	46,753[1]	6,401	297

(1) Increase in FY 2011 primarily due to (a) the FAA switching to an automated system for counting aircraft operations and (b) diversion of general aviation traffic from Van Nuys Airport due to periodic closing of runways for maintenance between February 2011 and May 2011.
Source: Burbank-Glendale-Pasadena Airport Authority.

Landed Weight

In FY 2011, nearly 3.3 billion pounds of aircraft landed weight were reported by aircraft operating at the Airport, including all-cargo carriers. This is a decrease from each of the previous four Fiscal Years. In FY 2007, over 4.1 billion pounds of landed weight were reported by aircraft operating at the Airport. Table 9 breaks down the amount of landed weight reported by aircraft from FY 2007 through FY 2011.

Table 9
Bob Hope Airport
Landed Weight by Type of Carrier
(millions of pounds)

	Passenger Carriers		All-Cargo Carriers		
Fiscal Year	**Landed Weight**	**% of Total**	**Landed Weight**	**% of Total**	**Total Landed Weight**
2007	3,752.7	91.1	368.2	8.9	4,120.9
2008	3,896.1	91.9	344.2	8.1	4,240.3
2009	3,502.2	92.5	283.4	7.5	3,785.6
2010	3,168.6	90.7	324.4	9.3	3,493.0
2011	2,952.0	90.0	327.6	10.0	3,279.6

Source: Burbank-Glendale-Pasadena Airport Authority.

Common Use Passenger Processing System

In the Airport Use Agreements, the Authority has reserved the right to install a Common Use Passenger Processing System (CUPPS) to increase efficiency at the Airport and maximize use of the Airport's fourteen gates. The installation of CUPPS would require Signatory Airlines operating at the Airport to cooperate and essentially share gates with other Signatory Airlines, rather than having exclusive use to a particular gate or gates. CUPPS may improve efficiency at the Airport and provide room for growth of Airport operations without any capital improvement projects. The Authority anticipates that CUPPS will be operational in the spring of 2013.

FINANCIAL INFORMATION

Outstanding Debt

The 2012 Bonds and the 2005 Bonds will represent the only bonded indebtedness of the Authority. See "DEBT SERVICE SCHEDULE." In addition to the Bonds, the Facility Development Reserve is expected to make a loan of approximately $4.6 million to provide additional funds, if needed, for the costs included in the 2012 Bond Project. See "PLAN OF FINANCE."

Historical Operating Results

The following Statements of Revenues and Expenses for the Airport for FY 2007 through FY 2011 were prepared by the Authority based on its audited annual financial statements. The Authority's financial statement includes revenues which are not Pledged Revenues available to pay the 2012 Bonds and expenses which are not Operating Expenses under the Indenture in determining Net Revenues. Certain historical information on Bond debt service coverage from Net Revenues calculated pursuant to the Indenture is presented under "–Historical Debt Service Coverage" below, and certain projections of Bond debt service coverage is presented in "REPORT OF THE AIRPORT CONSULTANT" and in Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Financial Analysis." Certain adjustments have been made to conform the data in the financial statements to Table 10 below. The Authority's financial statements dated June 30, 2011 and 2010 are attached hereto as Appendix B. For further information concerning the historic financial results of the Airport's operations, see the information in Appendix B: "FINANCIAL STATEMENTS."

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Table 10
Burbank-Glendale-Pasadena Airport Authority
Statements of Revenues, Expenses and Changes in Net Assets

	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	6 mos. ended Dec. 31, 2010	6 mos. ended Dec. 31, 2011
Operating revenues:[1]							
Charges for services:							
Parking[2]	$26,116,002	$25,979,666	$21,820,676	$20,331,286	$19,825,325	$10,164,945	$ 9,696,313
Landing fees	3,598,358	3,660,367	3,299,103	2,996,230	2,808,867	1,457,173	1,425,576
Concessions	9,454,270	10,004,525	8,744,001	7,944,325	8,098,199	4,052,905	4,234,201
Total Tenant rent	13,144,078	14,079,164	14,553,636	14,072,543	13,620,630	6,890,372	6,175,873
Fuel flowage fees	746,717	643,494	504,420	541,732	533,820	271,976	250,939
Other operating revenues	533,191	581,183	488,079	491,301	478,170	239,790	239,444
Total operating revenues	**53,592,616**	**54,948,399**	**49,409,915**	**46,377,417**	**45,365,011**	**23,077,161**	**22,022,346**
Operating expenses:							
Contracted airport services	12,135,678	12,450,097	13,589,267	14,453,670	15,051,145	7,515,952	8,008,584
Salaries and benefits	2,366,011	2,404,859	2,715,539	2,953,126	3,340,203	1,615,583	1,867,133
Financial services	703,004	766,120	735,512	703,075	703,676	353,794	381,139
Rescue services	1,509,084	1,569,447	1,646,610	1,741,667	1,825,000	900,000	937,500
Materials and supplies	297,666	348,523	343,828	368,912	367,457	187,716	188,734
Repairs and maintenance	3,734,055	4,025,462	4,099,526	4,618,445	4,872,638	2,224,869	2,821,302
Utilities	1,664,576	1,554,835	1,630,023	1,609,350	1,728,285	921,869	914,865
Professional services	2,074,034	2,399,846	2,322,905	2,769,555	2,686,206	1,142,327	1,072,037
Insurance	1,463,341	1,478,264	1,449,440	1,433,007	1,496,860	748,160	696,184
Other operating expenses[2]	3,514,799	3,622,367	3,197,059	3,012,593	3,011,980	1,469,143	1,482,841
Total operating expenses before depreciation	**29,462,249**	**30,619,821**	**31,729,708**	**33,663,400**	**35,083,450**	**17,079,413**	**18,370,319**
Operating income before depreciation	24,130,367	24,328,578	17,680,207	12,714,017	10,281,561	5,997,748	3,652,027
Depreciation	10,479,730	12,868,490	14,612,423	15,679,876	14,689,703	7,512,998	7,055,529
Operating Income/loss	13,650,638	11,460,088	3,067,784	(2,965,859)	(4,408,142)	(1,515,250)	(3,403,502)
Nonoperating revenues/expenses:[1]							
Passenger Facility Charge revenue	13,395,448	13,717,413	11,035,756	10,291,366	9,642,916	4,747,489	4,507,294
Customer Facility Charge revenue	-	-	-	1,755,750	3,186,870	1,554,600	2,606,870
Investment income	5,555,029	6,943,958	4,649,823	4,210,575	2,508,763	1,028,145	947,662
Interest expense	(2,388,787)	(2,803,796)	(2,955,440)	(2,850,515)	(2,644,347)	(1,322,370)	(1,262,970)
Gain/Loss on retirement of capital assets	(156,843)	2,650	(9,516)	(92,496)	(2,606)	-	7,110
Sound Insulation Program	(8,012,159)	(6,637,451)	(7,102,086)	(6,109,511)	(6,894,782)	(2,903,909)	(3,986,910)
FAA grants, sound insulation program	6,270,820	5,184,904	5,592,635	3,547,167	4,319,375	1,732,221	2,797,254
Other noncapital federal grants	-	1,414	123,811	281,548	127,044	51,734	116,776
Other expenses, net	(1,320,820)	(1,376,836)	(582,938)	(445,335)	(314,828)	(130,134)	(477,862)
Total nonoperating revenues/expenses, net	13,342,688	15,032,256	10,752,045	10,588,549	9,928,405	4,757,776	5,255,224
Income before capital contributions and special item	26,993,326	26,492,344	13,819,829	7,622,690	5,520,263	3,242,526	1,851,722
Capital contributions	3,744,523	12,399,329	4,609,536	5,445,828	657,273	630,958	901,248
Special Item	-	-	-	-	(2,350,412)[3]	(685,102)[4]	660,760[5]
Change in net assets	**30,737,849**	**38,891,673**	**18,429,365**	**13,068,518**	**3,827,124**	**3,188,382**	**3,413,730**
Total net assets – beginning	**344,221,528**	**374,959,377**	**413,851,050**	**432,280,415**	**445,348,933**	**445,348,933**	**449,176,057**
Total net assets – ending							
Invested in capital assets, net of related debt	189,313,593	205,243,922	212,430,451	215,639,772	225,693,846	216,654,414	227,019,579
Restricted, debt service	15,252,080	15,767,035	16,256,518	11,243,481	11,736,865	10,418,225	10,585,512
Restricted, capital projects	82,846,530	90,831,558	92,447,702	88,337,093	89,051,292	93,663,979	93,817,784
Unrestricted	87,547,174	102,008,535	111,145,744	130,128,587	122,694,054	127,800,697	121,166,912
Total net assets	**$374,959,377**	**$413,851,050**	**$432,280,415**	**$445,348,933**	**$449,176,057**	**$448,537,315**	**$452,589,787**

(1) Not all revenues are pledged to the payment of the Bonds. See "SECURITY FOR THE 2012 BONDS–Pledge of Trust Estate."
(2) Includes 12 percent Burbank parking tax.
(3) Environmental litigation settlement, net of allocated parking increment revenue of $528,383. See ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS–Regulated and Hazardous Substances–*Litigation as to Indemnification*."
(4) Environmental litigation settlement.
(5) Environmental litigation settlement, net of allocated parking increment revenue of $740,709 and Burbank parking tax payment of $79,362.
Source: Burbank-Glendale-Pasadena Airport Authority.

As reflected in Table 10, the total unrestricted net assets of the Authority increased from $87,547,174 in FY 2007 to $122,694,054 in FY 2011.

Investment of Airport Funds

Set forth in Table 11 below are the approximate book values, as of June 30, 2011, of the cash and investments held by the Airport and the types of investments as of such date. The weighted average maturity of the investments as of June 30, 2011 was 1.43 years with a book value of approximately $174 million.

The Facility Development Reserve is an unrestricted fund which had a balance of $100.0 million as of June 30, 2011, and was established in FY 2000 to provide for the future development of Terminal and other Airport facilities. The Authority expects to use approximately $10.2 million of these funds as an equity investment in the Regional Transportation Facilities and to lend approximately $4.6 of these funds to provide contingency funds with respect to the costs included in the 2012 Bond Project. See "PLAN OF FINANCE."

Table 11
Burbank-Glendale-Pasadena Airport Authority
Investments as of June 30, 2011

Funds in Cash and Investments	(millions)	Investment Distribution	(millions)
Operating Fund	$28.8	U.S. Treasury Securities	$67.3
Operating Reserve Fund	9.0	U.S. Agency Securities	47.1
PFC Fund	25.0	Medium Term Corporate Notes	37.9
CFC Fund	3.5	Money Market Mutual Funds	4.1
Authority Areas Reserve	2.5	State Treasurer's LAIF	12.4
Asset Forfeiture Fund	0.2	Bank Deposits [1]	9.7
Held by Bond Trustee	9.5		
Facility Development Reserve	100.0		
Total	**$178.5**	**Total**	**$178.5**

[1] Includes cash on hand, deposits with financial institutions and money market mutual funds.
Source: Burbank-Glendale-Pasadena Airport Authority.

Historical Debt Service Coverage

Table 12 sets forth the ratio of the Authority's Net Revenues over Accrued Debt Service for the last five Fiscal Years as calculated pursuant to the Indenture. While Table 12 has not been audited as part of the Authority's audited financial statement, the figures used in Table 12 are based on the Authority's audited financial statements.

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Table 12
Burbank-Glendale-Pasadena Airport Authority
Calculation of Rates and Charges Ratio
(Fiscal Years Ended June 30)

	2007	2008	2009	2010	2011
Pledged revenues	$59,147,645	$61,892,357	$54,059,738	$50,587,992	$47,873,774
Less operating expenses	29,462,248	30,619,821	31,729,708	33,663,400	35,083,450
Net revenues	29,685,397	31,272,536	22,330,030	16,924,592	12,790,324
Accrued debt service(1)	5,418,247	5,416,817	5,416,825	5,419,861	5,420,438
Debt service coverage ratio	5.48	5.77	4.12	3.12	2.36

(1) Accrued debt service represents the principal and interest of Bonds accrued during the listed Fiscal Year.
Source: Burbank-Glendale-Pasadena Airport Authority.

ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS

Several significant environmental matters have direct and indirect impacts on Airport operations, including mitigation of aircraft noise impacts, hazardous substance cleanup and clean air requirements.

Noise Restrictions

General. The Airport, similar to other California airports serving jet aircraft, is subject to a number of restrictions relating to aircraft noise, in addition to the provisions of the Joint Powers Act specifically relating to the Airport. In particular, the Authority is required to find ways and means to reduce the number of incompatible land acres within its state-law defined noise impact area. To this end, the Authority has installed noise monitoring equipment on and around the Airport and instituted noise regulations that affect operations of air carrier airlines and general aviation aircraft at the Airport. The Authority believes that the restrictions currently in effect will have no material adverse effect on the Authority's ability to make timely payments on the 2012 Bonds; however, no assurance can be given that additional restrictions or changes in noise restrictions may not adversely affect operations at the Airport.

Joint Powers Act. Section 6546.1 of the Joint Powers Act prohibits the Authority from permitting or authorizing any activity which results in an increase in the size of the Airport noise impact area as of September 14, 1976, based on a Community Noise Equivalent Level ("CNEL") of 70 decibels. The Airport's noise impact area is currently below the limit. The provision also requires the Authority to comply with future State of California noise level standards, and to pursue all reasonable means available to mitigate the adverse effects of noise. Similar provisions are contained in the Joint Powers Agreement.

California Noise Standards. Under California law, the State Department of Transportation is authorized to adopt noise standards governing the Airport's responsibilities, principally with respect to noise impact (measured cumulatively) acceptable to a reasonable person residing in the vicinity of the Airport. Generally, the standards encourage the adoption of "abatement" and "mitigation" measures which reduce the number of incompatible acres of property in the Airport environs. Abatement measures reduce noise at the source (e.g., by changing operational procedures) and mitigation measures attempt to remedy an existing problem or prevent a new one (e.g., sound insulation or better zoning practices).

To this end, the Authority is periodically required, in the form of an administrative hearing before a judge, to outline its noise reduction efforts in order to obtain a variance from the state noise standards. Many commercial airports in California serviced by jet aircraft, including the Los Angeles International

Airport, LA/Ontario International Airport, John Wayne Airport, San Jose International Airport and San Diego International Airport, are also required to obtain such a variance.

Typically, these administrative hearings occur every three years, the most recent one having concluded on February 28, 2008, with a final decision effective March 29, 2008. In that decision, a variance from the noise requirements of Section 5062, Chapter 2.5, Subchapter 6, Title 21 of the California Code of Regulations was granted to the Authority, effective for three years. The Authority has applied for a new variance and is currently working on an extension. While working on this extension, the Authority can operate as usual. The Authority can give no assurances as to future actions by the State of California or the courts with respect to these administrative hearings.

Federal Restrictions. In grant agreements with the FAA, the Authority has agreed that, to the extent feasible, it will not permit or authorize any actions in conjunction with its operation of the Airport that will increase the noise levels or noise exposure impact boundaries beyond those existing as of August 1977. The Authority must also, to the extent of its ability as owner and operator of the Airport and consistent with the safety of flight, implement operational requirements that will serve to reduce Airport noise.

Noise Abatement Programs

Part 161 Proceedings. In the summer of 2000, the Authority initiated a Federal Aviation Regulation Part 161 process to obtain approval from the FAA for a mandatory curfew on all aircraft operations between 10:00 p.m. and 7:00 a.m. On November 2, 2009, the FAA rejected the Authority's Part 161 application to impose a full night-time curfew at the Airport. Legislation was subsequently introduced in the U.S. House of Representatives that would enable the Airport to adopt a mandatory curfew from 10 p.m. to 7 a.m. Such legislation was not enacted. The Authority is unable to determine whether similar legislation will be introduced in the future; and if so, whether the legislation will be enacted.

Part 150 Noise Compatibility Program. The FAA has approved a Federal Aviation Regulation Part 150 ("Part 150") Airport Noise Compatibility Program for the Airport which recommends 12 noise abatement, four noise mitigation, seven land use and six program management measures. Pursuant to Part 150, the Airport monitored the 65-decibel CNEL contour for the Airport and developed a projected 65-decibel CNEL noise exposure map. The projected 65-decibel CNEL noise exposure map is used in determining whether changes to the Airport's Part 150 Airport Noise Compatibility Program are warranted. Certain elements of the Airport's Part 150 Airport Noise Compatibility Program are described below.

Airport Noise Rules and Restrictions. The Authority has adopted a comprehensive plan of noise regulations which affects air carrier and general aviation aircraft. Under the rules, all air carrier flights must be conducted in FAA Regulation Part 36, Stage 3 aircraft. Stage 2 General Aviation aircraft are restricted between the hours of 10:00 p.m. and 7:00 a.m. Since 1987 all scheduled air carrier aircraft operating out of the Airport have been Stage 3 aircraft. The rule has had the effect of reducing the noise impact area, as measured in acres, from that existing at the time the Authority acquired the Airport.

The Authority also has an aircraft noise compatibility program at the Airport that is based largely on a set of rules adopted prior to – and in effect since – the Airport Noise and Capacity Act of 1990. The Authority's program includes nighttime noise limits and prohibited activities at night (e.g., engine maintenance run-ups, flight training, practice approaches, "touch-and-go-landings" and intersection takeoffs) for both propeller-driven aircraft and non-airline jets, penalties for exceeding those limits or violating the prohibited activities and a program known as a "voluntary curfew" that asks airlines to refrain from scheduling or operating flights, if possible, between 10 p.m. and 7 a.m. Moreover, a single-event noise limit precludes takeoffs or landings of noisier aircraft during the same hours.

The Authority promotes "quiet flying procedures," as adopted by the National Business Aircraft Association and has approved the "quiet flying procedures" developed by an Airport tenant that operates night flights in its cargo business.

Sound Insulation Program. Four schools were initially identified for the Authority's school sound insulation program in 1989, and four more schools were added to the insulation program in November 2000. As of June 30, 2011, the sound insulation of these schools has been completed, except for two of the schools added to the program in 2000. The Authority has applied for grant assistance to be supplemented with Passenger Facility Charges to pay for this program. The Authority expects to provide sound insulation for other schools in accordance with its Part 150 Noise Compatibility Program to the extent funds are available to pay the costs of the program.

As part of the Authority's program to achieve noise compatibility within Airport-adjacent communities, in 1997 the Authority initiated a residential sound insulation program covering 4,643 residential units. In exchange for providing sound insulation for a residential property, the Authority receives an easement on the property with respect to Airport operations from the property owner. As of June 30, 2011, since the inception of the residential sound insulation program, the Authority has completed the insulation of 1,832 residential units and was in the process of sound insulating another 203 units with outreach efforts continuing with the remaining eligible properties.

Financing the Sound Insulation Program. The estimated cost of the Authority's sound insulation program is approximately $170 million, with approximately $96 million having been expended by June 30, 2011. Program expenditures have been funded with a combination of FAA AIP grants, Passenger Facility Charge funds and internally-generated funds. The amount expended by the Authority in any Fiscal Year on the sound insulation program depends on the amount of funds available. The Authority is not required to spend a specified amount in any year for the program. In FY 2011, the Authority expended $6,894,782 on these projects, of which $4,319,375 was funded by FAA AIP grants, $2,317,859 through Passenger Facility Charges and $257,548 through internally-generated funds. In FY 2010, the Authority expended $6,109,511 on these projects, of which $3,547,167 was funded through FAA AIP grants, $2,445,063 through Passenger Facility Charges and $117,281 through internally-generated funds. The Authority has applied approximately $6.5 million of internally-generated funds to the program since its inception. With minor exceptions, AIP grant funds and Passenger Facility Charges are available only with respect to properties within the 65-decibel CNEL noise exposure map at the time of acceptance into the sound insulation program. All homes in the Authority's program qualify for AIP grant assistance. For further information on the Authority's sound insulation program, see Appendix B: "FINANCIAL STATEMENTS–Note 8."

Regulated and Hazardous Substances

General. Airport operations involve the storage and use of a number of substances that are regulated under various federal, state and local regulations. In the event such storage and handling of regulated substances causes environmental damage, the costs resulting from such damage and the remediation of such damage may be significant. These regulated substances at the Airport are predominantly used by Airport tenants. In recognition of the need for a comprehensive hazardous materials policy, the Authority included provisions as to the handling of hazardous and regulated material in the Airport Use Agreements and had adopted Rules and Regulations for other users of the Airport as to the handling of hazardous substances at the Airport. As the owner of the Airport, the Authority may be held liable for any damages caused by a release of a hazardous substance or a regulated compound occurring at the Airport whether or not the Authority was the cause of such event. The contract with Lockheed for the acquisition of the initial Airport property, subsequent agreements with Lockheed for additional acquisitions (by purchase or otherwise) of property that is now part of the Airport, the Airport Use Agreements and the Rules and Regulations for Airport use all provide for indemnification to the Authority from any responsible party for any costs incurred by the Authority in connection with a hazardous substance release at the Airport caused by such party. No assurances can be given that the Authority will not be held liable by governmental agencies or private parties in connection with any such hazardous substance event or that the costs to the Authority in connection with a hazardous substance event will be paid through indemnification. In the event the Authority has to bear the costs of damages caused by a hazardous substance release or the costs of remediating such an event, such costs could have a material adverse effect on the costs of the airlines operating at the Airport and the financial condition of the Authority.

Federal Action regarding Clean-Up of Hazardous Substances. The United States Environmental Protection Agency ("EPA") has placed selected areas within the eastern San Fernando Valley, including property adjacent to the Airport, on the National Priority List of areas requiring substantial clean-up of hazardous substances contained in the groundwater. In 2010, the Authority received a letter from the EPA formally designating the Authority as one of approximately 30 parties designated under the federal Superfund law ("CERCLA") as "potentially responsible parties" ("PRPs") for the second interim remedy at the North Hollywood Operable Unit (the "Second Interim Remedy"). The letter also requested that the Authority, along with other named PRPs, form a group and submit a good faith settlement to offer to EPA to undertake the work required for the Second Interim Remedy, which is expected to last 30 years to 2041. The Authority, together with 17 other designated PRPs, submitted a good faith settlement offer to EPA regarding this Second Interim Remedy.

The EPA has indicated in response to Authority inquiries that it regards the western half of the Airport (that portion west of the north/south runway) to be within the North Hollywood Operable Unit. In 2009, the EPA estimated that the net present value of the Second Interim Remedy would be $108 million. This is a preliminary estimate made without benefit of a detailed engineering analysis and the actual remediation costs could vary considerably from the EPA estimate.

Litigation as to Indemnification. The Authority separately filed a lawsuit against Lockheed in United States District Court for the Central District of California as to its being named a PRP with respect to the Second Interim Remedy. That lawsuit claimed that Lockheed owes the Authority a contractual duty to defend and indemnify the Authority against the costs of the EPA's Second Interim Remedy claim. The Authority based its claim upon a written indemnification provision in the 1978 Airport Purchase Agreement executed by it and by Lockheed. Subsequently, the Authority reached a settlement agreement with Lockheed on the matter. The terms of this settlement agreement provide that Lockheed will defend the Authority with its counsel and assume any costs that EPA or any other party would otherwise assign to the Authority regarding the North Hollywood Operating Unit cleanup, including the Second Interim Remedy. In exchange, the Authority made a payment of $2 million to Lockheed. To fund costs associated with the EPA action and Lockheed settlement, the Authority implemented a rate increase of $1 per day to all parking charges effective February 1, 2011.

See "CERTAIN INVESTMENT CONSIDERATIONS–EPA Claim" and "CERTAIN INVESTMENT CONSIDERATIONS–Environmental Contamination."

Emission Standards

Air emissions associated with airport activities are governed by a number of federal, State and local regulations, most notably the federal Clean Air Act and the California Clean Air Act. Certain other regulations include the California Global Warming Solutions Act ("AB32") and various South Coast Air Quality Management District rules and regulations ("South Coast Rules"). These regulations may affect Airport operations. AB32 specifically regulates the release of certain greenhouse gas emissions from stationary sources within the State. The mandatory reporting requirement under AB32 requires facilities that generate a certain level of greenhouse gas emissions to report their emissions. The Airport does not have to comply with this reporting requirement pursuant to AB32.

The South Coast Rules specifically target various air pollutants and types of operations such as hydrant fueling, private vehicle fueling, power generators, boilers and other volatile organic chemical containing materials. There is currently no South Coast Rules inspector assigned to the Airport. The last South Coast Rules inspection of the Airport occurred in late 2009 and did not result in any negative conclusions.

CERTAIN INVESTMENT CONSIDERATIONS

The 2012 Bonds may not be suitable for all investors. Prospective purchasers of the 2012 Bonds should give careful consideration to the information set forth in this Official Statement, including the matters referred to in the following summary. The information herein does not purport to be a comprehensive or exhaustive discussion of all risks or other considerations that may be relevant to an investment in the 2012 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 risks or considerations not discussed herein are not or will not become material in the future.

General

The following is a general discussion of certain factors affecting the air transportation industry, the Airport and the projections of revenues and operating expenses contained in this Official Statement and does not purport to be an exhaustive listing of all such factors and other considerations. As a result of these and other factors, historical results presented in this Official Statement, including the Airport's operation and financial figures contained in this Official Statement, may not be indicative of future operating results of the Authority.

The Pledged Revenues of the Authority are affected substantially by the economic health of the airline industry, the airlines serving the Airport and various other factors, which include but are not limited to:

- national and international economic conditions;
- the availability and cost of aviation fuel and other necessary supplies;
- the financial health and viability of the airline industry;
- airline service and route networks;
- population growth and the economic health of the region surrounding the Airport and the nation;
- changes in demand for air travel;
- service and cost competition;
- levels of air fares;
- fixed costs and capital requirements;
- the cost and availability of financing;
- the capacity of the national air traffic control system;
- the capacity of the Airport and the capacity of the competing airports;

- national and international disasters and hostilities;
- the cost and availability of employees;
- labor relations within the airline industry;
- regulation by the federal government;
- environmental risks and regulations, noise abatement concerns and regulations;
- bankruptcy and insolvency laws;
- safety concerns arising from international conflicts and the possibility of additional terrorist attacks and other risks; and
- legislative action which would affect federal funding of Airport projects.

Several of these factors reduced profits and caused significant losses for all but a few airlines. As a result of these and other factors, many airlines have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, many airlines have taken many actions to restructure and reduce costs including reducing their workforce, negotiating labor agreements, consolidating connecting activity and replacing mainline jets with regional jets. By early 2007, many major airlines that had been in bankruptcy emerged from bankruptcy protection and started reporting profits. But since 2008, a number of airlines (including some that serve or served the Airport such as American) ceased operations or limited operations and/or filed for bankruptcy protection as they were unable to sustain the increased costs resulting from several of the above factors, including record aviation fuel prices and other financial pressures. Financial difficulties of individual airlines could, over time, materially alter the relative financial obligations of the individual Signatory Airlines and lead to further reductions of service at the Airport. See “FINANCIAL CONDITIONS OF SIGNATORY AIRLINES.”

The recent economic recession, high costs of fuel, terrorist threats and attacks, conflicts in the Middle East and in other regions of the world, increased security requirements in air transportation and increased air fares, among other things, have significantly adversely affected the North American transportation system in the past, including operations at the Airport. Specifically, since the economic downturn in 2008, the number of passengers at the Airport declined by approximately 17 percent in FY 2009, 6 percent in FY 2010 and 3 percent in FY 2011. See “AIRPORT OPERATIONS.”

The Authority cannot predict regional, national and world economies, the likelihood of future terrorist attacks, the likelihood of future air transportation disruptions, the costs of aviation fuel or the impact on the Airport or the airlines from such factors. No assurance can be given that each Signatory Airline will continue operations at the Airport, that passenger activity at the Airport will not decrease or that revenues will not decrease.

For additional information on certain investment considerations relating to factors affecting the airline industry, see Appendix A: “REPORT OF THE AIRPORT CONSULTANT–Air Traffic–Factors Affecting Aviation Demand and the Airline Industry.”

Uncertainties of the Airline Industry

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.

Market conditions may limit most of the airlines’ access to additional financing if their existing sources of funds, including any funds provided by the U.S. Department of Transportation, are exhausted. A number of airlines, including United, Delta and American, discontinued their mainline service at the

Airport in recent years. Certain factors (such as business conditions within the airline industry, the effects of an economic downturn and high aviation fuel costs) can adversely affect the ability of some of the airlines that serve the Airport, including the Signatory Airlines, to meet their financial obligations to the Authority. These conditions could, in the future, result in additional airline bankruptcies, elimination or reduction of service at the Airport by certain airlines, in increased airline concentration at the Airport or other restructuring of the airline industry. Although the Airport Use Agreements permit the Authority to adjust rental rates and landing fees to take into account amounts that go unpaid by a defaulting airline, no assurance can be given that the non-defaulting airlines will continue to serve the Airport and to pay the higher rates and fees. The Airport Use Agreements permit the Signatory Airlines to terminate their respective agreements in accordance with certain conditions. See "AIRPORT USE AGREEMENTS."

Cost of Aviation Fuel

Airline earnings are significantly affected by the price of aviation fuel. According to the Air Transport Association ("ATA"), fuel is the largest cost component of airline operations, and therefore an important and uncertain factor of an airline's operating economics. Although there has been no shortage of aviation fuel since the fuel crisis of 1974, there have been increases and fluctuations in the price of fuel. The average price of aviation fuel was approximately $0.82 per gallon in 2000 compared to $2.87 per gallon in 2011, an increase of 250 percent.

According to the ATA, every one-cent increase in the price per gallon of aviation fuel increases annual airline industry operating expenses by more than $175 million. Fuel prices continue to be subject to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, increased demand for fuel caused by growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, reserve levels maintained by governments, currency fluctuations, disruptions to production and refining facilities and the weather. Significant increases in the cost of aviation fuel have had an adverse impact on airline industry profitability and are expected to have a continued impact on the airline industry. Such adverse impacts could, or have already caused, certain airlines to reduce capacity, fleet and personnel as well as increase airfares and implement various surcharges upon its passengers, all of which may negatively affect the demand for air travel and passenger activity at the Airport.

Airline Mergers

In response to competitive pressures, the airline industry in the United States is consolidating. In April 2001, American completed an acquisition of Trans World Airlines. In August 2001, merger plans for United and US Airways were proposed but rejected by the U.S. Department of Transportation because of concerns about reduced airline competition. US Airways and America West merged in 2005, Delta and Northwest merged in 2008 and United and Continental merged in 2010. In May 2011, Southwest and AirTran Airways completed their merger. Further airline mergers, such as the possible merger between US Airways and American, could change airline service patterns at the Airport, including a possible reduction in service at the Airport. The Authority cannot predict what impact, if any, such consolidations will have on airline traffic at the Airport.

Airline Activity at the Airport

The Authority derives a substantial portion of its operating revenues from landing fees, facility rent and concession fees. The financial strength and stability of the airlines using the Airport, together with numerous other factors, most notably demand for airline services by passengers, influence the level of aviation activity at the Airport. In addition, individual airline decisions regarding level of service, particularly hubbing activity and aircraft size such as use of regional jets, can be expected to affect passenger activity at the Airport, as well as be affected by passenger activity at the Airport. The level of passenger activity at the Airport is reasonably expected to impact the level of other sources of revenue for the Airport, such as parking revenues, concession fees, Passenger Facility Charges and Customer Facility Charges.

The Authority cannot predict the duration or extent of reductions and disruptions in air travel or the extent of any adverse impact on Pledged Revenues, Passenger Facility Charge collections, Customer Facility Charge collections, passenger activity, general Airport operations or the financial condition of the Airport which may result from the financial difficulties of airlines serving the Airport. No assurances can be given that any of the airlines currently serving the Airport will continue operations at the Airport or maintain their current level of operations at the Airport. If one or more of these airlines discontinues operations at the Airport, its current level of activity may not be replaced by other carriers. See "FINANCIAL CONDITION OF SIGNATORY AIRLINES."

Other Activities at the Airport

General. Although the Signatory Airlines are a significant part of the Airport's operations and an important source, whether directly or indirectly, of Airport revenues, the Airport also relies on other Airport operations for revenues, including concessionaires and rental car companies. While the Signatory Airlines, as mentioned above in "AIRPORT USE AGREEMENTS," are responsible for Airport expenses under the rental, joint use fee and landing fee adjustment method, the Airport relies on other operations at the Airport, including parking, tenant payments from tenants other than Signatory Airlines, and concession income, to provide the majority of its revenues. The Authority cannot give any assurances that these operations will continue at the Airport at current levels or produce the same level of revenue for the Authority.

Parking Revenues. Parking fees are collected by the Authority and such revenues, including the 12 percent Burbank parking tax collected and forwarded to Burbank, comprised approximately 44 percent of total operating revenues for FY 2011. The level of passenger activity at the Airport is expected to impact the level of parking revenues. The Authority cannot give any assurance that parking fees will continue to produce the same level of revenue for the Authority in future Fiscal Years.

Current Economic Conditions

The financial condition of the air transportation industry has historically been correlated with the state of the national economy. At the same time, the U.S. economy, among others, experienced a recession followed by weak growth. Since 2008, the U.S. economy, as well as the regional economy around the Airport, faced and continue to face high levels of unemployment. It is not known whether such high unemployment rate (11.9 percent as of February 2012 in the Airport's air trade area) and the slow growth of the economy in general will persist in the coming years. There can be no assurances that such developments will not have an adverse effect on the air transportation industry and the Airport. See Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Economic Base for Air Transportation" for more information.

Uncertainties in the Air Trade Area

Generally, at origination and destination airports such as the Airport, air traffic is significantly dependent upon the economy of the airport trade area. Although the Airport's two-county air trade area is large and has a relatively diversified socioeconomic base, the economy in the air trade area depends in significant part upon the financial strength and stability of the industries within the air trade area and upon the success of major employers in the air trade area. As described in Appendix A, the air trade area suffered from the continuing effects of the recent economic downturn, and the air trade area faced an unemployment rate of approximately 11.9 percent as of February 2012. Reduced demand for air travel in and out of the air trade area could result in fewer airlines serving the Airport and lower levels of passenger activity at the Airport. See Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Economic Base for Air Transportation."

International Conflict and the Threat of Terrorism

The conflicts in Iraq, Afghanistan and other regions in the world, as well as the terrorist threats following the events of September 11, 2001, have had a negative effect on air travel domestically and internationally. As a result of the conflicts and related terrorist threats, airlines significantly reduced the number of transatlantic flights and airline revenues and cash flow was adversely affected. Uncertainty associated with war and future terrorist threats and attacks may have an adverse impact on air travel in the future. The Authority cannot assess the threat of terrorism and the probability of another attack on American soil or against Americans traveling abroad. Should new attacks occur against the air transportation industry, the travel industry, cities, utilities, infrastructure, office buildings or manufacturing plants, the effects on travel demand could be substantial.

Proximity of Passenger Terminal to Runway

The FAA has noted that the Airport Passenger Terminal is closer to the runway than provided in current FAA safety design standards. Although the FAA has found that surface operations at the Airport have been considered safe based on the special operating procedures in effect, the FAA has also recommended discussions to continue between Burbank, the Authority, the FAA, elected officials, citizen groups and other interested parties to identify additional measures that could enhance the level of safety at the Airport. Given the circumstances, the Authority does not expect that the Passenger Terminal will be relocated in the near future, however, the Authority is working with Burbank and its citizens to create a vision plan for the future regarding the Airport and its Passenger Terminal. If any plan for a new or relocated Passenger Terminal is ever initiated, such initiative would likely require significant Additional Bonds. See "THE AIRPORT–Passenger Terminal–*Proximity of Passenger Terminal to Runway*."

Expiration and Possible Termination of Airport Use Agreements

Pursuant to its Airport Use Agreement, each Signatory Airline has agreed to pay rates and charges for its use of the Airport. Each Airport Use Agreement will expire in June 2014 subject to a possible five-year extension by mutual agreement, but may be terminated by the Authority or, under certain conditions, by a Signatory Airline before such expiration. Upon a Signatory Airline's ceasing to provide service at the Airport, the Authority's practice is to terminate its Airport Use Agreement with the result that the Signatory Airlines has no obligation to make payments with respect to any period after such termination. The Authority cannot provide any assurances that the Airport Use Agreements will be renewed and, if renewed, what the terms of the renewed Airport Use Agreements will be. See "AIRPORT USE AGREEMENTS" and Appendix D: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

Effects of Airline Bankruptcy

A bankruptcy of an airline operating at the Airport could result in a decrease in Pledged Revenues, along with delays or reductions in payments on the 2012 Bonds. In the last several years, US Airways, United Airlines and Delta Air Lines, among others, have emerged from bankruptcy. Most recently, American Airlines filed for bankruptcy in November 2011, subsequently ceased operations at the Airport in February 2012. On April 25, 2012, the bankruptcy court granted American's motion to reject its

Airport Use Agreement with the Authority. Additional bankruptcy filings may occur in the future. The bankruptcy of a Signatory Airline or other airline with significant operations at the Airport could have a material adverse effect on operations of the Airport, Pledged Revenues, and the costs of operation to the other Signatory Airlines operating at the Airport.

In the event of an airline bankruptcy, 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 the airline to the Authority or any action to enforce any obligation of the airline to the Authority. With the authorization of the bankruptcy court, the airline may be able to reject some or all of its agreements with the Authority, including the Airport Use Agreement or other lease or operating agreements, and stop performing its obligations (including payment obligations) under such agreements. The airline may be able, without the consent and over the objection of the Authority, the Trustee, and the Owners of the 2012 Bonds, 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, the airline 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 Trustee and the Owners of the 2012 Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the 2012 Bonds and that was received by the Authority or the Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Authority under any agreement with the airline, including the Airport Use Agreement, may be subject to limitations.

Although the Airport Use Agreements permit the Authority to adjust rental rates and landing fees to take into account amounts that go unpaid by a defaulting Signatory Airline, no assurance can be given that the non-defaulting Signatory Airlines will continue to serve the Airport and to pay the higher rates and fees.

An airline is likely to be in possession of Passenger Facility Charges at the time it goes into bankruptcy. While there are provisions in the law requiring airlines to treat Passenger Facility Charges as trust funds, the application of these provisions in a bankruptcy case is not clear. The airline may not be required to turn over to the Authority or the Trustee any Passenger Facility Charges in its possession at the time it goes into bankruptcy. Even while the airline is in bankruptcy, it may not be required to turn over Passenger Facility Charges that are collected prior to the time that the Authority or the Trustee demands the turnover of the Passenger Facility Charges. Even after a demand is made, it is possible that the airline would not be required to turn over subsequently-collected Passenger Facility Charges.

There may be delays in payments on the 2012 Bonds while the court considers any of these issues. There may be other possible effects from a bankruptcy filing by an airline that could result in delays or reductions in payments on the 2012 Bonds. Regardless of any specific adverse determinations by a court in an airline bankruptcy proceeding, an airline bankruptcy proceeding itself could have an adverse effect on the liquidity and value of the 2012 Bonds.

Effects of Concessionaire Bankruptcy

A bankruptcy of any significant concessionaire, including the Rental Car Companies, at the Airport could also result in a decrease in Pledged Revenues and Pledged Customer Facility Charges, along with delays or reductions in payments on the 2012 Bonds, for reasons similar to those discussed above with respect to airline bankruptcies. Regardless of any specific adverse determinations by a court in a concessionaire bankruptcy proceeding, a bankruptcy proceeding itself could have an adverse effect on the liquidity and value of the 2012 Bonds.

Regional Airport Competition

The Airport's air trade area is served by a number of other airports. Operations at these airports may impact passenger activity at the Airport. Growth in passenger activity at some of these airports has been significantly greater than growth, if any, at the Airport due primarily to the reductions of flight operations at the Airport and the use of smaller aircraft at the Airport. See the information in Appendix A: "REPORT OF THE AIRPORT CONSULTANT–Air Traffic." There are also two busy general aviation airports in close proximity to the Airport. Van Nuys Airport, located approximately seven miles from the Airport, and Whiteman Airport, located approximately four miles from the Airport.

The Airport may continue to experience increases in its operating costs due to compliance with federally-mandated and other security and operating changes. Such increased costs, combined with reductions in enplaned passengers at the Airport, may increase costs per enplaned passenger to the airlines, which could put the Airport at a competitive disadvantage relative to other airports and transportation modes.

Further, advancements in technology with teleconferences, video-conferences and web-based meetings have provided satisfactory alternatives to face-to-face business meetings. Such alternatives, in certain cases, have reduced and may continue to reduce the demand for air travel.

Concentration of Southwest Airlines

Southwest Airlines has become the dominant airline serving the Airport, accounting for approximately 66 percent of all enplaned passengers and total passengers at the Airport in FY 2011 and FY 2010. See "AIRPORT OPERATIONS." No assurances can be given that Southwest will continue to provide service at the Airport at the current level or what effect any reduction in service at the Airport by Southwest would have on the operations or financial condition of the Airport.

Seismic Risks

The Airport is located in a seismically active region of California. During the past 150 years, the Los Angeles area, where the Airport is located, experienced several major and numerous minor earthquakes, including an earthquake that measured 6.7 on the Richter Scale on January 17, 1994. A forecast prepared by U.S. Geological Survey, Southern California Earthquake Center and California Geographical Survey and released in April 2008 estimates that there is a 67 percent chance that, by 2037, an earthquake measuring 6.7 or larger on the Richter Scale will occur in the Los Angeles area, and a 97 percent chance that such an earthquake will occur in Southern California. If such an earthquake were to occur, the Airport's facilities could sustain damage, ranging from total destruction to little or no damage at all. Any damage to facilities or other properties could adversely affect the Airport's revenues. The Authority carries only limited earthquake insurance as described in "THE AIRPORT–Insurance." The Authority is unable to predict when or if another earthquake will occur and what impact it will have on Airport operations.

Regulatory Uncertainties

Development at the Airport is regulated extensively by the State of California and requires a number of reviews and permits. The collection and application of Customer Facility Charges and noise waivers may also be subject to audit. Operations and development at the Airport are also subject to extensive federal oversight. The Authority operates the Airport pursuant to an airport operating certificate issued annually by the FAA after on-site review. In addition to this operating certificate, the Authority is required to obtain other permits and/or authorizations from the FAA and from other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants from the FAA Airport Improvement Program. All long-term planning is subject to the FAA's approval; outside audits of the Authority's financial statements are subject to periodic audits by the FAA; the Authority's use of Airport revenues, which is generally limited to airport-related purposes, is subject to audit and review by the FAA; and the Authority's use of Passenger Facility Charges and grant proceeds is also subject to approval, audit and review.

In addition, Burbank, where almost all of the property constituting the Airport is located, has imposed significant restrictions on the expansion or relocation of the Passenger Terminal and the development of other facilities at the Airport. See "THE AIRPORT–Passenger Terminal" and "THE AIRPORT–The Development Agreement."

Regulation of Rates and Charges

The Federal Aviation Administration Authorization Act of 1994, as amended (the "1994 Act") and FAA regulations require that an airport maintain a rate structure that is as "self-sustaining" as possible and limit the use of all revenue generated by an airport receiving federal financing assistance (including local taxes on aviation fuel and other airport-related receipts) to purposes related to the airport. The statutes and regulations provide that for all airports, with certain exceptions, the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations.

The 1994 Act also provides that without air carrier approval, an airport may not include in its rate base debt service allocable to projects not yet completed and in service. Section 113 of the 1994 Act ("Section 113") requires that airport fees be "reasonable" and provides a mechanism by which the Secretary of Transportation can review complaints about rates and charges by air carriers. Section 113 specifically states that its provisions do not apply to (a) a fee imposed pursuant to a written agreement with air carriers using airport facilities, (b) a fee imposed pursuant to a financing agreement or covenant entered into prior to August 23, 1994, the date of enactment of Section 113, or (c) any other existing fee not in dispute as of August 23, 1994.

Airport operations and Airport revenues are affected by a variety of federal and state legislative, legal, contractual, statutory, regulatory and practical restrictions, including restrictions in the 1994 Act, the federal acts authorizing the imposition, collection and use of Passenger Facility Charges, the federal acts relating to the FAA AIP and other federal grants, the statutes and regulations relating to Customer Facility Charges, and other extensive legislation and regulations applicable to all airports. It is not possible to predict whether future restrictions or limitations on the Airport's operation will be imposed, whether future legislation or regulation will affect anticipated federal funding or Passenger Facility Charge or Customer Facility Charge collections, whether additional requirements will be funded by the federal government or require funding by the Authority, or whether such restrictions, legislations or regulations would adversely affect the revenues of the Airport.

In establishing any new rates and charges methodology for the Airport, the Authority intends to comply with federal law and with the Rate Covenant contained in the Indenture. The Authority's ability to raise rates under the Airport Use Agreements may be limited by federal law. The Authority, however, cannot predict any future restrictions or limitations imposed by federal or state legislation. There is currently no dispute between the Authority and any of the air carriers serving the Airport over any existing rates and charges. No assurances can be given that disputes will not arise in the future.

Aviation Security Requirements and Related Costs

As a result of the events of September 11, 2001, the FAA instituted numerous safety and security measures for all United States airports including the Airport. The measures include, but are not limited to, prohibiting unticketed persons beyond security checkpoints and enhancing the search and security check of all passengers and baggage. Air carriers are subject to enhanced security procedures including a high utilization of air marshals and in flight procedures for the passengers and the pilots to reduce the risk of airborne security related incidents. On November 19, 2001, the Aviation and Transportation Security Act (the "Aviation Security Act") was enacted into law. The Aviation Security Act provided, among other things, for the establishment of the TSA. Under the Aviation Security Act, the cost for and the provision of airport security was transferred to and now is administered by the federal government through TSA instead of private companies. TSA assumed responsibility for airport security at the Airport in September 2002. The Aviation Security Act also permits the deployment of air marshals on all flights and requires deployment of air marshals on all "high risk" flights.

The airlines and the federal government were primarily responsible for the capital costs associated with implementing the new security measures. The Airport is currently in compliance with all federally mandated security requirements. But the Authority has taken on some financial burden in installing and in complying with the added security requirements. For example, the Authority performed certain building modifications and installed an in-line baggage screening system which became operational in February 2005. In addition, each time the Department of Homeland Security issues a specific threat warning, the Authority's operating costs increase with these raised threat levels. The Authority cannot predict the effect of any future government-required security measures on passenger activity at the Airport. Nor can the Authority predict how the government will staff security screening functions or the effect on passenger activity of government decisions regarding its staffing levels in the future.

Restrictions on Airport Facilities and Operations

There are restrictions on the Authority's ability to expand and develop facilities at the Airport. The length of the two runways and the noise contour of the Airport are limited by California statute. Due to opposition by Burbank and citizen groups from Burbank, the Authority has not been able to expand or relocate its Passenger Terminal. The Authority and Burbank have executed the Development Agreement which precludes the expansion or relocation of the Passenger Terminal until March 2015. These restrictions also limit the number of gates at the Passenger Terminal to fourteen. See "THE AIRPORT– The Development Agreement." In addition to the constraints resulting from the limited facilities, there are direct restrictions on Airport operations, primarily relating to noise abatement. See "ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS."

These restrictions on Airport facilities and operations limit the number of passengers and flights which the Airport can accommodate which, in turn, limit the amount of Pledged Revenues and Pledged Customer Facility Charges the Authority receives.

2012 Bonds Special Obligations of Authority

The 2012 Bonds will be special obligations of the Authority payable solely from, and secured solely by a pledge of, the Trust Estate and the 2012 Series Debt Service Reserve Fund. The 2012 Bonds will not constitute a charge against the general credit of the Authority. The 2012 Bonds will not be secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except the Trust Estate and the 2012 Series Debt Service Reserve Fund. Neither the faith and credit nor the taxing power of the State of California or any public agency thereof, including the

Cities of Burbank, Glendale and Pasadena, will be pledged to the payment of the 2012 Bonds, and the payment of the 2012 Bonds will not constitute a debt, liability or obligation of the State or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, other than the special obligation of the Authority as provided in the Indenture. The Authority has no taxing power. See "SECURITY FOR THE 2012 BONDS."

Pursuant to the Indenture, the Authority also has the ability to cause a category of income, receipt or other revenues that are included in the definition of Pledged Revenues in the Indenture to be excluded from such definition for all purposes of the Indenture, thereby creating Released Revenues. Such exclusion, which is subject to a number of conditions, would reduce the security for the 2012 Bonds. The Authority has not previously excluded any such Released Revenues. See "SECURITY FOR THE 2012 BONDS–Release of Revenues from Pledged Revenues."

Construction Delay

New construction, such as the construction of the Regional Transportation Facilities, entails a number of risks due to weather, labor issues, unexpected site conditions, cost overruns or other problems that may delay construction commencement or completion. Although the Authority believes it has made arrangements sufficient to provide for completion of the Regional Transportation Facilities, including the Transportation Center and the Replacement Parking Structure (see "THE REGIONAL TRANSPORTATION FACILITIES"), it cannot provide any assurance that there will not be any construction delays. The respective terms of the Rental Car Company Agreements commence upon completion of the Rental Car Facilities. A delay in the completion of the Rental Car Facilities could adversely affect the amount of Pledged Revenues received by the Authority.

In addition, although the Authority has obtained insurance in connection with the construction of the Regional Transportation Facilities and has various contractual provisions with the contractors to mitigate the risks associated with delay and/or liability in connection with the construction of the Regional Transportation Facilities, the Authority cannot guarantee that such insurance and contractual covenants will be sufficient or that the insurance provider and/or the contractors will observe their contractual obligations to the Authority.

Availability of Customer Facility Charges

As the 2012 Bond Project qualifies for financing with Customer Facility Charges, including using Customer Facility Charges to provide for debt service with respect to the 2012 Bonds, the Third Supplemental Indenture pledges the Pledged Customer Facility Charges to the payment of the Bonds. The availability of Customer Facility Charges will vary depending on the number of car rentals subject to Customer Facility Charges. No assurance can be given on the amount of total Customer Facility Charges that will be realized or the amount of Customer Facility Charges that will be applied to the payment of debt service on the Bonds. Further, no assurance can be given that there will not be any changes in law that will affect the amount of total Customer Facility Charges that will be realized. The amount of total Customer Facility Charges is reasonably expected to correlate with the level of deplaned passengers at the Airport, which the Authority also cannot predict as discussed above in "–Airline Activity at the Airport."

EPA Claim

The Authority has been named as a Potentially Responsible Party by the EPA in connection with a claim regarding environmental contamination. The Authority has entered into a written settlement agreement with Lockheed in which Lockheed agreed to defend and indemnify the Authority with respect to the EPA claim. The settlement agreement, however, provides for certain exclusions from the scope of the indemnified matters and the Authority cannot give any assurances that Lockheed might not assert one or more of these exclusions to avoid indemnification as to some or all of the EPA claim, or that the Authority may not otherwise be adversely affected by the EPA action. See "ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS–Regulated and Hazardous Substances."

Environmental Contamination

The Authority acquired the initial parcels for the Airport operations from Lockheed in 1978. Since that time, the Authority has acquired additional real property to add to the Airport, principally from Lockheed. The Authority acquired the additional parcels either by purchase or through the exercise of its eminent domain powers. The Authority has received from Lockheed and other sellers of real property various indemnification agreements that appear to provide coverage for costs (including environmental cleanup costs) arising from the seller's prior ownership or occupancy of the parcel in question. In the event that a hazardous substance release requires cleanup in one of the acquired parcels and it is determined that the indemnification agreement for that parcel is inapplicable or the indemnifying party is unable to pay, then the Authority could be subject to significant clean-up or remediation expenses, absent other potential defenses under applicable law.

Limitations on Remedies

Upon the occurrence and continuance of an event of default under the Indenture, the owners of the 2012 Bonds have limited remedies. Enforceability of the rights and remedies of the owners of the 2012 Bonds, and the obligations incurred by the Authority, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against public entities such as the Authority in the State. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the owners of the 2012 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts may not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period may vary, and the variations may be material. See "REPORT OF THE AIRPORT CONSULTANT" and Appendix A: "REPORT OF THE AIRPORT CONSULTANT."

NO MATERIAL LITIGATION

No Litigation Relating to the 2012 Bonds. There is no litigation or proceeding of any nature now pending against the Authority (of which notice has been received by the Authority) or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2012 Bonds or in any way contesting or affecting the validity of the 2012 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2012 Bonds or the use of the 2012 Bond proceeds.

EPA Claim. The Authority has been named as a Potentially Responsible Party by the EPA in connection with a claim regarding environmental contamination. Although the Authority has reached an agreement pursuant to which Lockheed is to provide the Authority with indemnification with respect to such claim, the Authority cannot give any assurances that Lockheed will in fact indemnify the Authority in this matter, or that the Authority may not be otherwise adversely affected by such action. See "ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS–Regulated and Hazardous Substances" and "CERTAIN INVESTMENT CONSIDERATIONS–EPA Claim."

No Other Material Litigation. The Authority is exposed to several lawsuits and claims arising in the normal course of its operations. The Authority does not anticipate material adverse effects on the financial position of the Authority from the disposition of these lawsuits and claims.

LEGAL MATTERS

The validity of the 2012 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon on behalf of the Authority by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, and by Richards Watson & Gershon, A Professional Corporation, as General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter of the 2012 Bonds by its counsel Stradling Yocca Carlson & Rauth, a Professional Corporation. All of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel with regard to the issuance of the 2012 Bonds are contingent upon the issuance and delivery of the 2012 Bonds.

TAX MATTERS

The 2012A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any 2012A Bond for any period that such 2012A Bond is held by a "substantial user" of the facilities financed by the 2012A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel observes, however, that interest on the 2012A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel is also of the opinion that interest on the 2012A Bonds is exempt from present State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2012A Bonds is less than the amount to be paid at maturity of such 2012A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2012A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2012A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2012A Bonds is the first price at which a substantial amount of such maturity of the 2012A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2012A Bonds accrues daily over the term to maturity of such 2012A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2012A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2012A Bonds. Beneficial Owners of the 2012A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2012A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2012A Bonds in the original offering to the public at the first price at which a substantial amount of such 2012A Bonds is sold to the public.

2012A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2012A Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2012A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2012A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2012A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2012A Bonds may adversely affect the value of, or the tax status of interest on, the 2012A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2012A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2012A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner and the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2012A 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. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the 2012A Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2012A

Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2012A Bonds. Prospective purchasers of the 2012A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2012A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2012 Bonds ends with the issuance of the 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the 2012A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2012A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2012A Bonds, and may cause the Authority or the Beneficial Owners of the 2012A Bonds to incur significant expense.

The 2012B Bonds

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2012B Bonds that acquire their 2012B Bonds in the initial offering. The discussion below is based on laws, regulations, rulings, and decisions in effect and available on the date of this Official Statement, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2012B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a Beneficial Owner. In addition, this summary generally is limited to investors that acquire their 2012B Bonds pursuant to this offering for the issue price that is applicable to such 2012B Bonds (i.e., the price at which a substantial amount of the 2012B Bonds are sold to the public) and who will hold their 2012B Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a Beneficial Owner of a 2012B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a Beneficial Owner of a 2012B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2012B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2012B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2012B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the 2012B Bonds is exempt from State of California personal income taxes. Interest on the 2012B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the 2012B Bonds.

The 2012B Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the 2012B Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the 2012B Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2012B Bonds.

Disposition of the 2012B Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a 2012B Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2012B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2012B Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the 2012B Bond (generally, the purchase price paid by the U.S. Holder for the 2012B Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the 2012B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the 2012B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any 2012B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority and (2) a bank which acquires such 2012B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the Beneficial Owner of the 2012B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the 2012B Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a 2012B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. The Beneficial Owner of a 2012B Bond that is an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such 2012B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the 2012B Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a 2012B Bond, to certain noncorporate Beneficial Owners of 2012B Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any 2012B Bond to a Beneficial Owner that is not a United States person will not be subject to any backup withholding tax requirements if the Beneficial Owner of the 2012B Bond or a financial institution holding the 2012B Bond on behalf of the Beneficial Owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Beneficial Owner of a 2012B Bond provides the certification, the certification must give the name and address of such Beneficial Owner, state that such Beneficial Owner is not a United States person, or, in the case of an individual, that such Beneficial Owner is neither a citizen nor a resident of the United States, and the Beneficial Owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the Beneficial Owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the Beneficial Owners of the 2012B Bonds that are not United States persons and copies of such Beneficial Owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations, pays the proceeds of the sale of a 2012B Bond to the seller of the 2012B Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a 2012B Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a 2012B Bond, is subject to backup withholding requirements unless the Beneficial Owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Authority and its tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

- Any such advice is written to support the promotion or marketing of the 2012 Bonds and the transactions described herein (or in such opinion or other advice); and

- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

UNDERWRITING

The Underwriter has agreed to purchase the 2012A Bonds at a purchase price of $6,841,180.94 (representing the principal amount of $6,715,000.00, less an underwriting discount of $61,704.76, plus a premium of $187,885.70).

The Underwriter has agreed to purchase the 2012B Bonds at a purchase price of $74,727,374.82 (representing the principal amount of $75,450,000.00, less an underwriting discount of $722,625.18).

The Bond Purchase Agreement pursuant to which the 2012 Bonds are being sold (the "Purchase Agreement") provides that the Underwriter's obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. Under the Purchase Agreement, the purchase of any 2012 Bonds by the Underwriter is conditioned upon the delivery of all 2012 Bonds.

The Underwriter may offer and sell the 2012 Bonds to certain dealers and others at prices or yields lower than the initial offering prices or yields set forth on the inside cover of this Official Statement. The offering prices or yields of the 2012 Bonds may be changed from time to time by the Underwriter.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with the 2012 Bonds.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Rating Services and Fitch Ratings have assigned ratings of "A1" (negative outlook), "A+" (stable outlook) and "A+" (stable outlook), respectively, to the 2012 Bonds. The foregoing ratings reflect only the views of such organizations and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Rating Services, 55 Water Street, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004.

The Authority furnished the rating agencies with information and material relating to the 2012 Bonds and the Airport, certain of which has not been included in this Official Statement. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings on the 2012 Bonds described above will continue for any given period of time or that such a rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same, if in the judgment of such rating agency, circumstances so warrant. Except as otherwise provided in the Continuing Disclosure Agreement (see "CONTINUING DISCLOSURE" below), the Authority has not undertaken any responsibility to bring to the attention of the Owners of the 2012 Bonds any proposed change in or withdrawal of a rating or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of a rating may have an adverse effect on the marketability or the market price of the 2012 Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the Owners and Beneficial Owners of the 2012 Bonds to provide certain financial information and operating data relating to the Authority and the Airport by not later than 180 days following the end of the Authority's fiscal year (which fiscal year ends on June 30), commencing with the Annual Report for Fiscal Year 2012, and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA") for the purpose of SEC Rule 15c2-12(b)(5). The notices of material events will be filed by the Authority with EMMA. The specific nature of the information to be made available and to be contained in the notices of material events is summarized in Appendix G: "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

For the last five years the Authority has complied in all material aspects with its filing obligations pursuant to undertakings entered into pursuant to Rule 15c2-12.

FINANCIAL ADVISOR

The Authority has retained the services of Public Resources Advisory Group, Los Angeles, California, as Financial Advisor (the "Financial Advisor") in connection with the sale of the 2012 Bonds. The Financial Advisor does not assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The Basic Financial Statements of the Authority as of and for the years ended June 30, 2011 and 2010 set forth in Appendix B have been examined by Macias Gini & O'Connell LLP, independent certified public accountants (the "Auditor"), for the periods indicated and to the extent set forth in their report thereon. The Indenture requires the Authority to have its financial statements audited annually by an independent certified public accountant. The audited financial statements prepared by the Authority each fiscal year are required to be provided to the Trustee within 180 days after the end of each such year in accordance with the Indenture. The Auditor has not been requested to consent to the use of its name or to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

MISCELLANEOUS

Certain statements contained in this Official Statement, including the appendices, do not reflect historical facts but are forecasts and forward-looking statements. Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates and not as facts. No assurance can be given that such estimates or forecasts will be realized. Historical data in this Official Statement is not intended to be a projection of future results.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The descriptions of statutes and documents in this Official Statement, including the Indenture, the Joint Powers Agreement, the Airport Use Agreements, the Rental Car Company Agreements, the Development Agreement and the Airport Management Services Agreement, do not purport to be comprehensive or definitive, and prospective purchasers of the 2012 Bonds are referred to such statutes and documents in their entirety for the complete terms thereof. During the offering period of the 2012 Bonds, copies of the Indenture may be obtained from the Authority.

This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the President of the Authority.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

By /s/ Don Brown
Don Brown, President

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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APPENDIX A

Burbank-Glendale-Pasadena Airport Authority
Airport Revenue Bonds, 2012 Series A
Airport Revenue Bonds, 2012 Taxable Series B

REPORT OF THE AIRPORT CONSULTANT

Ricondo & Associates, Inc.
105 East Fourth Street, Suite 1700
Cincinnati, OH 45202
513.651.4700 (telephone)
513.412.3570 (facsimile)

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April 25, 2012

Mr. Dan Feger
Executive Director
Burbank-Glendale-Pasadena Airport Authority
Bob Hope Airport
2627 Hollywood Drive
Burbank, CA 91505

Re: Burbank-Glendale-Pasadena Airport Authority
Airport Revenue Bonds, 2012 Series A
Airport Revenue Bonds, 2012 Taxable Series B
Appendix A: Report of the Airport Consultant

Dear Mr. Feger:

This report sets forth findings, assumptions, and projections of air traffic activity and resulting car rental demand, as well as financial analyses, developed by Ricondo & Associates, Inc. (R&A) in conjunction with the planned issuance by the Burbank-Glendale-Pasadena Airport Authority (Authority) of its Airport Revenue Bonds, 2012 Series A (2012 Series A Bonds) and its Airport Revenue Bonds, 2012 Taxable Series B (2012 Taxable Series B Bonds) (collectively, 2012 Series Bonds) to partially fund the construction of the Regional Intermodal Transportation Center (RITC) at Bob Hope Airport (Airport). The RITC is being developed in two phases, with Phase 1 being currently constructed and Phase 2 to be developed in the future. Phase 1 of the RITC consists of a consolidated rental car facility (CRCF), a replacement parking structure, and an elevated walkway between the RITC and Terminal B. This report is intended for inclusion in the Official Statement for the 2012 Series Bonds as Appendix A: Report of the Airport Consultant.

The Authority has authorized the issuance of the 2012 Series Bonds, the proceeds of which, together with proceeds from Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), federal funds, a loan from the Facility Development Reserve, and a contribution of other Authority funds, and investment income, will finance construction of Phase 1 of the RITC and certain related improvements at the Airport (see detailed discussion of Phase 1 of the RITC in Chapter III). The 2012 Series Bonds are issued under the Master Indenture of Trust (Indenture) dated May 1, 2005, as amended and supplemented, and are payable from and secured by a pledge of the Net Revenues of the Authority, Available Revenues, and the amounts in certain funds established under the Indenture (such Net Revenues and amounts in such funds constituting the Trust Estate) and amounts in the 2012 Series Bonds Debt Service Reserve Fund.

The CRCF in the RITC will provide newer, more efficient, and expanded facilities for on-Airport rental car companies to (1) consolidate administrative, ready/return, and quick turnaround area (QTA) facilities into one location; (2) provide customers a higher level of service and more opportunities for competition (increasing from four major brands to seven major brands and two small market share operators that previously operated off-Airport); and (3) provide on-Airport rental

105 EAST FOURTH STREET, SUITE 1700, CINCINNATI, OH 45202
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car companies a more efficient operational environment with all required operations on each floor of the CRCF. The RITC will also provide accommodations for local and regional transit buses and shuttle services, including shuttles operated by off-Airport rental car companies, and a bus passenger waiting lounge. The RITC is also an environmentally-sensitive project, as it will eliminate an estimated 700,000 rental car trips per year between the ready/return lot and the existing rental car QTA area currently required to accommodate rental car transactions.

The improvements included in Phase 2 of the RITC are ancillary components to Phase 1 and are not critical to the functional operation of Phase 1. Phase 2 will not be initiated until plans are fully developed, financial plans are approved, and the RITC is completed and fully operational. If initiated, the cost of Phase 2 is expected to be paid from federal grants, passenger facility charge (PFC) revenues, and Authority funds. It is not the intention of the Authority to fund any portion of Phase 2 of the RITC with general airport revenue bonds. Phase 2 of the RITC will consist of the construction of an enclosed weather-protected pedestrian bridge over Empire Avenue connecting the RITC structure with the Train Station, acquisition and rehabilitation of parking lots between Empire Avenue and Union Pacific Railroad tracks to improve access to the area (which is the intention of the Authority but not a requirement for Phase 2), and installation of solar panels on top of the elevated pedestrian walkway connecting the RITC with the Train Station.

Based on the assumptions and analyses described in this report, we provide the following findings and opinions:

Economic Base

- The economic base of the Airport's Air Trade Area, as defined in this report, is broad and diversified and will continue to support long-term growth in demand for air transportation services at the Airport.

- The Airport's proximity to the Tri-Cities (Burbank, Glendale, and Pasadena) and the San Fernando Valley allows it to serve as a convenient gateway to an important economic sub-region within the Air Trade Area. Strong economic sectors within this sub-region include entertainment, aerospace, defense, and education.

- The Air Trade Area has a substantial population base with approximately 10.7 million residents in 2011. Its population is greater than that of many major metropolitan regions including Chicago, Washington D.C., Boston, and the San Francisco Bay Area.

- At $52,393 in 2011, the median household income in the Air Trade Area was 4.3 percent higher than that of the U.S. In addition, more than 1.2 million households in the Air Trade Area earned more than $75,000 in 2011, the income category that generates the greatest demand for airline travel according to the Travel Industry Association. Estimates show that nearly 1.5 million households in the Air Trade Area will earn more than $75,000 in 2017. The large number of higher income households within the Air Trade Area provides the Airport with strong local demand for air travel.

- Major employers in the Tri-Cities are an important source of demand for business travel at the Airport. These companies include The Walt Disney Company, Warner Bros., NBC/Universal, Yahoo!, Dreamworks Animation, AT&T, Nestle NPR Inc., Parsons Corporation, Wausau Insurance, Bank of America NA, Ameron International, and Crane Aerospace & Electronics among others. Furthermore, 14 companies headquartered in the Air Trade Area were listed among 2011's top 500 U.S. companies by *Fortune* magazine when ranked by annual revenue.

- The Air Trade Area offers a variety of cultural and recreational resources and activities, and the leisure and hospitality sector is an important source of employment. Popular visitor attractions in the Air Trade Area include: Universal Studios Hollywood (Universal City); Six Flags Magic Mountain (Valencia); the Getty Center (Los Angeles); Griffith Observatory (Griffith Park, Los Angeles); and the Ronald Reagan Presidential Library and Museum (Simi Valley).

- In February 2012 (latest data available), the non-seasonally adjusted unemployment rate for the Air Trade Area was 11.9 percent.[1] This is higher than the rate in California where the non-seasonally adjusted unemployment rate was 11.4 percent.[2] The non-seasonally adjusted unemployment rate for the U.S. was 8.7 percent in February 2012.[3]

- Although the Air Trade Area is well-positioned with a broad and diverse economic base, its economic outlook is affected by overall economic conditions in the United States. Recent surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for modest real GDP growth in 2012. Similar to forecasts from NABE and Blue Chip Economic Indicators, a recent report from the Los Angeles Economic Development Corporation (LAEDC) estimates that unemployment rates in both California and the Air Trade Area will remain elevated in 2012. Economic recovery in the Air Trade Area is generally expected to follow statewide and national trends, and to support growth in projected activity at the Airport during the projection period.

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1 Monthly unemployment data published for the Air Trade Area are not seasonally adjusted.
2 The seasonally adjusted unemployment rate for California was 10.9 percent in February 2012.
3 The seasonally adjusted unemployment rate for the U.S. was 8.3 percent in February 2012.

Air Traffic

- The Airport is one of five scheduled passenger service airports serving the Los Angeles region. Other scheduled passenger service airports located in the Los Angeles region include Los Angeles International (LAX), LA/Ontario International (ONT), Long Beach (LGB), and John Wayne (SNA). Each of the five airports caters to particular types of passenger demand, owing to each facility's geographic proximity to businesses and population concentrations in the region, as well as to the availability of specific types of air services.
- The demographic and economic characteristics of the Los Angeles region, of which the Air Trade Area is a subset, create a strong local demand for air transportation. This demand is predominately served through LAX – it accumulated 73.9 percent of the passenger traffic served by the five airports combined in calendar year (CY) 2010 - particularly for international travel and nonstop travel to major medium and long-haul markets (e.g., New York, Chicago, Honolulu, and Washington, D.C.), as well as travel within the West Coast corridor (California, Oregon, and Washington). The Airport and LGB, ONT, and SNA serve primarily origin-destination (O&D) travel to short and medium-haul markets, including the West Coast corridor.
- As of March 2012, the Airport had passenger service provided by six certificated U.S. carriers. Scheduled service at the Airport is provided by five of the nation's 12 major U.S. passenger airlines. Major passenger airlines currently providing scheduled service at the Airport include Alaska, JetBlue, SkyWest (d\b\a Delta Connection, United Express, US Airways Express, and under contract with Alaska), Southwest, and US Airways.[4] Additionally, Mesa (d\b\a US Airways Express) provides scheduled passenger service at the Airport. AirNet Express, Ameriflight, FedEx, and United Parcel Service provide all-cargo service at the Airport.
- The Airport is classified by the FAA as a medium hub primary airport based on its percentage of nationwide enplanements;[5] and ranked 58th nationwide in total passengers in CY 2010 with 4.5 million enplaned and deplaned passengers.[6]
- Between Fiscal Year (FY) 2000 and FY 2011, passenger activity at the Airport ranged from a high of 2.9 million in FY 2008 to a low of 2.2 million in FY 2011.[7] Airport enplanements

4 The major U.S. airline American, which filed for Chapter 11 bankruptcy on November 29, 2011, terminated service at the Airport on February 9, 2012 (three daily nonstop flights to Dallas).

5 As defined by the FAA, a medium hub primary airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 1,780,064 to 7,120,256 enplaned passengers in CY 2010, the latest calendar year for determining airport hub size. The Airport enplaned 2.2 million people in CY 2010.

6 *Traffic Data 2010*, Airports Council International – North America., May 2011.

7 The Airport's fiscal year is defined as the 12-month period ending June 30.

decreased at an annual compound rate of 0.7 percent between FY 2000 and FY 2011, from 2,348,198 enplaned passengers to 2,181,852 during this period.

- After decreasing 7.5 percent in FY 2002 due to the terrorist attacks of September 11, 2001 and a contracting U.S. economy, enplaned passengers at the Airport increased each year between FY 2003 and FY 2008, reaching 2,919,311 in FY 2008 (a record high at the Airport). Due to record oil prices and a national economic recession, the airlines raised fares and reduced capacity systemwide. As a result, enplaned passengers at the Airport decreased from 2.9 million in FY 2008 to 2.2 million in FY 2011. In an effort to retain and increase air service to the Airport, the Authority initiated an Air Service Retention and Development program in mid-FY 2009. To date, this program has retained the use of jet service to the Airport's major markets and helped to obtain new nonstop service to Denver by Southwest in August 2011.
- Enplanements were spread over a number of carriers between FY 2007 and FY 2011; however, Southwest had the majority of passenger activity with 63 to 66 percent of annual enplanements at the Airport during this period.
- Daily nonstop service was provided to the top 12 O&D markets for the Airport in FY 2011 with a total of 77 daily flights. Primary O&D markets during FY 2011 with a significant number of daily nonstop flights include Oakland (highest ranked market in FY 2011 based on number of O&D passengers) with 14 daily flights, fifth-ranked Phoenix with 12 daily flights, and second-ranked Las Vegas with 12 daily flights.
- Based on nine months of data for FY 2012, it is expected that enplaned passengers at the Airport will decrease 2.6 percent in FY 2012 from FY 2011 levels. The elimination of American service in late FY 2012 will be partially offset by a full fiscal year of Southwest's Denver service and increased Oakland service which started in March 2012. As a result, enplaned passengers at the Airport are projected to remain at approximately FY 2012 levels in FY 2013. Modest growth in enplaned passengers at the Airport is expected thereafter through FY 2017 due to improved economic conditions in the Air Trade Area (compound annual growth rate of 1.2 percent between FY 2013 and FY 2017, compared to 2.9 percent projected by the FAA for the nation).

Mr. Dan Feger
Executive Director
Burbank-Glendale-Pasadena Airport Authority
April 25, 2012

Financial Analysis

- The Authority has entered into Airport Use Agreements with six airlines which expire June 30, 2014.[8] The Airport Use Agreements incorporate the residual rate-setting methodology for both the Airfield and Terminal Building cost centers. While the Airport Use Agreements allow for an annual adjustment to the Airport's rates and charges, it has been the Authority's practice to maintain stable rates.
- The Airport's operating expenses increased at a 4.5 percent compound annual growth rate between FY 2007 and FY 2011 due to contractual provisions, cost of living adjustments, staffing adjustments, and commodity prices. Based on discussions with Airport management and the review of certain contractual obligations, R&A projects operating expenses to increase at an overall rate of 3.0 percent per annum through the projection period (FY 2013 – FY 2017).
- The Airport's airline revenues declined at a 3.2 percent compound annual rate between FY 2007 and FY 2011, largely reflecting trends in passenger activity. Due to the lower passenger activity and modest growth in operating expenses, R&A projects that the Airport will need to increase its landing fee beginning in FY 2013; however, projected airline costs at the Airport are well below published industry means, as discussed below.
- The Airport's non-airline revenues decreased at a 4.2 percent compound annual rate between FY 2007 and FY 2011, largely reflecting the trends in passenger activity. R&A projects that the Airport's non-airline revenues will increase at a 2.6 percent annual rate through the projection period, reflecting the expected growth in passenger activity and the addition of rental car Facility Rent.
- While the 2012 Series Bonds are secured by the Trust Estate, and thus the Net Revenues of the Airport, the Authority intends for CRCF related revenues, including Facility Rent and CFC revenue, to offset the debt service associated with the facilities financed by the 2012 Series Bonds, including the CRCF and a portion of the Replacement Parking Structure.
- Facility Rent will be assessed on the rental car companies using the CRCF and is based on debt service and other obligations allocable to the CRCF. Facility Rent payable by the rental car companies each Fiscal Year will be reduced by the amount of CFC revenue budgeted by the Authority to be remitted in that Fiscal Year.

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[8] AMR Corp., and its subsidiaries including American Airlines, Inc., filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code on November 29, 2011. Subsequently, American ceased operations at the Airport as of February 9, 2012. However, American's Use Agreement remains in force and the airline remains liable for all related rents due subsequent to the bankruptcy filing, primarily related to joint use space, until it either assumes or rejects the Use Agreement as part of its reorganization process. The Authority anticipates American will reject the Use Agreement as part of the reorganization process, at which time the airline's rental obligations to the Authority will cease.

RICONDO & ASSOCIATES

Mr. Dan Feger
Executive Director
Burbank-Glendale-Pasadena Airport Authority
April 25, 2012

- The Airport instituted a CFC in December 2009 at $10.00 per rental car transaction, the maximum allowed by state statute at that time. On July 1, 2011, the Authority began levying the CFC at a rate of $6.00 per transaction day (for a maximum of 5 days) following the amendment of California CFC law that became effective January 1, 2011. The Authority collected $1.8 million in CFC revenue in FY 2010 and $3.2 million in FY 2011, and is estimated to collect $4.8 million in FY 2012. From FY 2013 through the projection period, R&A projects that CFC revenue will increase in line with enplanements to reach $5.1 million in FY 2017.
- The Indenture permits the Authority to designate an amount of CFCs from time to time as Available Revenue under the Indenture. The Indenture pledges the first CFCs received by the Authority in each Fiscal Year, commencing with FY 2015, up to the amount of the debt service accruing on the 2012 Series Bonds during the applicable Fiscal Year as Available Revenue. For the purpose of this analysis, it is assumed that all CFCs received by the Authority from July 1, 2014 through the projection period are pledged Available Revenue.
- R&A estimates the Airport's signatory passenger airline cost per enplaned passenger (CPE) will increase from $2.09 in FY 2011 to $3.45 in FY 2017. R&A notes that the Airport's CPE, both on a current and prospective basis, is well below published industry medians.
- Annual debt service is projected to increase from $5.4 million in FY 2011 to $12.5 million in FY 2017 based on the planned structure of the 2012 Series Bonds. After applying CFC Revenue as an offset to the debt service on the Series 2012 Bonds, net debt service in 2017 is expected to equal $7.4 million.
- R&A expects the Airport's debt per enplaned passenger to remain low compared to published industry medians through the projection period.
- Projected Net Revenues and permitted transfers are estimated to provide at least 1.42x coverage of annual debt service in each Fiscal Year of the projection period, meeting or exceeding the 1.25x requirement of the Rate Covenant established in the Indenture.

Except as defined otherwise, the capitalized terms used in this report are as defined in the Indenture. The techniques used in this report are consistent with industry practices for similar studies in connection with revenue bond sales. While we believe the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,

Ricondo & Associates, Inc

RICONDO & ASSOCIATES, INC.

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Table No.

LIST OF EXHIBITS

Exhibit No.

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I. Economic Base for Air Transportation

The demand for air transportation at a particular airport is, to a large degree, a function of the demographic and economic characteristics of the airport's air trade area (i.e., the geographical area served by an airport). This chapter profiles the regional economy surrounding the Airport, including current conditions and trends.[1] In particular, the following discussion focuses on economic factors that will affect future demand for air passengers at the Airport. For the purposes of this Chapter, the "Air Trade Area" is comprised of Los Angeles County and Ventura County.

1.1 Summary

Table I-1 provides an overview of the economic indicators presented and discussed in this chapter. A summary of key socioeconomic trends in the Air Trade Area includes the following:

- **Gateway Location.** The Airport's proximity to the Tri-Cities (Burbank, Glendale, and Pasadena) and the San Fernando Valley[2] allows it to serve as a convenient gateway to this important economic sub-region with particular strengths in the entertainment, aerospace, defense, and education sectors.
- **Population Trends.** The Air Trade Area has a substantial population base with approximately 10.7 million residents in 2011.[3] Population in the Air Trade Area increased by approximately 393,000 between 2000 and 2011. Population growth forecasts show that the Air Trade Area will add approximately 243,000 people between 2011 and 2017 (approximately 40,500 per year).
- **Age Distribution and Educational Attainment.** Market research has shown that people between the ages of 35 and 54, and that individuals with a college degree, tend to travel the most by air. In 2011, Air Trade Area residents between the ages of 35 and 54 comprised 28.3 percent of the population, a level that was higher than the rate in both California and the U.S.[4] In 2010 (latest data available), approximately 35.7 percent of the Air Trade Area population over the age of 25 held a bachelor's degree or higher advanced degree (e.g., graduate or professional degree); this percentage was below that of California (37.6 percent) and nearly equal to the rate in the U.S. (35.8 percent).[5]

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[1] This chapter has been prepared by Partners for Economic Solutions, a consulting firm based in Washington, D.C. that specializes in regional economic analysis.

[2] Approximately 80 percent of San Fernando Valley's population is located within the City of Los Angeles.

[3] See Table I-1. Woods & Poole Economics, Inc. is a data vendor located in Washington, D.C. that specializes in current year economic and demographic estimates, and long-term estimates for the U.S., 50 states, 3,091 counties and the District of Columbia. Its database contains approximately 900 variables for every county in the United States including population and employment by industry. Its demographic estimates are revised annually to reflect both new computational techniques and new data sources. Woods & Poole's clients include the U.S. Department of Defense, the National Institute of Health, the U.S. Census Bureau, and numerous counties and municipalities.

[4] See Table I-5. ESRI, headquartered in Redlands, CA, is a leading demographic data vendor that provides current-year estimates and five-year estimates of more than 2,000 data variables including population, age, education and income. ESRI's clients include the United States Army Corps of Engineers, the National Oceanic and Atmosphere Administration, the U.S. Department of Homeland Security, and other public agencies at the national, state, and local level.

[5] See Table I-7.

Table I-1

Summary of Key Economic Indicators

	Tri-Cities[1/]	Air Trade Area[2/]	California	United States
Note: Best performing numbers or rates in each row are underlined and in bold				
Population				
2000	429,225	10,294,697	33,987,977	282,162,411
2006	432,145	10,536,138	36,021,202	298,379,912
2011	434,579	10,688,333	37,711,879	312,308,189
2017 (Estimate)	443,992	10,931,556	40,033,946	331,274,237
Population Growth[3/]				
2000-2006	0.1%	0.4%	**1.0%**	0.9%
2006-2011	0.1%	0.3%	**0.9%**	**0.9%**
2011-2017 (Estimate)	0.03%	0.4%	**1.0%**	**1.0%**
Median Household Income				
2011	$52,951	$52,393	**$57,587**	$50,227
2017 (Estimate)	$64,475	$63,166	**$70,322**	$59,121
% Growth 2011-17 Households Earning $75,000+	**28.2%**	24.4%	26.8%	28.1%
Growth In Civilian Labor Force[3/]				
2001-2006	NA	0.3%	0.6%	**1.0%**
2006-2011	NA	0.3%	**0.5%**	0.3%
2001-2011	NA	0.3%	0.5%	**0.7%**
Unemployment Rate				
2001	NA	5.6%	5.4%	**4.7%**
2006	NA	4.7%	4.9%	**4.6%**
2011	NA	12.0%	11.8%	**8.9%**
February 2012[4/]	NA	11.9%	11.4%	**8.7%**
Growth in Nonagricultural Employment, 2001-2011[3/]	NA	-0.03%	0.1%	**0.5%**
Employment By Industry, 2011				
Services	NA	45.2%	44.5%	43.6%
Wholesale/Retail Trade	NA	13.8%	13.5%	14.1%
Fin/Ins/Real Estate	NA	11.7%	11.4%	10.4%
Government	NA	10.3%	11.8%	12.7%
Manufacturing	NA	7.4%	6.9%	7.3%
Information	NA	4.3%	3.0%	2.0%
Construction	NA	3.8%	5.7%	6.4%
Transportation/Utilities	NA	3.6%	3.2%	3.6%

Notes:
1/ The Tri-Cities are defined as the cities of Burbank, Glendale, and Pasadena.
2/ The Air Trade Area is defined as Los Angeles County and Ventura County.
3/ Compounded annual growth rate.
4/ February 2012 unemployment data are not seasonally adjusted.

Sources: See Tables I-4, I-8, I-9, I-10, I-13.
Prepared by: Partners for Economic Solutions, March 2012.

- **High Median Household Income.** Median household income in the Air Trade Area in 2011 was 4.3 percent higher than that of the U.S. and 9.0 percent lower than that of California.[6] In addition, approximately 1.2 million of the Air Trade Area's households earned more than $75,000 in 2011,[7] the income category that generates the greatest demand for airline travel according to the Travel Industry Association. Income estimates show continued growth in the number of the Air Trade Area's households with income greater than $75,000 between 2011 and 2017. This suggests a continuing ability by the Air Trade Area's households to draw on discretionary income for spending on air travel.
- **Unemployment.** In February 2012 (latest data available), the non-seasonally adjusted unemployment rate in the Air Trade Area was 11.9 percent.[8] This was above the rate in California where the non-seasonally adjusted unemployment rate was 11.4 percent.[9] The non-seasonally adjusted unemployment rate for the U.S. was 8.7 percent in February 2012.[10]
- **Major Employers Stimulate Demand for Business Travel.** Major employers in the Tri-Cities include The Walt Disney Company, Warner Bros., NBC/Universal, Dreamworks Animation, AT&T, Nestle NPR Inc., Parsons Corporation, Wausau Insurance, Bank of America NA, Ameron International, and Crane Aerospace & Electronics. Furthermore, 14 companies headquartered in the Air Trade Area were listed among 2011's top 500 U.S. companies by *Fortune* magazine when ranked by annual revenue.
- **Economic Outlook.** Although the Air Trade Area is well-positioned with a broad and diverse economic base, it is nevertheless affected by overall economic conditions in the U.S. In the wake of the December 2007-June 2009 recession, the U.S. economy is experiencing weakness in housing construction, consumer spending, and business investment, as well as relatively high unemployment rates and low GDP growth.[11] Recent surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for modest real GDP growth in the U.S. in 2012.[12] Similar to forecasts from NABE and Blue Chip Economic Indicators, a recent report from the Los Angeles Economic Development Corporation (LAEDC) estimates that unemployment rates in both California and the Air Trade Area will remain elevated in 2012. However, the LAEDC forecast also estimates improved 2012 job growth in the Air Trade Area in health

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6 See Table I-8.
7 See Table I-9.
8 Monthly unemployment data published for the Air Trade Area are not seasonally adjusted.
9 The seasonally adjusted unemployment rate in California was 10.9 percent in February 2012.
10 The seasonally adjusted unemployment rate in the U.S. was 8.3 percent in February 2012.
11 Building Permits - States and Metro Areas, National Association of Homebuilders, http://www.nahb.org/reference_list.aspx?sectionID=130, accessed February 2012; Table 2.1. Personal Income and Its Disposition, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/TableView.asp, accessed February 2012; Table 5.3.2. Contributions to Percent Change in Real Private Fixed Investment by Type and Table 5.6.6B. Change in Real Private Inventories by Industry, Chained Dollars, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/ TableView.asp, accessed February 2012; Labor Force Statistics from the Current Population Survey, Bureau of Labor Statistics, http://www.bls.gov/cps/, accessed February 2012; Table 1.1.1. Percent Change from Preceding Period in Real Gross Domestic Product, Bureau of Economic Analysis, http://www.bea.gov/national/ nipaweb/TableView.asp, accessed February 2012.
12 *Blue Chip Economic Indicators*, Vol. 37, No. 3, March 10, 2012, Aspen Publishers; *NABE Outlook*, November 2011, National Association for Business Economics; *The Kyser Center for Economic Research 2012-2013 Economic Forecast and Industry Outlook*, Los Angeles County Economic Development Corporation, February 2012.

care, education, retail trade, information services, and leisure and hospitality. Based on the socioeconomic factors summarized above, the Air Trade Area's population growth, household income levels, and diversified employment base indicate an economy that is broad and diversified and will continue to support long term growth in demand for air transportation services at the Airport.

1.2 Air Trade Area

The Air Trade Area consists of Los Angeles County and Ventura County. **Exhibit I-1** depicts the Air Trade Area's geographical location in the State of California and also illustrates the location of the Airport relative to alternative commercial service airports: Los Angeles International Airport (located approximately 25 driving miles from the Airport), Long Beach Airport (located approximately 40 driving miles from the Airport), John Wayne Airport (located approximately 50 driving miles from the Airport), and LA/Ontario International Airport (located approximately 50 driving miles from the Airport).

1.3 Tri-Cities and San Fernando Valley

The Airport's proximity to the Tri-Cities (Burbank, Glendale, and Pasadena) and the San Fernando Valley[13] allows it to serve as a convenient gateway to an important economic sub-region with particular strengths in the entertainment, aerospace, defense, and education sectors.

Major private sector employers in the Tri-Cities that have 300 employees or more are shown in **Table I-2**. These companies represent a diverse range of industries such as entertainment, internet services, telecommunications, financial services, engineering consulting, food products, construction, aerospace, defense, paper products, real estate, and restaurants.

The entertainment industry has been a significant economic sector in the Tri-Cities and San Fernando Valley since the early days of film making in the U.S. Known as the "Valley of the Stars,"[14] the sub-region is a center of motion picture and television production, and corporate headquarters located here include The Walt Disney Company, Warner Bros., and Dreamworks Animation. In addition, NBC/Universal, CBS, Nickelodeon, the Comedy Channel, and several cable networks have major facilities in the Tri-Cities and San Fernando Valley. These companies support a network of allied firms in the sub-region and employ an extensive workforce of creative and highly compensated professionals.[15]

The Tri-Cities and San Fernando Valley played a significant role in the development of the aerospace and defense industries in the U.S., and these two sectors remain large employers in the sub-region. Major headquarters include Pratt & Whitney Rocketdyne in Canoga Park and Crane Aerospace and Electronics in Burbank. With 5,000 employees in Pasadena, NASA's Jet Propulsion Laboratory is one of the United States' foremost research institutions. These organizations and their many suppliers employ thousands of skilled engineers and designers in the sub-region.[16]

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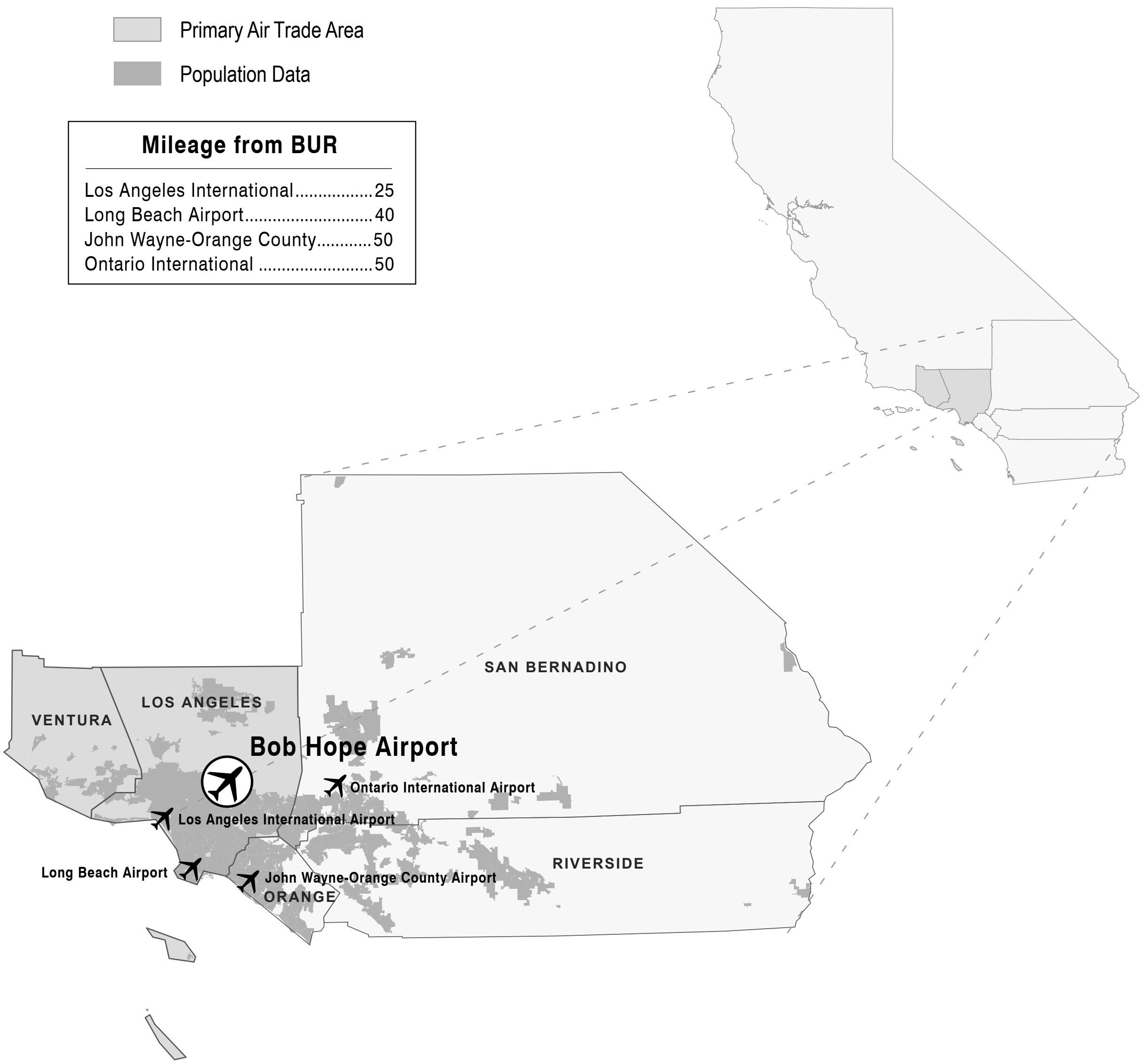
13 Approximately 80 percent of San Fernando Valley's population is located within the City of Los Angeles.
14 San Fernando Valley Business, http://www.valleyofthestars.org/, accessed February 2012.
15 Regions of L.A., http://www.chooselacounty.com/laregions/sanfernando.html, accessed February 2012 .
16 Regions of L.A., http://www.chooselacounty.com/laregions/sanfernando.html, accessed February 2012.



Source: Map Resources 2007.
Prepared by: Ricondo & Associates, Inc., December 2010.

Exhibit I-1

Airport Air Trade Area and Alternative Facilities

Table I-2

Major For-Profit Private Sector Employers in the Tri-Cities (2011)

Company Name	Industry	Location
5,000+ Employees:		
ACCO Engineered Systems	HVAC Systems	Glendale
Aramark	Linen Supply Services	Burbank
Avery Dennison Corp.	Paper Products	Pasadena
Dine Equity	Restaurant	Glendale
Tetra Tech	Environmental Engineering	Pasadena
The Walt Disney Company	Entertainment	Burbank
Warner Bros.	Entertainment	Burbank
1,000 to 4,999 Employees:		
Ameron International	Construction Materials	Pasadena
AT&T	Telecommunications	Pasadena
Buena Vista Home Entertainment	Entertainment	Burbank
Dreamworks Animation SKG	Entertainment	Glendale
East West Bancorp	Financial Services	Pasadena
Grill Concepts Inc.	Restaurants	Pasadena
Nestle NPR Inc.	Food Products	Glendale
NBC/Universal	Entertainment	Burbank
Parsons Corporation	Engineering Consulting	Pasadena
Public Storage	Real Estate	Glendale
Wausau Insurance	Financial Services	Pasadena
300 to 999 Employees:		
Avon Distribution Center	Cosmetics	Pasadena
Bank of America NA	Financial Services	Glendale
Bio Path Clinical Laboratories	Health Care	Pasadena
Cheesecake Factory	Restaurant	Glendale
CIGNA	Insurance	Glendale
Clear Channel Radio	Entertainment	Burbank
Comedy Channel	Entertainment	Glendale
Crane Aerospace & Electronics	Aerospace/Defense	Burbank
Dream Works Animation	Entertainment	Glendale
First American Title Insurance	Financial Services	Glendale
FotoKem Industries	Entertainment	Burbank
Guidance Software Inc.	Software	Pasadena
Jacobs Engineering Group	Engineering Consulting	Pasadena
Langham-Huntington Hotel & Spa	Hospitality	Pasadena
Lockheed Federal Credit Union	Financial Services	Burbank
Macys	Retail	Pasadena
Nickelodeon Animation Studio	Entertainment	Burbank
Nordstrom	Retail	Glendale
Starz Media	Entertainment	Burbank
Technicolor Inc.	Entertainment	Glendale
Yahoo!	Internet Services	Burbank
Walt Disney Imagineering	Entertainment	Glendale

Sources: *2012 Book of Lists* , San Fernando Valley Business Journal; *The Lists 2011* , Los Angeles Business Journal; InfoUsa.com, February 2012.

Prepared by: Partners for Economic Solutions, March 2012.

Telecommunications and internet service firms that are significant employers in the Tri-Cities include AT&T (Pasadena) and Yahoo! (Burbank). The Tri-Cities job base is also supported by financial services firms such as East West Bancorp (Pasadena), Wausau Insurance (Pasadena), and Bank of America NA (Glendale). Tri-Cities-based companies such as Parsons Corporation (Pasadena) and Jacobs Engineering Group (Pasadena) are a significant source of employment in engineering consulting services.

Public and private universities and colleges, as well as community colleges, also have a significant presence in the Tri-Cities and San Fernando Valley. From the California Institute of Technology (Pasadena) and California State University Northridge, to Glendale Community College, Pasadena City College, and Los Angeles Pierce College (Woodland Hills), these institutions provide a skilled technical and professional workforce to companies in the sub-region as well as the Air Trade Area.

In addition to their strong competencies in the entertainment, aerospace and defense industries, as well as their high-quality educational institutions, the Tri-Cities and San Fernando Valley have each been recognized as an attractive location for business. The Los Angeles Economic Development Corporation has honored Burbank (2006, 2007), Glendale (2008), and Pasadena (2008) among the finalists for its annual "Most Business-Friendly City Award" (in Los Angeles County) in acknowledgement of their efforts to promote business-friendly programs and services.[17]

As these distinctive assets continue to contribute to economic growth, the Airport's close proximity to the Tri-Cities and San Fernando Valley will provide travelers with outstanding access to this important economic sub-region.

1.4 Demographic Profile

Data for population growth, age distribution, race, ethnicity, and educational attainment for the Air Trade Area are discussed below and are presented in Tables I-3 through I-7. Parallel data for the Tri-Cities, California, and the U.S. are also shown to provide a basis of comparison for trends in the Air Trade Area.

1.4.1 Population Growth

With approximately 10.7 million people in 2011, the Air Trade Area is among the largest population centers in the United States. Data in **Table I-3** show that the Air Trade Area's population is greater than that of major metropolitan regions including Chicago, Washington D.C., Boston, and the San Francisco Bay Area.

The Tri-Cities of Burbank, Glendale, and Pasadena account for 4.1 percent of the Air Trade Area's population. The population of the Tri-Cities grew from over 429,000 in 2000 to over 434,000 residents in 2011, reflecting a compounded annual growth rate (CAGR) of 0.1 percent over the 11-year period. (See **Table I-4**.)

Population growth is a key factor creating demand for air travel. According to the 2000 U.S. Census, the Air Trade Area had a population of nearly 10.3 million; by 2011 the population had increased to approximately 10.7 million. The Air Trade Area added approximately 393,000 people to its

[17] Most Business Friendly City Awards, Past Winners, http://www.laedc.org/eddy/cityaward/pastcities.html, accessed February 2012.

Table I-3
Population Comparison of Metropolitan Regions (2011)

Rank	Metropolitan Region	Population (Estimate)
1	New York-Newark-Bridgeport CSA[1/]	22,205,476
2	Los Angeles-Long-Beach-Riverside CSA[2/]	18,115,184
3	**Air Trade Area**	**10,688,333**
4	Chicago-Naperville-Michigan City, IL-IN-WI CSA	9,744,564
5	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV CSA	8,740,088
6	Boston-Worcester-Manchester, MA-RI-NH CSA	7,607,375
7	San Jose-San Francisco-Oakland, CA CSA	7,527,696

Notes:
1/ Combined Statistical Area.
2/ The Los Angeles-Long Beach-Riverside CSA is made up of Los Angeles County, Orange County, San Bernardino County, Riverside County, and Ventura County.

Source: Woods & Poole Economics Inc., January 2012.
Prepared by: Partners for Economic Solutions, March 2012.

Table I-4
Historical and Estimated Population (2000-2017)

Area	Historical 2000	Historical 2006	Historical 2011	Estimate 2017	Compounded Annual Growth Rate 2000-2011	2000-2006	2006-2011	2011-2017
Tri-Cities[1/, 2/]	429,225	432,145	434,579	443,992	0.1%	0.1%	0.1%	0.03%
Los Angeles County	9,538,191	9,737,955	9,849,224	10,009,239	0.3%	0.3%	0.2%	0.3%
Ventura County	756,506	798,183	839,109	922,317	0.9%	0.9%	1.0%	1.6%
Air Trade Area	10,294,697	10,536,138	10,688,333	10,931,556	0.3%	0.4%	0.3%	0.4%
California	33,987,977	36,021,202	37,711,879	40,033,946	0.9%	1.0%	0.9%	1.0%
United States	282,162,411	298,379,912	312,308,189	331,274,237	0.9%	0.9%	0.9%	1.0%

Notes:
1/ The Tri-Cities are defined as the cities of Burbank, Glendale, and Pasadena.
2/ 2017 estimates from ESRI are not available for the Tri-Cities. The 2017 estimate is based on ESRI's 2011-2016 population growth rate for the Tri-Cities. 2017 estimates for the Air Trade Area, California and U.S. are provided by Woods & Poole Economics Inc.

Sources: ESRI, June 2011; Woods & Poole Economics Inc., January 2012.
Prepared by: Partners for Economic Solutions, March 2012.

population between 2000 and 2011 (over 35,000 per year), reflecting a CAGR of 0.3 percent—lower than the 0.9 percent CAGR of both California and the U.S. In 2011, the Air Trade Area accounted for 28.3 percent of California's population and 3.4 percent of the U.S. population.

The Air Trade Area population forecast for the period 2011 to 2017 reflects a CAGR of 0.4 percent, a rate that is lower than the forecasted CAGR for both California and the U.S. (1.0 percent). It is expected that an increase in new residents in the Air Trade Area (approximately 243,000 between 2011 and 2017) will generate additional demand for air service at the Airport during the projection period.

1.4.2 Age Distribution

According to survey data from the Travel Industry Association (TIA), air travel frequency in the United States varies by age group, and people between the ages of 35 and 54 tend to travel the most. TIA data show that people between the ages of 35 and 54 account for 46 percent of air trips, while persons between the ages of 18 and 34 account for 26 percent of air trips, and persons 55 years and older account for 27 percent of air trips.[18]

Data in **Table I-5** show that in 2011, Air Trade Area residents between the ages of 35 and 54 comprised approximately 28.3 percent of the population, compared with 27.8 percent of the population of California, and 27.7 percent of the population of the United States. In the Tri-Cities, residents aged 35 to 54 made up 29.9 percent of the population. The population in the age category that travels most frequently is an important source of demand for air service at the Airport and is represented in the Air Trade Area on a level that is higher than that of both California and the U.S.

Table I-5 also shows that the median age in the Air Trade Area in 2011 (34.9) was lower than in both California (35.2) and the U.S. (37.2 years). The difference is attributable, in part, to a higher percentage of residents aged 19 years and below and a lower percentage of residents aged 55 years and above. With a median age of 39.3 years, the Tri-Cities had a lower percentage of residents 19 and under, and a higher percentage of residents aged 55 years and above, in 2011 compared to California and the U.S.

1.4.3 Population Diversity

The Air Trade Area's diverse population strengthens the competitiveness of the region. In a global economy, cultural diversity within a region's labor force is a distinct economic advantage, since employees with cultural and linguistic ties to international markets give companies an advantage in establishing trade and investment opportunities.[19] Survey data from the TIA indicate that ethnically and racially diverse social groups show stronger proportional demand for air travel compared to their share of total U.S. households.[20]

As shown in **Table I-6**, the racial and ethnic composition of the Air Trade Area differs from that of California and of the nation as a whole. Data in Table I-6 show that the percentage of white residents in the Air Trade Area in 2011 (51.7 percent) was lower than that of California (57.5 percent), and significantly lower than in the U.S. overall (72.4 percent). Asians constituted a much larger share

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[18] Survey of travelers aged 18 and above, *2006 Domestic Travel Market Report*, Travel Industry Association.
[19] Frederic Docquier, "Skilled Migration and Business Networks", *Open Economies Review*, October 2008.
[20] 2006 *Domestic Travel Market Report*, Travel Industry Association.

Table I-5
Age Distribution (2011)

	Tri-Cities	Air Trade Area	California	United States
Total Population	434,579	10,688,333	37,711,879	312,308,189
By Age Group				
19 and Under	21.4%	27.5%	27.9%	26.8%
20 to 24 years	6.5%	7.6%	7.5%	7.0%
25 to 34 years	15.8%	14.9%	14.3%	13.4%
35 to 54 years	29.9%	28.3%	27.8%	27.7%
55 to 64	11.9%	10.5%	11.0%	12.0%
65 and Above	14.6%	11.1%	11.6%	13.2%
Total	100.0%	100.0%	100.0%	100.0%
Median Age	39.3	34.9	35.2	37.2

Sources: ESRI, June 2011; Woods & Poole Economics Inc., January 2012.
Prepared by: Partners for Economic Solutions, March 2012.

Table I-6
Population by Race and Ethnicity (2011)

	Tri-Cities	Air Trade Area	California	United States
Total Population	434,579	10,688,333	37,711,879	312,308,189
Race				
White	66.6%	51.7%	57.5%	72.4%
Black or African American	4.6%	8.2%	6.1%	12.6%
American Indian and Alaska Native	0.4%	0.8%	1.0%	0.9%
Asian or Pacific Islander	14.6%	13.4%	13.4%	4.9%
Other Race	9.1%	21.5%	17.1%	6.3%
More than One Race	4.7%	4.5%	4.9%	2.9%
Total	100.0%	100.0%	100.0%	100.0%
Persons of Hispanic Origin 1/	24.5%	47.4%	38.0%	16.6%

Note:
1/ Population data are broken down into U.S. Census defined race groups. Hispanic population is not a race group but rather a description of ethnic origin. Hispanics are included in all of the Census defined race groups.

Sources: ESRI, June 2011; Woods & Poole Economics Inc., January 2012.
Prepared by: Partners for Economic Solutions, March 2012.

(13.4 percent) of the Air Trade Area's population compared with the U.S. (4.9 percent), but were equal to that of California. Black or African American residents represented 8.2 percent of the Air Trade Area's population, compared with 6.1 percent of California's population and 12.6 percent of the U.S. population.

The percentage of Hispanics[21] in the Air Trade Area was significantly higher than in California or the U.S. overall. As shown in Table I-6, in 2011 47.4 percent of Air Trade Area residents were Hispanic, compared with 38.0 percent statewide and 16.6 percent nationally.

The population of the Tri-Cities is less diverse than that of the Air Trade Area and California, but more diverse than that of the U.S. In 2011, white residents made up 66.6 percent of the Tri-Cities' population, while 14.6 percent of residents were Asian and 4.6 percent were Black or African American. Hispanic residents made up 24.5 percent of the Tri-Cities' population in 2011.

1.4.4 Education

The Air Trade Area is home to a large number of educated adults. According to data shown in **Table I-7**, in 2010 (latest data available) more than 35 percent of the Air Trade Area population over the age of 25 had a post-secondary degree (associate, bachelor's, graduate or professional). Although this percentage was nearly identical to that of the U.S., it lagged the percentage in California where 37.6 percent of the population over the age of 25 has a post-secondary degree.

The level of education among Tri-Cities residents exceeded that of the Air Trade Area: 46.7 percent of the Tri-Cities population over the age of 25 had a post-secondary degree (associate, bachelor's, graduate or professional).

In the Air Trade Area, 2.4 million residents over the age of 25 hold a bachelor's degree, a graduate degree, or a professional degree. According to the Travel Industry Association's 2006 *Domestic Travel Market Report* (latest data available), air travel frequency in the United States varies by educational level, and people with a college degree or higher tend to travel the most. The survey data indicate that 56 percent of air travelers are college graduates, while 24 percent have had some college and just 20 percent never attended college.[22]

1.5 Income

Because over 27 percent of the Air Trade Area's residents in 2011 are 19 years of age or younger, and because the majority of this age group are presumably still in school, are not full-time workers, or hold entry-level jobs, the 2011 per capita income for the Air Trade Area is skewed with a downward bias and lags that of the U.S. (See **Table I-8**). With a lower percentage of residents aged 19 and under, the Tri-Cities had a per capita income level in 2011 that was significantly higher than that of the Air Trade Area, California, and the U.S.

The Air Trade Area's median household income of $52,393 in 2011 was 4.3 percent higher than that of the U.S. ($50,227), and 9.0 percent lower than California's ($57,587). Income forecasts for 2017 show that this trend is expected to continue as the Air Trade Area will reach a median household

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21 Hispanic population is not a race group but rather a description of ethnic origin. Hispanics are included in all of the Census defined race groups.

22 *2006 Domestic Travel Market Report*, Travel Industry Association.

Table I-7
Educational Attainment (2010)

	Tri-Cities	Air Trade Area	California	United States
Population 25 years and over	312,470	6,890,389	24,241,103	205,370,648
Less than 9th Grade	8.5%	13.9%	10.5%	6.3%
9th - 12th Grade, No Diploma	6.6%	9.9%	8.7%	8.5%
High School Graduate	20.5%	22.4%	22.9%	29.6%
Some College, No Degree	17.8%	18.1%	20.3%	19.9%
Post-Secondary Degree	46.7%	35.7%	37.6%	35.8%
Associate Degree	*7.7%*	*6.9%*	*7.7%*	*7.7%*
Bachelor's Degree	*25.0%*	*18.9%*	*19.1%*	*17.7%*
Master's Degree or Doctorate	*14.0%*	*9.9%*	*10.8%*	*10.4%*
Total[1/]	100.0%	100.0%	100.0%	100.0%

Note:
1/ Columns may not add to totals because of rounding.

Source: ESRI, June 2011.
Prepared by: Partners for Economic Solutions, March 2012.

Table I-8
Income Trends (2011-2017)

	Tri-Cities	Air Trade Area	California	United States
Per Capita Income				
2011	$30,131	$25,097	$27,562	$26,391
2017[1/] (Estimate)	$36,219	$29,770	$32,414	$30,812
CAGR[2/] 2011-2017	3.1%	2.9%	2.7%	2.6%
Median Household Income				
2011	$52,951	$52,393	$57,587	$50,227
2017[1/] (Estimate)	$64,475	$63,166	$70,322	$59,121
CAGR 2011-2017	3.3%	3.2%	3.4%	2.8%

Notes:
1/ 2017 estimates from ESRI are not available. The 2017 estimates shown above are based on ESRI's 2011-2016 per capita income and median household income growth rates for the Tri-Cities, Air Trade Area, California, and U.S.

2/ Compounded annual growth rate.

Source: ESRI, June 2011.

Prepared by: Partners for Economic Solutions, March 2012.

income level of $63,166, compared to $70,322 in California and $59,121 in the U.S.[23] In the Tri-Cities, the median household income was $52,951 in 2011, and is forecasted to increase to $64,475 in 2017.

For the purpose of assessing the Air Trade Area as an air travel market, it is useful to examine the distribution of high income households. In 2011, more than 1.2 million Air Trade Area households had an income of $75,000 or more. According to the Travel Industry Association's 2006 *Domestic Travel Market Report* (latest data available), 62 percent of airplane trips are taken by travelers with an annual household income of $75,000 or more. Data in **Table I-9** show that between 2011 and 2017, the number of households with income greater than $75,000 in the Air Trade Area is estimated to increase by more than 303,000. In the Tri-Cities, more than 60,000 households in 2011 earned $75,000 and above, a figure expected to increase to over 7,000 by 2017.[24]

1.6 Employment

1.6.1 Labor Force Trends and Unemployment Rates

Table I-10 shows that between 2001 and 2011, the Air Trade Area labor force grew at a CAGR of 0.3 percent—lower than the labor force CAGR in both the State of California and in the U.S. (0.5 percent and 0.7 percent, respectively). In absolute terms, the labor force in the Air Trade Area increased by approximately 148,000 workers between 2001 and 2011.

Historical data show that the Air Trade Area's unemployment rate was higher than that of California in most years from 2001 through 2011. When the same comparison is made to the U.S., the Air Trade Area's unemployment rate was higher than that of the U.S. in all years from 2001 through 2011.

In February 2012 (latest data available), the unemployment rate for the Air Trade Area was 11.9 percent (non-seasonally adjusted);[25] this was higher than the rate in California where the unemployment rate was 11.4 percent (non-seasonally adjusted).[26] The unemployment rate in the U.S. was 8.7 percent in February 2012 (non-seasonally adjusted).[27]

1.6.2 Major Employers in the Air Trade Area

Table I-11 shows the diversity of the major private sector employers in the Air Trade Area with 500 employees or more. The wide range of industries represented include health care, electronic equipment, construction, entertainment, retail and restaurants, apparel, defense, engineering consulting, internet services, media, real estate, financial services, and food production.

Air Trade Area employers with more than 10,000 employees include Boeing, Occidental Petroleum, Tetra Tech, Amgen, Avery Dennison, California Pizza Kitchen, AECOM Technology, American Apparel, Cheesecake Factory, Dole Food, Guess, and Universal Studios. In addition, the Air Trade

23 Based on the 2011-2016 median household income growth rate for the Tri-Cities, California, and U.S. from ESRI, Inc., 2011 Detailed Income Profile for Los Angeles and Ventura Counties.
24 Based on the 2011-2016 growth rates for households earning $75,00 and above in the Tri-Cities, California, and U.S. from ESRI, Inc., 2011 Detailed Income Profile for the Cities of Burbank, Glendale, and Pasadena.
25 Monthly unemployment data published for the Air Trade Area are not seasonally adjusted.
26 The seasonally adjusted unemployment rate in California was 10.9 percent in February 2012.
27 The seasonally adjusted unemployment rate in the U.S. was 8.3 percent in February 2012.

Table I-9

Households with Income of $75,000 and Above (2011-2017)

Location	2011	2017[1/] (Estimate)	Growth in Households 2011-2017	Percent Growth 2011-2017
Tri-Cities	60,697	77,804	17,107	28.2%
Air Trade Area	1,244,132	1,547,983	303,850	24.4%
California	4,965,533	6,295,771	1,330,238	26.8%
United States	37,471,560	47,989,611	10,518,051	28.1%

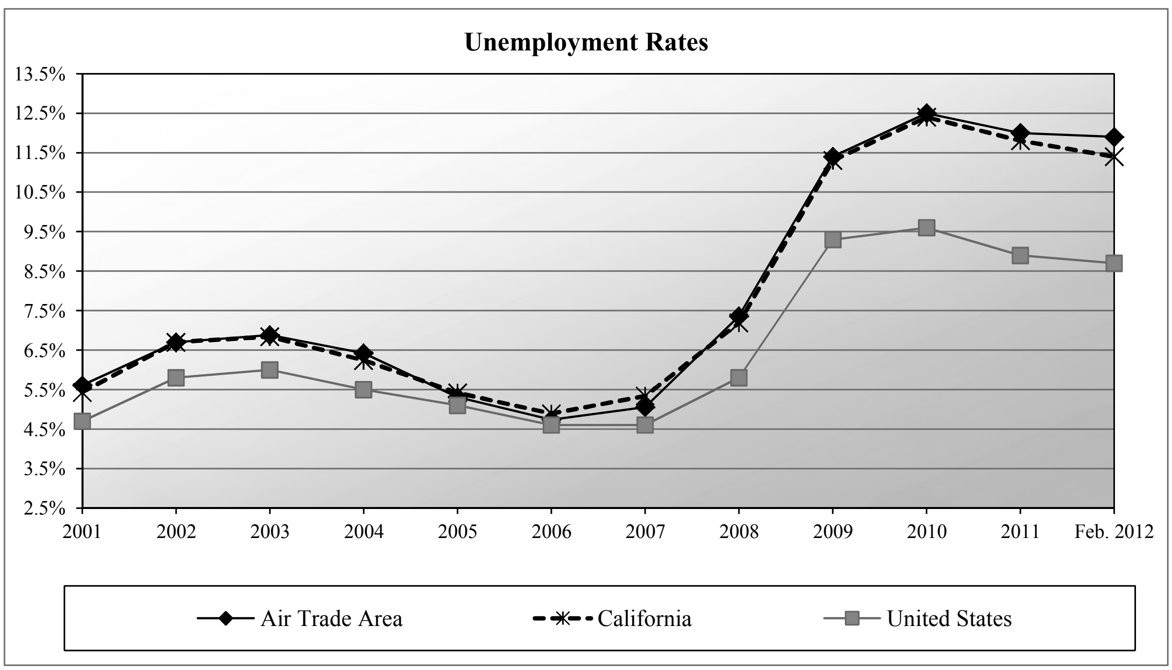
1/ 2017 estimates from ESRI are not available. The 2017 estimates shown above are based on ESRI's 2011-2016 growth rates for households earning $75,000 and above in the Tri-Cities, Air Trade Area, California, and U.S.

Source: ESRI, June 2011.

Prepared by: Partners for Economic Solutions, March 2012.

Table I-10
Civilian Labor Force and Unemployment Rates (2001-2012)

	Civilian Labor Force				Unemployment Rates		
Year	Air Trade Area	California	United States	Year	Air Trade Area	California	United States
2001	5,152,100	17,152,100	143,734,000	2001	5.6%	5.4%	4.7%
2002	5,178,400	17,343,600	144,863,000	2002	6.7%	6.7%	5.8%
2003	5,171,800	17,390,700	146,510,000	2003	6.9%	6.8%	6.0%
2004	5,178,500	17,444,400	147,401,000	2004	6.4%	6.2%	5.5%
2005	5,188,200	17,544,800	149,320,000	2005	5.3%	5.4%	5.1%
2006	5,229,200	17,686,700	151,428,000	2006	4.7%	4.9%	4.6%
2007	5,298,500	17,928,700	153,124,000	2007	5.1%	5.3%	4.6%
2008	5,360,100	18,191,000	154,287,000	2008	7.4%	7.2%	5.8%
2009	5,330,400	18,204,200	154,142,000	2009	11.4%	11.3%	9.3%
2010	5,310,400	18,176,200	153,889,000	2010	12.5%	12.4%	9.6%
2011	5,300,200	18,104,000	153,617,000	2011	12.0%	11.8%	8.9%
February 2012[1/]	5,362,100	18,451,000	154,114,000	February 2012	11.9%	11.4%	8.7%
Compounded Annual Growth Rate							
2001 - 2011	0.3%	0.5%	0.7%				



Note:
1/ February 2012 data are not seasonally adjusted. In February 2012, the seasonally adjusted unemployment rate was 10.9% in California and 8.3% in the U.S. Seasonally adjusted unemployment data are not available for the Air Trade Area.

Sources: State of California Department, Employment Development Department, Labor Market Information; U.S. Dept. of Labor, Bureau of Labor Statistics, March 2012.

Prepared by: Partners for Economic Solutions, March 2012.

Table I-11
Major For-Profit Private Sector Employers in the Air Trade Area (2011)

Company Name	Industry	Location
10,000+ Employees:		
AECOM	Engineering Consulting	Los Angeles
American Apparel	Apparel	Los Angeles
Amgen	Pharmaceuticals	Thousand Oaks
Avery Dennison	Paper Products	Pasadena
Bank of America	Financial Services	Los Angeles
Boeing	Aerospace/Defense	Palmdale, El Segundo
California Pizza Kitchen	Restaurant	Los Angeles
CB Richard Ellis Group	Real Estate	Los Angeles
Cheesecake Factory	Restaurant	Calabasas Hills
Dine Equity	Restaurant	Glendale
Dole Food	Food Products	Westlake Village
Guess	Apparel	Los Angeles
Jacobs Engineering Group	Engineering Consulting	Pasadena
Occidental Petroleum	Energy	Woodland Hills
Ralph's Food For Less	Retail	Compton
Tetra Tech	Engineering Consulting	Los Angeles
Universal Studios	Entertainment	Universal City
Vons	Retail	Arcadia
5,000 to 9,999 Employees:		
ABM Industries	Facility Services	Commerce
Amgen	Health Care	Thousand Oaks
AT&T	Telecommunications	Los Angeles
Health Net	Health Care	Woodland Hills
JPMorgan Chase	Financial Services	Chatsworth
Mercury General	Insurance	Los Angeles
Reliance Steel & Aluminum	Steel	Los Angeles
Teledyne Technologies	Electronic Equipment	Thousand Oaks
The Walt Disney Company	Entertainment	Burbank
Tutor Perini Corporation	Construction	Sylmar
United Parcel Service	Transportation/Freight	Los Angeles
VCA Antech	Animal Health	Los Angeles
Vons	Retail	Arcadia
Warner Bros.	Entertainment	Burbank
Wells Fargo	Financial Services	Los Angeles
1,000 to 4,999 Employees:		
Ameron International	Construction Materials	Pasadena
AT&T	Telecommunications	Pasadena
Buena Vista Home Entertainment	Entertainment	Burbank
City National Corp.	Financial Services	Los Angeles
Dreamworks Animation SKG	Entertainment	Glendale
East West Bancorp	Financial Services	Los Angeles
Grill Concepts Inc.	Restaurants	Pasadena
Herbalife	Vitamins	Woodland Hills
IPC The Hospitalist Co. Inc.	Health Care	Los Angeles
Ixia	Internet Service	North Hollywood
KB Home	Construction	Calabasas
KORN/Ferry International	Executive Search Consultants	Los Angeles
Lockheed Martin	Aerospace/Defense	Los Angeles
Medtronic Diabetes	Medical Equipment	Palmdale
Morgan Stanley Smith Barney	Financial Services	Los Angeles
MRV Communications Inc.	Electronic Equipment	Northridge
1,000 to 4,999 Employees (cont.):		
NBC/Universal	Entertainment	Burbank
Nestle NPR Inc.	Food Products	Burbank
Panda Restaurant Group	Restaurants	Rosemead
Parsons Corporation	Engineering Consulting	Pasadena
Power-One Inc.	Electronic Equipment	Camarillo
Pratt & Whitney Rocketdyne	Aerospace/Defense	Canoga Park
Princess Cruises	Travel Services	Valencia
Prospect Medical Holdings Inc.	Health Care	Los Angeles
Public Storage	Real Estate	Glendale
Rad Net	Health Care	Los Angeles
Reach Local Inc.	Internet Services	Woodland Hills
Ryland Group	Construction	Calabasas
Salem Communications	Media	Camarillo
Six Flags Magic Mountain	Entertainment	Valencia
Sport Chalet	Retail	La Canada Flintridge
Superior Industries International	Automobile Parts	Van Nuys
THQ Inc.	Entertainment	Agoura Hills
Toyota Motor Sales USA	Automobile	Torrance
United Online Inc.	Internet Services	Woodland Hills
Viacom	Entertainment	Santa Monica
Valley Crest Landscape Co.	Landscape Services	Calabasas
Value Click	Media	Westlake Village
Waste Management	Environmental Services	Sun Valley
Wausau Insurance	Financial Services	Pasadena
Wells Fargo & Co.	Financial Services	Encino
500 to 999 Employees:		
Abraxis Bio Science	Health Care	Los Angeles
Anheuser-Busch	Food Products	Van Nuys
Anthony International	Steel Fabrication	Sylmar
Bank of America NA	Financial Services	Glendale
Boeing	Aerospace/Defense	Palmdale
Cal Amp Corp.	Media	Oxnard
Crane Aerospace & Electronics	Aerospace/Defense	Burbank
Dream Works Animation	Entertainment	Glendale
FotoKem Industries	Entertainment	Burbank
Galpin Motors	Automotive	North Hills
H.R. Textron	Aerospace/Defense	Valencia
Koos Manufacturing	Apparel	South Gate
K-Swiss	Apparel	Westlake Village
Mediscan Staffing Services	Professional Staffing	Woodland Hills
Micro Solutions Enterprises	Printing Supplies Manufacturer	Van Nuys
Morrow-Meadows Corp.	Engineering Services	City of Industry
Move Inc.	Real Estate	Westlake Village
National Technical Systems	Health Care	Calabasas
Natrol	Vitamins	Chatsworth
Net Sol Technologies	Software Developer	Calabasas
On Assignment Inc.	Professional Staffing	Calabasas
Semtech	Electronic Equipment	Camarillo
Shammas Auto Group	Automobile Dealership	Los Angeles
Yahoo!	Internet Services	Burbank
Walt Disney Imagineering	Entertainment	Glendale

Sources: *2012 Book of Lists* , San Fernando Valley Business Journal; *The Lists 2011* , Los Angeles Business Journal; InfoUsa.com, February 2012.
Prepared by: Partners for Economic Solutions, March 2012.

Area is headquarters for 14 companies on the list of *Fortune* 500 firms ranked by annual revenue (see **Table I-12**).[28] These companies include The Walt Disney Company, DIRECTV Group, Health Net, Edison International, Mattel, Reliance Steel & Aluminum, Live Nation Entertainment, and CB Richard Ellis Group.

Companies listed in Tables I-11 and I-12 depend on convenient and cost-effective air passenger service for the continued health and expansion of their business enterprises. The Airport's role in providing an affordable option for air passenger service makes it an important resource for employers in the Air Trade Area.

1.7 Major Industry Sectors

An analysis of non-agricultural employment trends by major industry sectors, presented in **Table I-13**, indicates the sources of jobs in the Air Trade Area's economy. In this table, employment trends in the Air Trade Area are compared to data for California and the U.S. in 2001 and 2011.

Measured by percentages, employment in the transportation/utilities and wholesale/retail trade sectors in the Air Trade Area in 2011 were higher than the level in California. The Air Trade Area's transportation/utilities employment was at a level comparable to that of the U.S.; however wholesale/retail trade jobs in the Air Trade Area were below the U.S. rate.

The Air Trade Area had a relatively higher proportion of services, finance/insurance/real estate, and information employment compared to California and the U.S. Air Trade Area jobs in construction and government made up a relatively lower percentage of employment in 2011 in comparison to California and the U.S. Manufacturing employment in the Air Trade Area was higher than the level in California and the U.S.

Data in Table I-13 indicate that the Air Trade Area has a diversified employment base that is expected to provide a foundation for recovery in the wake of the economic recession of December 2007-June 2009. Brief profiles of the Air Trade Area's major industries, in ascending order of 2011 employment, are provided below.

1.7.1 Transportation/Utilities

In terms of transportation jobs, the Airport itself is responsible for an estimated 1.1 percent of direct employment in the Air Trade Area's transportation and public utilities sector. The Airport's direct employment is estimated at 2,400 workers, and an additional 34,000 jobs in the Air Trade Area are attributable to it. In addition, a 2008 impact analysis found that the Airport contributes \$3.9 billion in output to the regional economy as well as \$1.2 billion in earnings.[29]

Transportation/utilities employment in the Air Trade Area accounted for approximately 210,000 jobs in 2011, or 3.6 percent of total nonagricultural employment. This was higher than the level in California (3.2 percent), and was equal to the level in the U.S.

[28] The *Fortune* 500 list for 2011 is based on revenue figures for the year ended December 31, 2010.
[29] *The Economic Impact of Bob Hope Airport*, Unison Maximus Consulting Solutions, May 2008.

Table I-12

Fortune 500 Headquarters Located in the Air Trade Area (2011)

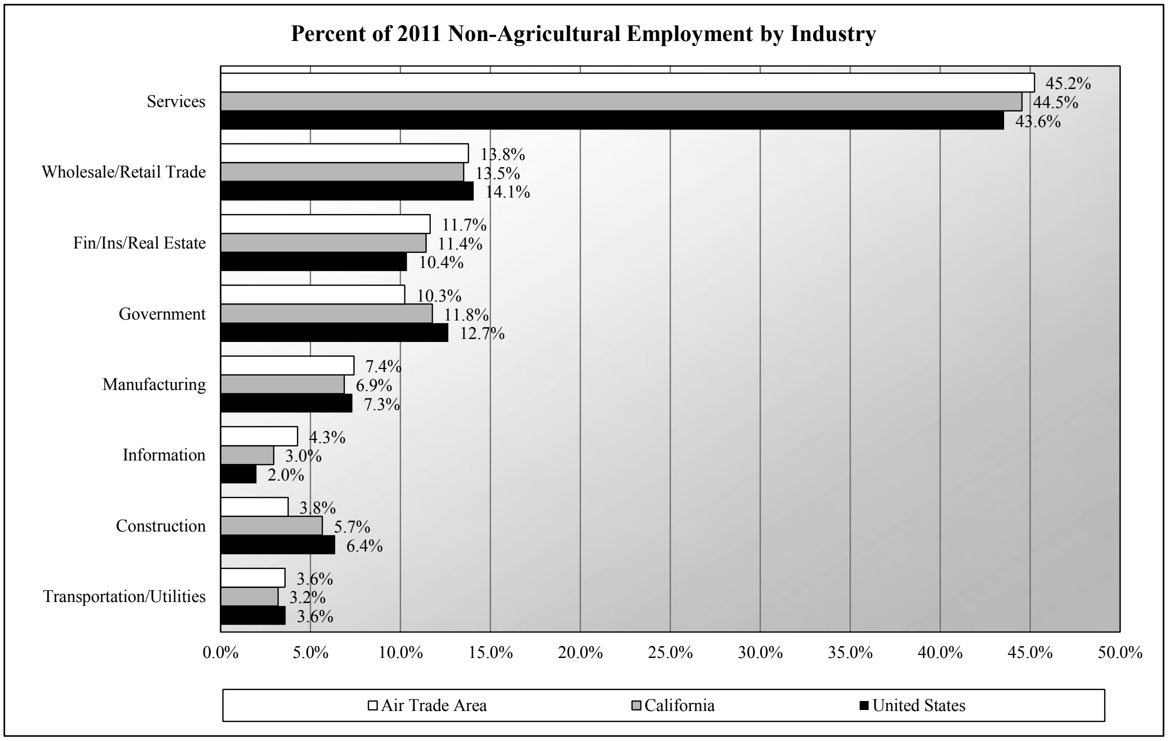
No.	Company	Industry	Headquarters	Revenue[1/] ($ million)	Fortune 500 Rank
1	The Walt Disney Company	Entertainment	Burbank	38,063	65
2	DIRECTV Group	Telecommunications	El Segundo	24,102	110
3	Occidental Petroleum	Energy	Los Angeles	19,857	129
4	Amgen	Biotechnology	Thousand Oaks	15,053	163
5	Health Net	Health Care	Woodland Hills	13,620	179
6	Edison International	Utility	Rosemead	12,409	198
7	Jacobs Engineering Group	Engineering	Pasadena	9,915	250
8	Dole Food	Food Processing	Westlake Village	6,894	341
9	AECOM Technology	Engineering	Los Angeles	6,559	353
10	Avery Dennison	Paper Products	Pasadena	6,513	356
11	Reliance Steel & Aluminum	Steel	Los Angeles	6,313	367
12	Mattel	Toy Manufacturing	El Segundo	5,856	392
13	CB Richard Ellis Group	Real Estate Services	Los Angeles	5,119	440
14	Live Nation Entertainment	Entertainment	Beverly Hills	5,064	
Total Revenue				175,337	

Notes:
1/ Revenue figures are for the year ended December 31, 2010.

Source: *Fortune* , May 23, 2011.
Prepared by: Partners for Economic Solutions, March 2012.

Table I-13
Employment Trends by Major Industry Division (2001-2011)

	Air Trade Area			California			United States		
Industry	2001	2011	CAGR[1/]	2001	2011	CAGR	2001	2011	CAGR
Services	2,441,613	2,642,048	0.8%	7,855,591	8,594,494	0.9%	62,989,373	73,569,026	1.6%
Wholesale/Retail Trade	829,336	805,299	-0.3%	2,719,363	2,607,651	-0.4%	24,490,780	23,768,834	-0.3%
Fin/Ins/Real Estate	509,193	680,718	2.9%	1,668,208	2,205,374	2.8%	13,354,415	17,524,725	2.8%
Government	650,401	598,721	-0.8%	2,389,076	2,271,977	-0.5%	21,079,987	21,395,218	0.1%
Manufacturing	653,311	433,055	-4.0%	1,872,755	1,329,544	-3.4%	16,911,287	12,378,727	-3.1%
Information	281,774	250,569	-1.2%	635,861	573,432	-1.0%	4,045,334	3,382,116	-1.8%
Construction[2/]	259,842	219,704	-1.7%	1,312,070	1,093,728	-1.8%	11,414,008	10,772,859	-0.6%
Transportation/Utilities	231,391	210,143	-1.0%	642,356	617,855	-0.4%	6,093,998	6,116,490	0.04%
Total	5,856,861	5,840,257	-0.03%	19,095,280	19,294,055	0.1%	160,379,182	168,907,995	0.5%



Notes:
1/ Compounded annual growth rate.
2/ Includes mining and forestry employment.

Source: Woods & Poole Economics Inc., January 2012.
Prepared by: Partners for Economic Solutions, March 2012.

1.7.2 Construction

The construction industry employed approximately 220,000 workers in the Air Trade Area in 2011, accounting for 3.8 percent of total non-agricultural employment. This percentage was lower than in California and the U.S. where construction jobs accounted for 5.7 percent and 6.4 percent respectively of non-agricultural employment in 2011.

Tutor Perini Corporation (Sylmar), Ameron International (Pasadena), Ryland Group (Calabasas), Valley Crest Landscape Co. (Calabasas), Webcor Builders (Los Angeles), Turner Construction (Los Angeles), J.F. Shea Co. (Walnut), and KB Home (Los Angeles) are prominent construction-related firms that are headquartered in the Tri-Cities and the Air Trade Area.

Development projects for entertainment and health care facilities are providing support to the construction industry in the Tri-Cities and the Air Trade Area. Examples of current projects include:

- **NBC/Universal Evolution Plan.** Located on a 391-acre parcel adjacent to Burbank in the San Fernando Valley, this $3 billion project will renovate and upgrade the site's existing studio facilities. The development program includes modern office space, a 500-room hotel, shops, tourist attractions and 2,900 residential units. The development approval process is ongoing and construction has not yet begun.[30]

- **Community Memorial Hospital Facility.** This new $320 million facility will be six stories and is under construction next to an existing hospital in Ventura. The new hospital will have 252 private rooms, a 33-bed emergency room, a 30-bed critical care unit, 10 surgical theaters, and healing gardens to encourage recovery. The new hospital is expected to open by the end of 2014. At that time, the existing hospital will be used for laundry services, nuclear medicine, laboratories and conference rooms.[31]

- **Henry Mayo Newhall Memorial Hospital.** This $300 million expansion project is located in Valencia. It includes the construction of a new inpatient hospital building with 120 beds, two medical office buildings, a new central plant, three parking structures, and a helipad. The new in-patient hospital building is expected to break ground in 2014.[32]

- **Pauley Pavilion Renovation and Expansion.** This $185 million project is a complete renovation of the existing arena on the UCLA campus. It includes: a new 40,000 square-foot lobby and concourse; new concessions stands and a new team store for UCLA merchandise sales; new lighting and sound systems; a new HD video scoreboard and LED ribbon board; a new media center; a new retractable seating system on the lower level; new locker rooms and player lounges; new weight, equipment, and sports medicine rooms; and a new multi-purpose Pavilion Club for campus events and game day hospitality. The addition

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30 The NBC/Universal Evolution Plan, http://nbcuniversalevolution.com/plan/, accessed February 2012.

31 CMHS Project Bulletin, http://www.cmhshealth.org/multimedia/press/2010/5-14-10.shtml, accessed February 2012.

32 Master Plan Basics, Henry Mayo Newhall Memorial Hospital, www.scvbetterhealth.com, accessed February 2012.

of 1,000 new seats will bring the renovated facility's capacity to 14,000. Opening is planned for October 2012.[33]

- **Ventura County Medical Center.** The $175 million seismic upgrade of Ventura County Medical Center will replace one-half of the main hospital to meet California's earthquake safety requirements. The 200,000 square foot project will include diagnostic and imaging facilities, operating rooms, an emergency department and intensive care unit, obstetrics, and neonatal and pediatric intensive care units. Groundbreaking is planned to occur late in 2012.[34]

- **Pasadena Rose Bowl Upgrade.** Pasadena's Rose Bowl Stadium will undergo a $152 million construction program that will improve concourse circulation, expand concession areas, and provide premium seats, a new press box, a new scoreboard and a state-of-the-art video board. Completion of the project is estimated for the end of 2014.[35]

- **High Desert Health System Multi-Services Ambulatory Care Center.** This 15-acre, 142,000 square-foot complex is under construction in Lancaster in northern Los Angeles County. It will consist of a new ambulatory care facility, an ambulatory surgical center, adult and pediatric primary care clinics, an urgent care clinic, a women's clinic, and medical and surgical subspecialty clinics. The project is expected to cost $141.5 million and will replace an existing 50-year-old health facility.[36]

1.7.3 Information

Information employment includes jobs in the media and publishing industries, software industry, internet services, motion picture and recording industries, movie theater industry, and broadcasting industry. In 2011, approximately 250,000 workers in the Air Trade Area were employed in the information sector. This accounted for 4.3 percent of total nonagricultural employment and exceeded the level in both California and the U.S. where information accounted for 3.0 percent and 2.0 percent of nonagricultural employment, respectively.

Prominent firms in the information industry that are located in the Tri-Cities and the Air Trade Area include The Walt Disney Company (Burbank), Walt Disney Imagineering (Glendale), NBC/Universal (Burbank), Warner Bros. (Burbank), Dreamworks Animation (Glendale), Paramount (Hollywood), Nickelodeon (Burbank), the Comedy Channel (Glendale), FotoKem Industries (Burbank), ValueClick (Westlake Village), Guidance Software (Pasadena), KABC-TV (Glendale), KNBC-TV (Burbank), THQ Inc. (Agoura Hills), Move Inc. (Westlake Village), Crown Media

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33 Pauley Pavilion Expansion/Renovation Project Unveiled At Public Announcement, http://www.uclabruins.com/sports/m-baskbl/spec-rel/051109aaa.html, accessed February 2012.

34 "County Board Looks for Ways to Boost Employment with Hospital Project," *Ventura County Star*, August 11, 2011, http://www.vcstar.com/news/2011/aug/02/county-board-looks-for-ways-to-boost-employment/, accessed February 2012; VCMC Replacement Hospital Wing Project, http://vcmcreplacementhospitalwing.org/, accessed February 2012.

35 "Rose Bowl Stadium Project Unveils New Group of Bid Packages," *ENR California*, May 20, 2011, http://california.construction.com/california_construction_news/2011/0520_rosebowlstadium.asp, accessed February 2012.

36 "Groundbreaking held for Multi-Service Ambulatory Care Center," *The Antelope Valley Times*, January 30, 2012.

Holdings (Studio City), Sony Pictures (Culver City), Twentieth Century Fox (Los Angeles), MGM (Los Angeles), DIRECTV Group (El Segundo), Los Angeles Times (Los Angeles), and Investor's Business Daily (Los Angeles).

1.7.4 Manufacturing

The manufacturing sector generates the highest amount of travel spending, including demand for air travel services, of any industry sector according to the National Business Travel Association.[37] In 2011, the manufacturing sector in the Air Trade Area employed approximately 433,000 workers, representing 7.4 percent of the total nonagricultural workforce (see Table I-13). This percentage was higher than manufacturing employment in California (6.9 percent) and the U.S. overall (7.3 percent).

The diversity of the Air Trade Area's economy extends to the manufacturing sector where businesses range from aerospace and defense contractors to electronic equipment, steel, apparel, food products, pharmaceuticals, medical devices, and many other types of specialized products. In the Tri-Cities and Air Trade Area, major employers in the manufacturing industry include: Nestle NPR Inc. (Glendale); Lockheed Martin (Palmdale); Boeing (Palmdale, El Segundo); Crane Aerospace & Electronics (Burbank); Semtech (Camarillo); Pratt & Whitney Rocketdyne (Canoga Park); Medtronic Diabetes (Northridge); Ameron International (Pasadena); Anthony International (Sylmar); Amgen (Thousand Oaks); Teledyne Technologies (Thousand Oaks); H.R. Textron (Valencia); Superior Industries International (Van Nuys); Anheuser-Busch (Van Nuys); Dole Food (Westlake Village); K-Swiss (Westlake Village); and Reliance Steel & Aluminum (Los Angeles).

1.7.5 Government

Data in Table I-13 show that government employment accounted for approximately 599,000 jobs in the Air Trade Area in 2011, representing 10.3 percent of total non-agricultural employment. This was significantly lower than the level of government employment in both California (11.8 percent) and the U.S. (12.7 percent).

The government sector in the Air Trade Area includes federal, state, and municipal employees. In 2011, the federal government employed approximately 55,000 civilians within the Air Trade Area across a variety of functions and agencies. State and local government employment totaled approximately 543,000 in 2011. Major employers in the government sector with 1,000 or more workers include: Burbank Community Assistance Coordinator; California State Prison Los Angeles County; City of Burbank; City of Pasadena; Los Angeles County Sheriff's Department; Los Angeles Police Department; Los Angeles Unified School District; Pasadena Human Service Commission; and the Ventura County Sheriff's Department.

1.7.6 Finance

The financial sector comprises financial, insurance, and real estate services. The financial sector generates the second highest amount of travel spending, including demand for air travel services, of any industry sector according to the National Business Travel Association.[38] In 2011, the financial sector in the Air Trade Area employed approximately 681,000 workers, representing 11.7 percent of

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37 *2009 Business Travel Report*, September 15, 2009, National Business Travel Association, www2.nbta.org /Lists/Business%20Travel%20Report%209.15.09.pdf, accessed February 2012.

38 *2009 Business Travel Report*, September 15, 2009, National Business Travel Association, www2.nbta.org /Lists/Business%20Travel%20Report%209.15.09.pdf, accessed February 2012.

the total nonagricultural workforce. This percentage was higher than in both California and the United States where financial jobs accounted for 11.4 percent and 10.4 percent of nonagricultural employment in 2011, respectively.

Major financial firms in the Tri-Cities and Air Trade Area include: East West Bank (Pasadena); Bank of America NA (Glendale); JPMorgan Chase & Co. (Chatsworth); Citibank (Glendale); OneWest Bank (Pasadena) and City National Bank (Los Angeles). Prominent insurance companies in the Tri-Cities and Air Trade Area include: Wausau Insurance (Pasadena); Arthur J. Gallagher & Co. (Glendale); Wells Fargo Insurance Services (Sherman Oaks, Torrance); State Farm (Woodland Hills); Zurich North America (Glendale); Berkshire Hathaway Insurance Group (Pasadena); Allianz of America (Burbank); Progressive Insurance Group (Burbank); Aon Corp. (Los Angeles); Willis (Los Angeles); and Farmers Insurance Group (Los Angeles). Major real estate firms in the Tri-Cities and Air Trade Area include: Voit Real Estate Services (Woodland Hills); CB Richard Ellis (Universal City); Jones Lang LaSalle (Los Angeles); and Cushman & Wakefield (Los Angeles).

1.7.7 Wholesale/Retail Trade

Approximately 805,000 workers were employed in wholesale and retail trade in the Air Trade Area in 2011, accounting for 13.8 percent of non-agricultural employment. In California and the U.S., wholesale and retail trade jobs accounted for 13.5 percent and 14.1 percent, respectively, of non-agricultural employment in 2011. Of the approximately 805,000 trade workers in the Air Trade Area in this sector in 2011, 64 percent were employed in retail establishments, while 36 percent worked in wholesale trade.

1.7.8 Services

In 2011, approximately 2.6 million workers in the Air Trade Area were employed in the services sector.[39] This accounted for 45.2 percent of total nonagricultural employment, the highest level among all of the Air Trade Area's employment sectors, and higher than in both California and the U.S. where services accounted for 44.5 percent and 43.6 percent of nonagricultural employment, respectively.

As the largest job sector in the Air Trade Area, the services industry employs workers in a wide range of subsectors that vary greatly in size. In 2011, 23 percent of the Air Trade Area's services workers were employed in leisure and hospitality, 21 percent were employed in health care and 19 percent were employed in professional, scientific and technical services. Other services sector categories include: administrative and support services (14 percent); education (six percent of services workers); management of enterprises (two percent); and other services (15 percent).

1.7.8.1 Higher Education

Employment in the education subsector is an important source of jobs in the Air Trade Area.[40] In 2011, employment at educational institutions accounted for six percent of jobs in the services sector. Numerous public and private colleges and universities are located in the Tri-Cities and the Air Trade Area. These institutions, among others, include: California State University Northridge (Northridge); California Institute of Technology (Pasadena); California State University Channel

39 Government workers are excluded from services employment figures.
40 Public schools, including colleges and universities, are excluded from educational services employment figures.

Islands (Camarillo); Glendale Community College (Glendale); Pasadena City College (Pasadena); Woodbury University (Burbank); College of the Canyons (Santa Clarita); Los Angeles Mission College (Sylmar); Ventura College (Ventura); Los Angeles Pierce College (Woodland Hills); University of California at Los Angeles (Los Angeles); University of Southern California (Los Angeles); and Loyola Marymount University (Los Angeles). The 37 colleges and universities shown in **Table I-14** enroll approximately 696,000 students. These institutions, among others in the Air Trade Area, generate air travel demand through academic meetings and conferences, visiting professorships, study-abroad programs, and individual student and faculty travel.

1.7.8.2 Air Trade Area Attractions and Tourism

Tourism in the Air Trade Area provides a significant source of demand for air travel and employs many workers in the leisure and hospitality subsector. An overview of the Air Trade Area's recreational and visitor attractions is provided below.

Visitors to the Air Trade Area can enjoy a diverse number of attractions, museums, cultural centers, parks and historic sites such as Universal Studios Hollywood (Universal City); Six Flags Magic Mountain (Valencia); the Getty Center (Los Angeles); Los Angeles Zoo (Griffith Park, Los Angeles); Griffith Observatory (Griffith Park, Los Angeles); Autry National Center, (Griffith Park, Los Angeles); Ronald Reagan Presidential Library and Museum (Simi Valley); Los Encinos State Historic Park (Encino); and San Fernando Mission (Mission Hills). Other sightseeing destinations include the Hollywood Sign, the Hollywood Walk of Fame, Venice Beach boardwalk, and the Forest Lawn Memorial Parks.

Performing arts venues in the Air Trade Area, such as the Walt Disney Concert Hall, offer acclaimed companies including the Los Angeles Philharmonic, Los Angeles Opera, and Los Angeles Master Chorale. Professional theater venues include the Pasadena Playhouse, Ahmanson Theatre, Geffen Playhouse, and the Mark Taper Forum. Multicultural performances also are available at the Bilingual Foundation of the Arts.

The Air Trade Area offers travelers a scenic natural environment. With an annual average of 329 days of sunshine,[41] outdoor activities can be pursued throughout the year. Visitors seeking recreation may visit the Angeles National Forest, Catalina Island, and Santa Monica Mountains National Recreation Area.

1.8 Economic Outlook

In the wake of the December 2007-June 2009 recession, the U.S. economy is experiencing weaknesses in housing construction, consumer spending and business investment, as well as relatively high unemployment rates and low GDP growth.[42]

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41 Los Angeles Convention and Visitors Bureau, Fun Facts, http://discoverlosangeles.com/guides/fun-facts/did-you-know.html, accessed February 2012.

42 Building Permits - States and Metro Areas, National Association of Homebuilders, http://www.nahb.org/reference_list.aspx?sectionID=130, accessed February 2012; Table 2.1. Personal Income and Its Disposition, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/TableView.asp, accessed February 2012; Table 5.3.2. Contributions to Percent Change in Real Private Fixed Investment by Type and Table 5.6.6B. Change in Real Private Inventories by Industry, Chained Dollars, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/ TableView.asp, accessed February 2012; Labor Force Statistics from the

Table I-14
Air Trade Area College and University Enrollment (2011)

Institution	Main Campus Location	Enrollment
University of California at Los Angeles	Los Angeles	39,984
Mt. San Antonio College	Walnut	37,362
East Los Angeles College	Monterey Park	36,495
California State University Long Beach	Long Beach	35,554
Santa Monica College	Santa Monica	35,229
California State University Northridge	Northridge	35,198
University of Southern California	Los Angeles	34,824
Pasadena City College	Pasadena	29,657
Long Beach City College	Long Beach	29,040
El Camino College	Torrance	27,307
Cerritos College	Norwalk	24,478
Glendale Community College	Glendale	23,450
College of the Canyons	Santa Clarita	23,416
Los Angeles Pierce College	Woodland Hills	23,104
California State University Polytechnic - Pomona	Pomona	22,273
Rio Hondo College	Whittier	22,224
Los Angeles Valley College	Valley Glen	20,805
California State University Los Angeles	Los Angeles	20,619
Los Angeles City College	Los Angeles	19,602
Moorpark College	Moorpark	17,437
Antelope Valley College	Lancaster	15,469
Ventura College	Ventura	14,500
California State University Dominguez Hills	Carson	14,477
Los Angeles Trade-Technical College	Los Angeles	12,000
Citrus College	Glendora	11,234
Los Angeles Mission College	Sylmar	10,576
Loyola Marymount University	Los Angeles	9,015
University of La Verne	La Verne	8,960
Azusa Pacific University	Azusa	8,539
Pepperdine University	Malibu	7,733
Claremont Colleges	Claremont	6,300
Biola University	La Mirada	5,948
California State University Channel Islands	Camarillo	3,862
California Lutheran University	Thousand Oaks	3,714
California Institute of Technology	Pasadena	2,175
Occidental College	Los Angeles	1,825
Woodbury University	Burbank	1,550
Total		695,935

Sources: *2012 Book of Lists* , San Fernando Valley Business Journal; *The Lists 2011* , Los Angeles Business Journal; institution web sites, February 2012.

Prepared by: Partners for Economic Solutions, March 2012.

The most recently published surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for modest GDP growth in 2012.[43] The Blue Chip Economic Indicators forecast estimates that the U.S. economy will grow at an annual rate of 2.3 percent in 2012. The NABE forecast has a slightly more optimistic outlook of 2.4 percent growth in GDP for the U.S. in 2012. Both Blue Chip Economic Indicators and NABE estimate an annual unemployment rate of 8.3 percent in the U.S. for 2012. Similar to forecasts from NABE and Blue Chip Economic Indicators, a recent report from the LAEDC estimates that unemployment rates in both California and the Air Trade Area will remain elevated in 2012. LAEDC forecasts weakness in the Air Trade Area in construction and government employment in 2012. However, the LAEDC forecast also estimates improved 2012 job growth in the Air Trade Area in health care, education, retail trade, information services, and leisure and hospitality.[44]

Current Population Survey, Bureau of Labor Statistics, http://www.bls.gov/cps/, accessed February 2012; Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product, Bureau of Economic Analysis, http://www.bea.gov/national/ nipaweb/TableView.asp, accessed February 2012.

43 *Blue Chip Economic Indicators*, Vol. 37, No. 3, March 10, 2012, Aspen Publishers; *NABE Outlook*, February 2012, National Association for Business Economics.

44 *The Kyser Center for Economic Research 2012-2013 Economic Forecast and Industry Outlook*, Los Angeles County Economic Development Corporation, February 2012.

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II. Air Traffic

This chapter describes historical and projected aviation activity at the Airport and discusses key factors affecting trends in this activity. Specifically, this chapter addresses the airlines serving the Airport, historical aviation activity, factors affecting aviation demand, and projected activity at the Airport.

2.1 Regional Perspective

The Airport is one of five scheduled passenger service airports serving the Los Angeles region. Other scheduled passenger service airports located in the Los Angeles region include Los Angeles International (LAX), LA/Ontario International (ONT), Long Beach (LGB), and John Wayne (SNA). Each of the five airports caters to particular types of passenger demand, owing to each facility's geographic proximity to businesses and population concentrations in the region, as well as to the availability of specific types of air services. The demographic and economic characteristics of the Los Angeles region, of which the Air Trade Area is a subset, create a strong local demand for air transportation. This demand is predominately served through LAX – it accumulated 73.9 percent of the passenger traffic served by the five airports combined in calendar year (CY) 2010 - particularly for international travel and nonstop travel to major medium and long-haul markets (e.g., New York, Chicago, Honolulu, and Washington, D.C.), as well as travel within the West Coast corridor (California, Oregon, and Washington). The Airport and LGB, ONT, and SNA serve primarily origin-destination (O&D) travel to short and medium-haul markets, including the West Coast corridor.

Table II-1 presents historical shares of total enplaned passengers for the five airports serving the Los Angeles region between CY 2000 and CY 2011. As shown, the regional share of enplaned passengers for the Airport ranged from a high of 6.9 percent in 2006 to a low of 5.2 percent in 2011. As also shown, the regional share of enplaned passengers for LAX decreased from 76.4 percent in CY 2001 to 70.8 percent in CY 2003, remained relatively stable through CY 2007, and then steadily increased to 75.1 percent in CY 2011. This decrease in share for LAX between CY 2001 and CY 2003 was primarily due to (1) United's elimination of its Shuttle by United service following the events of September 11, 2001; (2) JetBlue initiating nonstop service between LGB, its second-designated hub airport, and John F. Kennedy International Airport (JFK) in late August 2001; and (3) SNA increasing its passenger cap from 8.4 million annual passengers (MAP) to 10.3 MAP in December 2002. As a result of JetBlue's presence at LGB, LGB's share of enplaned passengers increased from 0.7 percent in CY 2001 to 3.7 percent in CY 2003 (remaining relatively stable thereafter); and SNA's share increased from 9.1 percent to 11.0 percent during this same period. **Exhibit II-1** below illustrates the CY 2011 shares of total enplaned passengers for the five principal airports serving the Los Angeles region.

Table II-1

Regional Airport Shares of Total Enplanements

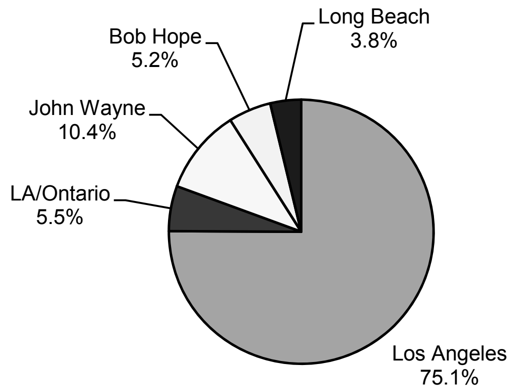
	Bob Hope (BUR)		Los Angeles (LAX)		John Wayne (SNA)		LA/Ontario (ONT)		Long Beach (LGB) [1/]		Total
Calendar Year	Enplaned Passengers	% of Total	Enplaned Passengers	% of Total	Enplaned Passengers	% of Total	Enplaned Passengers	% of Total	Enplaned Passengers	% of Total	Enplaned Passengers
2000	2,367,835	5.4%	33,836,077	77.3%	3,894,993	8.9%	3,360,634	7.7%	312,713	0.7%	43,772,252
2001	2,248,654	5.5%	31,007,930	76.4%	3,672,827	9.1%	3,354,350	8.3%	287,245	0.7%	40,571,006
2002	2,312,611	6.0%	28,181,481	73.3%	3,957,565	10.3%	3,259,866	8.5%	731,279	1.9%	38,442,802
2003	2,369,729	6.1%	27,544,606	70.8%	4,274,960	11.0%	3,285,577	8.4%	1,445,547	3.7%	38,920,419
2004	2,464,441	5.8%	30,210,609	71.0%	4,902,263	11.5%	3,473,284	8.2%	1,470,620	3.5%	42,521,217
2005	2,759,984	6.4%	30,587,592	70.6%	4,821,459	11.1%	3,611,978	8.3%	1,523,812	3.5%	43,304,825
2006	2,843,281	6.9%	28,575,611	69.8%	4,814,108	11.8%	3,342,627	8.2%	1,385,260	3.4%	40,960,887
2007	2,960,294	6.7%	30,980,025	70.4%	4,989,018	11.3%	3,607,184	8.2%	1,458,128	3.3%	43,994,649
2008	2,664,875	6.4%	29,930,985	71.8%	4,492,626	10.8%	3,112,112	7.5%	1,457,209	3.5%	41,657,807
2009	2,295,858	5.9%	28,288,211	72.9%	4,336,168	11.2%	2,444,643	6.3%	1,454,978	3.7%	38,819,858
2010	2,233,590	5.6%	29,605,542	73.9%	4,313,545	10.8%	2,404,511	6.0%	1,488,869	3.7%	40,046,057
2011	2,151,250	5.2%	30,923,005	75.1%	4,287,955	10.4%	2,281,032	5.5%	1,549,744	3.8%	41,192,986
Compound Annual Growth Rate											
2000 - 2007	3.2%		(1.3%)		3.6%		1.0%		24.6%		0.1%
2007 - 2011	(7.7%)		(0.0%)		(3.7%)		(10.8%)		1.5%		(1.6%)
2000 - 2011	(0.9%)		(0.8%)		0.9%		(3.5%)		15.7%		(0.6%)

Note:
1/ In late August 2001, JetBlue initiated two daily nonstop flights between John F. Kennedy International Airport and Long Beach Airport, its second-designated hub airport. JetBlue's activity at the Airport increased to six markets with a total of 21 daily nonstop flights by the end of FY 2003, resulting in significant increases in passenger activity between 2001 and 2003.

Sources: Airports Council International (2000 - 2006); Individual airport websites (2007 - 2011)
Prepared by: Ricondo & Associates, Inc., March 2012.

Exhibit II-1

Los Angeles Region Airport Shares of Total Enplanements – CY 2011



Sources: Individual airports, March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

Table II-2 presents average domestic one-way fares for the five principal airports in the Los Angeles region for FY 2011. As shown, the Airport's average one-way domestic fare for all O&D markets was $133 in FY 2011, making it the second lowest air fare airport in the area and approximately $50 lower than the closest alternative airport - LAX.

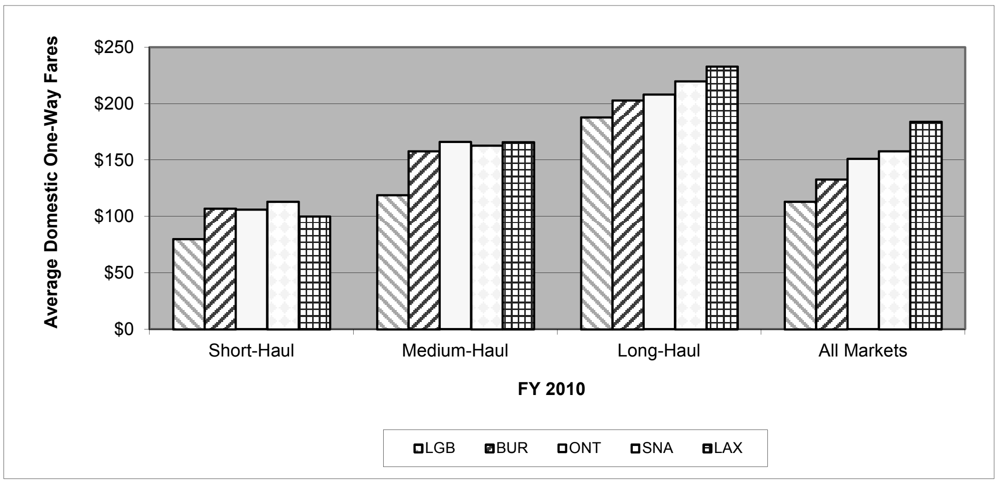
As discussed earlier, the Airport and LGB, ONT, and SNA serve primarily domestic O&D travel to short and medium-haul markets, whereas LAX serves international travel and primarily domestic O&D travel to major medium and long-haul markets. This service is especially evident in **Table II-3**. As shown, a much higher percentage of the Airport's domestic O&D passenger traffic is destined for short-haul markets in comparison to the other four airports in the Los Angeles region (approximately 60 percent in FY 2011). As also shown, LGB, ONT, and SNA have similar breakouts for each stage length category. Approximately 80 percent of LAX's domestic O&D passenger traffic is destined to medium and long-haul markets, compared to its nearest competitor to these markets on a percentage basis, SNA, with approximately 65 percent.

Important characteristics of the Airport in attracting air travelers are its convenience and accessibility to the northern portion of the Los Angeles region. In terms of convenience, walking times from the short term parking lots are minimal, valet parking is within close proximity to the terminal entrance, and the average wait time through security is 10 to 12 minutes. In terms of accessibility, and as shown earlier in Exhibit I-1, the Airport is centrally located in the Los Angeles region, with ready access to major attractions and surrounding cities. With access from the Airport to the freeway system being less than one mile, the Airport is close to such attractions as The Walt Disney Company/ABC, Warner Bros., and NBC/Universal (10 minutes away). In addition, the Airport is the closest Los Angeles airport to Hollywood, the San Fernando Valley, downtown Los Angeles, Staples Center, Griffith Park, the Los Angeles Zoo, the Autry Museum of Western Heritage, the Getty Center, Dodger Stadium, and the Rose Bowl. The Airport is also the only Los Angeles airport with a direct rail connection to downtown Los Angeles. Other public transportation options at the Airport

Table II-2

Average Domestic One-Way Fares for Airports in the Los Angeles Region - FY 2011

Airport	Short-Haul Markets 1/	Medium-Haul Markets 1/	Long-Haul Markets 1/	All Markets
Long Beach (LGB)	$80	$119	$188	$113
Bob Hope (BUR)	**$107**	**$158**	**$203**	**$133**
LA/Ontario (ONT)	$106	$166	$208	$151
John Wayne (SNA)	$113	$163	$220	$158
Los Angeles (LAX)	$100	$166	$233	$184



Note:

1/ (SH) Short Haul = 1 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles

Sources: US DOT Origin & Destination Survey of Airline Passenger Traffic, accessed March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

Table II-3

Percentage Share of O&D Passenger Traffic by Stage Length - FY 2011

Airport	Short-Haul Markets 1/	Medium-Haul Markets 1/	Long-Haul Markets 1/	All Markets
Bob Hope (BUR)	**60.8%**	**25.7%**	**13.5%**	100.0%
Long Beach (LGB)	48.2%	32.7%	19.1%	100.0%
LA/Ontario (ONT)	39.1%	40.5%	20.4%	100.0%
John Wayne (SNA)	35.5%	41.8%	22.7%	100.0%
Los Angeles (LAX)	21.3%	31.9%	46.8%	100.0%

Note:
1/ (SH) Short Haul = 1 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles

Sources: US DOT Origin & Destination Survey of Airline Passenger Traffic, accessed March 2012.

Prepared by: Ricondo & Associates, Inc., March 2012.

include Amtrak and MTA buses, with complimentary shuttle services to the Downtown Burbank Metrolink Station and North Hollywood Metro Redline Station.

2.2 Airlines Serving the Airport

As of March 2012, the Airport had passenger service provided by six certificated U.S. carriers. Scheduled service at the Airport is provided by five of the nation's 12 major U.S. passenger airlines.[1] The major passenger airlines currently providing scheduled service at the Airport are Alaska, JetBlue, SkyWest (d\b\a Delta Connection, United Express, US Airways Express, and under contract with Alaska), Southwest, and US Airways. Additionally, Mesa (d\b\a US Airways Express) provides scheduled passenger service at the Airport. This passenger carrier is defined by the U.S. DOT as a "national" carrier, as it has annual total revenues between $100 million and $1 billion. In addition, AirNet Express, Ameriflight, FedEx, and United Parcel Service provide all-cargo service at the Airport. **Table II-4** lists the airlines serving the Airport as of March 2012.

Table II-5 presents the historical air carrier base at the Airport since FY 2001. Specific points concerning the Airport's historical air carrier base are presented below:

- Alaska and Southwest have served the Airport each of the last 12 years. United provided mainline service between FY 2001 and FY 2009. In FY 2010, FY 2011, and FYTD 2012, service for United has been provided by SkyWest (d\b\a United Express). Horizon, a regional/commuter carrier for Alaska, initiated service at the Airport in FY 2004. On May 14, 2011, Horizon's service to Portland from the Airport was replaced by SkyWest with the same frequency (three daily flights) and aircraft (CRJ-700), under contract with Alaska.
- US Airways has operated at the Airport each year since FY 2001 (which includes service by America West prior to its merger with US Airways). As of March 2012, US Airways and US Airways Express (Mesa and SkyWest) provide nonstop service to Phoenix with an average of 5 daily flights.
- The major U.S. airline American, which filed for Chapter 11 bankruptcy protection on November 29, 2011, terminated service at the Airport on February 9, 2012 (three daily flights to Dallas).
- In FY 2005, JetBlue initiated service at the Airport with nonstop flights to New York City (JFK). As of March 2012, JetBlue continues to provide two nonstop flights to JFK, as well as one to Las Vegas.
- Delta provided mainline service at the Airport from FY 2005 through FY 2007 and in FY 2009. In FY 2010, FY 2011, and FYTD 2012, Delta continues to provide service at the Airport through its regional/commuter affiliate SkyWest (d\b\a the Delta Connection).
- Aloha and Skybus served the Airport in the past, but both discontinued service systemwide due to bankruptcies. Between FY 2002 and FYTD 2012, the Airport has been served by at least six airlines.

2.3 Historical Passenger Activity

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplanements by airline.

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[1] As defined by the U.S. DOT, major U.S. airlines are airlines with gross operating revenues during any calendar year of more than $1 billion. (US DOT issue date October 28, 2011 and effective January 1, 2012).

Table II-4
Airlines Serving the Airport [1/]

Mainline Carriers (4) [2/]	Regional/Commuter Carriers (2)	All-Cargo Carriers (4)
Alaska	Mesa (d/b/a US Airways Express)	AirNet Express
JetBlue	SkyWest (d/b/a Delta Connection)	Ameriflight
Southwest	SkyWest (d/b/a United Express)	FedEx
US Airways	SkyWest (d/b/a US Airways Express)	United Parcel Service
	SkyWest (under contract with Alaska)	

Note:
1/ As of March 2012.
2/ American, which filed for Chapter 11 bankruptcy protection on November 29, 2011, terminated service at the Airport on February 9, 2012 (three daily flights to Dallas).

Source: Burbank-Glendale-Pasadena Airport Authority, March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

Table II-5
U.S. Certificated Passenger Air Carrier Base

Airline	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 1/
Number of Airlines	5	8	8	9	11	10	11	10	10	8	8	6
Alaska	●	●	●	●	●	●	●	●	●	●	●	●
Southwest	●	●	●	●	●	●	●	●	●	●	●	●
US Airways 2/	●	●	●	●	●	●	●	●	●	●	●	●
SkyWest 3/		●	●	●	●	●	●	●	●	●	●	●
Mesa (US Airways Express)		●	●	●	●	●	●	●	●	●	●	●
JetBlue					●	●	●	●	●	●	●	●
Airlines No Longer Serving the Airport												
American 4/	●	●	●	●	●	●	●	●	●	●	●	●
Horizon 5/				●	●	●	●	●	●	●	●	
United Mainline	●	●	●	●	●	●	●	●	●			
Delta Mainline					●	●	●		●			
Skybus							●	●				
Aloha		●	●	●	●							

Notes:
1/ As of March 2012.
2/ Includes service provided by America West. US Airways merged with America West in FY 2006.
3/ Doing business as the Delta Connection, United Expres, US Airways Express, and contracts with Alaska.
4/ American, which filed for Chapter 11 bankruptcy protection on November 29, 2011, terminated service at the Airport on February 9, 2012 (three daily flights to Dallas).
5/ SkyWest replaced the Portland service provided by Horizon at the Airport on May 14, 2011 with the same frequency (three daily flights) and aircraft (CRJ-700), under contract with Alaska.

Source: Burbank-Glendale-Pasadena Airport Authority, March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

2.3.1 Enplaned Passengers

The Airport is classified by the FAA as a medium hub primary airport based on its percentage of nationwide enplanements;[2] and ranked 58th nationwide in total passengers in CY 2010 with 4.5 million enplaned and deplaned passengers.[3] **Table II-6** presents historical enplanements for the Airport between FY 2000 and FY 2011 and for the period July 2011 to February 2012. As shown, passenger activity at the Airport ranged from a high of 2.9 million in FY 2008 to a low of 2.2 million in FY 2011. As also shown, Airport enplanements decreased at an annual compound rate of 0.7 percent between FY 2000 and FY 2011, from 2,348,198 enplaned passengers to 2,181,852 during this period. Specific details concerning enplaned passengers at the Airport between FY 2000 and FYTD 2012 are discussed below:

- **FY 2000 – FY 2002.** Enplaned passengers at the Airport increased 1.3 percent in FY 2001 from FY 2000 levels, from 2,348,198 enplanements to 2,379,518 during this period. No significant service changes occurred between 2000 and 2001, as overall departing seat capacity remained relatively stable at the Airport during this period (an increase of only 0.2 percent in departing seat capacity in FY 2001 from FY 2000 levels). As a result, higher load factors contributed to increased enplanements. Due to the terrorist attacks of September 11, 2011, and a contracting U.S. economy, enplanements decreased 7.5 percent in FY 2002 from FY 2001 levels. All passenger carriers reduced departing seat capacity at the Airport in FY 2002, while Aloha initiated service at the Airport in June 2002.
- **FY 2003 – FY 2008.** Enplaned passengers at the Airport increased each year between FY 2003 and FY 2008, increasing at a compound annual growth rate of 5.8 percent during this period. Enplaned passengers at the Airport increased to a record-high 2.9 million passengers in FY 2008. The following factors contributed to this growth at the Airport during this period:
  - In FY 2003, Aloha added service to Kahului, Las Vegas, and Sacramento; while American increased service to Dallas.
  - In late FY 2005, Delta initiated service at the Airport providing nonstop service to Atlanta and Salt Lake City; while JetBlue initiated service at the Airport providing nonstop service to New York (JFK).
  - With a full year of new Delta and JetBlue service and expanded service to Phoenix by Southwest, enplanements increased 10.8 percent in FY 2006 from FY 2005 levels, from 2.6 million to 2.8 million during this period.
  - In FY 2007 and FY 2008, the Airport experienced increased enplanements at an annual rate of 1.8 percent and 0.9 percent, respectively. During this period, JetBlue initiated new service to Salt Lake City and Washington (IAD). In late FY 2007, low-cost carrier Skybus introduced nonstop service to Columbus, Ohio; however, Skybus ceased operations systemwide in FY 2008 due to bankruptcy.

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[2] As defined by the FAA, a medium hub primary airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 1,780,064 to 7,120,256 enplaned passengers in CY 2010, the latest calendar year for determining airport hub size. The Airport enplaned 2.2 million people in CY 2010.

[3] *Traffic Data 2010*, Airports Council International – North America, May 2011.

Table II-6

Historical Enplaned Passengers

Fiscal Year Ending June 30

Fiscal Year	Airport Enplaned Passengers	Airport Growth
2000	2,348,198	-
2001	2,379,518	1.3%
2002	2,200,220	(7.5%)
2003	2,357,294	7.1%
2004	2,406,709	2.1%
2005	2,562,791	6.5%
2006	2,840,085	10.8%
2007	2,892,051	1.8%
2008	2,919,311	0.9%
2009	2,413,006	(17.3%)
2010	2,261,143	(6.3%)
2011	2,181,852	(3.5%)

FYTD (Jul - Mar)		
2011	1,636,641	-
2012	1,587,240	(3.0%)

Compound Annual Growth Rate	
2000 - 2001	1.3%
2001 - 2002	(7.5%)
2002 - 2008	5.8%
2008 - 2011	(9.2%)
2000 - 2011	(0.7%)

12-Month Period Ending September 30

12-Month Period Ending Sept. 30	Airport Enplaned Passengers	Airport Growth	U.S. Domestic Enplaned Passengers	U.S. Growth	Airport Share of U.S.
2000	2,348,438	-	641,200,000	-	0.366%
2001	2,325,587	(1.0%)	625,800,000	(2.4%)	0.372%
2002	2,247,552	(3.4%)	575,100,000	(8.1%)	0.391%
2003	2,372,835	5.6%	587,800,000	2.2%	0.404%
2004	2,429,750	2.4%	628,500,000	6.9%	0.387%
2005	2,665,077	9.7%	669,500,000	6.5%	0.398%
2006	2,844,795	6.7%	668,400,000	(0.2%)	0.426%
2007	2,941,357	3.4%	690,100,000	3.2%	0.426%
2008	2,801,408	(4.8%)	680,700,000	(1.4%)	0.412%
2009	2,316,247	(17.3%)	630,800,000	(7.3%)	0.367%
2010	2,249,265	(2.9%)	635,200,000	0.7%	0.354%
2011	2,171,827	(3.4%)	649,900,000 1/	2.3%	0.334%

Compound Annual Growth Rate	Airport Enplaned Passengers	U.S. Domestic Enplaned Passengers
2000 - 2001	(1.0%)	(2.4%)
2001 - 2002	(3.4%)	(8.1%)
2002 - 2008	4.5%	3.4%
2008 - 2011	(8.1%)	(3.4%)
2000 - 2011	(0.7%)	(0.1%)

Note:

1/ Estimated by the FAA.

Source: Burbank-Glendale-Pasadena Airport Authority (Airport Activity); FAA (US Activity), March 2012.

Prepared by: Ricondo & Associates, Inc., March 2012.

- **FY 2009 – FY 2010**. Enplaned passengers at the Airport decreased from 2.9 million in FY 2008 to 2.3 million in FY 2010, a compound annual decrease of 12.1 percent. Oil prices escalated to a high of $147 per barrel in July 2008, which prompted the airlines to raise prices and reduce capacity systemwide. These price increases and decreased capacity (the airlines at the Airport decreased scheduled seats by approximately 475,000 seats in FY 2009 from FY 2008 levels, an 11.2 percent decrease), coupled with the national economic recession that began in December 2007 were primary factors leading to enplaned passengers decreasing 17.3 percent in FY 2009 from FY 2008 levels. Particular decreases in capacity at the Airport during FY 2009 and FY 2010 include the following:
  - Southwest, the largest carrier at the Airport in terms of passengers, reduced service to each of their five nonstop destinations.
  - JetBlue ceased service to Salt Lake City and Washington (IAD), while reducing capacity to New York (JFK).
  - Delta and United discontinued their mainline service at the Airport in FY 2009, thereby reducing capacity; however, these carriers continue to provide passenger service at the Airport through their regional affiliates.
  - Alaska reduced service to Seattle from the Airport, from four average daily flights in FY 2009 to three flights in FY 2010.
- **FY 2011**. Most capacity by the carriers at the Airport remained relatively stable in FY 2011 compared to FY 2010; however, Southwest reduced some capacity in four of its five nonstop markets (Las Vegas, Oakland, San Jose, and Sacramento), with the fifth market (Phoenix) remaining near FY 2010 levels. FY 2011 enplaned passengers at the Airport decreased 3.5 percent from FY 2010 levels.
- **July 2011 through March 2012**. For the first nine months of FY 2012, enplaned passengers decreased from 1,636,641 in FY 2011 to 1,587,240 in FY 2012, a 3.0 percent decrease during this period. With American terminating service at the Airport on February 9, 2012, it is expected that enplaned passengers will continue to decrease through FY 2012 and into FY 2013. From March through the end of FY 2012, the loss of American's seat capacity will be partially offset by increased seat capacity from Southwest and United Express. The Airport's departing seat capacity for FY 2012 is scheduled to be 1.3 percent below FY 2011 levels. As discussed in Section 2.7: *Projections of Aviation Demand*, enplaned passengers at the Airport are expected to decrease 2.6 percent in FY 2012 from FY 2011 levels based on scheduled seats and assumed load factors.

In order to provide a direct comparison between enplaned passengers at the Airport to enplaned passenger data for the U.S., which is reported by the FAA for the federal fiscal year (FFY) ending September 30, Table II-6 also presents enplaned passengers for both the Airport and the U.S. for FFY 2000 through FFY 2011. As shown, the Airport's share of U.S. enplaned passengers fluctuated each year between FFY 2000 and FFY 2011, reflective of differences in annual growth patterns compared to the nation during this period. Other observations concerning enplaned passengers at the Airport and for the U.S. include:

- Similar to the nation, enplaned passengers at the Airport decreased in FFY 2001 and in FFY 2002 from the previous year's level due to the effects of September 11 and an economic downturn; however, the percentage decrease for the Airport was significantly lower than that for the nation in each year (1.0 percent decrease versus 2.4 percent decrease, respectively, in FFY 2001 from FFY 2000 levels; and 3.4 percent decrease versus 8.1 percent decrease, respectively, in FFY 2002 from FFY 2001 levels). As a result, the Airport recovered to pre-September 11 levels sooner than the nation, reaching FFY 2000 levels in FFY 2003 compared to FFY 2005 nationwide.

- Enplaned passengers at the Airport increased at a compound annual growth rate of 4.5 percent between FFY 2002 and FFY 2008, compared to 3.4 percent for the nation.
- Due to record oil prices and a national economic recession discussed earlier, both the Airport and the nation experienced decreases in FFY 2008 and FFY 2009; however, the Airport experienced a higher decrease during this period compared to that for the nation (compound annual decrease of 11.3 percent and 4.4 percent, respectively).
- Enplaned passengers at the Airport decreased from 2,316,247 in FFY 2009 to 2,249,265 in FFY 2010, a decrease of 2.9 percent, compared to the 0.7 percent increase for the nation during this same period.
- Enplaned passengers at the Airport decreased from 2,249,265 in FFY 2010 to 2,171,827 in FFY 2011, a decrease of 3.4 percent, compared to the 2.3 percent increase estimated for the nation by the FAA during this same period.
- Over the long term, enplaned passengers at the Airport decreased at an annual compound rate of 0.7 percent between FFY 2000 through FFY 2011, similar to the annual compound decrease of 0.1 percent nationwide.

2.3.2 Enplaned Passengers by Airline

Service at the Airport has historically been provided by seven carrier groups (i.e., a mainline airline by itself such as Southwest or a mainline airline and its regional affiliate combined such as United and SkyWest). **Table II-7** presents the historical share of enplanements by airline/airline grouping at the Airport between FY 2007 and FY 2011. As shown, enplanements are spread over a number of carriers; however, Southwest had the majority of passenger activity with 63 to 66 percent of annual enplanements at the Airport during the years depicted. For the most part, the market share of enplanements for the carrier groups Alaska, Delta, JetBlue, and US Airways remained relatively stable between FY 2007 and FY 2011. The market share of enplanements for the United carrier group decreased from 7.1 percent in FY 2005 to 4.7 percent in FY 2010 primarily due to cutbacks in mainline service at the Airport during this period, which shifted to Southwest and American.

2.4 Historical Air Service

An important airport characteristic is the distribution of its origin-destination markets, which is a function of air travel demands and available services and facilities. This is particularly true for the Airport, as it serves primarily O&D passengers. **Table II-8** presents historical data on the Airport's primary (i.e., top 20) O&D markets for FY 2005 and FY 2011. As shown, the Airport served primarily short and medium-haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) of 643 miles in FY 2005 and 783 miles in FY 2011, compared to 856 miles and 880 miles, respectively, for the nation. The Airport's average stage length during these periods reflect the Airport's geographical location and strong local demand for the West Coast market, as well as other Southwest and Rocky Mountain markets (i.e., Denver, Las Vegas, and Phoenix). As also shown, eight of the Airport's top 10 O&D markets for FY 2011 were in the western United States and accounted for approximately two-thirds of the total O&D passengers during this period. Eighteen of the top 20 O&D markets for the Airport in FY 2005 remained in the top 20 in FY 2011.

With JetBlue's initiation of nonstop service to New York in May 2005 (i.e., late FY 2005), the number of O&D passengers for this market increased 4.2 times between FY 2005 and FY 2011, from

Table II-7
Historical Enplaned Passengers by Carrier Group

Rank in FY 2011	Carrier Group	FY 2007 Enplaned Passengers	FY 2007 Share	FY 2008 Enplaned Passengers	FY 2008 Share	FY 2009 Enplaned Passengers	FY 2009 Share	FY 2010 Enplaned Passengers	FY 2010 Share	FY 2011 Enplaned Passengers	FY 2011 Share
1	Southwest	1,823,776	63.1%	1,861,271	63.8%	1,580,518	65.5%	1,490,749	65.9%	1,433,164	65.7%
2	Alaska 1/	241,153	8.3%	237,953	8.2%	195,243	8.1%	182,082	8.1%	194,429	8.9%
3	American 2/	170,302	5.9%	176,262	6.0%	155,417	6.4%	162,287	7.2%	158,646	7.3%
4	JetBlue	226,707	7.8%	228,865	7.8%	212,979	8.8%	157,732	7.0%	137,018	6.3%
5	US Airways 3/	148,429	5.1%	131,011	4.5%	100,308	4.2%	114,965	5.1%	106,931	4.9%
6	United 4/	210,410	7.3%	165,760	5.7%	116,968	4.8%	105,959	4.7%	102,920	4.7%
7	Delta 5/	64,190	2.2%	65,105	2.2%	51,573	2.1%	47,369	2.1%	48,744	2.2%
	Other 6/	7,084	0.2%	53,084	1.8%	-	-	-	-	-	-
	Airport Total	2,892,051	100.0%	2,919,311	100.0%	2,413,006	100.0%	2,261,143	100.0%	2,181,852	100.0%

Note:
1/ Includes data for Alaska and Horizon.
2/ American, which filed for Chapter 11 bankruptcy protection on November 29, 2011, terminated service at the Airport on February 9, 2012.
3/ Includes data for US Airways and Mesa (d\b\a US Airways Express).
4/ Includes data for United and SkyWest (d\b\a United Express).
5/ Includes data for Delta and SkyWest (d\b\a Delta Connection).
6/ Includes data for Skybus (6,740 enplanements) and Champion (344 enplanements) in FY 2007 and for Skybus in FY 2008.

Source: Burbank-Glendale-Pasadena Airport Authority, March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

Table II-8
Primary Domestic O&D Passenger Markets

FY 2005

Rank	Market	Stage Length 1/	Total Domestic O&D Passengers	Average One-Way Fare	Yield Per Coupon Mile
1	Oakland	SH	911,260	$74	$0.227
2	Las Vegas	SH	735,290	$63	$0.285
3	Sacramento	SH	566,110	$70	$0.196
4	Phoenix	SH	483,220	$63	$0.170
5	San Jose	SH	458,430	$72	$0.243
6	Seattle	MH	299,400	$126	$0.133
7	Portland, OR	MH	175,540	$113	$0.136
8	San Francisco	SH	157,500	$132	$0.405
9	Dallas/Fort Worth	MH	156,400	$136	$0.109
10	Denver	MH	76,080	$162	$0.184
11	Reno	SH	66,790	$83	$0.183
12	Salt Lake City	SH	60,240	$101	$0.168
13	New York/Newark 3/	LH	55,260	$169	$0.066
14	Albuquerque	MH	41,200	$117	$0.165
15	Houston	MH	33,250	$151	$0.104
16	Spokane	MH	30,630	$117	$0.105
17	Chicago 4/	MH	27,260	$151	$0.080
18	San Antonio	MH	24,960	$147	$0.113
19	Honolulu	LH	22,760	$232	$0.090
20	Austin	MH	22,650	$142	$0.108
	Other Markets		632,060		
	Total		5,036,290		
Average					
Airport 5/		643		$95	$0.143
United States		856		N/A	$0.115

FY 2011

Rank	Market	Nonstop Service 2/	Stage Length 1/	Total Domestic O&D Passengers	Average One-Way Fare	Yield Per Coupon Mile
1	Oakland	•	SH	718,490	103	$0.316
2	Las Vegas	•	SH	520,560	101	$0.455
3	Sacramento	•	SH	414,220	111	$0.310
4	San Jose	•	SH	402,700	100	$0.339
5	Phoenix	•	SH	357,040	104	$0.282
6	Seattle	•	MH	276,170	128	$0.135
7	New York/Newark 3/	•	LH	231,830	200	$0.080
8	Portland	•	MH	147,490	141	$0.169
9	Dallas	•	MH	131,920	187	$0.150
10	San Francisco	•	SH	73,760	161	$0.489
11	Salt Lake City	•	SH	61,470	151	$0.241
12	Denver	•	MH	58,190	159	$0.177
13	Houston		MH	50,210	161	$0.110
14	Chicago 4/		MH	41,640	182	$0.098
15	Reno		SH	39,660	109	$0.227
16	Spokane		MH	35,250	141	$0.132
17	Austin		MH	28,010	153	$0.113
18	Albuquerque		MH	26,100	146	$0.204
19	Philadelphia		LH	25,050	215	$0.087
20	Boise		MH	24,020	137	$0.167
	Other Markets			619,120		
	Total			4,282,900		
Average						
Airport 5/			783		$133	$0.164
United States			880		N/A	$0.130

Notes:
1/ (SH) Short Haul = 0 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles
2/ Nonstop markets as of March 16, 2012.
3/ Includes Newark (EWR), Kennedy (JFK), and LaGuardia (LGA)
4/ Includes Midway (MDW) and O'Hare (ORD) Airports.
5/ Average calculated for all of the Airport's O&D markets.

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT., March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

55,260 passengers in FY 2005 to 231,830 in FY 2011, with its O&D ranking at the Airport changing from 13th to 7th during this period. Four of the top 5 O&D markets for the Airport decreased by more than 100,000 passengers between FY 2005 and FY 2011.[4] Oakland decreased by 192,770 O&D passengers, Las Vegas by 214,730, Sacramento by 151,890, and Phoenix by 126,180; a decrease in O&D passengers of approximately 25 percent for each market during this period. These decreases can be attributed primarily to the reduction of nonstop service to these markets by Southwest during this period (a reduction of one to two daily flights in each market) in reaction to the recent economic recession nationwide.

Table II-9 presents the Airport's nonstop markets as of March 2012, including the markets served, daily number of nonstop flights for each market, and the airlines providing nonstop service to these markets. As shown, daily nonstop service is provided to 12 markets (the top 12 O&D markets for the Airport in FY 2011) with a total of 77 daily flights. Primary O&D markets with a significant number of daily nonstop flights include top-ranked Oakland with 14 daily flights, fifth-ranked Phoenix with 12 daily flights, and second-ranked Las Vegas with 12 daily flights. Southwest initiated new nonstop service to Denver on August 14, 2011.

2.5 Historical Aircraft Operations and Landed Weight

This section presents historical aircraft operations (takeoffs or landings) by major user category at the Airport, as well as historical landed weight by passenger airlines.

2.5.1 Aircraft Operations

Table II-10 presents historical aircraft operations at the Airport by major user category between FY 2006 and FY 2011. Total aircraft activity at the Airport steadily decreased from 129,460 operations in FY 2006 to 116,249 in FY 2011, an annual compound decrease of 2.1 percent during this period, compared to the annual compound decrease of 2.3 percent nationwide. Total general aviation activity at the Airport increased from 37,668 operations in FY 2010 to 46,753 in FY 2011, a 24.1 percent increase during this period. -Specific points concerning trends in operational activity by major user category at the Airport are discussed below:

- **Mainline.** Mainline operations are based on aircraft operations with more than 99 seats, with the majority of this activity comprised of Southwest operations between FY 2006 and FY 2011. In FY 2006, Southwest's share of total mainline operations at the Airport was 72.2 percent, which increased to 79.5 percent in FY 2011. As shown in Table II-10, mainline aircraft activity at the Airport increased from 52,326 operations in FY 2006 to 56,752 in FY 2008, a compound annual growth rate of 4.1 percent during this period. With higher fuel prices and a nationwide economic recession, the mainline carriers were forced to reduce their capacity to better match supply (seats) with demand (passengers). For example, Southwest reduced its daily flights at the Airport from a peak of 62 daily flights in FY 2007 to 49 daily flights in FY 2011. As a result, mainline aircraft activity at the Airport decreased from 56,752 operations in FY 2008 to 40,880 in FY 2011, an annual compound decrease of 11.6 percent during this period. Further compounding this decrease was the elimination of mainline service at the Airport by Delta and United in FY 2009.
- **Regionals/Commuters.** Operations by regionals/commuters are based on aircraft activity with 99 seats or less. As shown in Table II-10, regional/commuter activity was relatively

[4] The fifth market ranked in the Airport's top five O&D markets in FY 2005, San Jose, had a decrease of 55,730 O&D passengers between FY 2005 and FY 2011.

Table II-9
Nonstop Markets [1/]

Market	Daily Nonstop Flights	Number of Airlines	Airline (Operating Carriers) - Daily Departures
Denver	6	2	Southwest - 2; United Express (SkyWest) - 4
Las Vegas	12	2	JetBlue - 1; Southwest - 11
New York	2	1	JetBlue (JFK)
Oakland	14	1	Southwest
Phoenix	12	4	Southwest - 7; US Airways - 1; US Airways Express (Mesa/SkyWest) - 4
Portland	3	1	Alaska (SkyWest)
Sacramento	8	1	Southwest
Salt Lake City	3	1	Delta Connection (SkyWest)
San Francisco	6	1	United Express (SkyWest)
San Jose	8	1	Southwest
Seattle	3	1	Alaska
Total	77		

Note:
1/ As of March 16, 2012.

Source: Official Airline Guide, Inc. (OAG), March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

Table II-10
Historical Aircraft Operations

Fiscal Year	Mainline	Regionals/ Commuters	Airline Total	All-Cargo	General Aviation	Other Air Taxi	Military	Total
2006	52,326	12,912	65,238	14,954	40,873	8,086	309	129,460
2007	55,484	12,008	67,492	15,294	37,916	7,442	262	128,406
2008	56,752	11,996	68,748	13,116	33,131	6,845	210	122,050
2009	48,266	11,976	60,242	10,104	36,508	7,791	208	114,853
2010	44,362	11,500	55,862	10,040	37,668	7,969	246	111,785
2011	40,700	11,742	52,442	10,356	46,753	6,401	297	116,249
Compound Annual Growth Rate								
2006 - 2011	(4.9%)	(1.9%)	(4.3%)	(7.1%)	2.7%	(4.6%)	(0.8%)	(2.1%)

Source: Burbank-Glendale-Pasadena Airport Authority, March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

stable between FY 2006 and FY 2011, ranging from a high of 12,912 in FY 2006 to a low of 11,500 in FY 2010; and averaging approximately 12,000 operations during this period. There has been a consistency in regional/commuter activity at the Airport between FY 2006 and FY 2011, with three regional/commuter carriers operating at the Airport during this period: Horizon, Mesa, and SkyWest.

- **All-Cargo.** Between FY 2006 and FY 2010**,** all-cargo activity at the Airport was provided by AirNet, Ameriflight, FedEx, and United Parcel Service. All-cargo aircraft activity was relatively stable in FY 2006 and FY 2007, decreased from 15,294 operations in FY 2007 to 13,116 operations in FY 2008 and then to 10,104 operations in FY 2009, with a small decrease to 10,040 operations in FY 2010. In FY 2011, all-cargo carriers increased 3.1 percent to 10,356 operations from FY 2010. The decreases in all-cargo aircraft activity at the Airport in FY 2008 and FY 2009 can be attributed to Ameriflight's reduction in service during this period. Ameriflight's share of all-cargo activity at the Airport, which was 85.8 percent in FY 2006, decreased to 75.2 percent in FY 2009 and to 74.2 percent in FY 2011. The increase in FY 2011 is primarily attributed to additional operations by AirNet. AirNet operations increased from 566 in FY 2010 to 779 in FY 2011, an annual increase of 41.2 percent.
- **General Aviation.** General aviation activity at the Airport was relatively stable between FY 2006 and FY 2010, ranging from a high of 40,873 operations in FY 2006 to a low of 33,131 operations in FY 2008; and averaging approximately 37,200 operations between FY 2006 and FY 2010. General aviation activity at the Airport increased 24.1 percent in FY 2011 from FY 2010 levels, from 37,668 operations to 46,753 during this period. This significant increase was primarily due to (1) the FAA switching to an automated system for counting aircraft operations and (2) diversion of general aviation traffic from Van Nuys Airport (the busiest general aviation airport in the world) due to periodic closing of runways for maintenance between February 2011 and May 2011.
- **Other Air Taxi.** This category includes activity by for-hire charters, fixed base operators, and other miscellaneous operators. Other air taxi operations at the Airport were relatively stable between FY 2006 and FY 2010, averaging approximately 7,600 operations during this period. In FY 2011, other air taxi operations declined to 6,401 operations.
- **Military.** Military activity at the Airport is minimal at the Airport, representing 0.2 percent of total operations at the Airport between FY 2006 and FY 2011. Military activity averaged approximately 250 operations at the Airport during this period.

2.5.2 Landed Weight by Airline

Table II-11 presents the share of landed weight by passenger airlines and all-cargo carriers at the Airport between FY 2007 and FY 2011. As shown, passenger airlines accounted for a significant share of landed weight at the Airport, with approximately 90 to 92 percent of total landed weight between FY 2007 and FY 2011. Southwest, the largest carrier in terms of enplaned passengers, also had the highest shares of landed weight at the Airport during the years depicted, with its share increasing from 58.3 percent in FY 2007 to 63.0 percent in FY 2011. As also shown, the shares of landed weight for the United carrier group decreased from 7.6 percent in FY 2007 to 4.1 percent in FY 2011. This decrease was primarily due to the elimination of its mainline service in FY 2009.

2.6 Factors Affecting Aviation Demand and the Airline Industry

This section discusses qualitative factors that could influence future aviation activity at the Airport.

Table II-11
Historical Landed Weight by Carrier Group (000's pounds)

		FY 2007		FY 2008		FY 2009		FY 2010		FY 2011	
Rank in FY 2011	Carrier Group	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
1	Southwest	2,400,778	58.3%	2,553,950	60.2%	2,431,638	64.2%	2,264,972	64.8%	2,066,104	63.0%
2	All-Cargo Carriers 1/	368,123	8.9%	332,866	7.8%	331,007	8.7%	315,215	9.0%	321,900	9.8%
3	Alaska 2/	290,749	7.1%	305,277	7.2%	255,438	6.7%	211,618	6.1%	215,788	6.6%
4	JetBlue	260,084	6.3%	264,888	6.2%	245,011	6.5%	187,988	5.4%	170,213	5.2%
5	American 3/	183,939	4.5%	187,493	4.4%	166,894	4.4%	167,193	4.8%	167,754	5.1%
6	US Airways 4/	208,000	5.0%	181,572	4.3%	125,157	3.3%	146,241	4.2%	141,453	4.3%
7	United 5/	313,629	7.6%	259,385	6.1%	166,177	4.4%	137,701	3.9%	136,002	4.1%
8	Delta 6/	72,828	1.8%	75,628	1.8%	57,142	1.5%	52,942	1.5%	54,667	1.7%
	Other 7/	22,710	0.6%	79,277	1.9%	7,101	0.2%	9,158	0.3%	5,691	0.2%
	Airport Total	4,120,840	100.0%	4,240,336	100.0%	3,785,565	100.0%	3,493,028	100.0%	3,279,572	100.0%

Note:
1/ Includes data for Airnet, Ameriflight, FedEx, and United Parcel Service.
2/ Includes data for Alaska and Horizon.
3/ American, which filed for Chapter 11 bankruptcy protection on November 29, 2011, terminated service at the Airport on February 9, 2012.
4/ Includes data for US Airways and Mesa (d\b\a US Airways Express).
5/ Includes data for United and SkyWest (d\b\a United Express).
6/ Includes data for Delta and SkyWest (d\b\a Delta Connection).
7/ Includes data for charters and for Skybus (FY 2007 and FY 2008).

Source: Burbank-Glendale-Pasadena Airport Authority, March 2012..
Prepared by: Ricondo & Associates, Inc., March 2012.

2.6.1 National Economy

Air travel demand nationwide is directly correlated to consumer income, business profits, and U.S. Gross Domestic Product (GDP). As consumer income, business profits, and GDP increases, so does demand for air travel. Recent econometric research by the International Air Transport Association [5] and the MIT International Center for Air Transportation[6] found that demand for air passenger service is responsive to changes in GDP with a very high correlation coefficient.

As noted in Section 1.7 of this report, the nation experienced an economic recession between December 2007 and June 2009, which was marked by a combination of declines in construction activity, falling home prices, rising oil prices and a falling stock market. Demand for air travel weakened nationwide in 2008, registering a 3.1 percent decline, followed by an additional 5.2 percent decline nationwide in 2009. In 2010, air travel demand rebounded and scheduled passenger totals increased 2.1 percent from 2009 levels. The 2010 passenger total still remained 3.2 percent below the level of 812.3 million in 2008.

Trends in U.S. GDP have improved, with the nation recording an increase of 1.6 percent in the third quarter of 2009, followed by an additional gain of 3.8 percent in the fourth quarter of 2009. Recently, according to the "second" estimate released by the Bureau of Economic Analysis (BEA), U.S. GDP increased at an annual rate of 3.0 percent in the fourth quarter of 2011. U.S. GDP increased on an annual level of 3.0 percent in 2010 and 1.7 percent in 2011. The rise in real GDP in recent quarters is reflective of positive contributions from stronger consumer spending, private inventory investment, nonresidential fixed investment, exports, and federal government spending, during these periods. In September 2010, the National Bureau of Economic Research determined that a trough in business activity occurred in the U.S. economy in June 2009, thus officially marking the end of the recession that began in December 2007 and the beginning of an expansion. The recession lasted 18 months, which makes it the longest of any recession since World War II.

The most recently published surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for modest GDP growth in 2012.[7] According to U.S. Bureau of Transportation Statistics data, air travel demand began to rebound in late 2009. Scheduled passenger enplanements continue to increase over 2009 and 2010 levels. For 2011, scheduled passenger enplanements on U.S. carriers have increased 1.3 percent over 2010 levels.

The NABE forecast projects annual GDP growth of 2.4 percent for the U.S. in 2012. The Blue Chip Economic Indicators forecast has a slightly less optimistic outlook of 2.2 percent growth in GDP for the U.S. in 2012. According to the latest forecast from the Congressional Budget Office (CBO), U.S. GDP is projected to grow by 2.2 percent in 2012, and by an average of 4.0 percent between 2014 and 2017,[8] which suggests the upward trend in nationwide air travel should continue. However, should the economy stall, or again trend downward (e.g., encounter a "double-dip" recession), aviation demand nationwide would likely be negatively impacted.

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5 *Air Travel Demand, IATA Economics Briefing No. 9,* International Air Transport Association, April 2008.

6 *Analysis of Interaction Between Air Transportation and Economic Activity: A Worldwide Perspective,* MIT International Center for Air Transportation, March 2009.

7 Source: National Association of Business Economics, *NABE Outlook February 2012*, available online at http://www.nabe.com/publib/macsum.html. Accessed in March 2012.

8 Source: Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2012 - 2022*, available online at http://www.cbo.gov/sites/default/files/cbofiles/attachments/01-31-2012_Outlook.pdf. Accessed in March 2012.

2.6.2 State of the Airline Industry

Following the restructuring years after the events of September 11, the airline industry finally gained ground in 2007 with virtually every U.S. airline posting profits. In 2008 and through the first half of 2009, the combination of record high fuel prices, weakening economic conditions, and a weak dollar resulted in the worst financial environment for U.S. network and low-cost carriers since the September 11, 2001 terrorist attacks. In 2008, many of the domestic network competitors announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address the challenges. In the aftermath of the events of September 11, the U.S. airline industry saw a material adverse shift in the demand for air travel. The result was five years of reported industry operating losses between 2001 and 2005, totaling more than $28 billion (excluding extraordinary charges and gains). Whereas the capacity reductions following the events of September 11 were the direct results of terror threats targeting the traveling public, the industry reductions starting in late 2008 and continuing through the first half of 2009 were primarily driven by significant increases in fuel costs over a span of two and a half years, a weak dollar exacerbating the impact of increased fuel costs for U.S. airlines, and the contraction of the U.S. economy. After nearly a $16 billion profit for the global airline industry in 2011, the International Air Transport Association (IATA) is predicting an $3.0 billion profit for the global industry in 2012. Globally, passenger traffic increased 5.9 percent in 2011 over 2010. Even though recovery is uneven across different regions, North American airlines profits are projected to be $900 million in 2012 below the $4.1 billion profit in 2011. The decrease of industry profitability is primarily due to rising oil prices.

2.6.3 Cost of Aviation Fuel

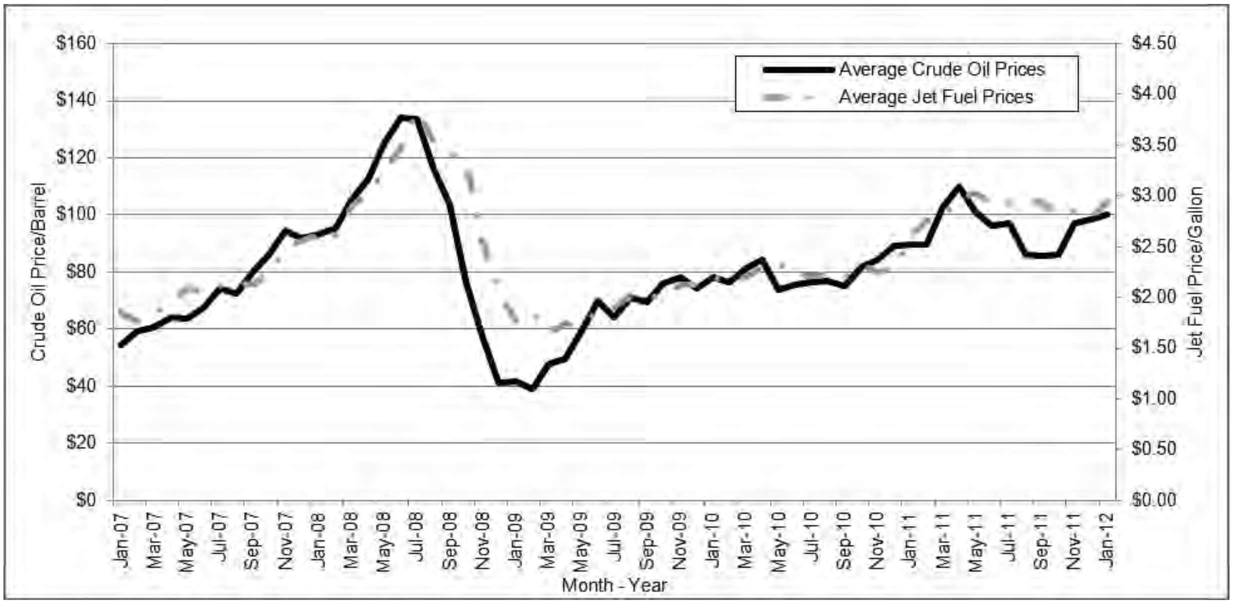
The price of fuel is one of the most significant forces affecting the airline industry today. In 2000, jet fuel accounted for nearly 14 percent of airline industry operating expenses and, historically, fuel expense was the second highest operating expense for the airline industry behind labor. In 2008, jet fuel surpassed labor as an airline's largest operating expense and, according to the ATA, fuel comprised approximately 30.6 percent of an airline's total operating costs while labor represented approximately 20.3 percent of the total. As oil prices fell in the first quarter of 2009, fuel expenses retreated and labor once again became the airline industry's largest operating expense representing 25.8 percent of total operating expenses while fuel was at 21.3 percent.

The average price of jet fuel was $0.82 per gallon in 2000 compared to $2.87 per gallon in 2011, an increase of 250 percent. According to the ATA, every one-cent increase in the price per gallon of jet fuel increases annual airline operating expenses by approximately $190 million to $200 million.

If jet fuel prices approach or surpass their mid-2008 peak (July's average price was $3.84), aviation demand nationwide may be negatively impacted due to potential route reductions the airlines might make or higher ticket prices the airlines might impose in efforts to remain profitable. The average price of jet fuel in January 2012 was $2.94 per gallon, a 12.8 percent increase over the January 2011 average price.

Exhibit II-2 shows the monthly averages of jet fuel and crude oil prices from January 2007 through January 2012.

Exhibit II-2
Historical Monthly Averages of Jet Fuel and Crude Oil Prices



Source: U.S. DOT, Bureau of Transportation Statistics, March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

2.6.4 Airline Mergers and Acquisitions

In recent years airlines have experienced increased costs and industry competition both domestically and internationally. As a result, airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta fully completed its merger with Northwest Airlines which initiated a wave of airline mergers and acquisitions within the U.S. That same year, Republic Airways Holdings, a regional airline, bought Frontier Airlines of Denver and Midwest Airlines of Milwaukee. In October 2010, United Airlines and Continental Airlines merged, creating the world's largest airline in terms of operating revenue and revenue passenger miles.

On May 2, 2011, Southwest announced the closing of its acquisition of AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc. (AirTran). The acquisition will extend Southwest's route network and add new markets, such as Atlanta (the largest domestic market Southwest currently does not serve) and Reagan National Airport (Washington, D.C.), and provides access to international leisure markets in the Caribbean and Mexico. Southwest plans to integrate AirTran into the Southwest brand by transitioning the AirTran fleet to the Southwest's livery and consolidating corporate functions into its Dallas headquarters. The FAA granted the airline a single operating certificate on March 1, 2012, allowing Southwest to work toward full integration.

2.6.5 Threat of Terrorism

As has been the case since the events of September 11, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

2.7 Projections of Aviation Demand

Projections of aviation demand were determined on the basis of the Airport's historical shares of U.S. enplanements and anticipated trends in air carrier usage of the Airport. The resultant projections were based on a number of underlying assumptions, including:

- Most components of activity at the Airport have decreased in the recent economic slowdown. Long-term activity at the Airport will recover as a result of population growth, tourism demand, and improving economic conditions in the Air Trade Area.
- The Airport will continue to remain a vital air transportation link to the San Fernando Valley and the Los Angeles region, most notably for air travelers along the West Coast corridor and western United States.
- Low-fare service will continue to be an important component of air service at the Airport, providing affordable air fare and continued increases in passenger air travel demand during the projection period.
- The airline merger of Southwest and AirTran will not impact passenger activity levels at the Airport.
- As airlines become more aggressive in cost efficiencies, it is expected airlines will continue to increase load factors before adding additional service. Due to low load factors at the Airport, when compared to an airline's systemwide percentage, it is assumed enplanement growth at the Airport will most likely be a result of increasing load factors and/or up-gauging aircraft rather than additional operations.
- High fuel prices are likely to have an adverse impact on airline profitability, as well as hamper the recovery plans and cost-cutting efforts of certain airlines. Higher fuel prices may cause changes in air service at the Airport.
- Economic disturbances may occur during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.
- For these analyses, and similar to the FAA's nationwide projections, it is assumed that there will not be terrorist incidents against either domestic or world aviation during the projection period.

Many of the factors influencing aviation demand cannot necessarily or readily be quantified; and any projection is subject to uncertainties. As a result, the projection process should not be viewed as precise. Actual future numbers of enplaned passengers, aircraft operations, or landed weight at the Airport may differ from the projections presented herein because events and circumstances do not occur as expected, and those differences may be material.

2.7.1 Enplanement Projections

To project enplaned passengers at the Airport, a departing seats/load factor approach was utilized. In this approach, airline schedule information provided from Official Airline Guide, Inc. (OAG) was analyzed, as well as service announcements from the airlines serving the Airport. Certain assumptions in future aircraft load factors were made to project future activity for the Airport through the projection period (FY 2012 through FY 2017). The following factors and assumptions were used to project passenger enplanements at the Airport:

- **FY 2012 Enplanements.** Based on actual Airport enplanements (first nine months of FY 2012) and an analysis of scheduled departing seats by carrier at the Airport, it is estimated that total scheduled departing seats at the Airport will decline from approximately 3,208,495 departing seats in FY 2011 to approximately 3,166,000 departing seats in FY 2012, a decrease of 1.3 percent. As a result of decreasing departing seats and slightly lower load factors (68.0 percent in FY 2011 versus 67.1 percent projected for FY 2012), total enplaned passengers are projected to decrease from 2,181,852 passengers in FY 2011 to 2,124,900 in FY 2012, a 2.6 percent decrease during this period (see **Table II-12**).

- **FY 2013 – FY 2017 Enplanements.** The schedule data reported beyond the next six months tends to be preliminary, as airlines are still in the planning/design process for intermediate and future schedules. During this timeframe, airlines are still determining where to fly, frequencies, flight times, aircraft assignments, and routes. As a result, assumptions were made regarding the level of scheduled aircraft seats and aircraft load factors at the Airport between 2013 and 2017.

  As also shown in Table II-12, total enplaned passengers are projected to decrease slightly from 2,124,900 passengers in FY 2012 to 2,122,300 in FY 2013, representing a decrease of 0.1 percent during this period. This decrease in total enplaned passengers at the Airport is a result of the projected higher fuel prices and air fares, resulting in weak passenger demand. Load factors for mainline carriers are projected to remain flat at approximately 66.0 percent in FY 2012 and FY 2013; while load factors for the regionals/commuters are projected to increase from approximately 71.0 in FY 2012 to 72.0 percent FY 2013. Since there is adequate capacity available on current flights, carriers will focus on increased load factors in lieu of additional operations between FY 2012 and FY 2013. Between FY 2014 and FY 2017, it was assumed that passenger airline operations at the Airport would increase slightly. It is also assumed that through the projection period the Airport's average annual load factors would increase to approximately 67.5 percent for mainline carriers and 76.0 percent for regional/commuter carriers in FY 2017. As a result, total enplaned passengers are projected to increase from 2,122,300 passengers in FY 2013 to 2,222,600 in FY 2017, a compound annual growth rate of 1.2 percent during this period.

2.7.2 Operations Projections

Table II-13 presents historical and projected aircraft operations for passenger airline, all-cargo, general aviation, other air taxi, and military activity. As shown, total aircraft activity at the Airport is projected to increase from 116,249 operations in FY 2011 to 126,650 in FY 2017. This increase represents a compound annual growth rate of 1.4 percent during this period.

As shown, passenger airline activity at the Airport is projected to increase from 52,442 operations in FY 2011 to 53,600 in FY 2012. Between FY 2012 and FY 2013, passenger airline operations are projected to remain flat followed by slight increases to 54,680 in FY 2017. In general, the passenger airline projections were developed based on historical relationships between enplaned passengers, load factors, and average seating capacities of aircraft utilized at the Airport. Specifically, average seats for the mainline carriers are projected to decrease minimally from approximately 137.5 seats in FY 2011 to approximately 137.0 seats in FY 2017 since it is expected that Southwest will continue to dominate mainline aircraft operations with an aircraft average seat size of 137 seats.[9] Over the past five fiscal years, load factors at the Airport on a percentage basis have ranged from the mid to upper 60's for mainline aircraft. For mainline aircraft operations, load factors averaged 67.0 percent in FY

[9] Southwest has 20 B-737-800 aircraft (175 seats) on order for delivery in the 2012/2013 timeframe. For these analyses, it was not expected that these larger aircraft would be utilized by Southwest at the Airport due to sufficient projected capacity during the projection period.

Table II-12

Historical & Projected Enplanements

Fiscal Year	Mainline	Regionals/ Commuters	Total	Annual Growth Rate
Historical				
2001	2,379,518	0	2,379,518	1.3%
2002	2,181,392	18,828	2,200,220	(7.5%)
2003	2,320,443	36,851	2,357,294	7.1%
2004	2,267,686	139,023	2,406,709	2.1%
2005	2,318,554	244,237	2,562,791	6.5%
2006	2,538,703	301,382	2,840,085	10.8%
2007	2,605,409	286,642	2,892,051	1.8%
2008	2,652,592	266,719	2,919,311	0.9%
2009	2,126,358	286,648	2,413,006	(17.3%)
2010	1,992,403	268,740	2,261,143	(6.3%)
2011	1,912,788	269,064	2,181,852	(3.5%)
Projected				
2012	1,850,100	274,800	2,124,900	(2.6%)
2013	1,841,100	281,200	2,122,300	(0.1%)
2014	1,855,700	288,400	2,144,100	1.0%
2015	1,874,000	294,900	2,168,900	1.2%
2016	1,893,800	301,400	2,195,200	1.2%
2017	1,914,700	307,900	2,222,600	1.2%
Compound Annual Growth Rate				
2001 - 2002	(8.3%)	-	(7.5%)	
2002 - 2008	3.3%	55.6%	4.8%	
2008 - 2011	(10.3%)	0.3%	(9.2%)	
2001 - 2011	(2.2%)	-	(0.9%)	
2011 - 2012	(3.3%)	2.1%	(2.6%)	
2012 - 2017	0.7%	2.3%	0.9%	
2011 - 2017	0.0%	2.3%	0.3%	

Sources: Burbank-Glendale-Pasadena Airport Authority(historical); Ricondo & Associates, Inc. (projected), March 2012.

Prepared by: Ricondo & Associates, Inc., March 2012.

Table II-13

Historical & Projected Aircraft Operations

Fiscal Year	Mainline	Regionals/ Commuters	Airline Total	All-Cargo	General Aviation	Other Air Taxi	Military	Total
Historical								
2006	52,326	12,912	65,238	14,954	40,873	8,086	309	129,460
2007	55,484	12,008	67,492	15,294	37,916	7,442	262	128,406
2008	56,752	11,996	68,748	13,116	33,131	6,845	210	122,050
2009	48,266	11,976	60,242	10,104	36,508	7,791	208	114,853
2010	44,362	11,500	55,862	10,040	37,668	7,969	246	111,785
2011	40,700	11,742	52,442	10,356	46,753	6,401	297	116,249
Projected								
2012	40,640	12,960	53,600	10,400	52,060	6,480	240	122,780
2013	40,640	12,960	53,600	10,430	52,520	6,520	240	123,310
2014	40,820	13,050	53,870	10,460	52,980	6,580	240	124,130
2015	41,000	13,140	54,140	10,490	53,460	6,650	240	124,980
2016	41,180	13,230	54,410	10,520	53,930	6,710	240	125,810
2017	41,360	13,320	54,680	10,550	54,420	6,760	240	126,650
Compound Annual Growth Rate								
2006 - 2011	(4.9%)	(1.9%)	(4.3%)	(7.1%)	2.7%	(4.6%)	(0.8%)	(2.1%)
2011 - 2012	(0.1%)	10.4%	2.2%	0.4%	11.4%	1.2%	(19.2%)	5.6%
2012 - 2017	0.4%	0.5%	0.4%	0.3%	0.9%	0.8%	0.0%	0.6%
2011 - 2017	0.3%	2.1%	0.7%	0.3%	2.6%	0.9%	(3.5%)	1.4%

Source: Burbank-Glendale-Pasadena Airport Authority(historical); Ricondo & Associates, Inc. (projected), March 2012.

Prepared by: Ricondo & Associates, Inc., March 2012.

2011 and are projected to increase to approximately 67.6 percent in FY 2017. The elimination of American service in FY 2012 will be partially offset by a full fiscal year of Southwest's Denver service and increased Oakland service scheduled to start in March 2012. As a result, mainline operations at the Airport are projected to decrease from 40,700 in FY 2011 to 40,640 in FY 2012. Mainline operations are projected to remain flat in FY 2013 followed by a slight increase to 41,360 in FY 2017.

Average seats for the regionals/commuters are projected to increase from approximately 60.0 seats in FY 2012 to approximately 61.0 seats in FY 2017, while load factor percentages remain relatively stable in the mid-70s. In FY 2011, the regional/commuter average load factor was 75.6 percent and it is projected to remain flat through FY 2017. Regional/commuter operations are projected to increase from 11,742 in FY 2011 to 12,960 in FY 2012, an increase of 10.4 percent. This increase is the result of United's response to Southwest in the Denver market. United Express increased average daily departures from two to three flights from the Airport to Denver in FY 2012. Similar to mainline carriers, the available capacity will result in regional/commuter aircraft operations to remain flat between FY 2012 and FY 2013. It is projected that regional/commuter operations will increase from 12,960 in 2013 to approximately 13,320 in FY 2017. From FY 2011 through FY 2017, regional/commuter operations are projected to increase at a compound annual growth rate of 2.1 percent. Similar to nationwide trends, it is expected that some shifting from the 50-seat regional jet to the 70/90-seat regional jet will occur during the projection period.

All-cargo activity at the Airport is projected to increase from 10,356 operations in 2011 to 10,550 in FY 2017. This increase represents a compound annual growth rate of 0.3 percent during this period, compared to the 2.5 percent growth projected for air carriers nationwide by the FAA.

General aviation activity at the Airport is projected to increase from 46,753 operations in FY 2011 to 52,060 in FY 2012, an increase of 11.4 percent during this period. This increase is based on seven months of actual FY 2012 data. General aviation activity is projected to increase from 52,060 operations in FY 2012 to 54,420 in FY 2017. This increase represents a compound annual growth rate of 0.9 percent during this period, comparable to the 0.8 percent growth projected for general aviation operations nationwide by the FAA.

Activity by Other Air Taxi operators is projected to increase from 6,401 operations in FY 2011 to 6,760 in FY 2017. This increase represents a compound annual growth rate of 0.9 percent during this period, comparable to the 0.8 percent projected for air taxi activity nationwide by the FAA.

Future military activity at the Airport will be influenced by U.S. Department of Defense policy, which largely dictates the level of military activity at an airport. Military activity at the Airport is projected to remain constant at approximately 240 operations each year during the projection period, which is based on seven months of actual FY 2012 data.

2.7.3 Airline and All Cargo Landed Weight Projections

Table II-14 presents historical and projected passenger airline and all-cargo carrier landed weight at the Airport. As shown, passenger airline landed weight is projected to increase from 2,951,981 thousand pounds in FY 2011 to 2,978,153 thousand pounds in FY 2012 (a 0.9 percent increase) and continue to increase to 3,061,910 thousand pounds in FY 2017 (a compound annual growth rate of 0.6 percent during this period). As projected mainline passenger airline operations in FY 2017 increase slightly from FY 2010, this slight increase in passenger airline landed weight is a result of projecting additional operations and some shift to larger aircraft operations, primarily by the regionals/commuters. As also shown, all-cargo carrier landed weight is projected to increase from 327,591 thousand pounds in FY 2011 to 341,155 thousand pounds in FY 2017, a compound annual growth rate of 0.7 percent during this period.

Table II-14
Historical & Projected Landed Weight (000's pounds)

Fiscal Year	Mainline	Regionals/ Commuters	Airline Total	All-Cargo [1/]	Total
Historical					
2006	3,196,742	363,435	3,560,177	328,254	3,888,431
2007	3,402,274	336,137	3,738,411	382,429	4,120,840
2008	3,567,603	328,518	3,896,121	344,215	4,240,336
2009	3,103,417	344,039	3,447,456	338,109	3,785,565
2010	2,838,860	329,795	3,168,655	324,373	3,493,028
2011	2,622,132	329,849	2,951,981	327,591	3,279,572
Projected					
2012	2,611,981	366,171	2,978,153	332,575	3,310,727
2013	2,611,729	368,278	2,980,007	333,326	3,313,333
2014	2,627,427	372,957	3,000,384	335,275	3,335,659
2015	2,643,162	377,665	3,020,827	337,229	3,358,056
2016	2,658,933	382,403	3,041,336	339,189	3,380,525
2017	2,674,741	387,170	3,061,910	341,155	3,403,065
Compound Annual Growth Rate					
2006 - 2011	(3.9%)	(1.9%)	(3.7%)	(0.0%)	(3.3%)
2011 - 2012	(0.4%)	11.0%	0.9%	1.5%	0.9%
2012 - 2017	0.5%	1.1%	0.6%	0.5%	0.6%
2011 - 2017	0.3%	2.7%	0.6%	0.7%	0.6%

Note:
1/ All-Cargo includes non-scheduled landed weight reported by ATS, Mercury Air and Million Air.

Sources: Burbank-Glendale-Pasadena Airport Authority (historical); Ricondo & Associates, Inc. (projected), March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

III. Airport Facilities and Development

This chapter presents a summary of existing Airport facilities and the Airport's Capital Improvement Program, as well as a description of the Regional Intermodal Transportation Center (RITC).

3.1 Existing Airport Facilities

While the Authority owns the Airport, it is operated and maintained by the Authority through an Airport management services agreement with TBI Airport Management, Inc. (TBI) to perform certain Airport administrative, maintenance, and operational services. The agreement expires on June 30, 2018, with one-10-year option at the Authority's discretion, with the compensation for the option period mutually agreed to by both parties. Compensation under the agreement is based on a base management fee and reimbursement of operating costs, which are subject to review and approval as part of the Authority's annual budget. Costs incurred under the contract were $8.2 million in FY 2011.

In addition to TBI, the Authority contracts with Pro-Tec Fire Services for aircraft rescue and firefighting services; with Standard Parking as of February 10, 2012 for self-park management services, valet parking services, and employee and customer busing service; and with Wyle Laboratories for noise abatement. The Authority employs its own police force, as required by California law.

The Airport is approximately 12 miles northwest of downtown Los Angeles at the eastern ridge of the San Fernando Valley. The Airport is located in Los Angeles County, primarily in the northwest section of Burbank, with a small portion (including a portion of one runway) extending into the City of Los Angeles. It consists of approximately 558 acres of land, excluding 59 acres of property held in trust subject to the conditions of the Amended 2005 Trust Agreement with Burbank.

The Airport can be accessed from either Interstate 5 or the local arterial street system. The terminal facilities have entrances on Hollywood Way and Empire Avenue. In addition, there is a Meterolink/Amtrak commuter train station within walking distance from the terminal building that provides service to downtown Burbank, Glendale, Union Station in Los Angeles, and points west in Ventura County. From Union Station, connections can be made to other locations south and east via rail.

Facilities at the Airport consist of the airfield, terminal area, general aviation facilities, and public parking. These facilities are described further in the following subsections.

3.1.1 Airfield

The Airport has two crossing runways, Runway 8-26 (east/west) and Runway 15-33 (north/south). Runway 15-33 is 6,886 feet long by 150 feet wide, while Runway 8-26 is 5,802 feet long by 150 feet wide and equipped with an instrument landing system which permits aircraft operations in a variety of weather conditions. On November 2, 2009, the FAA rejected the Authority's FAR Part 161 application to impose a full night-time curfew at the Airport.

3.1.2 Terminal Area

Passenger terminal facilities at the Airport consist of three structures south and east of the intersection of Runway 8-26 and Runway 15-33, with a total of approximately 213,000 square feet: Terminal A, Terminal B, and an administration building referred to as Building 9. Terminal A has nine aircraft parking positions (A1 through A9) and Terminal B has five parking positions (B1 through B5).

3.1.3 General Aviation Facilities

General aviation facilities (fixed base operators) are concentrated in two principal areas on the Airport. General aviation hangars and offices provide tie-down and hangar space to accommodate approximately 400 aircraft, and include general aviation terminals. The major fixed base operators provide a variety of maintenance and other services including aircraft rental and charter, flight schools, aircraft repair, and fueling. These fixed base operators include Million Air Burbank (5,000 square foot executive terminal and five acres of ramp) and Atlantic Aviation (8,500 square foot terminal and three hangars).

3.1.4 Parking

Public parking facilities at the Airport include a 431-space, four-level structure that was completed in 1969 for short-term parking, as well as valet parking and five economy lots. Airport parking facilities provide 6,637 public parking spaces. Shuttle buses operated by Standard Parking Corp. transport passengers to and from remote parking spaces (Economy Lots A, B, C, and D).

Exhibit III-1 depicts the existing Airport facilities.

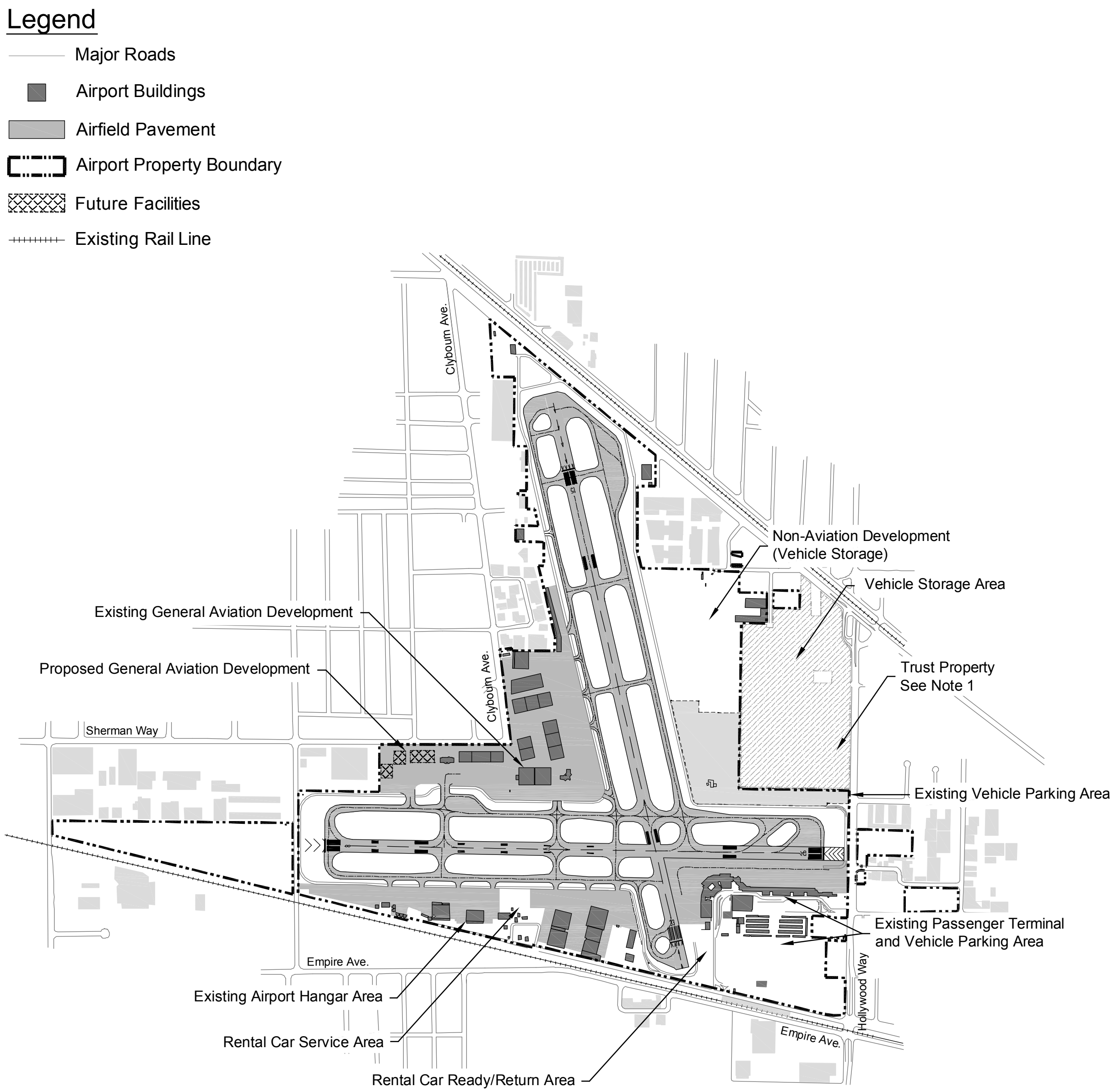
3.2 Restrictions on Airport Development

There are a number of limitations on increasing the size of Airport facilities. The Joint Powers Act specifically prohibits increasing the size of paved areas of the Airport's runways and taking any actions that would increase the size of the noise contour of the Airport. The Authority and the City of Burbank (Burbank) entered into a multiyear Development Agreement, effective March 15, 2005, defining airport development projects that will or will not be permitted on the Airport property for the term of the agreement and determining the uses and/or disposition of certain land during the term of the Development Agreement. The Development Agreement was amended on September 24, 2010 to permit the construction of the RITC Project. Further, working through the Burbank Airport Land Use Working Group, on September 8, 2011, the Authority and Burbank agreed to an extension of the Development Agreement to March 15, 2015, and revised the Development Agreement to permit undertaking a community outreach process that will involve creating a vision plan for the future of the Airport, which may include a new or relocated passenger terminal.

Pursuant to the Development Agreement the Authority agreed not to (i) build or publicly announce plans for a new Passenger Terminal, (ii) expand the square footage of the existing Passenger Terminal (with certain exceptions for security-related improvements), (iii) expand the general aviation area beyond an area specified in the Development Agreement and (iv) increase the number of commercial airline passenger gates at the Airport beyond its existing fourteen gates. Pursuant to the Development Agreement, Burbank agreed not to change its interpretation of permitted uses in the Airport Zone (as defined in the Development Agreement). Such permitted uses include (i) aircraft fabrication, testing and servicing, (ii) aircraft landing fields for aircraft and helicopters, runways and control towers, (iii) air passenger facilities and accessory uses, including airport-related vehicle parking, and (iv) personal wireless telecommunication services facilities. The Development Agreement may be amended or terminated if the FAA or a court renders a decision that would make it impossible or impractical for the Authority to comply with the Development Agreement.

3.3 Airport Capital Improvement Program (Excluding the RITC Project)

The Authority maintains a five-year Airport Capital Improvement Program (ACIP) on a federal fiscal year (FFY) basis ending September 30. As shown in **Table III-1**, the current ACIP includes a project cost estimate of approximately $35 million for FFY 2013 through FFY 2017. Funding sources include $28.7 million in federal funding, $6.0 million in passenger facility charge (PFC)



Note:
1/ Property held in trust subject to the conditions of the Amended 2005 Trust Agreement with the City of Burbank.

Source: Burbank Airport Layout Plan (March 2009)
Prepared by: Ricondo & Associates, Inc.

Exhibit III-1

Existing Airport Facilities

Table III-1

Five-Year Airport Capital Improvement Plan (Excluding the RITC Project)

PROJECT DESCRIPTION			Local Funds		
(Federal Fiscal Year Ending September 30)	Project Total	Federal Funds	PFC	Authority	Type of Grant(s)
FFY 2013					
Runway Shoulder Rehabilitation	$2,200,000	$1,772,980	$427,020	$0	Entitlement + Discretionary
Taxiway B Reconstruction	2,300,000	1,853,570	446,430	0	Discretionary
VALE - Shuttle Bus Replacement (CNG) (2 shuttles) and Power Carts	1,000,000	805,900	58,230	135,870	VALE Discretionary
FFY 2013 Total	$5,500,000	$4,432,450	$931,680	$135,870	
FFY 2014					
Taxiway C and D West End Pavement Rehabilitation	$2,000,000	$1,611,800	$388,200	$0	Entitlement + Discretionary
VALE - Shuttle Bus Replacement (CNG) (2 shuttles)	700,000	564,130	0	135,870	VALE Discretionary
FFY 2014 Total	$2,700,000	$2,175,930	$388,200	$135,870	
FFY 2015					
ARFF Truck Replacement	850,000	685,015	164,985	0	Entitlement + Discretionary
FOD Detection System	1,000,000	805,900	194,100	0	Entitlement
General Aviation Ramp Rehabilitation	3,000,000	2,417,700	582,300	0	Discretionary
VALE - Shuttle Bus Replacement (CNG) (3 shuttles)	1,050,000	846,195	0	203,805	VALE Discretionary
FFY 2015 Total	$5,900,000	$4,754,810	$941,385	$203,805	
FFY 2016					
Runway 8/26 Rehabilitation	$9,400,000	$7,575,460	$1,824,540	$0	Entitlement + Discretionary
VALE - Shuttle Bus Replacement (CNG) (3 shuttles)	1,050,000	846,195	0	203,805	VALE Discretionary
FFY 2016 Total	$10,450,000	$8,421,655	$1,824,540	$203,805	
FFY 2017					
Runway 15/33 Rehabilitation	$10,000,000	$8,059,000	$1,941,000	$0	Entitlement + Discretionary
VALE - Shuttle Bus Replacement (CNG) (3 shuttles)	1,050,000	846,195	0	203,805	VALE Discretionary
FFY 2017 Total	$11,050,000	$8,905,195	$1,941,000	$203,805	
Five-Year Total	$35,600,000	$28,690,040	$6,026,805	$883,155	

Source: Burbank-Glendale-Pasadena Airport Authority, March 2012.

Prepared by: Ricondo & Associates, Inc., March 2012.

revenue, and $0.9 million in Authority funds. The Authority does not expect to issue future General Airport Revenue Bonds to fund the current ACIP. Brief descriptions of the ACIP projects in the near term (FY 2013) are discussed below:

- Runway Shoulder Rehabilitation - This project consists of approximately 730,000 total square feet of asphalt pavement removal and replacement at various locations along Runway 8-26 and Runway 15-33, All of this pavement is approximately 30 years old and in need of replacement.
- Taxiway B Reconstruction – This project consists of approximately 666,000 total square feet of asphalt pavement removal and replacement on Taxiway B, on shoulder pavement at various locations along Taxiway B, and at the shoulder extension at the north end of Taxiway B. The majority of this pavement is at least 20 years old and in need of replacement.
- VALE – Shuttle Bus Replacement (CNG) and Powercarts – Acquisition of two passenger shuttle buses fueled with compressed natural gas (CNG) to replace existing diesel-fueled shuttle buses. In addition, three powercarts for RJ aircraft and three powercarts for narrow body aircraft are proposed to be purchased.

As also shown in Table III-1, the total cost of the Runway 15/33 Rehabilitation project included in FY 2017 is approximately 30 percent of the total cost of the AICP between FY 2013 and FY 2017. This project is currently a "place holder" at this time and not a set project at this time.

3.4 Regional Intermodal Transportation Center (RITC)

The Authority is planning to construct a Regional Intermodal Transportation Center (RITC) and certain related improvements at the Airport. **Exhibit III-2** depicts the location of the RITC at the Airport, as well as within a regional context. The RITC will establish true multi-modal transportation connections between the Airport, the Burbank-Bob Hope Airport Metrolink Station (Train Station), and the regional transit system. The RITC consists of several related components to be constructed in two phases. Phase 1, which will be funded in part from proceeds of the 2012 Series Bonds, includes a three-level RITC structure to be constructed over portions of the existing Parking Lot D in the southeastern portion of the Airport near the intersection of Hollywood Way and Empire Avenue. The structural foundation will be constructed on pile foundations with steel vertical structural supports placed on an approximately 65-foot grid; concrete decking will be used for each floor of the facility. The RITC structure will contain administrative, quick turnaround area (QTA), and ready/return facilities for on-Airport rental car companies. It will also provide accommodations for local and regional transit buses and shuttle services, including shuttles operated by off-Airport rental car companies, and a bus passenger waiting area.

The Authority plans to begin construction of the RITC and all associated Phase 1 projects north of Empire Avenue in 2012, and estimates the RITC will be open in June 2014. Once the rental car companies have relocated their operations to the RITC, the restoration of the Runway 33 Runway Safety Area will commence along with the construction of the ground access center.

Phase 2 of the RITC will consist of the construction of enclosed weather-protected pedestrian bridge over Empire Avenue connecting the RITC structure with the Train Station, acquisition and rehabilitation of parking lots between Empire Avenue and Union Pacific Railroad tracks to improve access to the area (which is the intention of the Authority but not a requirement for Phase 2), and installation of solar panels on top of the elevated pedestrian walkway connecting the RITC with the Train Station. Projects included in Phase 2 are ancillary components to Phase 1 and are not critical to

Sources: Burbank-Glendale-Pasadena Airport Authority, 2009; Google Earth Pro, 2011 (Aerial Photo).
Prepared by: Ricondo & Associates, Inc., April 2011.

Exhibit III-2

RITC Project Location and Regional Context

the functional operation of Phase 1. Phase 2 will not be initiated until plans are fully developed, financial plans are approved, and the RITC is completed and fully operational. If initiated, the approximately $10 million to $15 million cost of Phase 2 would be expected to be paid from federal grants, passenger facility charge (PFC) revenues, and Authority funds. It is not the intention of the Authority to fund any portion of Phase 2 of the RITC with general airport revenue bonds.

3.4.1 Consolidated Rental Car Facility Included in the RITC

As of March 2012, six companies provide on-Airport car rental services to Airport patrons. Four of the rental car companies provide rental car patrons ready/return facilities in a lot just south of Terminal B. All four of these companies operate QTA facilities at a location in the southwestern quadrant of the Airport, requiring each car to be driven back and forth along Empire Avenue between the ready/return lot and the QTA facilities for each rental car transaction. Rental car companies have estimated that approximately 700,000 trips per year between the ready/return lot and the existing rental car QTA are required to accommodate rental car transactions. Two additional on-Airport rental car companies provide customer facilities within the Airport terminal, but operate ready/return and QTA facilities at off-Airport locations, operating shuttles between the Airport and the ready/return facilities.[1]

The consolidated rental car facility (CRCF) in the RITC will provide newer, more efficient, and expanded facilities for on-Airport rental car companies to (1) consolidate administrative, ready/return, and QTA facilities into one location; (2) provide customers a higher level of service; (3) provide more opportunities for competition (increasing from four major brands to seven major brands and two small market share operators that previously operated off-Airport); and (4) provide on-Airport rental car companies a more efficient operational environment with all required operations on each floor. The RITC will also contribute as an environmentally-sensitive project, as it will eliminate an estimated 700,000 rental car trips per year between the ready/return lot and the existing rental car QTA area currently required to accommodate rental car transactions. After the opening of the CRCF such movements would only be required when new cars are prepared and then added to the fleet, when maintenance beyond typical QTA is required, or when excess vehicles need to be stored or returned from storage to the ready/return area. Passengers returning rental cars to the RITC would access the CRCF exclusively from the Airport loop road near the entrance to Parking Lot D, restricting on-Airport access for these vehicles to the Empire Avenue entrance or the main Airport entrance at Thornton Avenue.

All levels of the RITC will feature rental car QTA facilities. The facilities will include a total of approximately 6 vehicle washing stalls, 36 fueling hoses, and 36 vacuum hoses (approximately 2 vehicle washing stalls and fueling islands with 12 fueling hoses and 12 vacuum hoses on each of the three levels). Based on need, one vehicle washing stall on each level can be converted for use as a light maintenance space for rental cars.

The first level of the structure (second level of the RITC facility) will accommodate ready/return rental car spaces, as well as enclosed premium customer kiosks, QTA administrative offices, exit booths, and storage rooms. The second level of the structure (third level of the RITC facility) will accommodate ready/return rental car spaces and QTA facilities, rental car administrative offices, exit booths, electrical rooms, and storage rooms.

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[1] On March 12, 2012, the Authority received executed, non-exclusive on-Airport rental car lease and concession agreements from Avis Budget Car Rental, Budget Rent a Car of Southern California, DTG Operations, Enterprise Rent-A-Car Company, Fox Rent A Car, the Hertz Corporation, and Midway Car Rental.

3.5 Replacement Parking Structure (RPS)

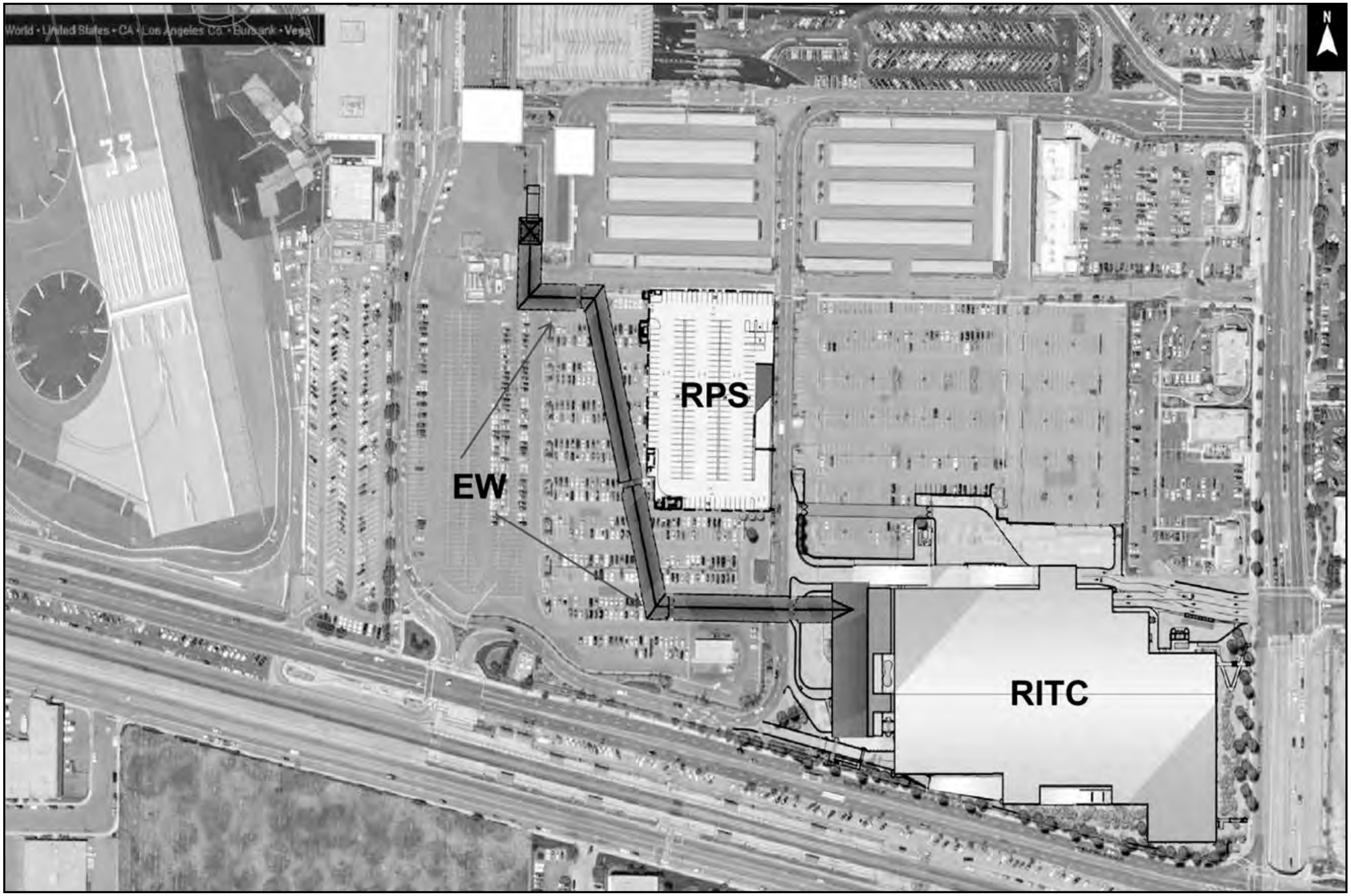
The combined footprint of the RITC and the elevated walkway (discussed below) will result in the elimination of 1,043 existing parking spaces within Parking Lot D and the valet parking lot. The Authority proposes to replace the 1,043 displaced spaces on a one-for-one basis by constructing a five-level replacement parking structure in the northeast portion of the existing valet parking area northwest of the RITC structure. The replacement parking structure would be a five-level structure and would be located within the valet parking area and dedicated to valet parking.

Although there would be no net increase in the number of parking spaces, the allocation between self-parking and valet parking, as well as the allocation between covered (premium) and uncovered valet parking would change. The Development Agreement allows for up to 2,940 parking spaces to be located within the A-1 North Property, and allows the Authority to use any or all of these spaces for either valet parking or self parking. Based upon data provided by the Authority, there were 2,716 public parking spaces within the A-1 North Property area as of March 2012.

3.6 Elevated Walkway Between the RITC and Terminal B (EW)

The Authority will construct an elevated walkway between the RITC and Terminal B. The walkway will connect with the second level of the RITC facility near the location of the rental car customer service area and extend above the Airport roadways and valet parking areas to reach the southern end of Terminal B (although it will not be physically connected to the terminal building), over a distance of approximately 1,100 feet. This 30-foot wide walkway will be covered, protecting pedestrians from sun and rain, but will not be climate-controlled. Moving sidewalks will be provided to enable passenger movement in both directions. The remaining width will provide adequate space for pedestrian movement, as well as for electric carts that could be used to transport mobility-impaired passengers between the RITC and the terminal. In addition to providing connectivity between the consolidated rental car facility and the terminal, it will also provide pedestrian access for individuals parked in Parking Lot D, eliminating the need for the on-Airport shuttle bus service currently provided by the Authority. Further, the pedestrian walkway will provide convenient access to the terminal for passengers and employees that access the Airport via the Train Station and via regional and local transit buses.

Exhibit III-3 depicts the proposed facilities and other improvements associated with Phase 1 of the RITC project, the replacement parking structure, and the elevated walkway.



Source: Burbank-Glendale-Pasadena Airport Authority, February 2012.
Prepared by: PGAL, February 2012.

Exhibit III-3

RITC and Associated Projects – Phase 1

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IV. Financial Analysis

This chapter sets forth the financial structure of the Authority, including summaries of key documents that govern the financial operations of the Airport such as the Airport Use Agreement (Use Agreement) and the Master Indenture of Trust as amended and supplemented (Indenture). The chapter also includes an overview of the Authority's capital improvement program (CIP) and the financing plan for the RITC. The chapter concludes with an analysis of the implications of the 2012 projects on the future financial operations of the Airport, including projections of airline and non-airline related revenues, PFC revenues, CFC revenues, operating and maintenance (O&M) expense and debt service, from which are derived the projections for airport rates and charges, cost per enplaned passenger, and compliance with the provisions of the Indenture.

4.1 Airport Governance and Management

The Airport is owned by the Authority, which is a Joint Powers Agency established in 1977 by the Joint Powers Agreement among the cities of Burbank, Glendale, and Pasadena, entered into pursuant to the Joint Exercise of Powers Act, Section 6500 et seq. of the California Government Code. A nine-member Commission (Commission) governs the Authority, with each of the participating cities appointing three members to the Commission who serve at the pleasure of the respective city councils. The Authority does not have taxing power.

The Authority has entered into an Airport Management Services Agreement with TBI Airport Management, Inc. (TBI) as the Airport Manager for the day-to-day operation of the Airport. TBI (a London-based company owned by Airport Concessions and Development, Limited, a Spanish consortium owned by Abertis Infraestructuras S.A. [90%] and AENA Desarrollo Internacional S.A. [10%]) and its predecessors have managed the operations of the Airport for the Authority under the Airport Management Agreement since the Authority acquired the Airport in 1978. In addition to the Airport, TBI operates London Luton, Cardiff International, and Belfast International airports in the United Kingdom, Stockholm Skavsta Airport in Sweden, Orlando Sanford Airport in the U. S., and three airports in Bolivia.

The Airport Management Services Agreement expires on June 30, 2018, with one 10-year extension option exercisable by the Authority in its discretion and mutually agreeable in terms of compensation to both parties. TBI may terminate the Airport Management Services Agreement without cause by giving 12-months prior written notice, and the Authority may do so by giving 6-months prior written notice. Compensation under the Airport Management Services Agreement is based on a base management fee and reimbursement of operating costs, which are subject to review and approval as part of the Authority's annual budget process. As of April 1, 2012, TBI was providing 94 employees who serve as staff for the Authority and render management, operating and maintenance services in accordance with policies adopted by the Authority.

While TBI employs most of the personnel at the Airport, the Authority employs its own police force (as required under California law). In addition to TBI, the Authority contracts with Pro-Tec Fire Services, Limited for aircraft rescue and firefighting services; Standard Parking Corp. for parking and shuttle bus services; and Wyle Laboratories for noise consultation services.

The Authority maintains its financial records in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The Authority's Fiscal Year ends June 30.

4.2 Airport Use Agreements

The Airport has entered into substantially similar Use Agreements with six airlines: Alaska, American[1], Jet Blue, SkyWest (d/b/a the Delta Connection, United Express, and US Airways Express), Southwest, and US Airways (Signatory Airlines). The Use Agreements set forth the business arrangement between the Airport and the Signatory Airlines including the granting of terminal and gate space on a preferential or common use basis (may be exclusive for counters and back-office uses), provisions for airline approval of certain capital improvement projects, and the Airport's rate setting mechanism. The Use Agreements expire June 30, 2014 with an Airport option to extend the agreement, upon acceptance of the Signatory Airlines, to June 30, 2019.

4.2.1 Airport Rates and Charges

The Use Agreements establish five cost centers at the Airport:

- The Airfield Cost Center, to which are assigned the costs and revenues arising in connection with the operation of the Airfield Area, including the runways, taxiways, apron, and other portions of the Airport that provide for the landing and takeoff, handling, servicing, and loading and unloading of aircraft.
- The Authority Areas Cost Center, which includes any property or improvements obtained by the Authority with funds other than Airport Revenue or with Airport Revenue that is allocable to the Authority Areas Cost Center.
- The Other Buildings and Areas Cost Center, which includes the costs and revenues incurred in connection with the operation, maintenance, and improvements of any portion of the Airport not included in another Airport cost center.
- The Parking and Roadway Cost Center, which includes the costs and revenues associated with the operation, maintenance, and improvement of the Airport access roads to the terminal building and the Airport's parking facilities. Under the Use Agreement, the Authority, at its discretion, may apply up to 50 percent of net parking revenues against the terminal building requirement and/or the airfield area requirement. For the purposes of this analysis, R&A assumes that the Authority will apply 50 percent of net parking revenues to airline rates and charges.
- The Terminal Building Cost Center, which includes the costs and revenues associated with the operation, maintenance, and improvement of the Terminal Building.

[1] AMR Corp., and its subsidiaries including American Airlines, Inc., filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code on November 29, 2011. Subsequently, American ceased operations at the Airport as of February 9, 2012. However, American's Use Agreement remains in force and the airline remains liable for all related rents due subsequent to the bankruptcy filing, primarily related to joint use space, until it either assumes or rejects the Use Agreement as part of its reorganization process. The Authority anticipates American will reject the Use Agreement as part of the reorganization process, at which time the airline's rental obligations to the Authority will cease. R&A assumes that American will continue to make payments on its joint use space through the end of FY 2012, at which time all of American's obligations are assumed to end for the purposes of this analysis. American does owe the Authority a minimal amount of pre-petition rent, the Authority's claims for which are likely be treated as that of an unsecured creditor of American by the bankruptcy court. American leased certain facilities from the Authority on a month-to-month basis, all obligations for which expired on February 29, 2012, when the airline returned the premises to the Authority.

The Use Agreements incorporate the residual rate-setting methodology[2] for both the Terminal Building and Airfield cost centers. Airline fees in the Terminal Building Cost Center include rent for exclusive use space and Joint Use Fees for non-exclusive space. In the Airfield Cost Center, the airlines pay landing fees based on their level of activity. The Use Agreements set the initial rental rates, Joint Use Fees, and landing fees. While the Use Agreements allow the rental rate, Joint Use Fees, and landing fees to be adjusted annually, in practice the Authority has maintained consistent rates through the application of non-airline revenues. **Table IV-1** presents the Airport's current rate schedule. Terminal rental rates are expected to remain constant through the projection period, while landing fees are projected to increase as discussed in Section 4.5.4. The Use Agreements contain a provision allowing for the extraordinary adjustment of airline rates and charges should Airport Revenue be insufficient to pay Airport Expenses; should total Landing Fees for any quarter vary by more than 10 percent; or should actual Airport Expenses exceed projected Airport Expenses or if actual Airport Revenue is less than projected Airport Revenue.

4.2.2 Majority-in-Interest Provision

The Use Agreements set forth a procedure for Signatory Airline consultation and approval of capital projects at the Airport which may affect airline rates and charges. The Airport may undertake such projects whose costs to the Authority are under $1 million without approval of the airlines, subject to an aggregate total of $2 million in projects in any one Fiscal Year. Also, projects determined by the Authority to be necessary or prudent, including projects to 1) insure compliance with a Law of any Agency (exclusive of the Authority); 2) permit the continued operation, maintenance, and development of the Airport for any of its intended purposes; 3) maintain or create functional capability at the Airport at a level which is required (i) by public health, safety, or welfare or (ii) by the Trustee for the security of the Bonds; 4) satisfy judgments against the Authority rendered by a court of competent jurisdiction; 5) repair or replace Airport property damaged by casualty to a condition appropriate for the continued use of such Airport property for its intended purpose; or, 6) acquire land to preserve the Airport or its operations, may be undertaken without the approval of the Signatory Airlines and are not subject to the $1 million per project/$2 million per year aggregate total.

Projects in excess of $1 million must be presented to the Signatory Airlines for their consultation and approval. A project is deemed approved unless a Majority-in-Interest (MII) of the Signatory Airlines specifically withholds approval, in writing, to the Airport (a negative Majority-in-Interest provision). The Use Agreements define a Majority-in-Interest as a numerical majority of Signatory Airlines, which numerical majority shall have landed more than 75 percent of the Total Landed Weight at the Airport during the immediately preceding Fiscal Year. If approval is withheld, the Airport may conduct a second meeting of the airlines within 45 days to seek their reconsideration. If the airlines again withhold their approval, the project must be deferred to the next Fiscal Year, at which time the Airport may again seek airline approval of the project.

The Authority submitted the RITC project to, and received the approval of, the Signatory Airlines under the MII provisions of the Use Agreements as part of the FY 2011 budgetary process. The Authority asked for, and received the airlines reaffirmation of the MII approval of the RITC project on April 4, 2012.

[2] Under a residual agreement, the airport sets all non-airline revenues against total expenses, with the airlines charged the difference (or residual amount) so that the airport covers all its expenses, debt service and debt service coverage.

Table IV-1
Schedule of Airline Rates and Charges - FY 2012

Landing Fee (per 1,000 lbs. landed weight)		
Signatory Airline		$0.80
Non-signatory Airline		$1.29
Terminal Rental Rates ($ square foot per year)		
Exclusive Use Category	Description	
A	Office space	$20.70
B	Ticket counter space	26.45
C	Ramp storage space	8.74
D	Operations office space	17.71
E	Baggage make-up space	8.74
F	Cargo bay / ofc space	4.92
G	Cargo public parking	0.60
Joint Use Rates		
Baggage Claim - Terminal A		$19.72
Baggage Claim - Terminal B		19.72
Hallway and Hold Room - Terminal A		19.72
Hallway and Hold Room - Terminal B		19.72
Pax Screening Area - Terminal A		19.72
Pax Screening Area - Terminal B		19.72
Baggage Make Up - Terminal A		8.74
Baggage Make Up - Terminal B		8.74
Baggage Screening - Terminal A		19.72
Baggage Screening - Terminal A (Southwest)		19.72
Baggage Screening - Terminal B		19.72

Source: Burbank-Glendale-Pasadena Airport Authority, April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

4.3 The Master Indenture of Trust

The Joint Powers Act empowers the Authority to issue revenue bonds to support the development of the Airport. The Authority's bonds are issued under and secured by the Indenture, as amended and supplemented from time to time, between the Authority and The Bank of New York Mellon Trust Company, N.A. as Trustee dated May 1, 2005.

4.3.1 Security Pledged for Repayment of Bonds

The 2012 Series Bonds are special obligations of the Authority and are payable solely from and secured by a pledge of the Trust Estate, on parity with the Authority's other Bonds, and the 2012 Series Debt Service Reserve Fund. The Trust Estate consists of: the Net Revenues of the Authority; Available Revenues; all amounts on deposit in the Construction Fund, the Revenue Fund, the Debt Service Fund, the Reserve and Contingency Fund and the Surplus Fund, including the investments if any; and any additional property the Trustee is authorized and directed to accept as part of the Trust Estate securing the Bonds.

Net Revenues are defined in the Indenture as, for any period of time, the Pledged Revenues for such period less the Operating Expenses for such period. Operating Expenses are defined in the Indenture as the reasonable and necessary costs and expenses of operating, maintaining, and administering the Airport, determined in accordance with Generally Accepted Accounting Principles.

Pledged Revenues are defined in the Indenture as all income, receipts, earnings, and revenues received by or accrued to the Authority excluding, except to the extent deposited in the Revenue Fund: (a) gifts, grants and other funds otherwise included in this definition of Pledged Revenues which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or Debt Service on Parity Obligations, (b) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of Operating Expenses or Debt Service on Parity Obligations, (c) except as permitted under the Indenture, any Transfer (from the Surplus Fund), (d) Special Facility Revenue, (e) any gain or loss from the sale or disposition of Authority assets, (f) any Released Revenue, (g) any unrealized gain or losses on securities held for investment by or on behalf of the Authority. (h) the proceeds of Obligations, (i) any termination payments paid to the Authority upon the termination of a Swap, (j) Facilities Construction Credits, (k) Passenger Facility Charges, (l) Customer Facility Charges, (m) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Authority Obligations, (n) any arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code, (o) Capitalized Interest, and (p) interest earnings or other investment earnings on any Account in the Construction Fund established by any Supplemental Indenture unless otherwise provided in such Supplemental Indenture.

While the 2012 Series Bonds are secured by the Trust Estate, and thus the Net Revenues of the Airport, the Authority intends for CRCF related revenues, including Facility Rent and CFC revenue, to offset the debt service associated with the facilities financed by the 2012 Series Bonds, including the CRCF and a portion of the Replacement Parking Structure. Facility Rent, which is a component of Pledged Revenues and thus deposited in the Revenue Fund, will be assessed on the rental car companies using the CRCF. Facility Rent is based on debt service and other obligations allocable to the CRCF. Facility Rent payable by the rental car companies each Fiscal Year will be reduced by the amount of CFC revenue budgeted by the Authority to be remitted in that Fiscal Year.

The Third Supplemental Indenture pledges the first CFCs received by the Authority in each Fiscal Year, commencing with FY 2015, up to the amount of the debt service accruing on the 2012 Series

Bonds during the applicable Fiscal Year. For the purposes of this analysis, it is assumed all CFCs projected to be received by the Authority from July 1, 2014 through the projection period are Available Revenue under the Rental Car Company Agreements, if in any Fiscal Year actual CFC collections exceed the debt service accruing on the 2012 Series Bonds during such Fiscal Year, up to 50 percent of the excess CFCs may be used to reimburse the loan from the Facility Development Reserve, while the remaining surplus may be used to prefund the repayment of the 2012 Series Bonds or other eligible uses under California law. R&A expects all CFCs to be applied to annual debt service through the projection period. Facility Rent is discussed in section 4.3.3.1, while CFC revenues are discussed in section 4.3.2.1.

4.3.2 Rate Covenant

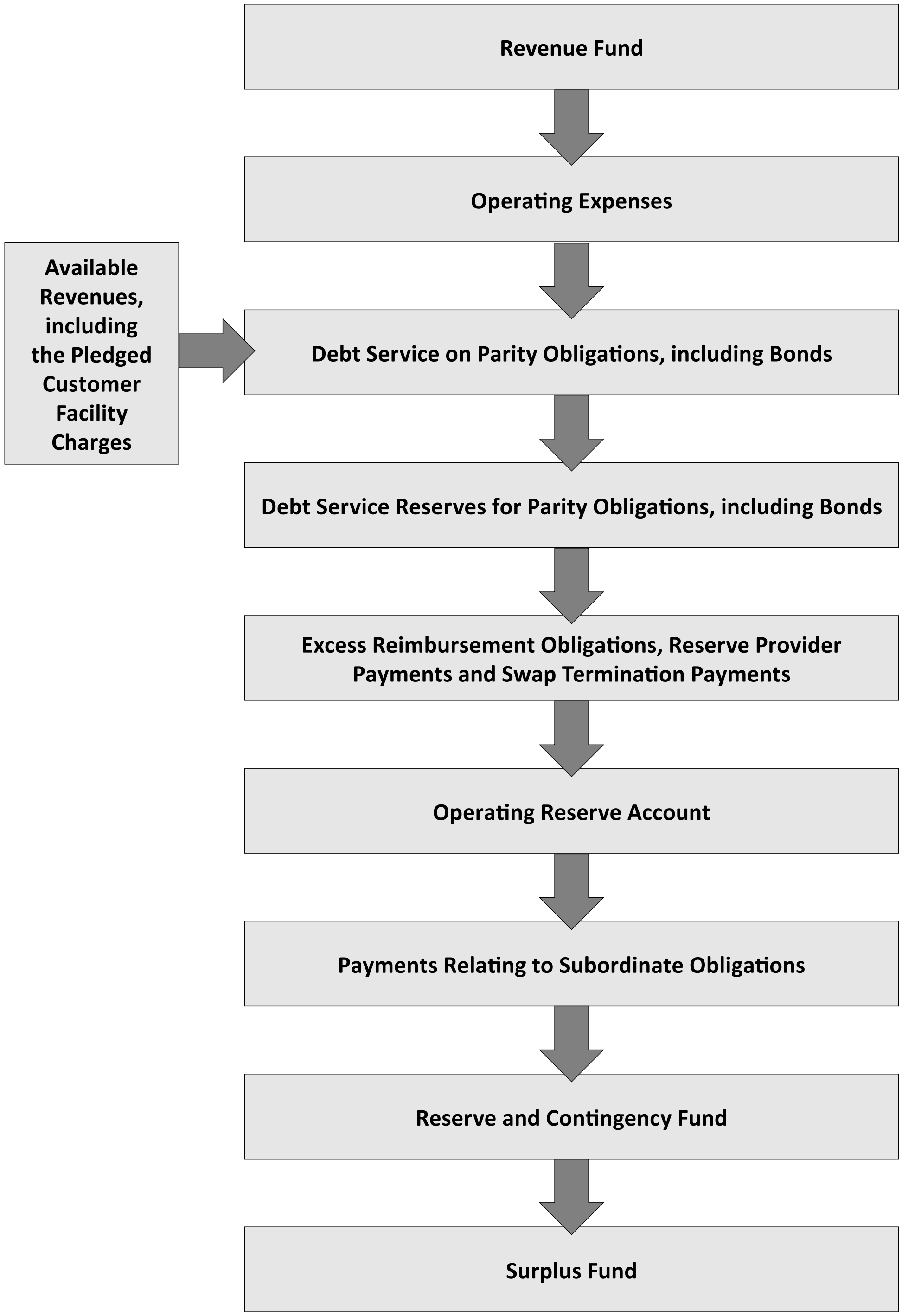
Section 6.05 of the Indenture establishes the Rate Covenant, under which the Authority covenants to set rates and charges in connection with the ownership and operation of the Airport so that for each Fiscal Year 1) Net Revenues will at least equal Accrued Debt Service on Outstanding Parity Obligations, all required deposits into the various reserve accounts, and Accrued Debt Service on any Subordinate Obligations and required reserve funds; and, 2) Net Revenues plus any Transfer (from the Surplus Fund) will be at least equal to 125 percent of accrued Debt Service on all Outstanding Parity Obligations for such Fiscal Year. The amount of any Transfer taken into account for the purposes of satisfying the rate covenant shall not exceed 25 percent of the Accrued Debt Service on the Outstanding Parity Obligations for such Fiscal Year.

4.3.3 Flow of Funds

All Pledged Revenues are to be deposited to the Revenue Fund, which is held by the Authority, upon receipt. No later than the last day of each month, the Authority shall withdraw monies from the Revenue Fund and make deposits or payments in order of priority as presented in **Exhibit IV-1.** Available Revenues are not a component of Pledged Revenue and are deposited directly to the Debt Service Fund as permitted in the Indenture.

4.4 Plan of Finance

As described in Chapter III, the Authority plans to build the RITC, which will connect the Airport terminal to the CRCF, a public transit bus station, public parking, and a CalTran commuter rail station served by Metrolink and Amtrak. **Table IV-2** presents the estimated costs and sources of funds for the entire RITC project, while **Table IV–3** presents the detailed estimated sources and uses related to the 2012 Series Bonds.



Source: Burbank-Glendale-Pasadena Airport Authority.
Prepared by: Ricondo & Associates, Inc., March 2012.

Exhibit VI-1

Flow of Funds

Table IV-2

Regional Intermodal Transportation Center Estimated Project Costs and Funding Sources

Project Component	Estimated Cost[1/]
Consolidated rental car facility	$70,831,000
Facility access (elevated walkway)	19,517,000
Replacement public parking	11,135,000
Site work	5,407,000
Transit Center	964,000
Off-site improvements	1,073,000
Total	$108,927,000

Funding Source	Estimated Funds[1/]
Series 2012 Bonds (net proceeds)	$59,274,000
CFCs collected through opening	17,135,000
PFCs (approved)	16,198,000
Facility Development Reserve Equity	10,190,000
Facility Development Reserve Loan	4,594,000
Federal grants (approved)	963,000
Interest earnings on bond funds	573,000
	$108,927,000

Note: Totals may not add due to rounding

1/ Estimates as of March, 2012. Estimated costs may increase by up to five percent, with any increases being funded from additional 2012 Series Bonds proceeds.

Source: Public Resources Advisory Group, March 2012.
Prepared By: Ricondo & Associates, Inc., March 2012.

Table IV-3
2012 Series Bonds Sources and Uses

Sources	Amount[1/]	Uses	Amount[1/]
Par amount of 2012 Series Bonds	$82,740,000	Consolidated rental car facility	$52,322,000
Total	$82,740,000	Replacement public parking	6,950,000
		Capitalized interest	12,761,000
		Debt service reserve fund	7,091,000
		Rolling coverage	1,773,000
		Costs of issuance	1,843,000
		Total	$82,740,000

Note:
1/ Estimates as of March, 2012. Estimated costs may increase by up to five percent, with any increases being funded from additional 2012 Series Bonds proceeds.

Sources: Public Resources Advisory Group, March 2012.
Prepared by: Ricondo & Associates, Inc., March 2012.

4.5 Financial Analysis and Projections

4.5.1 Operating Expenses

Table IV-4 presents the Airport's Operating Expenses on a historical basis from FY 2007 through FY 2011. This table presents the data based on expense categories, which are then further allocated to the various cost centers. The Airport's Operating Expenses increased at a compound annual growth rate of 4.5 percent for the period, led by increases in the professional services, salaries and benefits, and material and supplies line items.

Table IV-5 presents the projections for the Airport's Operating Expenses through FY 2017. The projections are based off the Airport's budget for FY 2012, which incorporates a 9.6 percent increase from FY 2011. In response to the current economic situation of the Airport, management has instituted a committee to review all expenditures and identify potential means of reducing operating costs. Growth assumptions for each line item have been reviewed with Airport management and are detailed below. Overall, the operating expenses of the Airport are projected to increase at a 3.0 percent annual rate for the FY 2012 – FY 2017 period. As the CRCF is to be operated by the rental car companies at their expense, the Authority does not expect the project to have any effect on Operating Expenses allocated to the airlines.

4.5.2 Contracted Services

Contracted services include the activities covered by management agreements, including the TBI contract for the management of the Airport as well as the contract for parking services. Contracted services represent the largest expenditure for the Airport at 43.0 percent of total Operating Expenses in FY 2011, and have increased at a 5.5 percent compound annual growth rate since FY 2007 reflecting increased costs to operate the parking facilities, cost of living adjustments, and the filling of open positions on the Airport Manager's staff. As the Airport Manager's staff is expected to remain stable, the costs associated with this area are estimated to increase at a 3.4 percent annual rate through the projection period. The Authority replaced the operator of the parking facilities in November 2011, which is expected to produce improved efficiencies and reduced operating costs. Overall, contracted services are projected to increase at a 2.7 percent annual rate through the projection period.

Table IV-4
Historical Operating Expenses (Fiscal Years ended June 30)

	Actual					CAGR [1/]
	2007	2008	2009	2010	2011	2007 - 2011
Contracted airport services	$12,135,678	$12,450,097	$13,589,267	$14,453,670	$15,051,145	5.5%
Salaries and benefits	2,366,011	2,404,859	2,715,539	2,953,126	3,340,203	9.0%
Financial services	703,004	766,120	735,512	703,075	703,676	0.0%
Rescue services	1,509,084	1,569,447	1,646,610	1,741,667	1,825,000	4.9%
Materials and supplies	297,666	348,523	343,828	368,913	367,457	5.4%
Repairs and maintenance	3,734,055	4,025,462	4,099,526	4,618,445	4,872,638	6.9%
Utilities	1,664,576	1,554,835	1,630,023	1,609,350	1,728,285	0.9%
Professional services	2,074,034	2,399,846	2,322,905	2,769,555	2,686,206	6.7%
Insurance	1,463,341	1,478,264	1,449,440	1,433,007	1,496,860	0.6%
Parking tax expense	2,770,827	2,754,127	2,307,657	2,149,576	2,094,558	-6.8%
Other operating expenses	743,972	868,241	889,403	863,016	917,422	5.4%
Total operating expenses	$29,462,249	$30,619,821	$31,729,707	$33,663,399	$35,083,450	4.5%
Annual Growth Rate		3.9%	3.6%	6.1%	4.2%	

Note:
1/ CAGR - Compound annual growth rate

Source: Burbank-Glendale-Pasadena Airport Authority, April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

Table IV-5
Projected Operating Expenses (Fiscal Years ended June 30)

	Actual	Actual	Estimated	Projected					CAGR [2/]
	2010	2011	2012	2013	2014	2015	2016	2017	2012 - 2017
Contracted airport services	$14,453,670	$15,051,145	$16,340,337	$16,580,300	$17,077,700	$17,590,000	$18,117,700	$18,661,200	2.7%
Salaries and benefits	2,953,126	3,340,203	3,785,766	3,937,200	4,094,700	4,258,500	4,428,800	4,606,000	4.0%
Financial services	703,075	703,676	785,000	792,900	800,800	808,800	816,900	825,100	1.0%
Rescue services	1,741,667	1,825,000	1,900,000	2,000,000	2,100,000	2,200,000	2,266,000	2,334,000	4.2%
Materials and supplies	368,913	367,457	382,050	389,700	397,500	405,500	413,600	421,900	2.0%
Repairs and maintenance [1/]	4,618,445	4,872,638	5,588,458	5,488,500	5,935,500	6,302,600	6,586,200	6,882,600	4.3%
Utilities	1,609,350	1,728,285	1,844,000	1,880,900	1,918,500	1,956,900	1,996,000	2,035,900	2.0%
Professional services	2,769,555	2,686,206	2,290,175	2,358,900	2,429,700	2,502,600	2,577,700	2,655,000	3.0%
Insurance	1,433,007	1,496,860	1,664,383	1,892,500	1,911,400	1,930,500	1,949,800	1,969,300	3.4%
Parking tax expense	2,149,576	2,094,558	2,025,000	2,022,500	2,043,300	2,066,900	2,092,000	2,118,100	0.9%
Other operating expenses	863,016	917,422	1,155,000	1,189,700	1,225,400	1,262,200	1,300,100	1,339,100	3.0%
Total operating expenses	$33,663,399	$35,083,450	$37,760,169	$38,533,100	$39,934,500	$41,284,500	$42,544,800	$43,848,200	3.0%
Annual Growth Rate	-	4.2%	7.6%	2.0%	3.6%	3.4%	3.1%	3.1%	

Note:
1/ Includes an assumed increase of $200,000 in FY 2014 and an additional $100,000 increase in FY 2015 reflecting the airline's share of operating and maintenance costs of common passenger use areas of the 2012 Series Bond projects as they come on line.
2/ CAGR - Compound annual growth rate

Source: Burbank-Glendale-Pasadena Airport Authority; Ricondo & Associates, Inc., April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

4.5.3 Repairs and Maintenance, Materials, and Supplies

Combined, the repairs and maintenance, materials, and supplies expense items represented the second largest source of Airport expenditures, at 14.0 percent of total Operating Expenditures in FY 2011. Combined, these line items increased at a 6.8 percent compound annual growth rate over the past four years, largely due to rising fuel costs and the related influence of fuel costs on commodity prices. Based on discussions with Airport management, costs associated with this line item are projected to increase at a 4.1 percent annual rate through the study period.

4.5.4 Salaries and Benefits

Salaries and benefits represent expenses related to compensation for the Authority's police force, the only direct employees of the Authority. Salaries and benefits represented the Airport's third largest expenditure category at 10.0 percent of total Operating Expenses in FY 2011, having increased at a 9.0 percent compound annual growth rate since FY 2007 due to cost of living adjustments and the filling of open positions. Salaries and benefits are projected to increase at a 4.0 percent annual rate through the projection period based on the provisions of the current collective bargaining agreement and stable staffing levels.

4.5.5 Professional Services

Professional services, which include security services and traffic control, accounted for 8.0 percent of total operating expenses in FY 2011. Expenses in this category increased at a 6.7 percent compound annual growth rate over the past four years due to increased costs for security and traffic control, as well as legal expenses in regard to a Superfund cleanup site. Airport management indicates that such extraordinary expenses are not expected in the future, which combined with spending restrictions put in place should hold growth in this line item to 3.0 percent annually through the projection period.

4.5.6 Parking Tax Expense

The Airport collects a parking tax levied by the City of Burbank, which it remits to the City. As this reflects a pass-through item, variability in this line item has minimal effect on the overall financial operations of the Airport. From FY 2007 through FY 2011, parking tax expense declined at a 6.8 percent compound annual rate, reflecting decreased demand for parking as passenger traffic declined. Parking tax expense is projected to increase at a 0.9 percent annual rate through the projection period, in line with parking revenues.

4.5.7 Rescue Services

As noted earlier, the Authority contracts with Pro-Tec Fire Services, Limited for the provision of aircraft rescue and firefighting services. Costs for rescue services increased at a 4.9 percent compound annual growth rate over the past four years, reflecting the provisions of the contract. Based on the provisions of the current contract, the cost of rescue services is projected to increase at a 5.0 percent rate through FY 2015, when the current agreement expires, and 3.0 percent for FY 2016 and FY 2017.

4.5.8 Other Operating Expenses

The Authority's other operating expenses, including financial services, insurance, utilities, and other expenses combined, represented 14.0 percent of total operating expenses in FY 2011, having increased at a 1.5 percent compound annual growth rate since FY 2007. Other Operating Expenses are projected to increase at a 3.0 percent annual rate through the projection period.

4.5.9 Non-Operating Revenues

Table IV-6 presents projections regarding the Airport's non-operating revenues, sources of which include interest income, PFC revenues, and CFC revenues. Historically, the Airport has generated between $4.2 million and $6.9 million in interest income annually. However, due to lower anticipated balances going forward and the assumption that interest rates will remain low, interest income is projected to be around $3.0 million annually through 2017. PFC revenue declined from $12.3 million in FY 2007 to $9.6 million in FY 2011 a compound annual rate of 6.0 percent, which reflects the decrease in passenger activity and reduced investment earnings on PFC reserves. The bottom portion of Table IV-6 presents the derivation of projected PFC revenue, which is a factor of enplanements (less non-revenue passengers, including frequent flier awards), multiplied by the PFC rate (less a collection fee to the airlines). PFC revenues are projected to increase in line with enplanements. The Authority uses PFC revenue as a source of internal capital funding, thus PFC revenues are <u>not</u> pledged to the payment of the Authority's revenue bonds.

4.5.10 Customer Facility Charge

The Authority is authorized pursuant to California statute (Section 1936 of the Civil Code) to impose a CFC upon customers of rental car companies operating at the Airport. CFC revenues may only be used for financing, designing, and constructing a consolidated airport rental car facility or financing, designing, constructing, and operating a common–use transportation system that moves passengers between airport terminals and a consolidated rental car facility and acquiring vehicles for use in that system. The Authority first imposed a CFC in December 2009 at the rate of $10.00 per rental car transaction, the maximum allowed by the state statute at that time. Effective January 1, 2011, the state statute was amended to provide airports in California with two options regarding the rate structure for a CFC:

<u>Option 1</u>

Ten dollars ($10.00) per rental car contract (transaction). Off-airport rental car companies whose customers are transported on the common-use transportation system can only be charged a fee proportionate to the costs of the common-use transportation system.

<u>Option 2</u>

Effective January 1, 2011 an airport can impose an alternative CFC on a per transaction-day basis, in lieu of the $10.00 per transaction CFC. To impose the alternative CFC, the amended CFC statute requires an airport to follow a specific process to substantiate the need to impose the alternative per-transaction-day CFC. The amended statute also mandates additional reporting requirements to the state legislature. The alternative CFC has the following restrictions:

- Commencing January 1, 2011, the CFC rate may not exceed $6.00 per day.
- Commencing January 1, 2014, the CFC rate may not exceed $7.50 per day.
- Commencing January 1, 2017, the CFC rate may not exceed $9.00 per day.
- In no event shall the CFC be collected from any customer for more than five days for each individual rental car contract.

On December 6, 2010, the Authority adopted a resolution to impose the alternative CFC rate structure authorized by the state CFC statute and the Authority began charging at the $6.00 per day level on July 1, 2011. The CFC is collected by the rental car companies serving the Airport, which must itemize the CFC as a separate charge on their customers' rental agreements or invoices. The rental car companies are required to remit the collected CFC revenues to the airport on a monthly basis. As of the date of this report, the rental car companies are current in their remittance of CFCs to

Table IV-6
Non-Operating Revenues (Fiscal Years ended June 30)

		Actual	Estimated	Projected				
		2011	2012	2013	2014	2015	2016	2017
Non-operating Revenues								
Interest Income		$2,513,144	$2,400,000	$2,700,000	$2,700,000	$2,700,000	$2,700,000	$2,700,000
PFC Revenues		9,642,916	8,892,903	8,882,503	8,969,603	9,068,603	9,173,703	9,283,203
CFC Revenues [1/]		3,186,870	4,840,800	4,833,600	4,884,600	4,941,000	5,001,000	5,064,600
Total Non-operating Revenues		$15,342,930	$16,133,703	$16,416,103	$16,554,203	$16,709,603	$16,874,703	$17,047,803
Calculation of Annual PFC Revenues								
Enplanements	[A]		2,124,900	2,122,300	2,144,100	2,168,900	2,195,200	2,222,600
Calculation of PFC								
91% of Enplanements for PFC [2/]	[B = A * 0.91]		1,933,659	1,931,293	1,951,131	1,973,699	1,997,632	2,022,566
Amount to be Charged	[C = $4.50 - $0.11]		$4.39	$4.39	$4.39	$4.39	$4.39	$4.39
PFC Revenue Collected	[D = B * C]	$9,238,813	$8,488,800	$8,478,400	$8,565,500	$8,664,500	$8,769,600	$8,879,100
PFC Interest Income		404,103	404,103	404,103	404,103	404,103	404,103	404,103
Total PFC Revenue Received		$9,642,916	$8,892,903	$8,882,503	$8,969,603	$9,068,603	$9,173,703	$9,283,203

Notes:
1/ For a description of how the projection of CFC revenue was derived, see Section 4.5.2.1.
2/ The percentage of enplaned passengers paying a PFC ranged between 91.2 percent and 97.2 percent for FY 2007 through FY 2011.

Source: Burbank-Glendale-Pasadena Airport Authority; Ricondo & Associates, Inc., April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

the Authority. The Authority completed an independent outside audit of CFC collections in FY 2010, while a separate independent outside audit required under California Civil Code 1936, as amended, was undertaken for the justification of the need for the alternative fee structure.

Historical Rental Car Activity at the Airport

At present the following rental car companies have entered into concession agreements with the Authority to operate on-airport: The Hertz Corp., offering its Hertz brand; Avis/Budget Car Rental, LLC, offering its Avis brand; Beverly Star D/B/A Budget Rental Car of Southern California, offering its Budget brand; and Enterprise Rent-A-Car Company of Los Angeles, LLC, offering its Enterprise, National and Alamo brands. In addition, there are two small companies that currently operate off-airport. **Table IV-7** presents Airport rental car market share data on a gross revenue basis from FY 2004 through FY 2011. Hertz has consistently been the largest brand at the Airport as measured by gross revenues, though its market share has declined to 30 percent in FY 2011 from 34 percent in FY 2004. Enterprise Holdings maintains the largest market share on a corporate basis, as its three brands - Enterprise, Alamo and National - accounted for 37 percent of the market in FY 2011, followed by Hertz at 30.

Exhibit IV-2 graphically presents a history of rental car activity at the Airport, based on gross revenues reported to the Authority by the rental car companies operating at the airport. While gross revenues are influenced by the pricing decisions of the rental car companies as well as the number of rental transactions, this is the best complete data series related to rental car activity at the Airport that is indicative of trends occurring in the market over time. From FY 2004 to FY 2008, gross revenues increased at a 12.2 percent compound annual growth rate, reflecting the gains in enplanement activity at the Airport. From FY 2008 through FY 2011, gross revenues declined at a 8.9 percent compound annual rate, as enplanements waned in response to the national economic recession. Over the entire FY 2004 to FY 2011 timeframe, gross revenues increased at a 2.6 percent compound annual rate.

Exhibit IV-3 presents gross revenues generated by the Airport rental car companies on a quarterly basis, compared to the rolling 12-month percent change for both gross revenues and O&D deplanements from the first quarter of FY 2004 through the second quarter of FY 2012. This data indicates that the trend in rental car activity reached a point of inflection in the first quarter of FY 2010, and has improved steadily through the second quarter of FY 2012.

Exhibit IV-4 presents Airport rental car transactions on a monthly basis from July 2006 through January 2012, as well as the year-over-year and rolling 12-month percent change in transactions days. Rental car activity at the Airport has a distinct seasonal pattern, with highest demand during the summer tourism season. The number of transactions declined beginning in the second half of FY 2008 through the end of FY 2010, in line with the national economic recession. However, this data indicates that the trend in rental car activity reached a point of inflection in the first quarter of FY 2010, and steadily improved through the third quarter of FY 2011 before stabilizing in the fourth quarter of FY 2011.

Table IV-8 presents historical rental car data for the Airport from FY 2008 through FY 2011, and a comparison of the first seven months of FY 2011 to FY 2012, which provides the basis for the forecast of CFC revenues. Rental car transactions per O&D deplaned passenger have ranged from a low of 0.135 in FY 2010 to a high of 0.146 in FY 2011, with a four year average of 0.141. The average number of days per transaction equaled 3.43 for the first seven months in FY 2012, based on actual data provided by all of the Airport rental car brands[3]. However, as California limits the CFC

[3] Average Days Per Transaction (before adjustment) for the first seven months of FY 2012 is missing four months of data for Avis and one months of data for Budget.

Table IV-7

Bob Hope Airport Rental Car Market Share by Gross Revenues (Fiscal Years ended June 30)

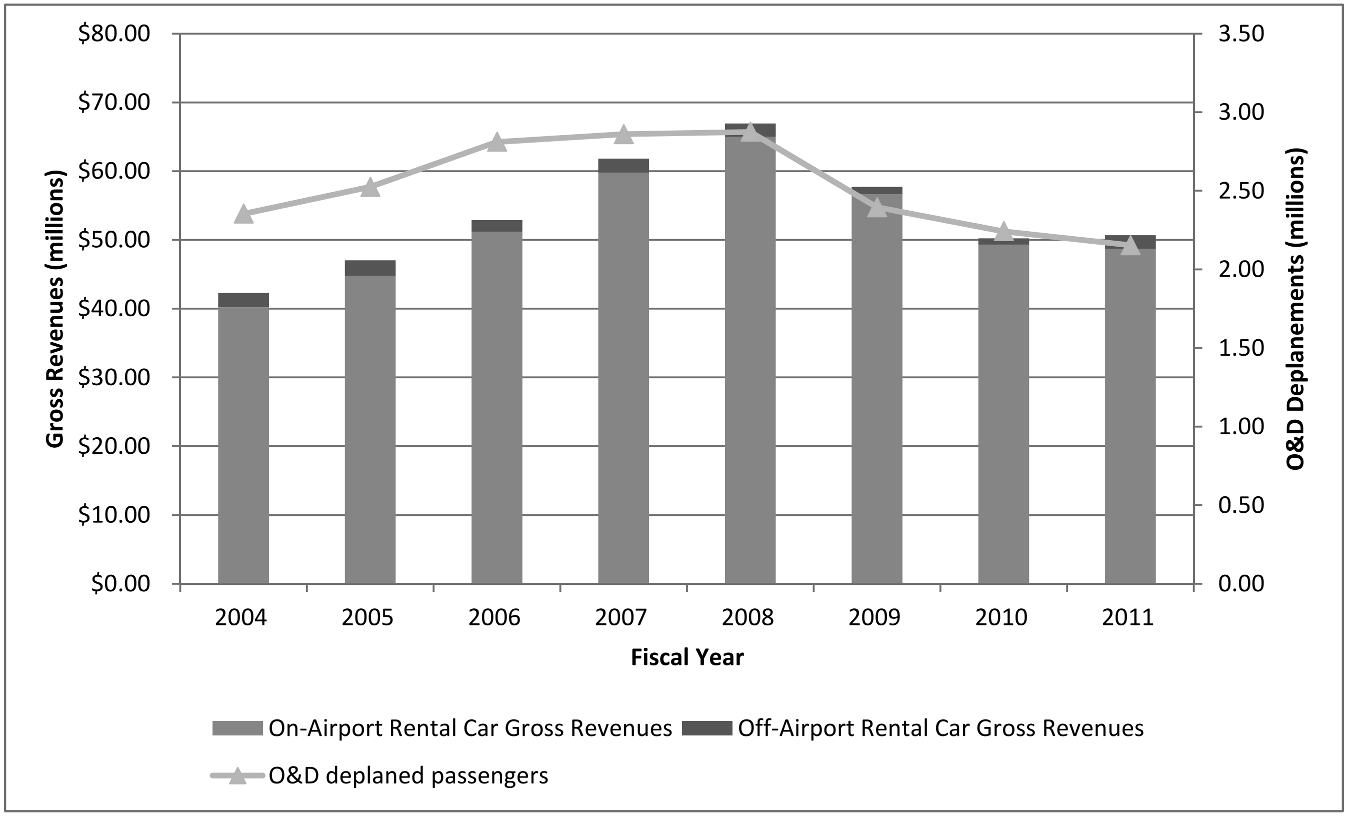
	Market Share				
	2004	2006	2008	2010	2011
Alamo Rent A Car	11%	11%	14%	13%	11%
Avis Rent A Car	20%	20%	19%	20%	20%
Budget Rent A Car	11%	12%	12%	10%	9%
Enterprise Rent-A-Car	8%	10%	12%	12%	13%
Hertz	34%	33%	32%	31%	30%
National Car Rental	11%	11%	9%	12%	12%
Off-Airport	5%	3%	3%	2%	4%
Total	100%	100%	100%	100%	100%

Source: Burbank-Glendale-Pasadena Airport Authority, April 2012.

Prepared by: Ricondo & Associates, Inc., April 2012.

Exhibit IV-2

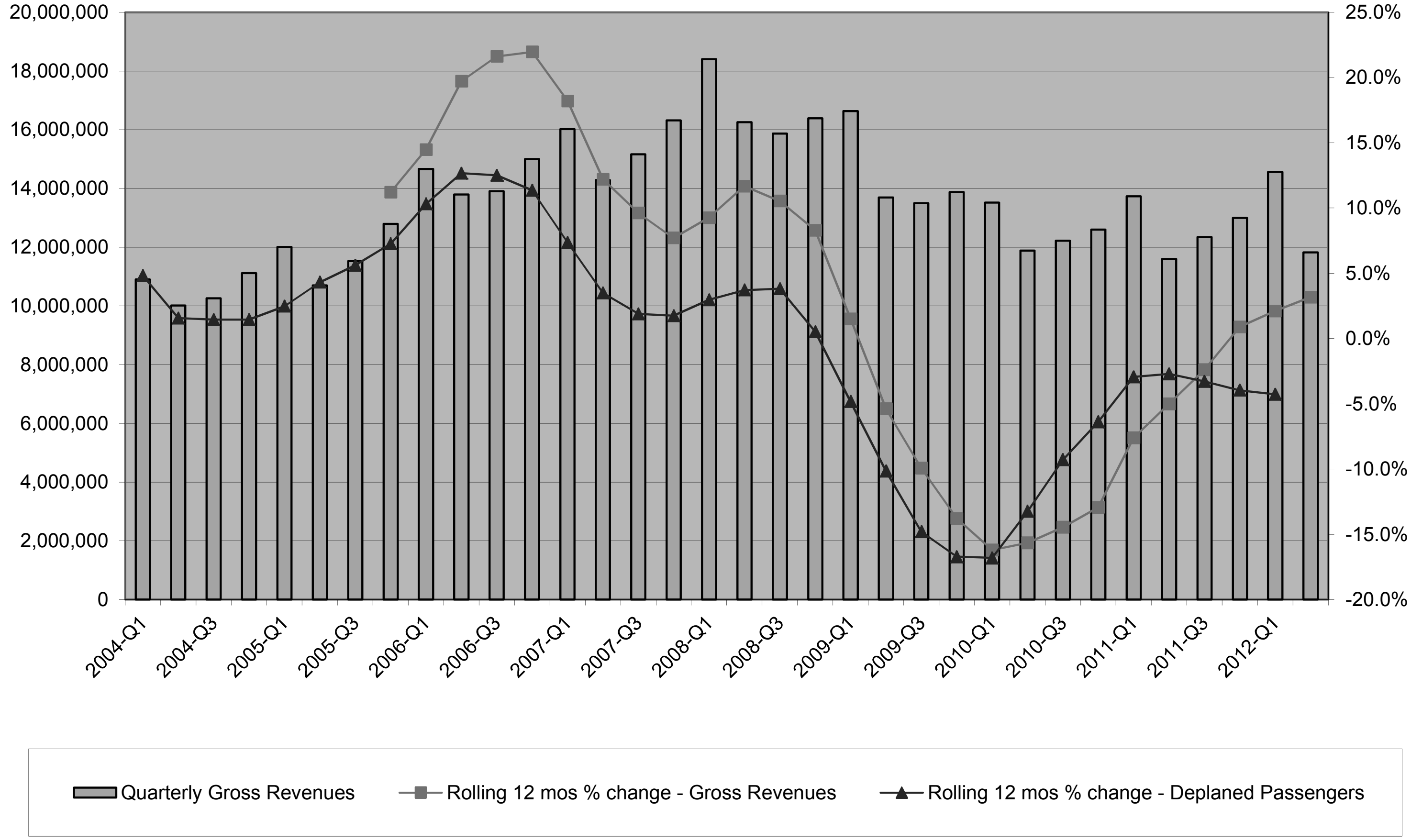
Airport Gross Rental Car Revenues (Years ended June 30)



Source: Burbank-Glendale-Pasadena Airport Authority; US DOT Origin & Destination Survey of Airline Passenger Traffic, March 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

Exhibit IV-3

Quarterly Gross Revenues Compared to the Rolling 12 Month Percent Change in Gross Revenues and Deplaned Passengers (Fiscal Years ended June 30)



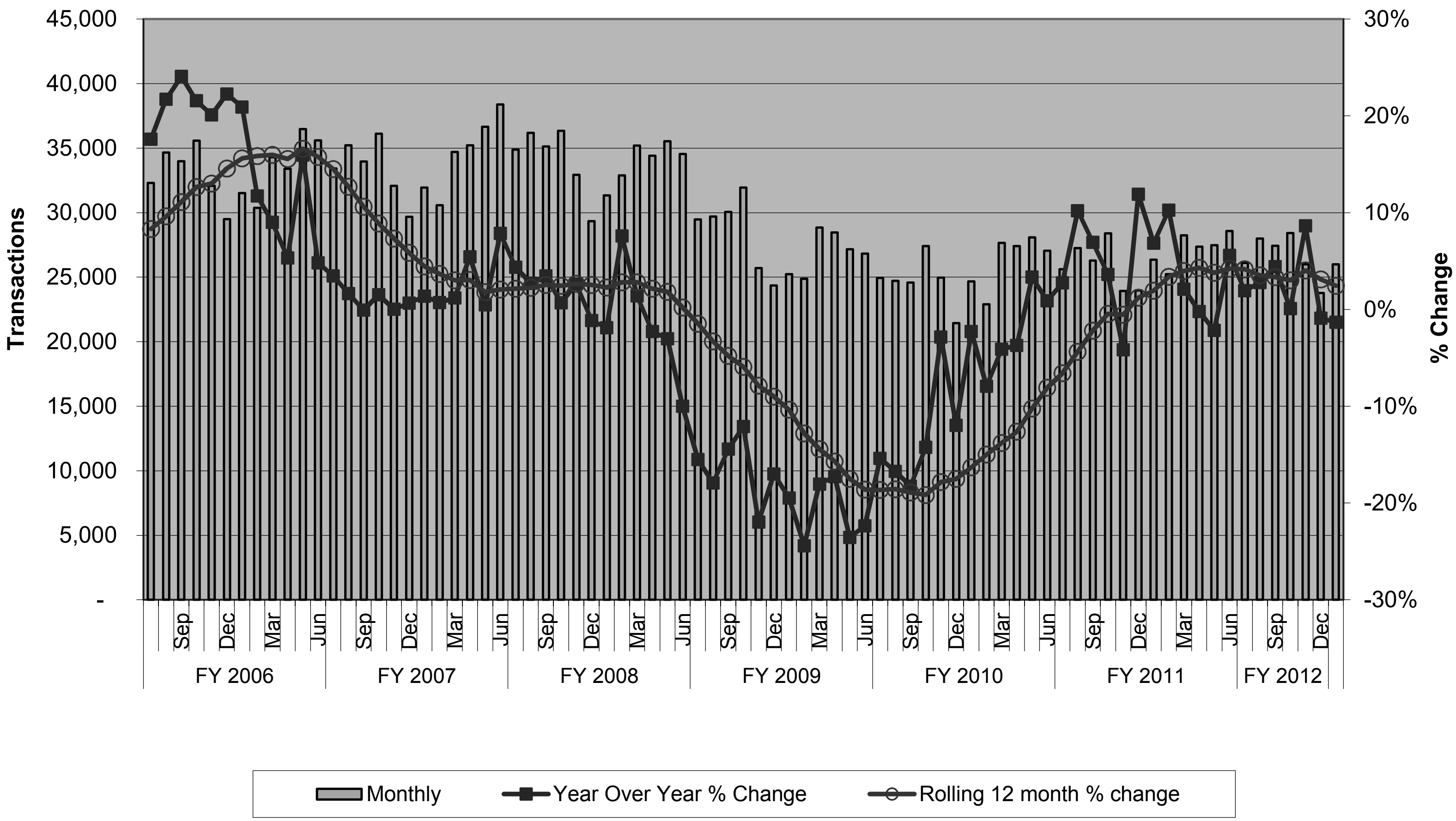
Source: Burbank-Glendale-Pasadena Airport Authority; US DOT Origin & Destination Survey of Airline Passenger Traffic, March 2012.

Prepared by: Ricondo & Associates, Inc., April 2012.

A-101

Exhibit IV-4

Airport Monthly Rental Car Transaction



Source: Burbank-Glendale-Pasadena Airport Authority March 2012.

Prepared by: Ricondo & Associates, Inc., April 2012.

Table IV-8

Historical Rental Car Activity at the Airport (Fiscal Years ended June 30)

		Fiscal Year				First seven months of	
		2008	2009	2010	2011	2011	2012
Gross Rental Car Revenues							
On-Airport Rental Car Brands		$64,985,497	$56,643,734	$49,324,246	$48,687,377	28,398,365	$27,676,153
Off-Airport Rental Car Brands		1,943,025	1,057,825	908,947	1,993,525	$908,654	2,564,436
Total Gross Rental Car Revenues	[A]	$66,928,523	$57,701,559	$50,233,193	$50,680,902	$29,307,019	$30,240,589
Annual % Change		-	-13.8%	-12.9%	0.9%	-	3.2%
O&D Deplaned Passengers	[B]	2,875,130	2,394,380	2,258,000	2,178,076	1,302,425	1,272,737
Annual % Change		-	-16.7%	-5.7%	-3.5%	-	-2.3%
Gross Rental Car Revenues per O&D Deplaned Passenger	[C = A / B]	$23.28	$24.10	$22.25	$23.27	$22.50	$23.76
Annual % Change		-	3.5%	-7.7%	4.6%	-	5.6%
Rental Car Transactions	[D]	408,705	332,634	305,786	318,083	181,792	185,726
Annual % Change		-	-18.6%	-8.1%	4.0%	-	2.2%
Per O&D Deplaned Passenger	[E = D / B]	0.142	0.139	0.135	0.146	0.140	0.146
Average Days Per Transaction (before adjustment) 1/	[F]	N/A	N/A	3.13	N/A	N/A	3.43
Adjusted Average Days Per Transaction (Days charged a CFC) 2/		N/A	N/A	N/A	N/A	N/A	2.79
Total Transaction Days	[G = D * F]	N/A	N/A	958,338	N/A	N/A	637,119
Adjusted Transaction Days (Days charged a CFC)							517,263
Percentage of Days above 5-days							19%
Average Transaction Amount	[H = A / D]	$163.76	$173.47	$164.28	$159.33	$161.21	$162.82

Note:

1/ The Airport did not track data regarding average days per transaction until the implementation of the revised CFC as of July 1, 2011. FY 2010 Average Days per transaction is based on a survey of the rental car companies operating on-Airport conducted by the Authority for this report. The Average Days Per Transaction (before adjustment) for the first seven months of FY 2012 is calculated based on actual data reported by the rental car companies to the Authority per the CFC requirements, with the following exceptions: Avis has reported data for three months, Budget has reported data for six months.

2/ Average Days Per Transaction (Days charged a CFC) for the first seven months of FY 2012 for all on-airport companies but Avis, which reported data for three months.

Source: Burbank-Glendale-Pasadena Airport Authority, April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

to the first five days of a transaction, the average number of days per transaction must be adjusted to account for transactions lasting longer than 5 days.[4] When the data for the first seven months of FY 2012 is adjusted to reflect the 5 day limitation to which the CFC is applicable, the number of days per transaction declines to 2.79, a 19 percent difference from the total average days per transaction. This is the only transaction day data available, as the rental car companies have only collected on a per day basis since July 1, 2011.

Forecast of Rental Car Demand and CFC Revenue at the Airport

Rental car transaction activity at the Airport has generally followed the trends in O&D deplaned passenger activity in each fiscal year between FY 2004 and FY 2011, but not necessarily at the same growth rate in any given fiscal year. Based on this relationship, the passenger forecast for the Airport detailed in Chapter II serves as the basis for the forecast of rental car activity at the Airport. Specific assumptions made by R&A regarding the rental car market at the Airport are as follows:

- **O&D Deplaned Passengers**. The number of O&D deplaned passengers is assumed to equal O&D enplaned passengers. Furthermore, the percentage of O&D deplaned passengers to total deplaned passengers at the Airport is assumed at 100 percent as there is currently no significant connecting traffic at the Airport.
- **Rental Car Transactions.** The number of rental car transactions per O&D deplaned passenger is assumed to be 0.141 throughout the projection period, equal to the average level experienced between 2008 to 2011.
- **Average Days Per Transaction.** For the first seven months of FY 2012, the average number of rental car days per transaction equaled 3.43, based on data reported by all the current airport rental car brands. However, under California law, the CFC can only be assessed on the first five days of a rental car transaction (maximum of $30.00) which reduces the average number of days per transaction for which the CFC applies. Based on transaction data and CFC revenue received from all airport rental car brands the adjusted rental car days per transaction to which the CFC applied equaled 2.79 (about 19 percent of days did not qualify for CFCs) for the first seven months of FY 2012. For the projection period R&A has assumed the average length of a transaction to which the CFC will be applicable at 2.70 days.
- **Local/National Economy.** The economic base of the Air Trade Area will remain stable and diversified during the projection period, as described in Chapter II of this report.
- **Passenger Levels at the Airport.** Passenger projections provided in Chapter III will be realized.
- **Car Rental Rates.** Average daily car rental rates at the Airport will remain competitive in relation to other means of transportation during the projection period and are not anticipated to depress rental car demand.
- **CFC Rate.** The CFC rate at the Airport will remain at $6.00 per transaction day through the projection period. The imposition of the CFC will not have a material effect on rental car demand or transactions days at the Airport. While the amended CFC statute permits the

[4] For example, the average number of days per transaction for three rentals lasting 2 days, 4 days and 14 days, respectively, equals 6.67. As the CFC only applies to the first five days of the third rental, the days per transaction to which the CFC applies for each rental are 2 days, 4 days and 5 days, respectively, for an average of 3.67 days per transaction.

Authority to increase the CFC rate up to $7.50 in 2014, no increase in the CFC rate has been assumed in this analysis.

- **Rental Car Companies.** The current on-Airport car rental companies will relocate to, and continue to operate at the RITC through the projection period. In addition, DTG Operations, Inc. (Dollar Thrifty Automotive Group, operator of the Dollar and Thrifty brands) and two of the smaller, currently off-airport operators will move into the RITC and maintain their operations for the duration of the projection period. In the event one or more car rental car companies leave the market, the remaining car rental companies or new entrant car rental companies will act to serve demand and capture the market share of any departing companies.
- **Industry Consolidation.** On April 26, 2010, Hertz Global Holdings, Inc. announced plans to purchase Dollar Thrifty Automotive Group, Inc. for $1.2 billion. On July 28, 2010, Avis Budget Group Inc. announced it had made a counter offer to Dollar Thrifty valued at $1.3 billion. Both offers were subsequently revised, with Dollar Thrifty shareholders rejecting Hertz's final offer of $1.4 billion in September 2010 allowing Avis Budget to move forward with its $1.5 billion offer. With Avis Budget still awaiting approval of its transaction from the Federal Trade Commission, Hertz announced a new $2.1 billion offer for Dollar Thrifty on May 9, 2011. As of October 2011, The Dollar Thrifty Automotive Group is no longer pursuing a sale because no one has submitted a buyout offer that met its conditions. Furthermore, Hertz Global Holdings and Avis Budget Group, Inc. have withdrawn offers to buy Dollar Thrifty. Dollar Thrifty announced it would pursue an independent strategy, which includes the repurchasing of up to $400 million in stock. Nonetheless, Hertz publicly indicated it is still interested in a deal should it receive antitrust clearance and reach an agreement on price.[5] As recently as February 2012, Hertz reasserted their position, with Chief Executive Officer Mark Frissora stating on the company's first quarter earnings call that "[Our] Dollar Thrifty acquisition strategy remains the same, we continue to work forward constructively with the FCC on getting a consent decree and once we get that consent decree, our intension is to work with Dollar Thrifty's Board in order to try to consummate a transaction that makes sense to both companies."[6] While the final outcome of this transaction is uncertain, R&A is of the opinion it will have little effect on the demand for rental cars at the Airport, as such demand is largely a function of economic conditions and trends in demand for travel-related services rather than the presence of any one particular rental car company at the Airport.
- **Alternative Forms of Transportation.** No significant changes in the forms of alternative transportation or expansion of existing modes of alternative transportation within the Air Trade Area are expected that would influence rental car demand at the Airport during the projection period.
- **Consolidated Rental Car Facility.** The location of the new CRCF will not have a material effect on rental car demand or rental car transaction days at the Airport.
- **Off-Airport Rental Car Activity.** At present, a small percentage of the Airport rental car market is served by off-Airport operators. It is anticipated that off-Airport rental car operators will continue to serve a small percentage of the overall Airport rental car demand during the projection period.

[5] Rusli, Evelyn M., "Hertz Withdraws Offer for Dollar Thrifty", *The New York Times,* October 27, 2011
[6] Gara, Antoine, "Hertz, Dollar Thrifty Deal Could Drive Shares (Update 1), *The Street.com,* February 24, 2011

- **Construction Delay.** Any delay in the opening of the CRCF will not affect the collection of CFCs

Based on these assumptions, R&A developed its forecast of rental car activity by:

- Multiplying the forecasted amount of O&D deplaned passenger activity by the assumed ratio of transactions per passenger of 0.141 to derive the number of annual transactions. As discussed, the ratio of 0.141 is the average ratio observed during the last four years.
- Multiplying the forecasted number of transactions by the assumed number of days per transaction of 3.43, the ratio reported for the first seven months of FY 2012. To adjust for the 5 day maximum the CFC may be applied to each transaction, R&A discounts total transaction days by 21 percent to bring days per transaction to 2.70 (adjusted transaction days) which is lower than the 2.79 that is reported for the first seven months of FY 2012.
- Multiplying the projected number of adjusted transaction days by the assumed CFC rate of $6.00 per transaction day beginning with FY 2012 for the remainder of the projection period to derive the projected annual amount of CFC revenues.

Table IV-9 provides the detailed forecast of rental car activity from FY 2012 through FY 2017. Based on data for the first seven months of FY 2012 and incorporating the departure of American Airlines, the number of rental car transactions is estimated to decrease by 6.1 percent, to 298,800 from 318,083 in FY 2011. The number of rental car transactions grows in line with projected passenger activity from FY 2013 through FY 2017. This results in an overall 0.9 percent compound annual growth rate in the number of rental car transactions between FY 2012 and FY 2017.

Based on the data for the first seven months of FY 2012, the number of transaction days a CFC is charged is estimated at 806,800 for FY 2012. Again, as the assumed average days per transaction remains constant through the forecast period, the number of annual transaction days grows in line with the activity forecast. This results in a 0.9 percent compound annual growth rate in the number of annual transaction days (and adjusted transaction days) between FYs 2012 and 2017.

Based on the current $6.00 per transaction day CFC rate, CFC revenues are projected to increase from $4.8 million in FY 2012 to $5.1 million in FY 2017.

4.5.11 Non-Airline Revenues

Table IV-10 presents historical data on the Authority's non-airline revenues, which include rental car lease and concession fees, parking fees, and non-airline terminal lease and concession fees. Total non-airline revenues decreased at a 4.2 percent compound annual rate from FY 2007 through FY 2011, largely reflecting the downturn in passenger activity. **Table IV-11** presents the airport's projected non-airline operating revenues, which are expected to increase at a 2.7 percent annual rate through FY 2017, based on the individual factors discussed below.

4.5.12 Rental Car Revenue

On March 12, 2012, the Authority received executed, non-exclusive on-Airport rental car lease and concession agreements from Avis Budget Car Rental, Budget Rent a Car of Southern California, DTG Operations, Enterprise Rent-A-Car Company, Fox Rent A Car, the Hertz Corporation, and Midway Car Rental.

Each Lease has two components, a lease for the use of the CRCF, which has a term of 30-years from the opening of the CRCF, and a concession, which has a term of 10-years from the opening of the CRCF with two options for 10-year extensions at the mutual agreement of the parties. The Leases require the rental car companies operating on the Airport to conduct all of their operations at the

Table IV-9

Forecast of Rental Car Activity and CFC Revenue (Fiscal Years ended June 30)

		Actual	Actual	Estimated	Projected				
		2010 [5/]	2011	2012 [6/]	2013	2014	2015	2016	2017
Total Airport Deplaned Passengers [1/]	[A]	2,261,143	2,181,852	2,124,900	2,122,300	2,144,100	2,168,900	2,195,200	2,222,600
Annual % Change			-3.5%	-2.6%	-0.1%	1.0%	1.2%	1.2%	1.2%
Percentage of O&D to Total Passengers	[B]	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
O&D Deplaned Passengers	[C = A * B]	2,261,000	2,181,852	2,125,000	2,122,000	2,144,000	2,169,000	2,195,000	2,223,000
Annual % Change			-3.5%	-2.6%	-0.1%	1.0%	1.2%	1.2%	1.3%
Rental Car Transactions Per O&D Deplaned Passenger	[D]	0.134	0.146	0.141	0.141	0.141	0.141	0.141	0.141
Rental Car Transactions	[E = C * D]	303,980	318,083	298,800	298,400	301,500	305,000	308,700	312,600
Annual % Change			4.6%	-6.1%	-0.1%	1.0%	1.2%	1.2%	1.3%
Average Rental Car Transaction-Days Per Transaction [2/]	[F]			3.43	3.43	3.43	3.43	3.43	3.43
Rental Car Transaction Days [3/]	[G = E * F]	N/A	N/A	1,025,000	1,023,600	1,034,300	1,046,300	1,059,000	1,072,400
Less: Adjustment for the 5-Day Maximum CFC [4/]	[H = 21% * G]	N/A	N/A	218,200	218,000	220,200	222,800	225,500	228,300
Adjusted Rental Car Transaction Days	**[I = G - H]**	**N/A**	**N/A**	**806,800**	**805,600**	**814,100**	**823,500**	**833,500**	**844,100**
Adjusted Average Rental Car Transaction-Days Per Transaction [4/]	[J = I / E]	N/A	N/A	2.70	2.70	2.70	2.70	2.70	2.70
CFC Rate per Transaction	[K]	$10.00	$10.00	N/A	N/A	N/A	N/A	N/A	N/A
CFC Rate per Transaction Day	[L]	N/A	N/A	$6.00	$6.00	$6.00	$6.00	$6.00	$6.00
CFC Revenue per Transaction	[M = E * K]	$1,755,750	$3,186,870	$0	$0	$0	$0	$0	$0
CFC Revenue per Transaction Day	[N = I * L]	0	0	4,840,800	4,833,600	4,884,600	4,941,000	5,001,000	5,064,600
Total CFC Revenues		**$1,755,750**	**$3,186,870**	**$4,840,800**	**$4,833,600**	**$4,884,600**	**$4,941,000**	**$5,001,000**	**$5,064,600**
Annual % Change			81.5%	51.9%	-0.1%	1.1%	1.2%	1.2%	1.3%

Notes:

1/ Deplaned Passengers are assumed to equal Enplaned Passengers.

2/ Average Days per transaction of 3.43 is based on data from all the rental car companies for the first seven months of FY 2012.

3/ Rental car transaction day projections are estimated based on average days per transaction of 3.43.

4/ Adjustment for 5-day maximum is estimated based on data from all the rental car companies for the first seven months of FY 2012.

5/ The Airport began collecting a CFC of $10.00 per rental car transaction on December 1, 2009.

6/ The airport began collecting a $6.00 CFC per transaction day on July 1, 2011.

Source: Burbank-Glendale-Pasadena Airport Authority; Ricondo & Associates, Inc. , April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

Table IV-10

Historical Nonairline Revenues (Fiscal Years ended June 30)

	Actual					CAGR [1/]
	2007	2008	2009	2010	2011	2007 - 2011
Nonairline Revenues						
Parking fees	$26,116,002	$25,979,666	$21,820,676	$20,331,286	$19,825,325	-6.7%
Concession fees	9,454,270	10,004,525	8,744,000	7,944,325	8,098,199	-3.8%
Nonairline tenant rent	11,022,008	11,933,895	12,492,940	11,909,562	11,414,382	0.9%
Fuel flowage fees	746,717	643,494	504,420	541,732	533,820	-8.0%
Other operating revenues	533,191	581,183	488,079	491,301	478,170	-2.7%
Total Nonairline Revenues	$47,872,188	$49,142,763	$44,050,116	$41,218,205	$40,349,896	-4.2%

Note:
1/ CAGR - Compound annual growth rate

Source: Burbank-Glendale-Pasadena Airport Authority, April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

Table IV-11
Projected Nonairline Revenues (Fiscal Years ended June 30)

	Actual	Estimated	Projected					CAGR [4/]
	2011	2012	2013	2014	2015	2016	2017	2012 - 2017
Nonairline Revenues								
Parking fees	$19,825,325	$18,900,000	$19,000,000	$19,195,200	$19,417,200	$19,652,600	$19,897,900	1.0%
Concession fees	8,098,199	8,000,000	8,070,100	8,234,500	8,413,100	8,600,300	8,794,700	1.9%
Nonairline tenant rent	11,027,760	9,963,300	10,548,400	10,759,300	10,974,500	11,194,000	11,417,900	2.8%
Fuel flowage fees	533,820	475,000	475,400	478,600	481,800	485,000	488,200	0.5%
Rental car rent [1/]	386,623	336,700	343,400	350,300	0	0	0	N/A
Facility rent, rental car [2/]	0	0	0	0	2,225,100	2,412,000	2,354,700	N/A
Other operating revenues [3/]	478,170	400,000	404,000	408,000	412,100	416,200	420,400	1.0%
Total Nonairline Revenues	$40,349,896	$38,075,000	$38,841,300	$39,425,900	$41,923,800	$42,760,100	$43,373,800	2.6%
Annual Growth Rate		-5.6%	2.0%	1.5%	6.3%	2.0%	1.4%	

Note:
1/ Includes current rental car ready return rental fees until June 1, 2014, the scheduled initial occupancy date for the CRCF.
2/ See calculation on Table IV-12.
3/ Other operating revenue includes miscellaneous revenues, fingerprinting renewal/fees, access fees (taxi, limo, parking), fines and forfeitures, noise fines, and security violations.
4/ CAGR - Compound annual growth rate

Source: Burbank-Glendale-Pasadena Airport Authority; Ricondo & Associates, Inc., April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

CRCF. Furthermore, the Authority may permit Off-Airport Companies to pick up and drop off their customers only at the RITC structure, and at no other location on the airport. Under the Leases, the rental car companies will be responsible for the on-going costs of operating, maintaining and repairing the CRCF. Each Lease requires the applicable rental car company to pay the Authority a concession fee equal to the greater of a minimum annual guarantee (MAG) or ten percent (10%) of its annual gross revenues (as defined in the Lease). Such concession fees are considered Pledged Revenues. With the exception of the CRCF facility-specific expenses and the CFC rate, the Authority expects to implement substantially the same concession terms for off-airport companies as for the on-airport companies.

Facility Rent

The Leases also establish Facility Rent payable to the Authority from the rental car companies for the use of the CRCF. Facility Rent will be determined each year and equals the greater of $2.00 per square foot, indexed to the annual increase in the Consumer Price Index (CPI) for the Los Angeles – Anaheim – Riverside MSA, or the Annual Facility Rent Requirement. The Annual Facility Rent Requirement equals the total of: Ground Rent; plus debt service on the 2012 Series Bonds attributable to the CRCF and replacement public parking; plus replenishment of the debt service rolling coverage reserve (held in the Surplus Fund established in the Indenture); plus amounts required to replenish all 2012 Series Bond reserves to required levels; plus reimbursement of Facility Development Reserve loan used for the CRCF and replacement public parking; plus the allocated costs of other off-site or other improvements, or other expenditures, agreed to by the Authority and the rental car companies; plus the amount of any estimated budget shortfalls or any other funding requirements; less estimated CFC revenues to be remitted to the Authority by the on-airport and off-airport rental car companies plus any other revenues or credits to the rental car companies.

Table IV-12 presents the calculation of Facility Rent under the Lease. Ground rent is abated in the first Lease Year, which is anticipated to be the period from June 1, 2014 through June 1, 2015. Facility Rent is projected to equal $3.08 million in FY 2015, the first full fiscal year of operations, and increase slightly to $3.26 million in FY 2016 and FY 2017 due to the inclusion of ground rent that will be abated in FY 2015.

4.5.13 Parking Fees

Automobile parking represents the Airport's largest revenue stream, generating 43.7 percent of the Airport's total operating revenue in FY 2011. Parking revenues declined at a 6.7 percent compound annual rate from FY 2007 through FY 2011. Parking fees are projected to increase in line with enplanements through 2017. Parking rates are assumed to remain stable through the projection period. While the RITC will be built on an existing parking lot, the Authority plans to first establish replacement parking facilities which will retain the current number of parking spaces during construction.

4.5.14 Concession Revenue

Concession revenues sources include restaurants, newsstands, and sundry shops in the terminal, rental cars, advertising, and phones. Like other passenger-based revenue sources, concession revenues declined at a 3.8 percent compound annual rate over the past four years. Concession revenues are projected to increase at a 1.9 percent annual rate over the projection period.

4.5.15 Nonairline tenant rents

Nonairline tenant rents increased at a 0.9 percent compound annual growth rate over the past four years, reflecting the net effect of annual CPI adjustments in existing leases, increased ground rent

Table IV-12
Rental Car Facility Rent (Residual Rent Calculation; Fiscal Years ended June 30)

		Projected 2014	2015	2016	2017
Facility Rent					
Ground Rent [1/]		$0	$0	$247,764	$255,197
Development Fund Loan Repayment [2/]		0	289,234	289,234	289,234
Debt Service on 2012 Series Bonds		553,147	7,089,900	7,089,025	7,087,900
Deposit to rolling coverage reserve (Surplus fund) [3/]		1,772,694	0	0	0
Capital Expenditures - Rental Car [4/]		0	0	0	0
Less: Series 2012 Debt Service Reserve Interest Earnings [5/]		0	(213,000)	(213,000)	(213,000)
Rental Car Requirement	[A]	$2,325,841	$7,166,134	$7,413,023	$7,419,331
Less: Annual CFC Revenues	[B]	$2,325,841	$4,941,000	$5,001,000	$5,064,600
Net Rental Car Requirement	[C = A - B]	0	2,225,100	2,412,000	2,354,700
Square Footage	[D]	515,481	515,481	515,481	515,481
Required Residual Rent per Sq. Ft. [6/]	[E = C / D]	$0.00	$4.32	$4.68	$4.57

Notes:
1/ Ground rent of $0.11 /sq. ft. per month will be charged beginning July 1, 2015 (will be CPI adjusted). Area used is CRCF footprint plus fuel area (160,700 + 27,000 =187,700 sq. ft.). Abated for year one and one month.
2/ Facility Development Reserve Loan Repayment equal repayment of Authority funded CRCF projects (Repayment for 30 years at 4.0 percent annual interest rate).
3/ Equals a deposit of 25 percent of maximum annual Series 2012 debt service.
4/ Replenishment of Reserves, budget shortfalls, capital improvement or other items requiring funding as agreed by the Authority and the concessioners.
5/ Assumes a balance of $7.09 million at an annual interest rate of 3.0 percent.
6/ Date of beneficial occupancy for the CRCF is assumed to be June 1, 2014; thus, the calculation of facility rent for FY 2014 represents one month of activity.

Source: Burbank-Glendale-Pasadena Airport Authority; Ricondo & Associates, Inc., April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

derived from the completion of a new hangar, and the buyback of two fixed base operator (FBO) leases. Nonairline tenant rents are projected to increase at a 2.8 percent annual rate during the projection period due to CPI adjustments.

4.5.16 Other Revenues

Fuel flowage fees and the Airport's other remaining revenue sources, in aggregate, have historically represented less than 1 percent of total operating revenues. Fuel flowage fees are projected to increase at the same annual percentage rate as landed weight, with the remaining other revenue sources projected to increase at a 1.0 percent annual rate through the projection period.

4.5.17 Airline Revenues

Table IV-13 presents historical data on the Airport's airline related revenues, which consist of landing fees and terminal rents. Total landing fee revenue declined at a 6.0 percent compound annual rate from FY 2007 through FY 2011, as the airlines reduced operations or reduced the size of aircraft serving the Airport in response to the general weakening in demand for air service. Total signatory airline terminal rent increased by 1.0 percent.

<u>Signatory Airline Cost per Enplaned Passenger</u>

Table IV-14 presents the calculation of projected landing fees and airline terminal rental revenue through the projection period. The signatory landing fee rate is projected to increase from $0.80 in FY 2012 to $1.79 in FY 2017, as operating costs are projected to slightly outpace gains in passenger activity. Airline terminal rental revenues are projected to decrease in FY 2013, reflecting the expected termination of American's rental obligations at the end of FY 2012. From FY 2013 through FY 2017 terminal rentals are projected to remain stable.

Table IV-14 also presents the Airport's projected signatory passenger airline cost per enplaned passenger (CPE), a common industry metric used to measure the reasonableness of an airport's user fees. This metric is calculated by dividing total signatory passenger airline revenues by the number of enplaned passengers for each fiscal year of the projection period. The Airport's CPE is projected to increase from $2.15 in FY 2012 to $3.45 in FY 2017, as a result of the increasing landing fee. R&A notes that the Airport's current and projected CPE is well below published industry medians for FY 2010;[7] thus R&A is of the opinion that the Airport's cost structure will remain very reasonable compared to other airports in the Southern California market as well as the industry overall.

4.5.18 Debt Service

Table IV-15 presents the Airport's projected debt service obligations through 2017. The Authority's only outstanding debt consists of the 2005 Series Bonds, of which $53.5 million remains outstanding as of the end of FY 2011. The top section of Table IV-15 presents the actual debt service for the 2005 Series Bonds broken out as to principal and interest payable in each Fiscal Year (July 1 principal and interest payments are made from revenues deposited in the Bond Fund in the preceding Fiscal Year, i.e. the July 1, 2012 payment is payable from deposits during the Fiscal Year ended June 30, 2011). Annual debt service payments for the outstanding 2005 Bonds are relatively stable through maturity in FY 2025 at approximately $5.4 million annually.

The bottom section of Table IV-15 presents the projected debt service on the 2012 Series Bonds, which will be issued on parity with the 2005 Series Bonds. Based on the assumed structure of the

[7] Moody's median CPE for fiscal year 2010 for all airports in its ratings portfolio equaled $7.04. Source: Moody's Investor Service, *U.S. Airport Medians for FY 2010,* November 4, 2011.

Table IV-13
Historical Airline Revenues (Fiscal Years ended June 30)

	Actual					CAGR [1/]
	2007	2008	2009	2010	2011	2007 - 2011
Landing fees, signatory airlines	$2,868,677	$3,010,729	$2,625,243	$2,502,275	$2,361,826	-4.7%
Landing fees, non-signatory airlines [1/]	729,681	649,639	673,859	493,955	447,042	-11.5%
Terminal Rent, signatory airlines	2,122,070	2,145,268	2,060,696	2,162,981	2,206,248	1.0%
Total Airline Revenues	$5,720,428	$5,805,636	$5,359,799	$5,159,212	$5,015,115	-3.2%
		1.5%	-7.7%	-3.7%	-2.8%	

Note:
1/ Includes Cargo landing fees.

Source: Burbank-Glendale-Pasadena Airport Authority, April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

Table IV-14
Airline Required Payments and Signatory Airline Cost per Enplaned Passenger (Fiscal Years ended June 30)

		Actual	Estimated	Projected				
		2011	2012	2013 [4/]	2014	2015	2016	2017
Airline Terminal Rentals								
Exclusive Space Rent [1/]		$351,011	$347,838	$317,500	$317,500	$317,500	$317,500	$317,500
Joint Use Space Rent [2/]		1,795,558	1,795,558	1,795,600	1,795,600	1,795,600	1,795,600	1,795,600
Leased Area [3/]		59,679	65,266	63,500	63,500	63,500	63,500	63,500
Total Airline Terminal Rentals	[A]	$2,206,248	$2,208,662	$2,176,600	$2,176,600	$2,176,600	$2,176,600	$2,176,600
Landing Fees								
Signatory Landed Weight	[B]	2,951,981	2,980,024	2,982,400	3,002,500	3,022,600	3,042,900	3,063,100
Signatory Landing Fee	[C]	$0.80	$0.80	$0.97	$1.24	$1.45	$1.62	$1.79
Signatory Landing Fees	[D = B * C]	$2,361,826	$2,367,500	$2,892,900	$3,723,100	$4,382,800	$4,929,500	$5,482,900
Non-Signatory Landed Weight	[E]	327,591	330,703	330,963	333,193	335,430	337,675	339,926
Non-Signatory Landing Fee	[F]	$1.29	$1.29	$1.56	$2.00	$2.18	$2.27	$2.42
Non-Signatory Landing Fees	[G = E * F]	$447,042	$400,000	$517,700	$666,200	$729,600	$765,800	$821,400
Airline Revenues								
Signatory Airline Revenue								
Signatory Airline Terminal Rentals	[A]	$2,206,248	$2,208,662	$2,176,600	$2,176,600	$2,176,600	$2,176,600	$2,176,600
Signatory Landing Fees	[D]	2,361,826	2,367,500	2,892,900	3,723,100	4,382,800	4,929,500	5,482,900
Total Signatory Airline Revenues	[H = A + D]	$4,568,073	$4,576,162	$5,069,500	$5,899,700	$6,559,400	$7,106,100	$7,659,500
Other Airline Revenue								
Cargo Landing Fees	[I]	439,701	392,589	508,707	654,627	716,926	752,496	807,130
Other Non-Signatory Airline Landing Fees	[J]	7,341	7,411	8,993	11,573	12,674	13,304	14,270
Total Airline Revenues	[K = H + I + J]	$5,015,115	$4,976,162	$5,587,200	$6,565,900	$7,289,000	$7,871,900	$8,480,900
Enplaned Passengers	[L]	2,181,852	2,124,900	2,122,300	2,144,100	2,168,900	2,195,200	2,222,600
Signatory Airline Cost per Enplaned Passenger	[M = H / L]	$2.09	$2.15	$2.39	$2.75	$3.02	$3.24	$3.45

Notes:
1/ Exclusive space rent has multiple rates and areas. It includes baggage office space, ticket counter space, ramp storage space, operations office space, baggage make-up space, cargo bay /office space, and cargo public parking.
2/ Joint use space rent has multiple rates and areas. It includes baggage claim, hallway and hold room, passenger screening area, baggage make up, and baggage screening.
3/ Includes Southwest Airlines space rentals for Cargo, and multiple airlines rentals for Kiosks.
4/ Assumes that American Airlines discontinues to pay terminal rent July 1 2012.

Source: Burbank-Glendale-Pasadena Airport Authority; Ricondo & Associates, Inc., April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

Table IV-15
Debt Service (Fiscal Years ended June 30)

Existing Debt		Actual 2011	Estimated 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Principal								
Series 2005 A		$880,000	$915,000	$945,000	$980,000	$1,020,000	$1,055,000	$1,100,000
Series 2005 B		1,760,000	1,840,000	1,935,000	2,035,000	2,140,000	2,255,000	2,370,000
Total Principal	[A]	$2,640,000	$2,755,000	$2,880,000	$3,015,000	$3,160,000	$3,310,000	$3,470,000
Interest								
Series 2005 A		260,088	229,288	197,263	161,825	124,450	86,200	44,000
Series 2005 B		2,520,350	2,432,350	2,340,350	2,238,763	2,131,925	2,019,575	1,901,188
Total interest	[B]	$2,780,438	$2,661,638	$2,537,613	$2,400,588	$2,256,375	$2,105,775	$1,945,188
Total existing debt service	[C = A + B]	$5,420,438	$5,416,638	$5,417,613	$5,415,588	$5,416,375	$5,415,775	$5,415,188
Series 2012 [1/]								
Principal		$0	$0	$0	$0	$945,000	$1,015,000	$1,090,000
Interest [2/]		0	0	0	553,147	6,144,900	6,074,025	5,997,900
Total Series 2012 debt service	[D]	$0	$0	$0	$553,147	$7,089,900	$7,089,025	$7,087,900
Total debt service	[E = C + D]	$5,420,438	$5,416,638	$5,417,613	$5,968,735	$12,506,275	$12,504,800	$12,503,088

Note:
1/ Assumed, subject to change.
2/ Assumes 7.50 percent interest rate for Series 2012B Taxable, and 6.75 percent interest rate for Series 2012A Tax-Exempt (AMT) Bonds.

Source: Burbank-Glendale-Pasadena Airport Authority; Public Resources Advisory Group, April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

transaction and assumed interest rates provided by the Authority's financial advisor, annual debt service for the Series 2012 Bonds is assumed to be level through the projection period. However, as the 2012 Series Bonds are expected to be repaid with CFC revenue and Facility Rent charged to the rental car companies, only the debt service related to the 2005 Series Bonds is included in airline rates and charges for this analysis.

Based on the projected par amount of the 2012 Series Bonds, the Airport's total debt per enplaned passenger will equal approximately $61.55 at the end of FY 2012. Giving effect to the CFC and Facility Rent, the Airport's debt per enplaned passenger payable by the airlines will equal approximately $23.90 at the end of FY 2012. By 2017, these figures decline to $49.53 and $15.73, respectively, based on the amortization schedules for the 2005 Series Bonds and the 2012 Series Bonds and the expected increase in passenger volume. The Airport's current debt per enplaned passenger is well below published industry medians.[8] As the Authority does not anticipate additional borrowing, the Authority's debt burden should decrease during the projection period.

4.5.19 Debt Service Coverage

Table IV-16 presents the projection of Net Revenues available for Debt Service and the debt service coverage ratio, which exceeds the minimums established in the Indenture's two-pronged Rate Covenant for each Fiscal Year of the projection period. Per the Indenture, Net Revenues available for Debt Service equals Operating Revenue, plus interest income, less Operating Expense exclusive of depreciation and amortization. Deposits required to be funded include the Debt Service Reserve and the Operating Reserve. The Authority does not have any Subordinate Obligations outstanding at this time.

Net Revenues available for Debt Service are projected to provide at least 1.34x coverage of Annual Debt Service and all required deposits through the projection period, exceeding the 1.0x requirement of the first prong of the Rate Covenant. Net Revenues available for Debt Service, plus an allowed Transfer from the Surplus Fund (not to exceed 0.25x of annual debt service) are projected to provide coverage of at least 1.47x through the projection period, exceeding the 1.25x requirement of the second prong of the Rate Covenant. The Authority plans to deposit an amount equal to 25 percent of maximum annual debt service on the Series 2012 Bonds in the Surplus Fund in FY 2013 as "rolling coverage". An amount equal to 25 percent of annual debt service on the Series 2012 Bonds has been included in the calculation of the debt service coverage ratio to determine compliance with the second prong of the Rate Covenant beginning in FY 2014 as a transfer from the Surplus Fund as allowed in the Indenture. The Authority also intends to retain funds generated in FY 2012 equal to 25 percent of maximum annual debt service on the Series 2005 Bonds in the Surplus Fund to provide for such a transfer in FY 2013 and each subsequent fiscal year. Thus, R&A has included a transfer equal to 25 percent of annual debt service on the Series 2005 Bonds in the calculation of the debt service coverage ratio to determine compliance with the second prong of the Rate Covenant beginning in FY 2013 and for each subsequent fiscal year.

Based on the economic analysis presented in Chapter I that demonstrates the ability of the Air Trade Area to generate demand for air service at the Airport, the projection of enplanement activity presented in Chapter II that reflects continued demand for air service and the airlines' ability to provide such service, and the financial forecast presented in this Chapter IV, R&A is of the opinion that the projected Net Revenues available for Debt Service, inclusive where permitted of the allowed transfer from the Surplus Fund, are sufficient to meet or exceed the annual debt service requirements

[8] Moody's median debt per enplaned passenger for fiscal year 2010 equaled $76.33. Source: Moody's Investor Service, *U.S. Airport Medians for FY 2010,* November 4, 2011.

Table IV-16
Debt Service Coverage (Fiscal Years ended June 30)

		Actual	Estimated	Projected					MADS [1/]
		2011	2012	2013	2014	2015	2016	2017	2020
Total Airline Revenues		$5,015,115	$4,976,162	$5,587,200	$6,565,900	$7,289,000	$7,871,900	$8,480,900	$8,480,900
Total Nonairline Revenues		40,349,896	38,075,000	38,841,300	39,425,900	41,923,800	42,760,100	43,373,800	43,373,800
Total Non-operating Revenues		2,513,144	2,400,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Total Pledged Revenues	[A]	$47,878,155	$45,451,162	$47,128,500	$48,691,800	$51,912,800	$53,332,000	$54,554,700	$54,554,700
Total Operating Expenses	[B]	$35,083,450	$37,760,169	$38,533,100	$39,934,500	$41,284,500	$42,544,800	$43,848,200	$43,848,200
Net Pledged Revenues (before Surplus Account)	[C = A - B]	$12,794,705	$7,690,993	$8,595,400	$8,757,300	$10,628,300	$10,787,200	$10,706,500	$10,706,500
Transfer from Surplus Account for Series 2005 [2/]	[D]	0	0	1,354,403	1,353,897	1,354,094	1,353,944	1,353,797	1,354,897
Transfer from Surplus Account for Series 2012 [3/]	[E]	0	0	0	138,300	1,772,500	1,772,300	1,772,000	1,772,200
Net Pledged Revenues (including Surplus Account)	[F = C + D + E]	$12,794,705	$7,690,993	$9,949,803	$10,249,497	$13,754,894	$13,913,444	$13,832,297	$13,833,597
Debt Service and Required Deposits									
Debt Service on 2005 Series Bonds		$5,420,438	$5,416,638	$5,417,613	$5,415,588	$5,416,375	$5,415,775	$5,415,188	$5,419,588
Debt Service on 2012 Series Bonds		0	0	0	553,147	7,089,900	7,089,025	7,087,900	7,088,900
Total Annual Gross Debt Service		$5,420,438	$5,416,638	$5,417,613	$5,968,735	$12,506,275	$12,504,800	$12,503,088	$12,508,488
Less: CFC Revenues for Debt Service		0	0	0	553,147	4,941,000	5,001,000	5,064,600	$5,064,600
Total Annual Net Debt Service	[G]	$5,420,438	$5,416,638	$5,417,613	$5,415,588	$7,565,275	$7,503,800	$7,438,488	$7,443,888
Deposits to Operating Reserve Account		355,013	172,954	193,200	350,400	337,500	315,100	325,900	325,900
Total Debt Service and Required Deposits	[H]	$5,775,450	$5,589,592	$5,610,813	$5,765,988	$7,902,775	$7,818,900	$7,764,388	$7,769,788
Debt Service Coverage Ratios (Compliance with Rate Covenant)									
Net Pledged Revenues to Total Debt Service and Required Deposits (must equal or exceed 1.0x)	[I = C / H]	2.22	1.38	1.53	1.52	1.34	1.38	1.38	1.38
Net Pledged Revenues + Transfer [2, 3/] to Total Annual Net Debt Service (must equal or exceed 1.25x)	[J = F / G]	2.36	1.42	1.84	1.89	1.82	1.85	1.86	1.86

Notes:
1/ MADS = maximum annual debt service.

2/ The Indenture allows the balance in the Surplus Fund, up to 25% of annual debt service, to be added to current Net Revenue (such addition a "Transfer") to satisfy the 1.25x Rate Covenant test. The Authority intends to retain Pledged Revenues generated in FY 2012 equal to 25 percent of MADS on the Series 2005 Bonds in the Surplus Fund to provide for such a Transfer in FY 2013 and each subsequent fiscal year. Beginning in FY 2013, a transfer from the Surplus Fund equal to 25 percent of annual debt service for the Series 2005 Bonds is included in the annual calculation of debt service coverage for the purposes of determining compliance with the 1.25x Rate Covenant Test.

3/ The Authority intends to deposit an amount equal to 25 percent of MADS on the Series 2012 Bonds in the Surplus Fund in FY 2013 to provide for such a Transfer in FY 2014 and each subsequent fiscal year. Beginning in FY 2014 a Transfer equal to 25 percent of annual debt service for the Series 2012 Bonds is applied to the annual calculation of debt service coverage for the purposes determining compliance with the 1.25x Rate Covenant.

Source: Burbank-Glendale-Pasadena Airport Authority; Ricondo & Associates, Inc., April 2012.
Prepared by: Ricondo & Associates, Inc., April 2012.

of the Authority's outstanding Series 2005 Bonds and the planned Series 20012 Bonds and the covenants made by the Authority in the Indenture in each year of the projection period. Specifically, R&A is of the opinion that Net Revenues available for Debt Service, inclusive where permitted of the allowed transfer from the Surplus Fund, will be sufficient to meet or exceed the Rate Covenant as put forth in the Indenture in each Fiscal Year of the projection period.

4.5.20 Assumptions for Financial Projections

The techniques and methodologies used in preparing this report are consistent with industry practices for similar studies prepared in connection with airport revenue bond sales. While R&A believes that the approach and assumptions used are reasonable, some assumptions regarding future trends and events detailed in this report including, but not limited to, the implementation schedule and enplanement projections may not materialize. Achievement of the projections presented in this report, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.

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APPENDIX B

FINANCIAL STATEMENTS

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BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY

Basic Financial Statements
June 30, 2011 and 2010

(With Independent Auditor's
Report Thereon)

MGO Certified Public Accountants.

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
Basic Financial Statements
June 30, 2011 and 2010

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Independent Auditor's Report

The Honorable Board of Commissioners
Burbank-Glendale-Pasadena Airport Authority
Burbank, California:

We have audited the accompanying basic financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011 and 2010 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Macias Gini & O'Connell LLP

Los Angeles, California
November 23, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

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Management of the Burbank-Glendale-Pasadena Airport Authority (Authority), which operates Bob Hope Airport (Airport), offers readers of the Authority's basic financial statements the following *Management's Discussion and Analysis* (MD&A), a narrative overview and analysis of the Authority's financial activities as of and for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider this information in conjunction with the accompanying basic financial statements.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include the statements of net assets, the statements of revenues, expenses, and changes in net assets, the statements of cash flows, and the notes to the basic financial statements.

The statements of net assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statements of cash flows present information on the Authority's cash receipts and payments during the fiscal year. These cash flows are grouped into four categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Highlights of Airport Activities

- The assets of the Authority exceeded its liabilities (*net assets*) at June 30, 2011 and 2010 by $449,176,057 and $445,348,933, respectively. Of this amount, $122,694,054 and $130,128,587, respectively, may be used to meet the Authority's ongoing obligations to Airport users and creditors (*unrestricted net assets*).
- The Authority's total net assets increased by $3,827,124 and $13,068,518 in the fiscal years ended June 30, 2011 and 2010, respectively.
- The Authority's net capital assets increased by $7,434,376 in Fiscal Year (FY) 2011, consisting of additions of $22,126,685, deletions of $2,606 (net of accumulated depreciation of $1,041,044) and depreciation expense of $14,689,703. The Authority's net capital assets decreased by $4,646,182 in FY 2010, consisting of additions of $11,132,475, deletions of 98,781 (net of accumulated depreciation of $4,048,379) and depreciation expense of $15,679,876.
- Operational Results:
  - In FY 2011 total passengers of 4,359,928 declined from FY 2010 by 3.4%, and in FY 2010 total passengers of 4,515,713 declined from FY 2009 by 6.4%. The decrease in passenger traffic levels reflects the continuing impact of the sluggish national economy and the airline industry's capacity reductions relative to the reduced demand for air travel. The Airport remained focused on maintaining efficient passenger operations, matching the timing of capital programs to alternate funding sources, upgrading infrastructure, and implementing security requirements.
  - Total operating revenues generated during FY 2011 decreased by $1,012,406, or 2.2%, from FY 2010. Total operating revenues generated during FY 2010 decreased by $3,032,498, or 6.1%, from FY 2009.

- Total operating expenses incurred during FY 2011 increased by $429,877, or 0.9%, over FY 2010 (increase of $1,420,050 or 4.2% excluding depreciation expense). Total operating expenses in FY 2010 increased by $3,001,145, or 6.5%, over FY 2009 (increase of $1,933,692 or 6.1% excluding depreciation expense).
- The Airport was served during FY 2011 and FY 2010 by six signatory carriers: Alaska Airlines, American Airlines, U.S. Airways, JetBlue Airways, SkyWest Airlines (which operates Delta Connection and United Express) and Southwest Airlines.
- The Airport's ability to maintain its passenger traffic levels and/or attain any future passenger development is contingent on the recovery of the national economy and decisions by airline management to provide air service at Bob Hope Airport to meet customer demand. Airport management cannot predict the decisions of airline management or the future course of the aviation industry. 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 may vary substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically even in the absence of catastrophic events. Due to impacts on airlines of varying demand as a result of the continuing sluggish national economy and volatile fuel costs, passenger levels in the quarters ended September 30, 2010, December 31, 2010, March 31, 2011 and June 30, 2011 declined 2.0%, 2.7%, 3.7% and 5.5%, respectively, from the same periods in FY 2010. The impact of the national economy on the airline industry and passenger activity is expected to continue in FY 2012.
- During FY 2011, the Airport continued its residential sound insulation program and acoustically treated approximately 207 residences and an additional 203 are in progress at June 30, 2011. During FY 2010, the Airport acoustically treated approximately 135 residences and an additional 112 were in progress at June 30, 2010. The funding for this program, in which noise mitigation features are installed in residences impacted by airport noise, is provided by federal grants, passenger facility charge fees, and Authority funds. As part of its ongoing noise mitigation program, the Authority received Federal Aviation Administration (FAA) grant awards of $12.8 million in August 2006, $7 million in August 2007, $3 million in June 2008, and an additional $7 million was awarded in February 2009.

- **FAR Part 161 Application.** On November 2, 2009, the Federal Aviation Administration disapproved the Authority's FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport. The Authority continues to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise protection.
- **Development Agreement.** The Authority and the City of Burbank have entered into a multiyear agreement (the Development Agreement) clarifying permitted development and uses within the Airport Zone, as defined by the City of Burbank Municipal Code, on the Airport property for the term of the agreement and determining the uses and/or disposition of certain land during the term of the Development Agreement.

  Based on a recommendation of the Airport Land Use Working Group, on August 1, 2011 the Authority sought and on September 8, 2011 the City agreed to an extension of the Development Agreement to March 15, 2015, and revised the agreement to permit seeking public input on the future vision of the airport, which may include a new or relocated passenger terminal.
- **Special Item – Environmental Litigation and Settlement.** In July 2010, the Authority was formally named by the U.S. Environmental Protection Agency (EPA) as one of approximately 30 parties designated under the federal Superfund law (CERCLA) as "potentially responsible parties" (PRPs) for the second

interim remedy at the North Hollywood Operable Unit (NHOU), which was preliminarily estimated by EPA to cost approximately $108 million. The EPA requested that the Authority, together with other named PRPs, form a group and submit a good faith settlement offer to EPA to undertake the work required for the second interim remedy, and demanded payment of certain of its past costs incurred in the NHOU and a portion of the collective San Fernando Valley Superfund Sites that the EPA calculated to be approximately $13 million.

Separately, the Authority filed a lawsuit, *Burbank-Glendale-Pasadena Airport Authority v. Lockheed Martin Corporation*, No. CV 10-2392 MRP (ANx) in the United States District Court for the Central District of California (Indemnification Action). That lawsuit claimed that Lockheed Martin Corporation owes the Authority a contractual duty to defend and indemnify against the EPA's current claims. The Authority based its claims principally upon a written indemnification provision in the 1978 Airport Purchase Agreement executed by it and by Lockheed. Lockheed answered the complaint, denying the material allegations thereof and asserting various affirmative defenses.

The Authority subsequently settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provides that the Authority will pay to Lockheed Martin Corporation the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed Martin Corporation agreed to defend and indemnify the Authority for certain settled matters, including all response costs (previously estimated by EPA to be $108 million) in connection with the second interim remedy for the NHOU asserted by EPA or by any other PRP against either or both Lockheed Martin Corporation and the Authority.

Included in the Special Item are the costs of the settlement totaling $2 million and legal costs related to the EPA and Lockheed matters for the year ended June 30, 2011 totaling $878,795. Legal costs related to the EPA and Lockheed matters for the year ended June 30, 2010 total $514,854 and were included in Professional Services for the year then ended.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs, including those costs incurred in FY 2010. Incremental parking revenues totaling $591,789 for the year ended June 30, 2011, net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling $63,406, are not included in parking revenues but, rather, are included as an offset to the legal and settlement costs noted above.

- **Regional Intermodal Transportation Center**. The Regional Intermodal Transportation Center (RITC) project will include a transportation center linking the Airport with the Metrolink/Amtrak Bob Hope Airport train station immediately south of the Airport, local and regional bus service, and other mass transit transportation in the Authority's continuing efforts to promote alternative access to the Airport. The RITC will also include a consolidated rental car facility (CRCF). The RITC project will also include an elevated covered moving sidewalk between the RITC and the terminal, a significant leased installation by the City of Burbank's Burbank Water and Power Department of solar power panels on the roof of the RITC and a publicly accessible consolidated natural gas (CNG) fueling facility to be developed and operated under a ground development lease.

  On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from $159 million to $187 million, significantly exceeded the $112 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected all of the bids and directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services with the expectation of going back out to bid for the redesigned project in November 2011.

Schedule of Net Assets

A summary of the Airport's net assets as of June 30, 2011, 2010 and 2009 is shown below:

Schedule of Net Assets

				FY 2011/10 increase (decrease)		FY 2010/09 increase (decrease)	
	2011	**2010**	**2009**	**Amount**	**%**	**Amount**	**%**
Assets:							
Current unrestricted assets	$ 31,337,049	30,983,974	30,527,347	353,075	1.1%	$ 456,627	1.5%
Restricted assets	110,076,099	109,055,103	112,954,531	1,020,996	0.9	(3,899,428)	(3.5)
Facility Development Reserve	100,000,000	106,000,000	88,000,000	(6,000,000)	(5.7)	18,000,000	20.5
Bond issuance costs	737,164	796,698	889,515	(59,534)	(7.5)	(92,817)	(10.4)
Capital assets, net	277,784,430	270,350,054	274,996,236	7,434,376	2.7	(4,646,182)	(1.7)
Total assets	519,934,742	517,185,829	507,367,629	2,748,913	0.5	9,818,200	1.9
Liabilities:							
Current liabilities	11,120,280	9,464,548	10,133,502	1,655,732	17.5	(668,954)	(6.6)
Liabilities payable from restricted assets	4,030,219	3,974,930	3,918,412	55,289	1.4	56,518	1.4
Noncurrent liabilities	55,608,186	58,397,418	61,035,300	(2,789,232)	(4.8)	(2,637,882)	(4.3)
Total liabilities	70,758,685	71,836,896	75,087,214	(1,078,211)	(1.5)	(3,250,318)	(4.3)
Net assets:							
Invested in capital assets, net of related debt	225,693,846	215,639,772	217,850,889	10,054,074	4.7	(2,211,117)	(1.0)
Restricted, debt service	11,736,865	11,243,481	10,836,080	493,384	4.4	407,401	3.8
Restricted, capital projects	89,051,292	88,337,093	92,447,702	714,199	0.8	(4,110,609)	(4.4)
Unrestricted	122,694,054	130,128,587	111,145,744	(7,434,533)	(5.7)	18,982,843	17.1
Total net assets	$ 449,176,057	445,348,933	432,280,415	3,827,124	0.9	$ 13,068,518	3.0

Net Assets

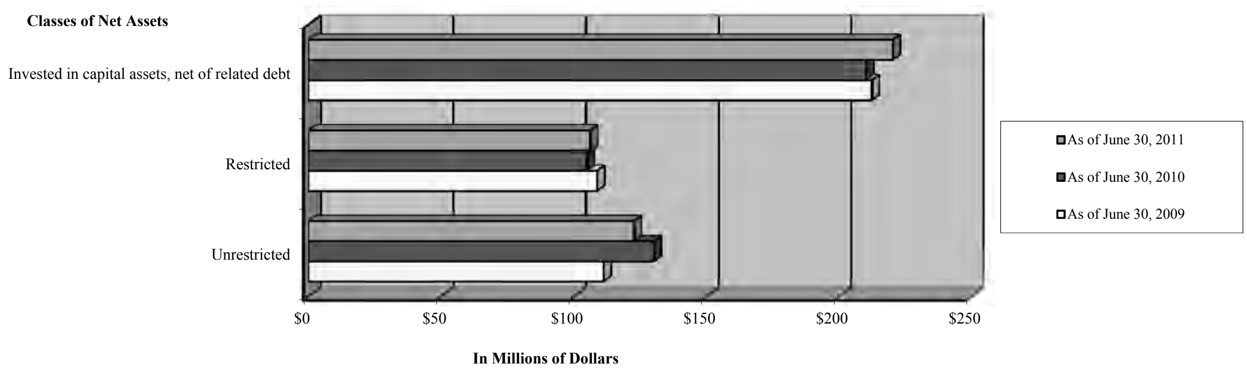
As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities (net assets) by $449,176,057, $445,348,933, and $432,280,415 at the close of FY 2011, FY 2010, and FY 2009, respectively.

The largest portion of the Authority's net assets (50.2%, 48.4%, and 50.4% at June 30, 2011, 2010 and 2009, respectively) reflects its investment in capital assets (e.g., land, buildings, runways, and the like); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to Airport users; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The second largest portion of the Authority's net assets (22.4%, 22.4%, and 23.9% at June 30, 2011, 2010 and 2009, respectively) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets, 11.6%, 11.3% and 10.5% are for repayment of long-term debt and 88.4%, 88.7% and 89.5% are for construction of capital assets at June 30, 2011, 2010 and 2009, respectively.

The final portion of net assets is unrestricted net assets and may be used to meet the Authority's ongoing obligations to Airport users and creditors. Included in unrestricted net assets at June 30, 2011, 2010 and 2009 is net assets committed by Authority Resolution for engine repowerment of shuttle buses of $541,043, $700,000 and $700,000, respectively.

Net Assets as of June 30, 2011, 2010 and 2009



As of June 30, 2011, the Authority is able to report positive balances in all three categories of net assets. The same situation held true as of June 30, 2010 and 2009.

Current Unrestricted Assets

The Authority's current unrestricted assets increased by $353,075, or 1.1%, in FY 2011 primarily resulting from net operating revenues, offset by decreased interest receivables and decreased grant receivables from accrued qualifying grant expenditures. The Authority's current unrestricted assets increased by $456,627, or 1.5%, in FY 2010 primarily resulting from net operating revenues, offset by decreased interest receivables and decreased grant receivables from accrued qualifying grant expenditures. $6.0 million were transferred during FY 2011 from the Facility Development Reserve to the Current Operating Fund to provide interim financing for the Regional Intermodal Transportation Center (RITC) project. $18 million were transferred during FY 2010 from the Current Operating Fund to the Facility Development Reserve.

Restricted Assets

The Authority's restricted assets increased by $1.0 million, or 0.9%, in FY 2011. The increase in restricted assets includes an increase of $9,535 in the Debt Service Fund and Debt Service Reserve Fund related to the 2005 Airport Revenue Bonds, an increase of $365,785 in the Operating Reserve Fund, a decrease of $2,125,818 in the Passenger Facility Charge (PFC) Fund, an increase of $3,248,030 in the Customer Facility Charge (CFC) Fund, a decrease of $493,115 in PFC receivables, a decrease of $63,880 in CFC receivables, and an increase of $3,681 in accrued interest related to other restricted cash and investment funds.

The increase in the Debt Service and Debt Service Reserve funds relates to debt service requirements and accumulated interest earnings. The Operating Reserve Fund, a fund required by the Bond Indenture in an amount equal to the one fourth of the operations and maintenance budget, increased based on a corresponding increase in that budget for FY 2011. The PFC is an FAA-approved charge levied on each enplaned passenger (currently $4.50). PFC funds collected are restricted and may only be used on specifically approved facility improvement projects. The balance in the PFC Fund is dependent on the timing of receipts and expenditures on approved projects. PFC revenue for fiscal years ended June 30, 2011, 2010 and 2009 totaled $9,642,916, $10,291,366 and

$11,035,756, respectively, including interest and changes in fair value in the PFC Fund of $404,103, $649,043 and $1,370,788, respectively. During the fiscal year ended June 30, 2011, funds totaling $12,305,329 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $2,946,776 was for sound insulation program expenses and $9,358,553 for facility improvement project expenses.

The CFC is a State of California permitted charge established by the Authority effective December 1, 2009, levied on rental car customers. The fee was $10 per rental car transaction through June 30, 2011. In accordance with State law, effective July 1, 2011 the Authority increased the CFC fee to $6 per rental car transaction day, up to a maximum of five rental days. CFC funds collected are restricted and may only be used for the planning, design, construction and financing of a consolidated rental car facility (CRCF). The balance in the CFC Fund is dependent on the timing of receipts and expenditures on the CRCF. CFC revenue for fiscal years ended June 30, 2011 and 2010 totaled $3,186,870 and $1,755,750, respectively, and funds totaling $0 and $1,105,186 for eligible CRCF costs were reimbursed to the Current Operating Fund from the CFC Fund in FY 2011 and FY 2010, respectively.

The Authority's restricted assets decreased by $3.9 million, or 3.5%, in FY 2010. The decrease in restricted assets includes an increase of $164,216 in the Debt Service Fund and Debt Service Reserve Fund related to the 2005 Airport Revenue Bonds, an increase of $189,703 in the Operating Reserve Fund, a decrease of $4,740,711 in the PFC Fund, an increase of $292,894 in the CFC Fund, a decrease of $71,607 in PFC receivables, an increase of $360,390 in CFC receivables, and a decrease of $226,666 in accrued interest related to other restricted cash and investment funds. The increase in the Debt Service and Debt Service Reserve funds relates to debt service requirements and accumulated interest earnings. The Operating Reserve Fund increased based on a corresponding increase in that operations and maintenance budget for FY 2010. During the fiscal year ended June 30, 2010, funds totaling $15,168,837 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $1,715,544 was for sound insulation program expenses and $13,453,293 for facility improvement project expenses.

Facility Development Reserve

Cash and investments – Facility Development Reserve decreased $6.0 million, or 5.7% in FY 2011 and increased $18 million, or 20.5%, in FY 2010. This fund was established by the Authority during fiscal year 2000 to provide for the development of the terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects will be determined based on the approval of the Authority. $6.0 million was transferred from the Facility Development Reserve to the current operating fund to provide interim financing for the RITC project in FY 2011. $18 million were transferred during FY 2010 to the Facility Development Reserve from current operating funds.

Capital Assets

The Authority's net capital assets increased $7,434,376, or 2.7%, in FY 2011 and decreased $4,646,182, or 1.7%, in FY 2010. The net increase in capital assets of $7,434,376 in FY 2011 includes additions of $22,126,685, deletions of $2,606 (net of accumulated amortization of $1,041,044) and depreciation expense of $14,689,703. The net decrease in capital assets of $4,636,182 in FY 2010 includes additions of $11,132,475, deletions of $98,781 (net of accumulated depreciation of $4,048,379), and depreciation expense of $15,679,876.

FY 2011 additions to capital assets of $22.1 million include runway shoulder rehabilitation, extension of the Taxiway D blast fence, repaving of certain general aviation aircraft ramps, landside water line replacement, Terminal B carpet replacement, CNG engine retrofit on one shuttle bus, and additions to construction in progress on the RITC, Aircraft Ramps A and B rehabilitation and CUPPS projects. FY 2011 deletions include depreciation of $14.7 million and other deletions of $2,606 (net of accumulated depreciation of $1,041,044) including taxilane centerline and guard lighting, prior Aircraft Ramps A and B paving, and prior taxilane and other airfield paving.

FY 2010 additions to capital assets of $11.1 million include rehabilitation of parking lots B and E, phase II of the digital video surveillance system (DVSS) project, replacement radio console system, blade server and SAN system, Taxilane B repaving, runway guard lights system, Taxiways C, D and G rehabilitation, and additions to construction in progress on the CUPPS and RITC projects. FY 2010 deletions include depreciation of $15.7 million and other deletions of $98,781 (net of accumulated depreciation of $4.0 million) including prior paving of Parking Lots B and E, radio console system and prior Taxiway B and C paving.

Current Liabilities

Current liabilities increased $1.7 million, or 17.5%, in FY 2011. The increase results from increase in vendor accruals primarily related to various capital projects of $381,811 and the Special Item of $1,078,850, an increase in salaries and benefits payable of $59,332, and an increase in unearned revenue of $155,291; offset by a decrease in customer deposits of $19,552.

Current liabilities decreased $0.7 million, or 6.6%, in FY 2010. The decrease results from an increase in vendor accruals primarily related to various capital projects of $116,418, an increase in salaries and benefits payable of $79,753, and an increase in customer deposits of $19,561; offset by a decrease in unearned revenue related to tenant rents paid in advance of $884,686.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets increased by $55,289, or 1.4%, in FY 2011 and $56,518, or 1.4%, in FY 2010. The increase in FY 2011 reflects a net increase of $110,000 in the current portion of long-term debt related to the 2005 Airport Revenue Bonds, offset by a decrease of $54,711 in interest payable on the 2005 Airport Revenue Bonds.

The increase in FY 2010 reflects a net increase of $110,000 in the current portion of long-term debt related to the 2005 Airport Revenue Bonds, offset by a decrease of $53,482 in interest payable on the 2005 Airport Revenue Bonds.

Noncurrent Liabilities

Noncurrent liabilities decreased by $2,789,232, or 4.8%, in FY 2011 and $2,637,881, or 4.3%, in FY 2010. These decreases represent the reclassification of $2,640,000 in FY 2011 and $2,530,000 in FY 2010 of the 2005 Airport Revenue Bonds to current portion of long-term debt and annual amortization of original issue premium and deferred amounts on refunding on the 2005 Airport Revenue Bonds totaling $149,232 in FY 2011 and $107,881 in FY 2010.

Schedule of Revenues, Expenses, and Changes in Net Assets

The following table illustrates a condensed summary of the changes in net assets for the fiscal years ended June 30, 2011, 2010 and 2009:

Schedule of Revenues, Expenses, and Changes in Net Assets

				FY 2010/11 increase (decrease)		FY 2009/10 increase (decrease)	
	FY 2011	FY 2010	FY 2009	Amount	%	Amount	%
Operating revenues	$ 45,365,011	46,377,417	49,409,915	(1,012,406)	(2.2)%	$ (3,032,498)	(6.1)%
Operating expenses	49,773,153	49,343,276	46,342,131	429,877	0.9	3,001,145	6.5
Operating income (loss)	(4,408,142)	(2,965,859)	3,067,784	(1,442,283)	48.6	(6,033,643)	(196.7)
Nonoperating revenues, net	9,928,405	10,588,549	10,752,045	(660,144)	(6.2)	(163,496)	(1.5)
Income before contributions and special item	5,520,263	7,622,690	13,819,829	(2,102,427)	(27.6)	(6,197,139)	(44.8)
Capital contributions	657,273	5,445,828	4,609,536	(4,788,555)	(87.9)	836,292	18.1
Special item	(2,350,412)	—	—	(2,350,412)	N/A	—	N/A
Changes in net assets	3,827,124	13,068,518	18,429,365	(9,241,394)	(70.7)	(5,360,847)	(29.1)
Total net assets – beginning of year	445,348,933	432,280,415	413,851,050	13,068,518	3.0	18,429,365	4.5
Total net assets – end of year	$ 449,176,057	445,348,933	432,280,415	3,827,124	0.9	$ 13,068,518	3.0

Traffic Activities

Commercial aircraft operations (takeoffs and landings) and landed weight reflect decreases during FY 2011 of 10.1% and 6.1%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, increased 1.6% in FY 2011. Aircraft operations (takeoffs and landings) and landing weight decreased 6.1% and 7.7%, respectively, during FY 2010. Cargo tonnage increased 6.9% in FY 2010.

Total passenger levels decreased by 3.4% and 6.4% in FY 2011 and FY 2010, respectively. The state of the national economy, the impact of rapidly increasing fuel costs and potential restructuring of the airline industry could materially affect passenger traffic levels at the Airport.

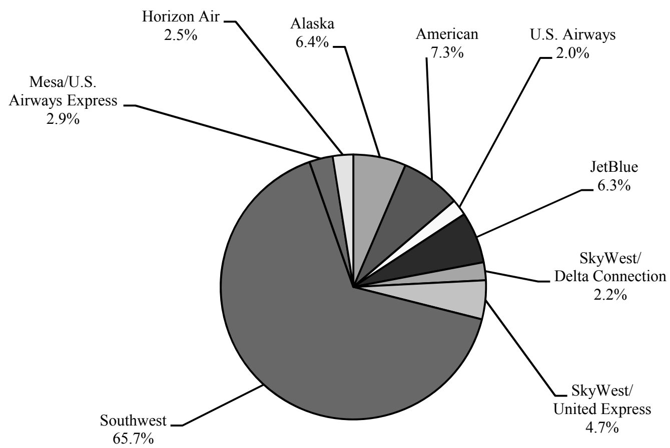
Illustrated below are comparative traffic activities for FY 2011, FY 2010 and FY 2009:

Comparative Traffic Activities

				% increase (decrease)	
Description	FY 2011	FY 2010	FY 2009	FY 2010/11	FY 2009/10
Commercial carrier flight operations (takeoffs and landings)	57,306	63,730	67,836	(10.1)%	(6.1)%
Landing weight (in pounds)	3,279,571,614	3,493,028,279	3,785,565,016	(6.1)	(7.7)
Total enplaned and deplaned passengers	4,359,928	4,515,713	4,823,781	(3.4)	(6.4)
Cargo tonnage (in tons)	47,598	46,863	43,835	1.6	6.9

Illustrated below is the passenger traffic share by airline for fiscal years ended June 30, 2011 and 2010:

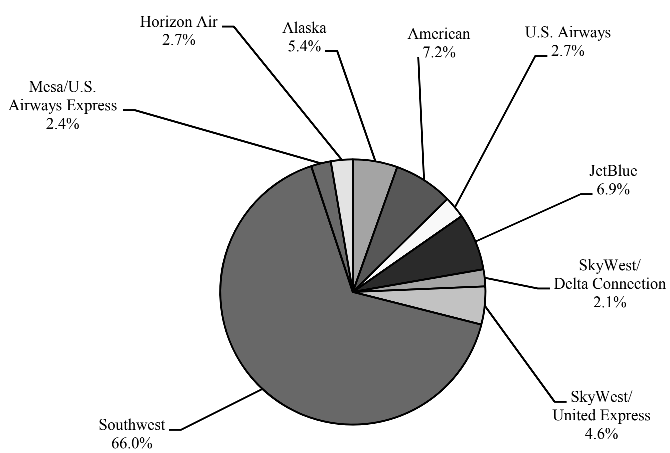
Total Passengers by Air Carrier – *FY 2011*



Air Carrier	*Number of Passengers*
Alaska Airlines	280,447
American Airlines	318,594
JetBlue Airways	273,104
SkyWest Airlines:	
Delta Connection	95,799
United Express	206,500
Southwest Airlines	2,864,328
U.S. Airways	87,237
Mesa – U.S. Airways Express	125,003
Horizon Air	108,916
Total Passengers	4,359,928

***** Note:***
Delta Air Lines service is provided by Delta Connection and United Airlines service is provided by United Express, both operated by SkyWest Airlines.

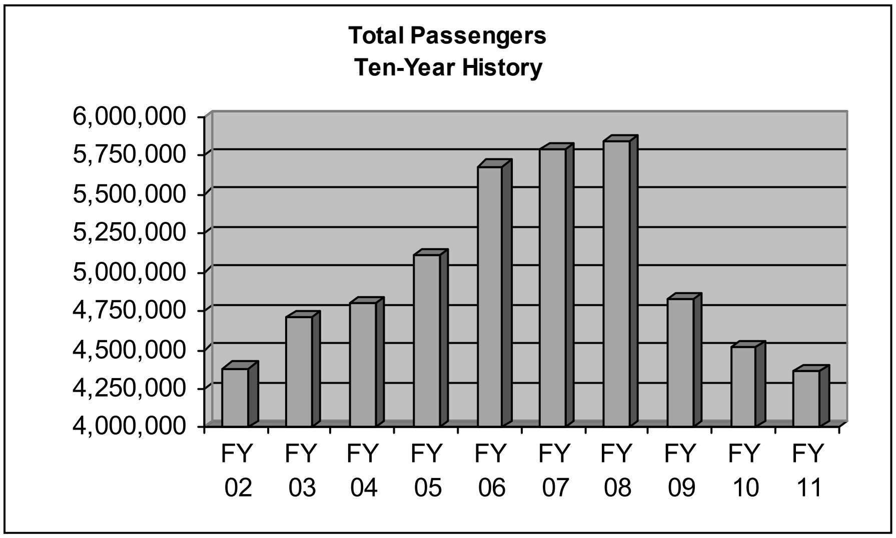
Total Passengers by Air Carrier – *FY 2010*



Air Carrier	*Number of Passengers*
Alaska Airlines	245,100
American Airlines	325,409
JetBlue Airways	313,713
SkyWest Airlines:	
Delta Connection	93,108
United Express	209,234
Southwest Airlines	2,978,621
U.S. Airways	121,031
Mesa – U.S. Airways Express	109,093
Horizon Air	120,404
Total Passengers	4,515,713

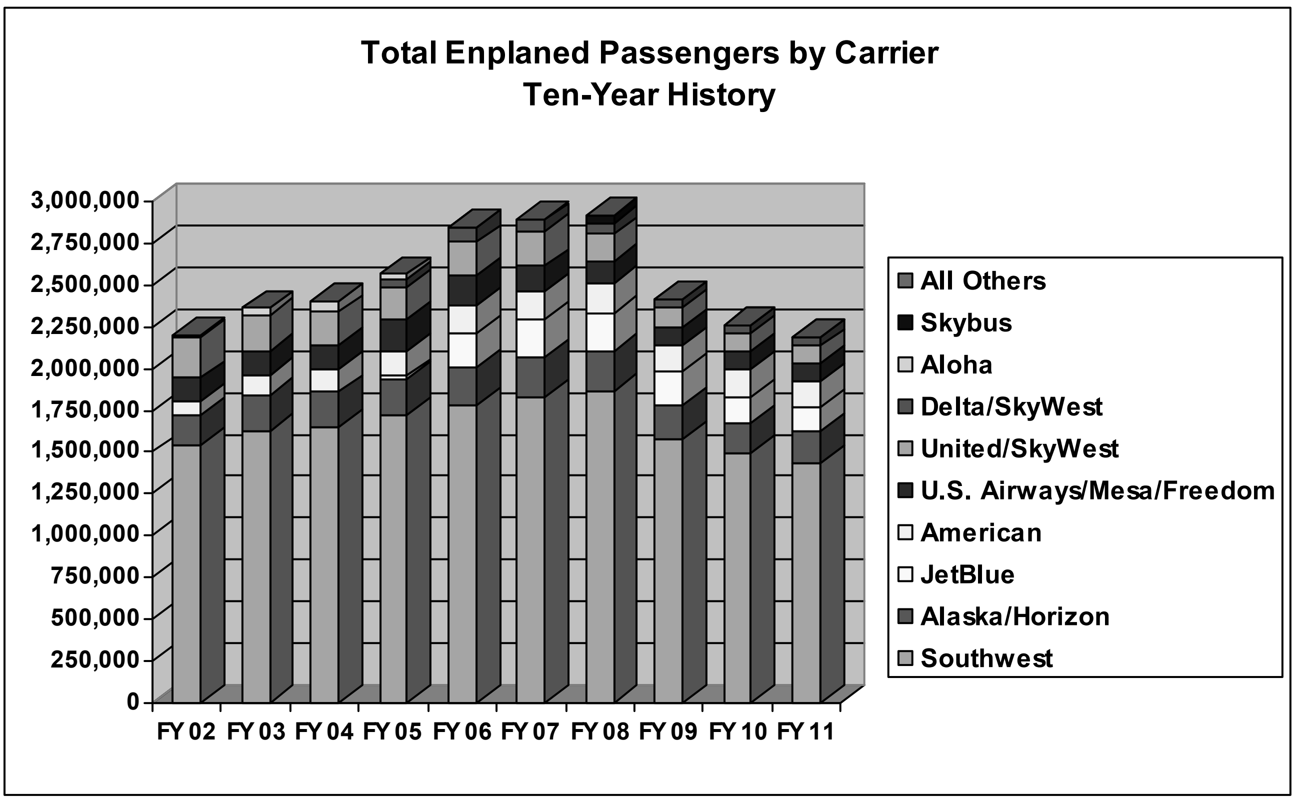
***** Note:***
Delta Air Lines service is provided by Delta Connection and United Airlines service is provided by United Express, both operated by SkyWest Airlines.

Illustrated below is a ten-year history of total passengers:

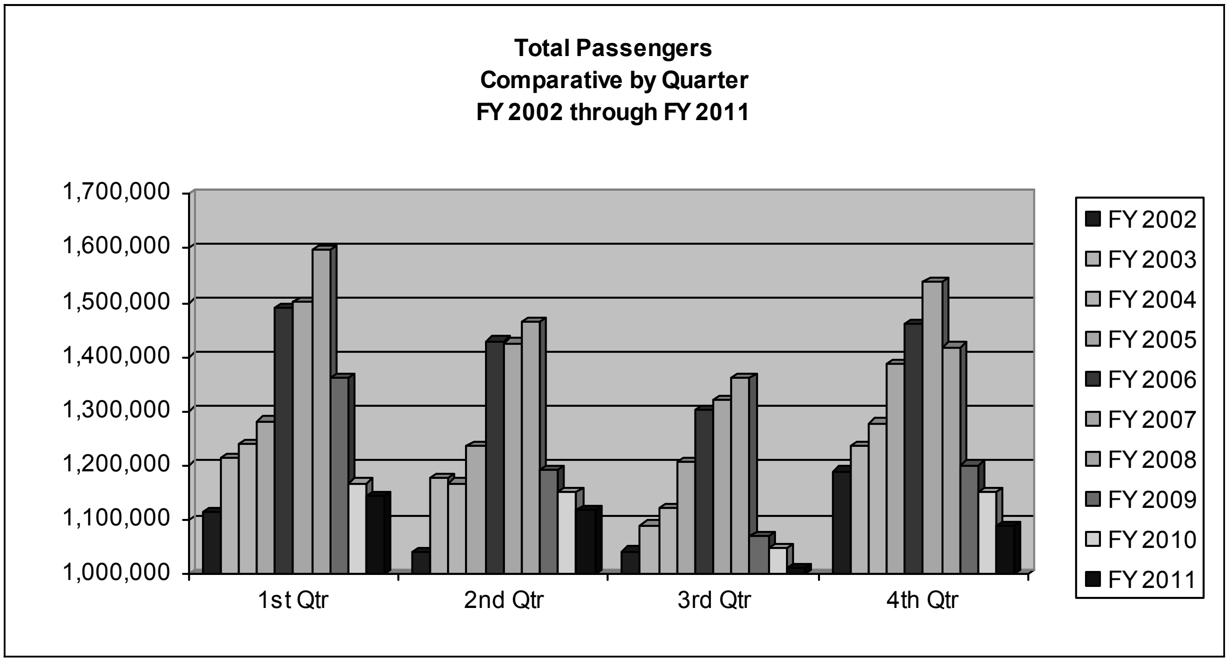


Total Passengers	
FY 2011	4,359,928
FY 2010	4,515,713
FY 2009	4,823,781
FY 2008	5,841,021
FY 2007	5,785,843
FY 2006	5,681,528
FY 2005	5,111,412
FY 2004	4,804,639
FY 2003	4,714,539
FY 2002	4,385,110

Illustrated below is a ten-year history of enplaned passengers, by carrier:



Illustrated below is a comparison, by quarter, of passenger activity for FY 2002 through FY 2011.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Passengers
FY 2002	1,113,270	1,040,676	1,041,397	1,189,767	4,385,110
FY 2003	1,213,440	1,176,469	1,089,632	1,234,998	4,714,539
FY 2004	1,238,575	1,166,731	1,121,090	1,278,243	4,804,639
FY 2005	1,281,556	1,235,911	1,205,963	1,387,982	5,111,412
FY 2006	1,489,935	1,428,739	1,302,471	1,460,383	5,681,528
FY 2007	1,500,235	1,426,202	1,320,763	1,538,643	5,785,843
FY 2008	1,597,498	1,464,432	1,360,627	1,418,464	5,841,021
FY 2009	1,361,546	1,190,767	1,070,324	1,201,144	4,823,781
FY 2010	1,167,429	1,149,536	1,047,910	1,150,838	4,515,713
FY 2011	1,144,365	1,118,158	1,009,449	1,087,956	4,359,928

Operating Revenues

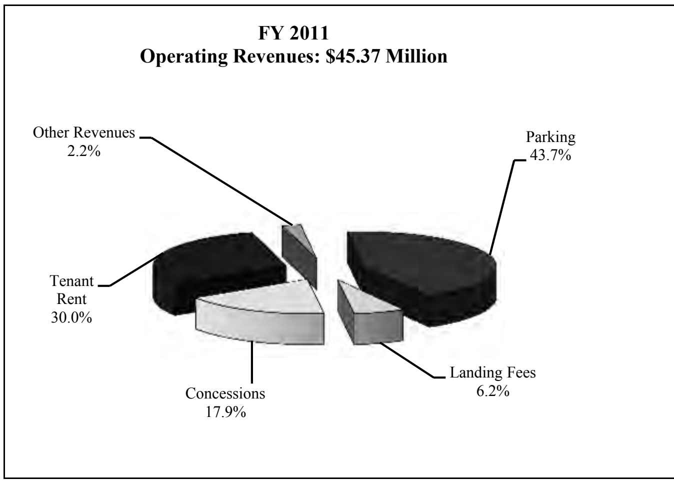
The Airport derives its operating revenues from the operation of parking facilities, tenant rent, concessionaire-assessed rents and fees, aircraft landing fees, and other assessments including ground transportation access fees and fuel flowage fees.

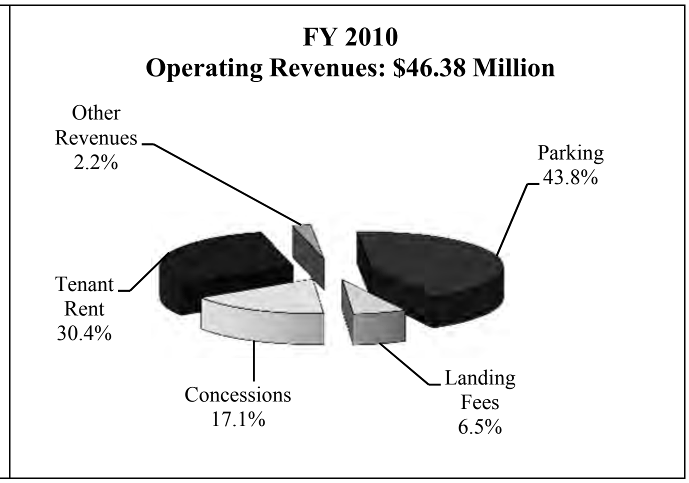
The following table illustrates a comparative summary of operating revenues in FY 2011, FY 2010 and FY 2009:

Comparative Summary of Operating Revenues

	FY 2011	FY 2010	FY 2009	FY 2010/11 increase (decrease) Amount	FY 2010/11 increase (decrease) %	FY 2009/10 increase (decrease) Amount	FY 2009/10 increase (decrease) %
Parking	$ 19,825,325	20,331,286	21,820,676	(505,961)	(2.5)%	$ (1,489,390)	(6.8)%
Landing fees	2,808,867	2,996,230	3,299,103	(187,363)	(6.3)	(302,873)	(9.2)
Concessions	8,098,199	7,944,325	8,744,001	153,874	1.9	(799,676)	(9.1)
Tenant rent	13,620,630	14,072,543	14,553,636	(451,913)	(3.2)	(481,093)	(3.3)
Other operating revenues	1,011,990	1,033,033	992,499	(21,043)	(2.0)	40,534	4.1
Total operating revenues	$ 45,365,011	46,377,417	49,409,915	(1,012,406)	(2.2)	$ (3,032,498)	(6.1)

The charts below illustrate the distribution of major sources of operating revenues in FY 2011 and FY 2010:





Total operating revenue decreased by $1,012,406, or 2.2%, during FY 2011. Operating revenues directly impacted by decreased passenger levels and reduced air carrier activity from the impacts of the national economic recession include parking revenues, which decreased $505,961, or 2.5%; concession revenues, which increased $153,874, or 1.9%; and landing fees, which decreased $187,363, or 6.3%. Changes to components of concession revenues include rental cars (a 4.6% increase), food/beverage (a 4.0% increase), gift/news (a 2.0% increase) and advertising (a 2.2% decrease). Landing fees are impacted by decreased number of landing aircraft and changes for some operations to smaller aircraft. Tenant rent decreased by $451,913, or 3.2%, primarily due to contractual increases in existing leases (CPI adjustments) of $177,819, offset by partial termination of certain hangar leases from GTC Management Service of $70,523 and the full year impact of termination of a small portion of ramp space of FBO operator Atlantic Aviation and a small portion of hangar leases of FBO operator Million Air in FY 2010 of $353,315. Other operating revenues decreased by $21,043, or 2.0%, primarily due to decreases in fuel flowage fees.

Total operating revenue decreased by $3,032,498, or 6.1%, during FY 2010. Parking revenues decreased by $1,489,390, or 6.8%. This resulted from decreased passengers and reduced air carrier activity from the impacts of the national economic recession. Concession revenues decreased by $799,676, or 9.1%, also impacted by decreased passengers and reduced air carrier activity, including rental cars (a 10.4% decrease), food/beverage (a 7.0% decrease), gift/news (a 6.2% decrease) and advertising (a 7.5% decrease). Landing fees decreased by

$302,873, or 9.2%, primarily due to decreased number of landing aircraft and changes for some operations to smaller aircraft. Tenant rent decreased by $481,093, or 3.3%, from contractual increases in existing leases (CPI adjustments) of $49,627, a full year impact of the increase in a ground lease upon completion of a Leadership in Energy and Environmental Design award hangar (Avjet) in FY 2009 of $110,959; offset by termination of a small portion of ramp space lease of FBO operator Atlantic Aviation and a small portion of hangar leases of FBO operator Million Air of $473,599. Other operating revenues increased by $40,534, or 4.1%, primarily because of an increase in fuel flowage fees of $37,312.

Operating Expenses

The following illustrates a comparative summary of operating expenses in FY 2011, FY 2010 and FY 2009:

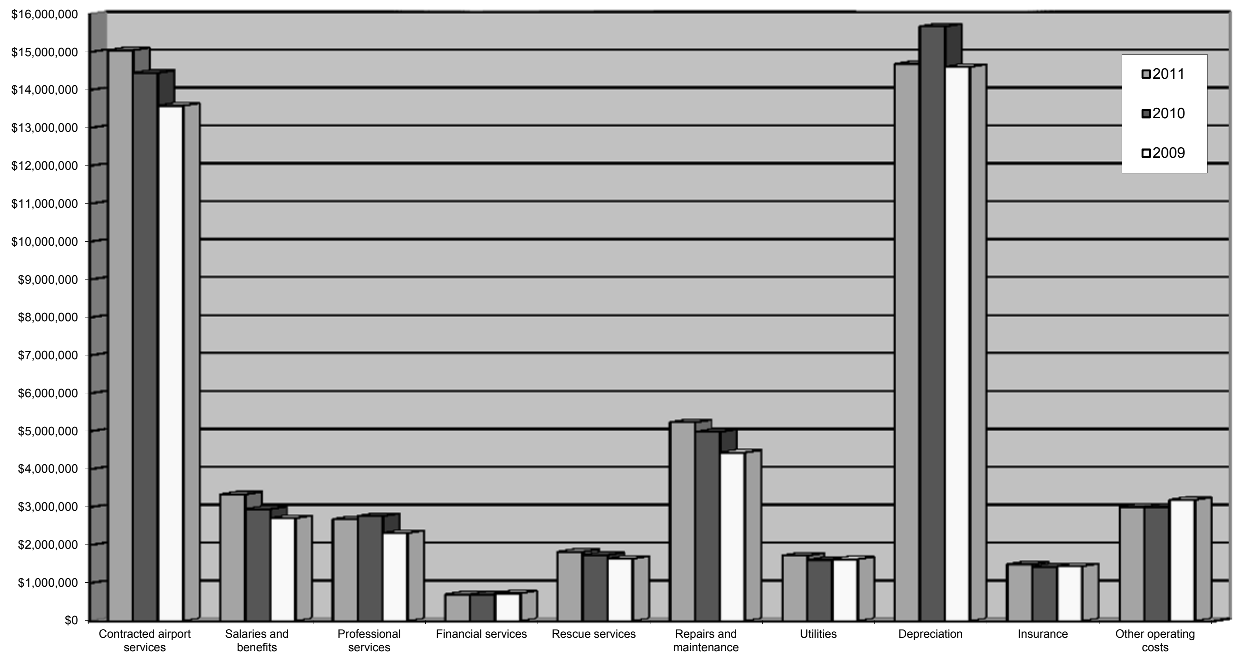
Operating Expenses Summary

	FY 2011	FY 2010	FY 2009	FY 2010/11 increase (decrease) Amount	FY 2010/11 increase (decrease) %	FY 2009/10 increase (decrease) Amount	FY 2009/10 increase (decrease) %
Contracted airport services	$ 15,051,145	14,453,670	13,589,267	597,475	4.1%	$ 864,403	6.4%
Salaries and benefits	3,340,203	2,953,126	2,715,539	387,077	13.1	237,587	8.7
Financial services	703,676	703,075	735,512	601	0.1	(32,437)	(4.4)
Rescue services	1,825,000	1,741,667	1,646,610	83,333	4.8	95,057	5.8
Repairs and maintenance, materials and supplies	5,240,095	4,987,357	4,443,354	252,738	5.1	544,003	12.2
Utilities	1,728,285	1,609,350	1,630,023	118,935	7.4	(20,673)	(1.3)
Professional services	2,686,206	2,769,555	2,322,905	(83,349)	(3.0)	446,650	19.2
Insurance	1,496,860	1,433,007	1,449,439	63,853	4.5	(16,432)	(1.1)
Other operating expenses	3,011,980	3,012,593	3,197,059	(613)	(0.0)	(184,466)	(5.8)
Operating expenses before depreciation	35,083,450	33,663,400	31,729,708	1,420,050	4.2	1,933,692	6.1
Depreciation	14,689,703	15,679,876	14,612,423	(990,173)	(6.3)	1,067,453	7.3
Total operating expenses	$ 49,773,153	49,343,276	46,342,131	429,877	0.9	$ 3,001,145	6.5

Total operating expenses increased by $429,877, or 0.9% in FY 2011 from a combination of factors, as follows: (1) decreased depreciation expense (decrease of $990,173) resulting from the impact of capital assets fully depreciated in FY 2011 and FY 2010 exceeding capital asset additions in FY 2011 and FY 2010 by $9.9 million; (2) additional contracted airport services costs (increase of $597,475) primarily related to cost of living adjustments and filling open positions for Airport Manager staff; (3) increased salaries and benefits costs for airport police officers (increase of $387,077) primarily resulting from filling open positions and from the impacts of a revised three-year memorandum of understanding with the Burbank-Glendale-Pasadena Airport Police Officers Association that went into effect as of February 1, 2011; (4) increased repairs and maintenance costs (increase of $252,738) primarily resulting from increase airfield and roadway pavement repairs; and (5) increase utility costs (increase of $118,935) primarily the result of a increases in City of Burbank Water and Power rates of 3.5% for electrical and 13.5% for water and wastewater utilities, respectively.

Total operating expenses increased by $3,001,145, or 6.5%, in FY 2010 from a combination of factors, as follows: (1) increased depreciation expense (increase of $1,067,453) resulting from the impact of capital assets additions in FY 2010 and FY 2009 exceeding capital assets fully depreciated in FY 2010 and FY 2009 by $14.9 million; (2) additional contracted airport services costs (increase of $864,403) related to cost of living adjustment and filling open positions for Airport Manager staff; (3) increased salaries and benefits costs for airport police officers (increase of $237,587) as open positions were filled; (4) increased professional services (increase of $446,650 primarily related to EPA/Lockheed legal expenses; offset by (5) decreased other operating costs (decrease of $184,466) consisting primarily of decreased parking taxes to the City of Burbank reflecting the decline in parking revenues.

Operating Expenses
Years ended June 30, 2011, 2010 and 2009



Nonoperating Revenues and Expenses

The following summary illustrates a comparison of nonoperating revenues and expenses in FY 2011, FY 2010 and FY 2009:

Comparative Summary of Nonoperating Revenues and Expenses

				FY 2010/11 increase (decrease)		FY 2009/10 increase (decrease)	
	FY 2011	**FY 2010**	**FY 2009**	**Amount**	**%**	**Amount**	**%**
Nonoperating revenues:							
Passenger Facility Charge (PFC) revenues	$ 9,642,916	10,291,366	11,035,756	(648,450)	(6.3)%	$ (744,390)	(6.7)%
Customer Facility Charge (CFC) revenues	3,186,870	1,755,750	—	1,431,120	81.5	1,755,750	N/A
Investment income	2,508,763	4,210,575	4,649,823	(1,701,812)	(40.4)	(439,248)	(9.4)
FAA and other grants	4,446,419	3,828,715	5,716,446	617,704	16.1	(1,887,731)	(33.0)
	19,784,968	20,086,406	21,402,025	(301,438)	(1.5)	(1,315,619)	(6.1)
Nonoperating expenses:							
Interest expense	2,644,347	2,850,515	2,955,440	(206,168)	(7.2)	(104,925)	(3.6)
Sound insulation program	6,894,782	6,109,511	7,102,086	785,271	12.9	(992,575)	(14.0)
Other	317,434	537,831	592,454	(220,397)	(41.0)	(54,623)	(9.2)
	9,856,563	9,497,857	10,649,980	358,706	3.8	(1,152,123)	(10.8)
Total nonoperating revenues (expenses), net	$ 9,928,405	10,588,549	10,752,045	(660,144)	(6.2)	$ (163,496)	(1.5)

Nonoperating revenues of $19,784,968 in FY 2011 and $20,086,406 in FY 2010 consist of PFC receipts; CFC receipts; investment income, net of amounts capitalized of $4,381 and $2,122 in FY 2011 and FY 2010, respectively; and FAA sound insulation and other non-capital grants. PFC revenue decreased in FY 2011 and FY 2010 due to the decline in passenger traffic and reduced investment income on the PFC Fund resulting from a decline in interest rates. CFC revenue increased in FY 2011 due to a full year implementation of the CFC charge, which was implemented on December 1, 2009 for funding of the CRCF. Investment income decreased in FY 2011 and FY 2010 as interest rates fell. FAA sound insulation grant revenues increase in FY 2011 and decreased in FY 2010 because of related changes in sound insulation program costs and multifamily units reimbursed primarily with PFC revenues.

Nonoperating expenses of $9,856,563 and $9,497,857 in FY 2011 and FY 2010, respectively, include $6,894,782 and $6,109,511, respectively, associated with the Airport's residential and school sound insulation program. These costs increased in FY 2011 by $785,271, or 12.9%, because of an increase in the number of residences insulated and in progress during the year, including multifamily residences. 207 residences were acoustically treated in FY 2011 and 203 are in progress at June 30, 2011. The Authority received grant commitments from the FAA for noise insulation of $12.8 million in August 2006, $7 million in August 2007, $3 million in June 2008 and $7 million in February 2009. Costs for this program decreased in FY 2010 by $992,575, or 14.0%, because of a decrease in the number of residences insulated offset by an increase in residences in progress during the year, including multifamily residences. 135 residences were acoustically treated in FY 2010 and 112 were in progress at June 30, 2010. Interest expense of $2,644,347 and $2,850,515, net of capitalized interest of $46,393 and $24,281, in FY 2011 and FY 2010, respectively, consists of interest expense and related amortization of bond issue costs, deferred amount on refunding (in FY 2010) and original issue premium on the 2005 Airport Revenue Bonds. Other expenses include nighttime noise mitigation costs of $240,776 and $261,120 in FY 2011 and FY 2010 to meet the Authority's ongoing commitment to seek meaningful nighttime noise relief to residences surrounding the airport, ground access study costs of $74,052 in FY 2011, net losses on retirement of capital assets of $2,606 and $92,496 in FY 2011 and FY 2010, respectively, and in FY 2010 the balance of costs to complete the Part 161 Study of $184,215. The Part 161 Study is a process established under the Airport Noise and Capacity Act of 1990 (ANCA) to seek approval from the FAA to implement mandatory limitations of certain flight operations. On November 2, 2009, the Federal Aviation Administration disapproved the Authority's FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport. The Authority continues to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise protection.

Capital Contributions

Capital contributions amounting to $657,273 and $5,445,828 were recorded during FY 2011 and FY 2010, respectively. In FY 2011 these amounts represent FAA airport improvement program grants for acquisition planning (RFP) for acquisition of an Aircraft Rescue and Firefighting (ARFF) Truck of $10,770, Runway Should Rehabilitation of $627,934, Runway Safety (blast fence and service road relocation) of $14,791; and a U.S. Department of Justice grant for Bulletproof vests of $3,778. In FY 2010 these amounts represent an American Recovery and Reinvestment Act (ARRA) grant awarded through the FAA for the Taxiway C, D and G Rehabilitation project of $3,317,221, and FAA airport improvement program grants for the Runway Guard Lights project of $2,117,607, acquisition planning (RFP) for acquisition of an ARFF Truck of $3,040 and Runway Shoulder Rehabilitation project of $7,960.

Special Item –Environmental Litigation and Settlement

In January 2010, the Authority received a letter from the U.S. Environmental Protection Agency (EPA) indicating that the Agency intended to name the Authority as one of approximately 30 parties designated under the federal Superfund law (CERCLA) as "potentially responsible parties" (PRPs) for the second interim remedy at the North Hollywood Operable Unit (NHOU). The second interim remedy is estimated by EPA to cost approximately $108 million. This is a preliminary estimate that is made without benefit of a detailed engineering analysis of the exact components of the proposed remedy. Thus, the actual remediation costs could vary considerably from EPA's estimate. In July 2010, the Authority received a letter from the EPA formally designating the Authority as a "potentially responsible party" and requesting that the Authority, together with other named PRPs, form a group and submit a good faith settlement offer to EPA to undertake the work required for the second interim remedy. The July 2010 letter also contained a demand by EPA for payment of certain of its past costs incurred in the NHOU and a portion of the collective San Fernando Valley Superfund Sites that the EPA calculated to be approximately $13 million.

Separately, the Authority filed a lawsuit, Burbank-Glendale-Pasadena Airport Authority v. Lockheed Martin Corporation, No. CV 10-2392 MRP (ANx) in the United States District Court for the Central District of California (Indemnification Action). That lawsuit claimed that Lockheed Martin Corporation owed the Authority a contractual duty to defend and indemnify against the EPA's current claims. The Authority based its claims principally upon a written indemnification provision in the 1978 Airport Purchase Agreement executed by it and by Lockheed. Lockheed answered the complaint, denying the material allegations thereof and asserting various affirmative defenses.

The Authority subsequently settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provides that the Authority will pay to Lockheed Martin Corporation the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed Martin Corporation agreed to defend and indemnify the Authority for certain settled matters, including all response costs (previously estimated by EPA to be $108 million) in connection with the second interim remedy for the North Hollywood Operable Unit asserted by EPA or by any other PRP against either or both Lockheed Martin Corporation and the Authority.

Included in the Special Item are the costs of the settlement totaling $2 million and legal costs related to the EPA and Lockheed matters for the year ended June 30, 2011 totaling $878,795. Legal costs related to the EPA and Lockheed matters for the year ended June 30, 2010 total $514,854 and were included in Professional Services for the year then ended.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs, including those costs incurred in FY 2010. Incremental parking revenues totaling $591,789 for the year ended June 30, 2011, net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling $63,406, are not included in parking revenues but, rather, are included as an offset to the legal and settlement costs noted above.

Capital Assets

Additions to capital assets in FY 2011 and FY 2010 consisted of $22.1 million and $10.1 million, respectively.

Significant capital asset additions in FY 2011 include:

- Runway shoulder rehabilitation
- Extension of Taxiway D Blast Fence
- Repaving of certain general aviation aircraft ramps
- Landside water line replacement
- Terminal B carpet replacement
- CNG engine retrofit on one shuttle bus

- Additions to construction projects in progress of the Regional Intermodal Transportation Center (RITC), Aircraft Ramps A and B rehabilitation and Common Use Passenger Processing System (CUPPS) projects.

Significant capital asset additions in FY 2010 include:

- Parking Lot B rehabilitation
- Parking Lot E rehabilitation
- Phase II of the digital video surveillance system (DVSS)
- Replacement radio console system
- Blade server and SAN system
- Taxilane B repaving
- Runway guard light system
- Taxiways C, D and G rehabilitation
- Additions to construction projects in progress of the Common Use Passenger Processing System (CUPPS) and Regional Intermodal Transportation Center (RITC) projects.

		2011	2010	2009
Capital assets:				
Land	$	156,923,796	156,923,796	156,923,796
Other non-depreciable capital assets		589,966	589,966	589,966
Buildings and improvements		130,779,287	129,619,952	129,322,739
Runways and improvements		85,078,552	83,702,945	79,467,528
Machinery and equipment		32,584,591	31,841,547	30,470,943
Construction in progress		22,348,353	4,543,304	3,461,223
Less accumulated depreciation		(150,520,115)	(136,871,456)	(125,239,959)
Total capital assets, net	$	277,784,430	270,350,054	274,996,236

The Authority has contract commitments outstanding at June 30, 2011 for various construction contracts totaling $5,754,385. Subsequent to June 30, 2011, the Authority entered into additional construction contracts totaling $1,726,711 primarily related to the Clybourn Complex hangar floor rehabilitation project, Terminal A carpet replacement project and Building 9 infrastructure improvement project.

Additional information regarding the Authority's capital assets can be found in note 5 in the accompanying notes to the basic financial statements.

Long-Term Debt Administration

On May 26, 2005, the Authority issued $67,535,000 of 2005 Airport Revenue Bonds (2005 Bonds) in three series at a net effective interest rate of 4.680%. The $7,750,000 Airport Revenue Bonds 2005 Series A (non-AMT) (2005 Series A Bonds) were issued to refinance the $9,395,000 outstanding Airport Revenue Bonds Refunding Series 1992 (1992 Bonds). The $50,765,000 Airport Revenue Bonds 2005 Series B (AMT) and the $9,020,000 Airport Revenue Bonds 2005 Taxable Series C Bonds were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking (A-1 North Property Development project). The 2005 Bonds mature in varying amounts through July 1, 2025 and represent the only outstanding bonded debt issue at June 30, 2011 and 2010. The 2005 Bonds are insured by Ambac,

Ambac's ratings have steadily deteriorated. In July 2009, Moody's Investors Service and Standard and Poor's downgraded Ambac to Caa2 and CC, respectively, and withdrew their rating in April 2011 and November 2010, respectively. The underlying ratings of the 2005 Bonds were reviewed during the current year by Standard and Poor's which reaffirmed its A+ (stable) rating, and Fitch Ratings which reaffirmed its AA- rating. Fitch Ratings changed its outlook from stable to negative due to the potential for the Authority to issue parity debt for the proposed RITC project. Depending on the Authority moving forward with a new debt issue in FY 2012, Moody's Investors Service, Standard and Poor's and Fitch Ratings will review the Authority's long-term debt. In March 2008, Moody's Investors Service upgraded its underlying rating on the 2005 Bonds from A1 to Aa3 (stable) and affirmed its rating in April 2009 and June 2010. Standard and Poor's affirmed its rating in November 2008, March 2010 and August 2011. Fitch Ratings affirmed its rating in February 2010 and May 2011. The outstanding balance of 2005 Bonds at June 30, 2011 is $56,190,000, plus unamortized original issue premium of $2,058,186, for a net total amount outstanding for this issue of $58,248,186. Principal payments on the 2005 Bonds of $2,530,000 and $2,420,000 were made July 1, 2010 and 2009, respectively. The current portion of 2005 Bonds at June 30, 2011 is $2,640,000, which was paid July 1, 2011.

Additional information regarding the Authority's long-term debt can be found in note 6 in the accompanying notes to the basic financial statements.

Other Items

Airport Development Agreement

The Authority and the City of Burbank approved a March 15, 2005 "Development Agreement" that sets guidelines on Airport development and provides greater certainty to the City and Authority on issues of Airport zoning and development. Under the terms of the agreement, for a period of seven years, the existing footprint of the terminal, the number of air carrier gates, and the area available for general aviation may not be increased. The Agreement retains approximately 59 acres of property (the B-6 Property) in a trust. The provisions of the trust allow the Authority to use approximately 33 acres of the B-6 Property for purposes that do not involve expansion or enlargement of the Airport. The ultimate disposition of the B-6 Property is to be determined upon the expiration of a ten-year period. The current zoning of Airport property remains unchanged for seven years and allows aviation facilities to be developed consistent with that zoning. Further, the agreement defers public planning and the construction of a new or relocated passenger terminal for a period of ten years.

Under the Development Agreement and related project approvals, the City of Burbank approved the acquisition and planned use of the A-1 North Property (including the former Star Park parking lot) permitting the Authority to acquire and improve this property to relocate valet and self-parking facilities, and permitted the Taxiway D extension.

Based on a recommendation of the Airport Land Use Working Group, on August 1, 2011 the Authority sought and on September 8, 2011 the City agreed to an extension of the Development Agreement to March 15, 2015, and revised the agreement to permit seeking public input on the future vision of the airport, which may include a new or relocated passenger terminal.

Regional Intermodal Transportation Center (RITC)

On August 24, 2010, the City of Burbank approved entitlements and minor amendments to the Development Agreement to permit the Authority to proceed with the Regional Intermodal Transportation Center (RITC) project to be located in the southeast corner of the A-1 North Property. This project will include a transportation center linking the Airport with the Metrolink/Amtrak Bob Hope Airport train station immediately south of the Airport, local and regional bus service, and other mass transit transportation in the Authority's continuing efforts to promote alternative access to the Airport. The RITC will also include a consolidated rental car facility (CRCF) which will consolidate the rental car operations at the Airport, relocate the ready-return facility that is currently partially located in the Runway 33 runway safety area and eliminate over 700,000 annual trips on Empire Avenue of rental cars traveling between the ready return lot and the current service center facilities used for the washing and fueling of the rental cars on the southwest quadrant of the Airport. The CRCF will be funded in part from Customer Facility Charge (CFC) fees established December 1, 2009, as amended, and residual rent fees from the rental car companies, as required. An elevated covered moving sidewalk will accommodate pedestrian travel between the RITC and the terminal, but will not be physically connected to the terminal building. The Authority has begun discussions with the City of Burbank's Burbank Water and Power Department (BWP) regarding a significant leased installation by BWP of solar power panels on the roof of the RITC to provide an alternate energy source for the community. A publicly accessible consolidated natural gas (CNG) fueling facility to be developed and operated under a ground development lease is also planned which will promote use of alternate fuel vehicles.

On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from $159 million to $187 million, significantly exceeded the $112 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected all of the bids and the Board of Commissioners directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services with the expectation of going back out to bid for the redesigned project in November 2011.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Burbank-Glendale-Pasadena Airport Authority, 2627 N. Hollywood Way, Burbank, California, 91505.

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BASIC FINANCIAL STATEMENTS

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Assets

June 30, 2011 and 2010

Assets		2011	2010
Current unrestricted assets:			
Cash and investments – current operating fund (note 3)	$	28,847,625	28,322,961
Grants receivable		646,957	722,946
Accounts receivable, net of allowance of $15,500 and $19,314 in 2011 and 2010, respectively		810,117	794,265
Accrued interest receivable		963,599	1,075,858
Prepaid expenses		68,751	67,944
Total current unrestricted assets		31,337,049	30,983,974
Current restricted assets:			
Cash and investments (note 3):			
Cash and investments with trustee:			
Debt Service Fund – 2005 Bonds		4,030,220	3,974,931
Debt Service Reserve Fund – 2005 Bonds		5,482,381	5,528,135
Total cash and investments with trustee		9,512,601	9,503,066
Other restricted cash and investments:			
Operating Reserve Fund		8,971,569	8,605,784
Authority Areas Reserve		2,477,286	2,393,358
Asset Forfeiture Fund		228,264	235,414
Passenger Facility Charge Fund		24,990,394	27,116,212
Customer Facility Charge Fund		3,540,924	292,894
Total other restricted cash and investments		40,208,437	38,643,662
Total restricted cash and investments		49,721,038	48,146,728
Passenger Facility Charge receivables		965,558	1,458,673
Customer Facility Charge receivables		296,510	360,390
Accrued interest receivable, restricted funds		219,484	215,803
Total current restricted assets		51,202,590	50,181,594
Noncurrent restricted assets – Trust Assets (note 4)		58,873,509	58,873,509
Total restricted assets		110,076,099	109,055,103
Bond issuance costs, net (note 6)		737,164	796,698
Cash and investments – Facility Development Reserve (note 3)		100,000,000	106,000,000
Capital assets (notes 5 and 9):			
Land		156,923,796	156,923,796
Other nondepreciable capital assets		589,966	589,966
Construction in progress		22,348,353	4,543,304
Buildings and improvements		130,779,287	129,619,952
Runways and improvements		85,078,552	83,702,945
Machinery and equipment		32,584,591	31,841,547
Less accumulated depreciation		(150,520,115)	(136,871,456)
Total capital assets, net		277,784,430	270,350,054
Total assets		519,934,742	517,185,829

(Continued)

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Assets

June 30, 2011 and 2010

Liabilities		**2011**	**2010**
Current liabilities:			
Accounts payable and accrued expenses	$	10,013,860	8,553,199
Salaries and benefits payable		467,652	408,320
Unearned revenue		473,161	317,870
Customer deposits		165,607	185,159
Total current liabilities		11,120,280	9,464,548
Liabilities payable from restricted assets:			
Current portion of long-term debt (note 6)		2,640,000	2,530,000
Accrued interest payable		1,390,219	1,444,930
Total liabilities payable from restricted assets		4,030,219	3,974,930
Long-term debt, net of current portion (note 6):			
Revenue bonds payable, less current portion		53,550,000	56,190,000
Original issue premium, net		2,058,186	2,207,418
Total long-term liabilities		55,608,186	58,397,418
Total liabilities		70,758,685	71,836,896
Net Assets			
Invested in capital assets, net of related debt		225,693,846	215,639,772
Restricted:			
Debt service		11,736,865	11,243,481
Capital projects		89,051,292	88,337,093
Unrestricted		122,694,054	130,128,587
Total net assets	$	449,176,057	445,348,933

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Charges for services:		
Parking	$ 19,825,325	20,331,286
Landing fees	2,808,867	2,996,230
Concessions	8,098,199	7,944,325
Tenant rent	13,620,630	14,072,543
Fuel flowage fees	533,820	541,732
Other operating revenues	478,170	491,301
Total operating revenues	45,365,011	46,377,417
Operating expenses:		
Contracted airport services	15,051,145	14,453,670
Salaries and benefits	3,340,203	2,953,126
Financial services	703,676	703,075
Rescue services	1,825,000	1,741,667
Materials and supplies	367,457	368,912
Repairs and maintenance	4,872,638	4,618,445
Utilities	1,728,285	1,609,350
Professional services	2,686,206	2,769,555
Insurance	1,496,860	1,433,007
Other operating expenses	3,011,980	3,012,593
Total operating expenses before depreciation	35,083,450	33,663,400
Operating income before depreciation	10,281,561	12,714,017
Depreciation (note 5)	14,689,703	15,679,876
Operating loss	(4,408,142)	(2,965,859)
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest on the Passenger Facility Charge Fund of $404,103 and $649,043 in 2011 and 2010, respectively (note 10)	9,642,916	10,291,366
Customer Facility Charge revenue (note 11)	3,186,870	1,755,750
Investment income, net of $4,381 and $2,122 capitalized in 2011 and 2010, respectively	2,508,763	4,210,575
Interest expense, net of $46,393 and $24,281 capitalized in 2011 and 2010, respectively	(2,644,347)	(2,850,515)
Loss on retirement of capital assets	(2,606)	(92,496)
Sound insulation program (note 8)	(6,894,782)	(6,109,511)
Federal Aviation Administration grants, sound insulation program (note 8)	4,319,375	3,547,167
Other noncapital federal grants	127,044	281,548
Other expenses, net	(314,828)	(445,335)
Total nonoperating revenues, net	9,928,405	10,588,549
Income before capital contributions and special item	5,520,263	7,622,690
Capital contributions	657,273	5,445,828
Special item – environmental litigation settlement net of allocated parking increment revenue of $528,383 (note 17)	(2,350,412)	—
Changes in net assets	3,827,124	13,068,518
Total net assets – beginning of year	445,348,933	432,280,415
Total net assets – end of year	$ 449,176,057	445,348,933

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	$ 45,489,478	45,633,916
Cash paid to suppliers of goods and services	(29,403,834)	(28,587,929)
Cash paid for employees' services	(3,286,368)	(2,874,277)
Cash paid for parking taxes to the City of Burbank	(2,133,837)	(2,162,315)
Cash paid for other nonoperating expenses – Part 161 study and nighttime noise mitigation	(249,109)	(460,737)
Cash paid from settlement – hangar floors	(28,190)	(29,179)
Cash (paid for) received from Special Item (note 17):		
Cash paid for environmental litigation settlement	(1,878,521)	—
Cash received from $1 parking rate increment	591,789	—
Cash paid for parking taxes to the City of Burbank for parking increment	(23,830)	—
Net cash provided by operating activities	9,077,578	11,519,479
Cash flows from noncapital financing activities:		
Sound insulation program	(7,597,164)	(5,208,093)
FAA grants, sound insulation program	4,401,551	3,246,390
Ground access study	(58,220)	—
Other noncapital federal grants received	82,594	281,548
Net cash used in noncapital financing activities	(3,171,239)	(1,680,155)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(21,150,418)	(11,766,450)
Proceeds from sale of capital assets	—	6,285
Principal paid on revenue bonds	(2,530,000)	(2,420,000)
Interest paid on revenue bonds	(2,835,149)	(2,943,343)
Passenger Facility Charge program receipts	9,731,928	9,661,521
Customer Facility Charge program receipts	3,248,030	1,398,080
Capital contributions received	695,536	6,091,361
Net cash provided by (used in) capital and related financing activities	(12,840,073)	27,454
Cash flows from investing activities:		
Interest received on investments, including interest received in the Passenger Facility Charge Fund of $528,684 and $791,592 in 2011 and 2010, respectively	3,113,798	4,330,552
Purchases of investments not considered cash equivalents	(138,439,525)	(133,286,073)
Proceeds from the sale or maturity of investments not considered cash equivalents	145,709,291	116,817,292
Net cash provided by (used in) investing activities	10,383,564	(12,138,229)
Net increase (decrease) in cash and cash equivalents	3,449,830	(2,271,451)
Cash and cash equivalents, beginning of year	18,735,891	21,007,342
Cash and cash equivalents, end of year	$ 22,185,721	18,735,891

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Reconciliation of operating income to net cash provided by operating activities:			
Operating loss	$	(4,408,142)	(2,965,859)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		14,689,703	15,679,876
Other noncash operating expenses, net		620	30,620
Other nonoperating expenses		(240,776)	(445,335)
Special item (note 17)		(2,350,412)	—
Changes in assets and liabilities:			
Accounts receivable		(15,852)	99,957
Prepaid expenses		(807)	8,364
Accounts payable and accrued expenses		168,323	(102,772)
Accounts payable and accrued expenses related to Special Item		1,039,850	—
Salaries and benefits payable		59,332	79,753
Unearned revenue		155,291	(884,686)
Customer deposits		(19,552)	19,561
Net cash provided by operating activities	$	9,077,578	11,519,479
Reconciliation of cash and cash equivalents to the statements of net assets:			
Operating fund	$	28,847,625	28,322,961
Restricted cash and investments		49,721,038	48,146,728
Facility Development Reserve		100,000,000	106,000,000
Cash, cash equivalents, and investments		178,568,663	182,469,689
Investments not considered cash equivalents		(156,382,942)	(163,733,798)
Cash and cash equivalents, end of year (note 3)	$	22,185,721	18,735,891
Summary of significant noncash investing and financing activities:			
Amortization of bond issuance costs, premiums, and deferred amounts on refunding	$	(89,698)	(15,065)
Change in fair value of investments		(74,229)	1,123,344
Change in capital assets acquired by accounts payable		941,760	(654,148)
Change in sound insulation program from accounts payable		(702,381)	901,419
Capitalized interest expense, net		42,012	22,159

See accompanying notes to basic financial statements.

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(1) Nature of Authority

The Burbank-Glendale-Pasadena Airport Authority (the Authority) is a separate governmental entity created by a Joint Exercise of Power Agreement (Agreement) executed in June 1977 among the Cities of Burbank, Glendale, and Pasadena, California (Cities). The purpose of the Agreement was to enable the Cities to acquire, operate, repair, maintain, improve, and administer the Bob Hope Airport (the Airport) as a public air terminal. The Authority is governed by a nine-member Board of Airport Commissioners, three of which are appointed by the City Council of each of the Cities. The members of the Airport Commission annually elect a President, Vice-President, and Secretary of the Commission. The Authority has contracted with TBI Airport Management, Inc. to perform certain airport administrative, maintenance, and operational services. These contracted services are included in the Authority's statements of revenues, expenses, and changes in net assets as "contracted airport services." The Authority directly employs airport peace officers.

The debts, liabilities, and obligations of the Authority do not constitute debts, liabilities, or obligations of the Cities. The accompanying basic financial statements are not included in the reporting entity of any of the Cities.

(2) Summary of Significant Accounting Policies

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

(a) Basis of Accounting

The Authority reports its financial operations as a governmental enterprise activity, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on determination of changes in net assets, financial position, and cash flows. Operating revenues include charges for services and tenant rent. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Authority follows private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) and predecessor standard setters prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Authority also has the option of following subsequent private-sector guidance subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance.

(b) Description of Basic Financial Statements

Statements of Net Assets – The statements of net assets are designed to display the financial position of the Authority. The Authority's equity is reported as net assets which is classified into three categories defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets, totaling \$225,693,846 and \$215,639,772 at June 30, 2011 and 2010, respectively, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments through constitutional provisions or enabling legislation. Net assets restricted for debt service totaled $11,736,865 and $11,243,481 at June 30, 2011 and 2010, respectively. Net assets restricted for capital projects totaled $89,051,292 and $88,337,093 at June 30, 2011 and 2010, respectively, including $26,112,085 and $28,574,885, respectively, restricted by enabling legislation for the passenger facility charge program and $3,837,434 and $653,284, respectively, restricted by enabling legislation for the customer facility charge program.
- *Unrestricted* – This component of net assets, totaling $122,694,054 and $130,128,587 at June 30, 2011 and 2010, respectively, consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Included in unrestricted net assets at June 30, 2011 and 2010 is net assets committed by Authority Resolution for engine repowerment of shuttle buses of $541,043 and $700,000, respectively.

Statements of Revenues, Expenses, and Changes in Net Assets – The statements of revenues, expenses, and changes in net assets are the operating statements for the Authority. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses before depreciation, and operating income.

Statements of Cash Flows – The statements of cash flows present information on the Authority's cash receipts and payments during the fiscal year. These cash flows are grouped into five categories: operating activities, noncapital financing activities, capital and related financing activities, investing activities and noncash investing and financing activities.

Notes to Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

(c) Operating and Nonoperating Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing goods and services to Airport users. The principal operating revenues of the Airport are parking fees, landing fees, concession charges, tenant rent, and fuel flowage fees. Operating expenses include contracted airport services, salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Restricted Assets

Certain assets are restricted based on constraints placed on the assets use through external constraints imposed by creditors (such as through debt covenants), grantors, leases, trust agreements, contributors, law or regulations of other governments or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets and operations, and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

(e) Grants and Capital Contributions

The Authority receives grants under the Airport Improvement Program (AIP) from the U.S. Department of Transportation – Federal Aviation Administration (FAA) to finance certain capital improvements and a majority of the sound insulation program. The Authority receives grants from the Department of Transportation – Federal Transit Administration for a portion of the Regional Intermodal Transportation Center project and the Federal Highway Administration for a ground access study. The Authority also receives grants from the U.S. Department of Homeland Security and U.S. Department of Justice for certain security-related equipment purchases. Finally, the Authority received a grant under the American Recovery and Reinvestment Act of 2009 (ARRA) through the FAA for certain taxiway reconstruction. Such grants related to capital acquisitions are recorded on the statements of revenues, expenses, and changes in net assets as capital contributions and for the sound insulation program as nonoperating revenue FAA grants – sound insulation program. Grant revenues are recognized when qualifying expenses under the grant are incurred.

(f) Passenger Facility Charge Revenues

The Authority imposes a Passenger Facility Charge (PFC) of $4.50 per enplaned passenger, as approved by the U.S. Department of Transportation – Federal Aviation Administration, to finance certain capital improvements. Cash and receivables from such revenues are maintained in separate accounts and are restricted for approved airport improvement projects. Revenues are recognized during the period earned.

(g) Customer Facility Charge Revenues

The Authority imposes a Customer Facility Charge (CFC) of $10.00 per rental car transaction ($6 per rental car transaction day up to five days effective July 1, 2011), to finance the planning, design and construction of a consolidated rental car facility (CRCF), in accordance with California Civil Code Section 1936(m) et seq. Cash and receivables from such revenues are maintained in separate accounts and are restricted for the CRCF project. Revenues are recognized during the period earned.

(h) Revenues and Cash Accounts

All revenues, except Passenger Facility Charges and Customer Facility Charges, are deposited in the Revenue Fund and are transferred to the following cash accounts in priority order as mandated by resolution of the Authority and its bond indenture:

- **Operating Fund** – The balance in this fund is to be used for payment of operations and maintenance costs as they become due and payable.
- **Rebate Fund** – Amounts on deposit in the Rebate Fund shall be applied to satisfy federal tax law requirements. As of June 30, 2011 and 2010, there was no balance in the Rebate Fund.
- **Debt Service Fund** – Bond interest currently payable is deposited to this account monthly prior to each semiannual payment. Currently payable bond principal is transferred to this account monthly prior to each annual payment. This cash fund is held by a trustee who pays the bond interest and principal when due.
- **Debt Service Reserve Fund** – An amount equal to the lesser of (i) ten percent of the initial offering price of the Revenue Bonds, (ii) greatest annual debt service from the current period to the maturity of the Revenue Bonds, or (iii) 125% of average annual debt service from the

current period to the maturity of the Revenue Bonds, is to be held by the trustee in this fund to be used in the event that monies in the Debt Service Fund are insufficient to meet payments when due. During the years ended June 30, 2011 and 2010, the required balance in the Debt Service Reserve Fund, calculated using (ii) greatest annual debt service from the current period to the maturity of the Revenue Bonds, is $5,420,438 and $5,420,438, respectively. The balance in the Debt Service Reserve Fund at June 30, 2011 and 2010 is $5,482,381 and $5,528,135, respectively.

- **Operating Reserve Fund** – The balance in this fund is to be used to pay operation and maintenance costs in the event that monies in the Operating Fund are insufficient. The Authority maintains a reserve equivalent to one-fourth of the annual operations and maintenance budget. The balance in the Operating Reserve Fund at June 30, 2011 and 2010 is $8,971,569 and $8,605,784, respectively.
- **Subordinated Indebtedness Fund** – In the event that additional debt is incurred, which is expressly made subordinate or junior in right of payment to the 2005 Bonds, this fund will be established and used to pay principal, interest, and other allowable costs associated with the subordinated indebtedness. As of June 30, 2011 and 2010, there was no balance in the Subordinated Indebtedness Fund.
- **Reserve and Contingency Fund** – The balance in this fund is to be used to pay the costs of extraordinary repairs and replacements of Airport facilities to the extent that such costs are not provided from the proceeds of insurance or from other funds. Any remaining balances in the Reserve and Contingency Fund, not required to meet any deficiencies in the Debt Service Fund or Debt Service Reserve Fund or not needed for any of the purposes for which such Fund was established, shall be transferred to the Operating Fund, and any remaining excess may be deposited in the Surplus Fund. As of June 30, 2011 and 2010, there was no balance in the Reserve and Contingency Fund.
- **Surplus Fund** – All monies remaining in the Revenue Fund at year-end are to be deposited in this fund and may be transferred to offset other fund deficiencies in the following priority order: first in the Debt Service Fund, second in the applicable Debt Service Reserve Fund, third to the Subordinated Indebtedness Fund, and fourth to the Reserve and Contingency Fund. Amounts in the Surplus Fund not required to meet a deficiency as set forth above shall be applied or set aside as allowed for in the bond indenture. As of June 30, 2011 and 2010, there was no balance in the Surplus Fund to be transferred to any of the funds mentioned above.
- **Cost of Issuance Fund** – The balance in this fund provides for the payment of costs to issue the 2005 Bonds not paid directly from escrow at the closing of the sale of the 2005 Bonds. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2011 and 2010, there was no balance in the Cost of Issuance Fund.
- **Construction Fund** – The balance in this fund provides for the payment of applicable Capital Improvements identified to be financed from the 2005 Series B Bonds and the 2005 Taxable Series C Bonds. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2011 and 2010, there is no balance in the Construction Fund.

(i) Other Reserves

The Authority maintains the following additional restricted cash:

- **Authority Areas Reserve** – Operating revenues received from certain areas specified in the airline signatory leases are set aside to be utilized at the discretion of the Authority for any lawful purpose.
- **Asset Forfeiture Fund –** The Authority receives funds from the U.S. Department of Justice, U.S. Department of Treasury and the State of California Department of Justice under the equitable sharing programs of each agency related to certain law enforcement activities. These assets are used to purchase certain equipment to supplement law enforcement activities at Bob Hope Airport.
- **Passenger Facility Charge Fund –** Cash and receivables from the Passenger Facility Charge program are maintained in a separate account and are restricted for approved airport improvement projects.
- **Customer Facility Charge Fund –** Cash and receivables from the Customer Facility Charge program are maintained in a separate account and are restricted for planning, design, construction and financing of a consolidated rental car facility.

The Authority maintains the following board-designated cash:

- **Facility Development Reserve** – Reserve established during fiscal year 2000 to provide for the future development of terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects will be determined based on the approval of the Authority.

(j) Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of $1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During the year ended June 30, 2011, interest cost of $46,392 less interest income of $4,381 was capitalized. During the year ended June 30, 2010, interest cost of $24,281 less interest income of $2,122 was capitalized. Depreciation is recognized in amounts calculated to amortize the cost of the depreciable assets over their estimated useful lives. Depreciation is computed on a straight-line basis over the following periods:

Buildings and improvements	3 to 25 years
Runways and improvements	3 to 20 years
Machinery and equipment	3 to 20 years

(k) Vacation and Sick Leave

Employees may receive 80 to 160 hours of vacation each year (40 to 80 hours for job share employees), depending on length of service with the Authority. Vacation is not earned until the year is completed. An employee may accrue up to 250 hours of vacation; any hours earned in excess of 250 hours are forfeited, unless approved by management.

Employees are also entitled to 100 hours of personal leave during each year (50 hours for job share employees). Employees may accrue personal leave or may receive payment for any unused portion of personal leave days at the end of each year.

Employees are also entitled to bank up to 120 hours of overtime for personal leave.

Vacation and personal leave are accrued as earned by employees.

(l) Investments and Invested Cash

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, PFC and CFC portfolios that, among other things, authorizes types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments, and how the investments may be held. These criteria on investments and invested cash related to the Authority's bonded debt are governed by the related Master Indenture of Trust. The Authority further limits all investments to be more restrictive than the Code. Authorized investments and invested cash include U.S. Treasury securities, corporate notes, federal agency securities, money market mutual funds, bankers' acceptances, commercial paper, negotiable and non-negotiable certificates of deposit, repurchase agreements, guaranteed investment contracts and funds deposited in the State Treasurer's Local Agency Investment Fund. Additional restrictions in the Authority's investment policy over the requirements of the Code include: (1) smaller maximum portions of the portfolios for certain investment types (e.g., U.S. Agency securities, negotiable and time certificates of deposit, bankers' acceptances, commercial paper, money market mutual funds, State Treasurer's Local Agency Investment Fund), (2) smaller maximum portions of the portfolios invested in a single institution/issuer (e.g., negotiable and time certificates of deposit, corporate notes, bankers' acceptances, commercial paper) (3) limiting the underlying investments of money market mutual funds to U.S. Treasury securities, and (4) excluding investments in reverse repurchase agreements and securities lending agreements, collateralized mortgage obligations and similar investments, debt securities issued by other local agencies and shares of beneficial interest issued by joint powers authorities formed in accordance with Section 6509.7 of the Code. The restrictions in the Code and the additional limitations in the Authority's investment policy mitigate the Authority's interest rate risk, credit risk, concentration of credit risk, and custodial credit risk related to its various investments.

The Authority's investments are carried at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of money market mutual funds, government-sponsored investment pools, and other similar investments is stated at share value. Certain money market mutual fund investments with initial maturities at the time of the purchase of less than one year are recorded at cost. The calculation of realized gains and losses on investments that had been held more than one fiscal year and sold during the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

(m) Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers its investment in money market mutual funds and in the State Treasurer's Local Agency Investment Fund to be cash equivalents that function as a demand deposit account, whereby funds may be withdrawn or deposited at any time without prior notice or penalty. Unrestricted investments in other securities with remaining maturities of 90 days or less at the time of purchase are also considered cash equivalents. Investments in money market mutual funds held by the bond trustee are not considered cash equivalents for purposes of the statement of cash flows.

(n) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

(o) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

The Authority is a political subdivision of the state of California. Accordingly, the Authority is not subject to federal or state income taxes.

(q) Pollution Remediation Liabilities

The Authority implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* for the FY 2009 basic financial statements and currently does not believe it has any pollution remediation liabilities at June 30, 2011, 2010 or 2009 (see note 17).

(r) Recent Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, and Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 63 amends the net asset reporting requirements in Statement No. 34, Basic *Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Authority currently has no transactions that result in deferred outflows of resources or deferred inflows of resources as defined in the Statement; accordingly, the Statement is expected to have minimal or no impact on the Authority's financial reporting.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The Authority currently does not engage in derivative or swap agreements; accordingly, the Statement is expected to have minimal or no impact on the Authority's financial reporting.

(s) Reclassifications

Certain reclassifications have been made to the amounts reported in 2010 in order to conform to the 2011 presentation. Such reclassifications had no effect on the previously reported change in net assets.

(3) Cash and Investments

(a) Cash and Investments

(i) Cash and investments at June 30, 2011 and 2010 are classified in the accompanying statements of net assets as follows:

		2011	2010
Cash and investments – current assets:			
Operating fund	$	28,847,625	28,322,961
Cash and investments – restricted assets:			
Cash and investments held by bond trustee:			
Debt service fund – 2005 Bonds		4,030,220	3,974,931
Debt service reserve fund – 2005 Bonds		5,482,381	5,528,135
Total cash and investments held by bond trustee		9,512,601	9,503,066
Other restricted cash and investments:			
Operating Reserve fund		8,971,569	8,605,784
Authority Areas Reserve fund		2,477,286	2,393,358
Asset Forfeiture fund		228,264	235,414
Passenger Facility Charge fund		24,990,394	27,116,212
Customer Facility Charge fund		3,540,924	292,894
Total other restricted cash and investments		40,208,437	38,643,662
Total cash and investments – restricted assets		49,721,038	48,146,728
Cash and investments – Facility Development Reserve		100,000,000	106,000,000
Total cash and investments	$	178,568,663	182,469,689

(ii) Cash and investments as of June 30, 2011 and 2010 consist of the following:

	2011	2010
Operating portfolio cash and investments:		
Cash and cash equivalents:		
Cash on hand	$ 800	800
Deposits with financial institutions	536,263	510,659
Money market mutual funds	2,372,313	1,252,699
State Treasurer's Local Agency Investment Fund	12,438,897	16,125,590
Total cash and cash equivalents	15,348,273	17,889,748
Investments:		
U.S. Treasury securities	58,889,419	56,206,085
U.S. Agency securities	35,151,229	42,051,232
Medium-term corporate notes	31,135,823	29,410,452
Total investments	125,176,471	127,667,769
Total cash and cash equivalents and investments	140,524,744	145,557,517
Less restricted portion	(11,677,119)	(11,234,556)
Less Facility Development Reserve	(100,000,000)	(106,000,000)
Current and unrestricted cash and investments	$ 28,847,625	28,322,961
Passenger Facility Charge Fund:		
Cash and cash equivalents:		
Deposits with financial institutions	$ 495,315	65,886
Money market mutual funds	2,801,209	487,363
Total cash and cash equivalents	3,296,524	553,249
Investments:		
U.S. Treasury securities	8,382,069	11,526,155
U.S. Agency securities	6,508,634	8,421,784
Medium-term corporate notes	6,803,167	6,615,024
Total investments	21,693,870	26,562,963
Total cash and cash equivalents and investments	$ 24,990,394	27,116,212
Customer Facility Charge Fund:		
Deposits with financial institutions	$ 3,540,924	292,894
Investments held by bond trustee:		
Money market mutual funds	$ 4,092,173	4,082,960
U.S. Agency securities	5,420,428	5,420,106
Total investments	$ 9,512,601	9,503,066

		2011	2010
Summary of cash and investments:			
Cash and cash equivalents:			
Cash on hand	$	800	800
Deposits with financial institutions		4,572,502	869,439
Money market mutual funds		5,173,522	1,740,062
State Treasurer's Local Agency Investment Fund		12,438,897	16,125,590
Total cash and cash equivalents		22,185,721	18,735,891
Investments:			
U.S. Treasury securities		67,271,488	67,732,240
U.S. Agency securities		47,080,291	55,893,122
Medium-term corporate notes		37,938,990	36,025,476
Money market mutual funds held by bond trustee		4,092,173	4,082,960
Total investments		156,382,942	163,733,798
Total cash and cash equivalents and investments	$	178,568,663	182,469,689

Cash balances, except for those held by the Trustee, held in the Authority's payroll account or held as petty cash are pooled for deposit and investment purposes. Cash and investments funds are classified under the general headings of "restricted" or "unrestricted." The Authority has designated separate restricted funds to carry on specific activities in accordance with special regulations, bond covenants, or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets, and operations and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds.

(b) Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of the Master Indenture of Trust, as amended, rather than the California Government Code or the Authority's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio[a]	Maximum investment in one issuer
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	70%	None
Time deposits	5 years	15%	5%
State Treasurer's Local Agency Investment Fund (LAIF)	N/A	$20 million	None
Bankers' acceptances	180 days	15%	5%
Commercial paper	270 days	15%	5%
Repurchase agreements	1 year	10%	None
Money market mutual funds, invested in U.S. Treasury securities	N/A	15%	None
Medium-term corporate notes	5 years	30%	5%
Negotiable certificates of deposit	5 years	15%	5%

a. Percentages apply separately to the Operating portfolio, the Passenger Facility Charge Fund portfolio and the Customer Facility Charge Fund portfolio. Excludes amounts held by bond trustee.

(c) Investments Authorized Under the Master Indenture of Trust

Investment of debt proceeds held by the bond trustee are governed by provisions of the Master Indenture of Trust, rather than the general provisions of California Government Code or the Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of the Master Indenture of Trust that address interest rate risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Money market mutual funds	N/A	None	None
Negotiable certificates of deposit	5 years	None	None
Time and savings deposits	5 years	None	None
Guaranteed investment contracts	30 years	None	None
Commercial paper	270 days	None	None
State or local government securities	5 years	None	None
Bankers' acceptances	360 days	None	None
Repurchase agreements	30 days	None	None
Any State of California-administered investment pool	N/A	None	None
Advance refunded municipal securities	5 years	None	None
Investments approved in writing by the bond insurer	30 years	None	None

(d) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needed for operations. The Authority monitors the interest rate risk in its portfolios by measuring the weighted average maturity of the portfolios and limiting them to an average level recommended by its professional investment manager, currently approximately 1.5 years. The Authority also employs a "buy and hold" investment strategy whereby investments are held to maturity and redeemed at par. This strategy limits the Authority's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

The weighted average maturity of each authorized investment type by pool at June 30, 2011 and 2010 are as follows:

	June 30, 2011		June 30, 2010	
Authorized investment type	**Amount**	**Weighted average maturity (in years)**	**Amount**	**Weighted average maturity (in years)**
Operating portfolio cash equivalents and investments:				
Operating portfolio investments:				
U.S. Treasury securities	$ 58,889,419	1.54	$ 56,206,085	1.36
U.S. Agency securities	35,151,229	1.33	42,051,232	1.58
Medium-term corporate notes	31,135,823	2.13	29,410,452	2.60
Total operating portfolio Investments	125,176,471	1.63	127,667,769	1.72
Operating portfolio cash equivalents:				
Money market mutual funds	2,372,313	0.05	1,252,699	0.05
State Treasurer's Local Agency Investment Fund	12,438,897	0.66	16,125,590	0.56
Total operating portfolio cash equivalents	14,811,210	0.56	17,378,289	0.53
Total operating portfolio cash equivalents and investments	139,987,681	1.52	145,046,058	1.58
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	8,382,069	1.60	11,526,155	1.39
U.S. Agency securities	6,508,634	1.42	8,421,784	1.65
Medium-term corporate notes	6,803,167	2.09	6,615,024	2.67
Total PFC Fund investments	21,693,870	1.70	26,562,963	1.79
PFC Fund cash equivalents – money market mutual funds	2,801,209	0.05	487,363	0.05
Total PFC Fund cash equivalents and investments	24,495,079	1.51	27,050,326	1.76
Investments held by bond trustee:				
Money market mutual funds	4,092,173	—	4,082,959	—
U.S. Agency securities	5,420,428	<0.01	5,420,106	<0.01
Total investments held by bond trustee	9,512,601	<0.01	9,503,065	<0.01
Total cash equivalents and investments	$ 173,995,361	1.43	$ 181,599,449	1.52

(e) Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

None of the Authority's investments (including investments held by the bond trustee) are highly sensitive to interest rate fluctuations.

(f) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy or the Master Indenture of Trust, as amended, and the actual rating as of June 30, 2011 and 2010 for each investment type.

In August 2011, Standard and Poor's, one of the nationally recognized statistical rating organizations, downgraded its long-term credit rating of U.S. government, U.S. government-sponsored enterprises and public debt issues that have credit enhancements by U.S. government-sponsored enterprises from AAA to AA+ with a negative outlook. Fitch Ratings and Moody's Investor Services, two other recognized statistical rating organizations, did not reduce the Treasury and Agency security ratings, but did indicate a negative outlook. These credit downgrades relate to the credit risk associated with the Authority's investments in U.S. Treasury securities, U.S. Agency securities, money market mutual funds invested in U.S. Treasury securities and State Treasurer's Local Agency Investment Fund investments in U.S. Treasury securities and U.S. Agency securities.

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end AAA	AA	A
As of June 30, 2011:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	$ 58,889,419	N/A	$ 58,889,419	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	7,624,096	N/A	—	7,624,096	—	—
Fed. Home Loan Bank	13,876,299	N/A	—	13,876,299	—	—
Fed. Home Loan Mort. Corp.	9,641,798	N/A	—	9,641,798	—	—
Fed. National Mort. Assn.	4,009,036	N/A	—	4,009,036	—	—
Total U.S. Agency securities	35,151,229		—	35,151,229	—	—
Medium-term corporate notes	31,135,823	A	—	—	22,035,701	9,100,122
Total Operating portfolio Investments	125,176,471		58,889,419	35,151,229	22,035,701	9,100,122
Operating portfolio cash equivalents:						
Money market mutual funds	2,372,313	AAA	—	2,372,313	—	—
State Treasurer's Local Agency Investment Fund	12,438,897	N/A	12,438,897	—	—	—
Total Operating portfolio cash equivalents	14,811,210		12,438,897	2,372,313	—	—
Total Operating portfolio cash equivalents and investments	139,987,681		71,328,316	37,523,542	22,035,701	9,100,122
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	8,382,069	N/A	8,382,069	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	927,303	N/A	—	927,303	—	—
Fed. Home Loan Bank	2,251,010	N/A	—	2,251,010	—	—
Fed. Home Loan Mort. Corp.	1,648,719	N/A	—	1,648,719	—	—
Fed. National Mort. Assn.	1,681,602	N/A	—	1,681,602	—	—
Total U.S. Agency securities	6,508,634		—	6,508,634	—	—
Medium-term corporate notes	6,803,167	A	—	—	4,810,342	1,992,825
Total PFC Fund investments	21,693,870		8,382,069	6,508,634	4,810,342	1,992,825
PFC Fund cash equivalents – money market mutual funds	2,801,209	AAA	—	2,801,209	—	—
Total PFC Fund cash equivalents and investments	24,495,079		8,382,069	9,309,843	4,810,342	1,992,825
Investments held by bond trustee:						
U.S. Agency securities – Fed. Home Loan Bank	5,420,429	AAA	—	5,420,429	—	—
Money market mutual funds	4,092,172	AAA	—	4,092,172	—	—
Total investments bond trustee	9,512,601		—	9,512,601	—	—
Total cash equivalents and investments	$ 173,995,361		$ 79,710,385	56,345,986	26,846,043	11,092,947

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end AAA	AA	A	NR*
As of June 30, 2010:							
Operating portfolio cash equivalents and investments:							
Operating portfolio investments:							
U.S. Treasury securities	$ 56,206,085	N/A	$ 56,206,085	—	—	—	—
U.S. Agency securities:							
Fed. Farm Credit Bank	5,095,682	N/A	—	5,095,682	—	—	—
Fed. Home Loan Bank	15,239,347	N/A	—	15,239,347	—	—	—
Fed. Home Loan Mort. Corp.	15,884,360	N/A	—	15,884,360	—	—	—
Fed. National Mort. Assn.	5,831,843	N/A	—	5,831,843	—	—	—
Total U.S. Agency securities	42,051,232		—	42,051,232	—	—	—
Medium-term corporate notes	29,410,452	A	—	—	11,845,728	17,441,286	123,438
Total Operating portfolio Investments	127,667,769		56,206,085	42,051,232	11,845,728	17,441,286	123,438
Operating portfolio cash equivalents:							
Money market mutual funds	1,252,699	AAA	—	1,252,699	—	—	—
State Treasurer's Local Agency Investment Fund	16,125,590	N/A	16,125,590	—	—	—	—
Total Operating portfolio cash equivalents	17,378,289		16,125,590	1,252,699	—	—	—
Total Operating portfolio cash equivalents and investments	145,046,058		72,331,675	43,303,931	11,845,728	17,441,286	123,438
Passenger Facility Charge (PFC) Fund cash equivalents and investments:							
PFC Fund investments:							
U.S. Treasury securities	11,526,155	N/A	11,526,155	—	—	—	—
U.S. Agency securities:							
Fed. Farm Credit Bank	1,374,121	N/A	—	1,374,121	—	—	—
Fed. Home Loan Bank	2,591,869	N/A	—	2,591,869	—	—	—
Fed. Home Loan Mort. Corp.	3,856,051	N/A	—	3,856,051	—	—	—
Fed. National Mort. Assn.	599,743	N/A	—	599,743	—	—	—
Total U.S. Agency securities	8,421,784		—	8,421,784	—	—	—
Medium-term corporate notes	6,615,024	A	—	—	2,537,209	4,048,190	29,625
Total PFC Fund investments	26,562,963		11,526,155	8,421,784	2,537,209	4,048,190	29,625
PFC Fund cash equivalents – money market mutual funds	487,363	AAA	—	487,363	—	—	—
Total PFC Fund cash equivalents and investments	27,050,326		11,526,155	8,909,147	2,537,209	4,048,190	29,625
Investments held by bond trustee:							
U.S. Agency securities – Fed. Home Loan Bank	5,420,106	AAA	—	5,420,106	—	—	—
Money market mutual funds	4,082,960	AAA	—	4,082,960	—	—	—
Total investments bond trustee	9,503,066		—	9,503,066	—	—	—
Total cash equivalents and investments	$ 181,599,450		$ 83,857,830	61,716,144	14,382,937	21,489,476	153,063

* Lehman Brothers Holdings is not rated and, based on the recommendation of the Authority's Investment Manager, is being held for bankruptcy liquidation value.

(g) Concentration of Credit Risk

The Authority's investment policy limits the amount that can be invested in any one issuer in corporate notes, bankers' acceptances, commercial paper, negotiable certificates of deposit and time certificates of deposit to 5% of the applicable portfolio. The investment policy contains no other limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represent 5% or more of total Authority investments, by pool, are as follows:

	Authorized	Reported amount at June 30			
	investment	2011		2010	
Issuer	type	Amount	Fund%	Amount	Fund%
Operating portfolio investments:					
Federal Home Loan Bank	U.S. Agency securities	$ 13,876,299	9.91%	$ 15,239,347	10.51%
Federal Home Loan Mortgage Corp.	U.S. Agency securities	9,641,798	6.89	15,884,360	10.95
Federal Farm Credit Bank	U.S. Agency securities	7,624,096	5.45	—	—
Passenger Facility Charge Fund investments:					
Federal Home Loan Bank	U.S. Agency securities	2,251,010	9.19	2,591,869	9.58
Federal National Mortgage Association	U.S. Agency securities	1,681,602	6.87	—	—
Federal Home Loan Mortgage Corp.	U.S. Agency securities	1,648,719	6.73	3,856,051	14.26
Federal Farm Credit Bank	U.S. Agency securities	—	—	1,374,121	5.08
Held by bond trustee:					
Federal National Mortgage Association	U.S. Agency securities	5,420,429	56.98	—	—
Federal Home Loan Bank	U.S. Agency securities	—	—	5,420,106	57.04

(h) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2010 and 2009, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the California Government Code by the pledging financial institution in the Authority's name, as follows:

		2011	2010
Cash deposits:			
Insured (under Dodd-Frank beginning December 31, 2010 and under TAG program through December 31, 2009)	$	6,377,767	250,000
Uninsured, collateral held in the Authority's name		—	2,464,717
Total cash deposits		6,377,767	2,714,717
Plus deposits in transit		132,624	339,033
Less outstanding checks		(1,937,889)	(2,184,311)
Carrying amount of cash deposits	$	4,572,502	869,439

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December 31, 2010 until January 1, 2013. During the two-year period, all noninterest-bearing accounts of all banks are covered.

Investments and money market mutual funds in the Operating portfolio and Passenger Facility Charge Fund portfolio were held in the Authority's name by the trust department of the bank broker-dealer (counter-party) that was used by the Authority to buy the securities and mutual funds.

(i) Investment in the State Treasurer's Local Agency Investment Fund

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2011 and 2010, the total amount invested by all California local governments and special districts in LAIF was $24.0 billion and $23.3 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2011 and 2010 had a balance of $66.5 billion and $69.6 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the California Government Code. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling $1.1 billion and $0.6 billion, respectively, and asset-backed securities totaling $2.2 billion and $3.1 billion, respectively.

(4) Trust Assets

Since shortly after the Authority was formed in June 1977, the Authority and the FAA have had on-going concerns and discussions about ways to relocate the terminal complex to improve runway safety at Bob Hope Airport. A number of different terminal facility configurations were studied and pursued over the years. After substantial litigation between the Authority and the City of Los Angeles, in 1996 the FAA issued a Record of Decision certifying an Environmental Impact Statement that identified the former approximately 130-acre Lockheed Plant B-6 (the B-6 Property) as a preferred site alternative for a replacement terminal.

The Authority subsequently began condemnation proceedings to take possession of the B-6 Property. During that condemnation process, the City of Burbank and a number of citizen groups took various actions seeking to prevent the acquisition of property and construction of a replacement terminal facility. Those actions included litigation and voter initiatives.

The condemnation process coupled with the City of Burbank litigation was completed in fiscal year 2000, and resulted in the Authority acquisition of fee-simple restricted title to a 49.2-acre portion of the B-6 Property, subject to agreements which limit the use of that property. Acquisition costs of that portion of the B-6 Property were transferred to the land capital asset account. Costs associated with the balance of the remaining 80.92 acres of the B-6 Property amounting to $80,372,618 were placed in a trust, with title granted to a third-party trustee, and with restrictions placed on the Authority's ability to use the trust property, principally limiting use of the property to non-aviation purposes (B-6 Trust Property). The B-6 Trust Property was classified as restricted trust assets on the Authority's fiscal year 2000 financial statements (see note 14).

In October 2001, the Authority entered into a concurrent agreement to obtain title and then sell 21.65 acres of the Los Angeles portion of the B-6 Trust Property to a third party for $16,954,121. The 21.65 acres of property were considered excess to the requirements for a potential replacement terminal facility. The sale did not materialize, and in fiscal year 2002, the Authority entered into a new agreement to sell the aforementioned 21.65 acres of property for $16,250,000, which closed in July 2003, with net proceeds of $15,428,133 (after brokers and closing fees). The Authority recorded cumulative losses in FY 2001, FY 2002, and FY 2003 totaling $8.3 million reducing the property to its estimated net realizable value each year. Based on the adjustments recorded to reduce the property's carrying value in the previous years and the final sale amount known in fiscal 2003, there was no gain or loss recorded in FY 2004 in conjunction with the completion of the property sale.

Under the terms of the March 15, 2005 Development Agreement (see note 14), the remaining approximate 59 acres of B-6 Trust Property will be retained in a trust for a ten-year period. During this period, the Authority may use approximately 33 acres of the B-6 Trust Property for purposes that do not involve the expansion or enlargement of the Airport. The ultimate disposition of the B-6 Trust Property is to be determined upon the expiration of the ten-year term.

(5) Capital Assets

Changes in capital assets for the year ended June 30, 2011 were as follows:

	July 1, 2010	Additions	Deletions	June 30, 2011
Capital assets not being depreciated:				
Land	$ 156,923,796	—	—	156,923,796
Other non-depreciable assets	589,966	—	—	589,966
Construction in progress	4,543,304	22,126,685	(4,321,636)	22,348,353
Total capital assets not being depreciated	162,057,066	22,126,685	(4,321,636)	179,862,115
Capital assets being depreciated/amortized:				
Building and improvements	129,619,952	1,535,097	(375,762)	130,779,287
Runways and improvements	83,702,945	1,857,723	(482,116)	85,078,552
Machinery and equipment	31,841,547	928,816	(185,772)	32,584,591
Total capital assets being depreciated/ amortized	245,164,444	4,321,636	(1,043,650)	248,442,430
Less accumulated depreciation/amortization for:				
Building structures	(67,933,415)	(7,271,745)	375,762	(74,829,398)
Runway/airfield improvements	(46,885,304)	(4,284,673)	482,116	(50,687,861)
Equipment	(22,052,737)	(3,133,285)	183,166	(25,002,856)
Total accumulated depreciation/ amortization	(136,871,456)	(14,689,703)	1,041,044	(150,520,115)
Total capital assets being depreciated/ amortized, net	108,292,988	(10,368,067)	(2,606)	97,922,315
Total capital assets, net	$ 270,350,054	11,758,618	(4,324,242)	277,784,430

Changes in capital assets for the year ended June 30, 2010 were as follows:

		July 1, 2009	Additions	Deletions	June 30, 2010
Capital assets not being depreciated:					
Land	$	156,923,796	—	—	156,923,796
Other non-depreciable assets		589,966	—	—	589,966
Construction in progress		3,461,223	11,132,475	(10,050,394)	4,543,304
Total capital assets not being depreciated		160,974,985	11,132,475	(10,050,394)	162,057,066
Capital assets being depreciated/amortized:					
Building and improvements		129,322,739	1,175,663	(878,450)	129,619,952
Runways and improvements		79,467,528	7,113,203	(2,877,786)	83,702,945
Machinery and equipment		30,470,943	1,761,528	(390,924)	31,841,547
Total capital assets being depreciated/ amortized		239,261,210	10,050,394	(4,147,160)	245,164,444
Less accumulated depreciation/amortization for:					
Building structures		(61,397,544)	(7,414,321)	878,450	(67,933,415)
Runway/airfield improvements		(45,776,595)	(3,986,495)	2,877,786	(46,885,304)
Equipment		(18,065,820)	(4,279,060)	292,143	(22,052,737)
Total accumulated depreciation/ amortization		(125,239,959)	(15,679,876)	4,048,379	(136,871,456)
Total capital assets being depreciated/ amortized, net		114,021,251	(5,629,482)	(98,781)	108,292,988
Total capital assets, net	$	274,996,236	5,502,993	(10,149,175)	270,350,054

(6) Long–Term Debt

The following is a summary of changes in long—term debt for the years ended June 30, 2011 and 2010:

		Beginning balance	Additions	Deductions	Ending balance	Due within one year
Year ended June 30, 2011:						
Revenue bonds payable:						
2005 Series A	$	7,750,000	—	(855,000)	6,895,000	880,000
2005 Series B		50,765,000	—	(1,470,000)	49,295,000	1,760,000
2005 Taxable Series C		205,000	—	(205,000)	—	—
Plus (less) deferred amounts for:						
Original issue premium		2,207,418	—	(149,232)	2,058,186	—
Total long–term debt payable	$	60,927,418	—	(2,679,232)	58,248,186	2,640,000
Year ended June 30, 2010:						
Revenue bonds payable:						
2005 Series A	$	7,750,000	—	—	7,750,000	855,000
2005 Series B		50,765,000	—	—	50,765,000	1,470,000
2005 Taxable Series C		2,625,000	—	(2,420,000)	205,000	205,000
Plus (less) deferred amounts for:						
Original issue premium		2,356,651	—	(149,233)	2,207,418	—
Deferred amount on refunding		(41,351)	—	41,351	—	—
Total long–term debt payable	$	63,455,300	—	(2,527,882)	60,927,418	2,530,000

(a) 2005 Revenue Bonds

On May 26, 2005, the Authority issued $67,535,000 of 2005 Airport Revenue Bonds (2005 Bonds) with an effective interest rate of 4.680% and at an original issue premium totaling $2,968,089. The 2005 Bonds were issued in three series. The 2005 Bonds are insured and are special obligations of the Authority payable solely from, and secured solely by a pledge of, the net revenues and amounts in certain funds established under the Master Indenture of Trust and the Debt Service Reserve Fund.

The $7,750,000 Airport Revenue Bonds 2005 Series A (Non-AMT) (2005 Series A Bonds), at an effective interest rate of 3.964%, were issued to refinance the $9,395,000 outstanding balance of Airport Revenue Bonds, Refunding Series of 1992 (1992 Bonds) with a remaining coupon interest rate of 6.400%. The 2005 Series A Bonds are due in annual installments ranging from $855,000 to $1,100,000 from July 1, 2010 to July 1, 2017 with interest rates ranging from 3.125% to 4.000% payable semiannually on July 1 and January 1. The 2005 Series A Bonds maturing on or after July 1, 2016 are subject to optional redemption, without premium, in whole or in part on any date on or after July 1, 2015. The balance of 2005 Series A Bonds outstanding at June 30, 2011 and 2010 is $6,895,000 and $7,750,000, respectively, plus unamortized original issue premium of $23,300 and $27,183, respectively. At June 30, 2011 and 2010, the current portion of the 2005 Series A Bonds, paid July 1, 2011 and 2010, are $880,000 and $855,000, respectively. Bond issuance costs of $145,647 were capitalized and are being amortized using the straight-line method over the life of the 2005 Series A Bonds. Unamortized bond issue costs of $72,238 and $84,277 at June 30, 2011 and 2010, respectively, are reported in the accompanying statement of net assets.

The $50,765,000 Airport Revenue Bonds 2005 Series B (AMT) (2005 Series B Bonds), at an effective interest rate of 4.738%, and the $9,020,000 Airport Revenue Bonds 2005 Taxable Series C

(2005 Taxable Series C Bonds), at an effective interest rate of 5.067%, were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking, fund the Debt Service Reserve Fund, and pay the cost of issuance of the 2005 Bonds. The 2005 Series B Bonds are due in annual installments ranging from $1,470,000 to $5,160,000 from July 1, 2010 to July 1, 2025 with interest rates ranging from 5.000% to 5.250% payable semiannually on July 1 and January 1. The 2005 Taxable Series C Bonds are due in annual installments ranging from $205,000 to $2,420,000 from July 1, 2006 to July 1, 2010 with interest rates ranging from 3.810% to 4.490% payable semiannually on July 1 and January 1. The 2005 Series B Bonds maturing on or after July 1, 2016 are subject to optional redemption, without premium, in whole or in part on any date on or after July 1, 2015. The balance of 2005 Series B Bonds outstanding at June 30, 2011 and 2010 is $49,295,000 and $50,765,000, respectively, plus unamortized original issue premium of $2,034,886 and $2,180,235, respectively. At June 30, 2011 and 2010, the current portion of the 2005 Series B Bonds, paid July 1, 2011 and 2010, are $1,760,000 and $1,470,000, respectively. The balance of 2005 Taxable Series C Bonds outstanding at June 30, 2010 is $205,000. The 2005 Taxable Series C Bonds were paid in full July 1, 2010. Bond issuance costs of $954,512 for the 2005 Series B Bonds and $169,646 for the 2005 Taxable Series C Bonds were capitalized and are being amortized using the straight-line method over the life of the respective bonds. Unamortized bond issue costs at June 30, 2011 and 2010 for 2005 Series B Bonds of $664,926 and $712,421, respectively, are reported in the accompanying statement of net assets. The bond issue costs for 2005 Taxable Series C Bonds were fully amortized at June 30, 2010.

In accordance with the bond resolution, certain cash accounts (funds) are required to be segregated and minimum balances maintained as summarized in note 2. There are also a number of other limitations and restrictions contained in the various bond indentures. Authority management believes that the Authority has complied with such requirements.

(b) Annual Debt Service Requirements to Maturity

Revenue bond debt service requirements to maturity are as follows:

	2005 Series A		2005 Series B		Total		Total debt
	Principal	Interest	Principal	Interest	Principal	Interest	service
Payable in year ending June 30:							
2012	$ 880,000	244,687	1,760,000	2,476,350	2,640,000	2,721,037	5,361,037
2013	915,000	213,275	1,840,000	2,386,350	2,755,000	2,599,625	5,354,625
2014	945,000	179,544	1,935,000	2,289,556	2,880,000	2,469,100	5,349,100
2015	980,000	143,138	2,035,000	2,185,344	3,015,000	2,328,482	5,343,482
2016	1,020,000	105,325	2,140,000	2,075,750	3,160,000	2,181,075	5,341,075
2017 – 2021	2,155,000	87,100	16,130,000	8,244,363	18,285,000	8,331,463	26,616,463
2022 – 2026	—	—	23,455,000	3,046,375	23,455,000	3,046,375	26,501,375
Total principal and interest to maturity	6,895,000	$ 973,069	49,295,000	22,704,088	56,190,000	23,677,157	79,867,157
Unamortized portion of: Original issue premium	23,300		2,034,886		2,058,186		2,058,186
Less current portion of principal	(880,000)		(1,760,000)		(2,640,000)		(2,640,000)
Total long-term portion of revenue bonds payable	$ 6,038,300		49,569,886		55,608,186		79,285,343

(c) Pledged Revenues

The 2005 Bonds are special obligations of the Authority payable solely from, and secured solely by a pledge of, the net revenues (operating revenue plus investment income on operating funds less operating expenses before depreciation) and amounts in certain funds established under the Master Indenture of Trust and the Debt Service Reserve Fund. Net revenues and accrued debt service on the 2005 Bonds for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Net Revenues	$ 12,790,324	16,924,592
Accrued debt service on 2005 Bonds	5,420,438	5,419,861
Ratio of Net Revenues to accrued debt service on 2005 Bonds	2.36	3.12

The estimated aggregate total amount of pledged net revenues and amounts in the funds established under the Master Indenture of Trust related to the 2005 Bonds is equal to the remaining debt service on the 2005 Bonds at June 30, 2011 of $79,867,157. The pledged revenues are in force during the term of the 2005 Bonds with final maturity on July 1, 2025.

(7) Retirement Plan

The Authority previously provided pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. In April 2002, as part of an employment contract negotiated with the Authority, the employees elected to terminate their participation in the existing pension plan to participate in a SEP

IRA program. The Authority terminated the existing plan effective June 30, 2002. The Authority continued to contribute 5% of the employee's eligible base salary each year to individual SEP IRA accounts to be managed at the employee's discretion.

Effective February 1, 2006, the Authority entered into a new employment contract which, among other things, called for the implementation of a 401(k) program sponsored by the Burbank-Glendale-Pasadena Airport Police Officers Association ("BGPAPOA") into which the Authority would contribute 6% of eligible base salaries as a retirement contribution. Employees may also contribute to their 401(k) account, but there is no additional Authority match. The BGPAPOA established its 401k Plan effective January 1, 2007. For periods prior to January 1, 2007, the Authority continued to contribute to individual SEP IRA accounts managed at the employee's discretion on an annual basis. Beginning January 1, 2007, the Authority contributed 6% of eligible base salary to the BGPAPOA 401k Plan as part of weekly payroll. Effective February 1, 2011, the Authority entered into a new employment contract with the same terms related to the 401(k) program and Authority retirement contribution.

The Authority's total salaries and benefits were $3,340,203 in FY 2011 and $2,953,126 in FY 2010. The Authority's contributions have been calculated using the base salary amount of $2,482,440 in FY 2011 and $2,236,015 in FY 2010. The Authority made the required accruals and contributions, amounting to $148,946 and $134,161 in fiscal years 2011 and 2010, respectively.

(8) Sound Insulation Programs

(a) School Sound Insulation Program

In FY 1989, the Authority adopted a FAA-approved multiyear school sound insulation program. Four schools were initially identified for the insulation program: Luther Burbank Middle School, Glenwood Elementary School, St. Patrick's School, and Mingay School. As of June 30, 2005, the sound insulation of these schools has been completed. In November 2000, the FAA approved the Authority's revised acoustical treatment program that added four additional schools. As of June 30, 2011, two of these additional schools have been completed. The Authority has applied for grant assistance to be supplemented with Passenger Facility Charge (PFC) funds.

(b) Residential Home Sound Insulation Program

As part of th e Authority's efforts to achieve noise compatibility within Airport-adjacent communities, the Authority also initiated a residential home sound insulation program. The sound insulation program is funded through a combination of federal grant monies, Passenger Facility Charge funds, and Authority funds.

The Authority has entered into agreements with the FAA to provide funding assistance. The following sound insulation grant award agreements were outstanding during the years ended June 30, 2011 and 2010:

Date accepted	AIP grant number	Award Amount	Project description
August 2006	3-06-0031-41	$ 12,000,000	Sound insulation of residences
August 2007	3-06-0031-44	7,000,000	Sound insulation of residences
June 2008	3-06-0031-45	3,000,000	Sound insulation of residences
February 2009	3-06-0031-47	7,000,000	Sound insulation of residences

During the year ended June 30, 2011, the Authority expended $6,894,782 on these projects, of which $4,319,375 was funded through FAA grants, $2,317,859 through PFC funds and $257,548 through

Authority funds. The Authority acoustically treated approximately 207 residences during FY 2011 and an additional 203 are in progress at June 30, 2011. During the year ended June 30, 2010, the Authority expended $6,109,511 on these projects, of which $3,547,167 was funded through FAA grants, $2,445,063 through PFC funds and $117,281 through Authority funds. The Authority acoustically treated approximately 135 residences during FY 2010 and an additional 112 are in progress at June 30, 2010.

(9) Leases

The Authority leases land, terminal, hangar, and administrative facilities to various entities under operating leases. The cost of the Authority's leased property and the related accumulated depreciation by asset type is presented as of June 30, 2011 as follows:

		Cost	Accumulated depreciation
Land	$	28,773,504	—
Buildings and improvements		31,006,790	22,733,089
Runways and improvements		647,000	647,000
	$	60,427,294	23,380,089

The leases on such properties expire at various times, and generally terms are provided whereby lease terms may be extended.

Concession lease revenues are based on a percentage of gross receipts subject to minimum annual guarantees (MAG). Such concession rentals totaled $8,098,199 and $7,944,325 for the years ended June 30, 2011 and 2010, respectively, consisting of MAG revenues of $7,561,737 and $7,367,142, respectively, and over-MAG revenues of $536,462 and $577,183, respectively.

Minimum future rental revenue on noncancelable leases in effect at June 30, 2011 is as follows:

		Lease revenue
Fiscal year ending June 30:		
2012	$	23,864,506
2013		14,409,592
2014		10,752,142
2015		6,519,559
2016		5,672,173
2017 – 2021		18,173,535
2022 – 2026		12,714,067
2027 – 2031		1,895,266
	$	94,000,840

(10) Passenger Facility Charges

In June 1994, the FAA approved the Authority's application to collect a $3.00 Passenger Facility Charge (PFC) per enplaned passenger to provide funds for specifically approved airport improvement projects to begin September 1, 1994. Effective April 1, 2003, the FAA approved an increase of the charge from $3.00

to $4.50. PFC funds collected are restricted and may only be used on specifically approved facility improvement projects. All PFC funds collected are maintained in a separate interest-bearing account administered by the Authority prior to disbursement. Total PFC revenue for the years ended June 30, 2011 and 2010 totaled $9,642,916 and $10,291,365, respectively, including investment income on the PFC investment portfolio of $404,103 and $649,043, respectively. During the year ended June 30, 2011, funds totaling $12,305,329 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $2,946,776 was for sound insulation program expenditures, $8,177,263 was for the Ramp Renovation project and $1,181,290 was for other Airport facility development projects. During the year ended June 30, 2010, funds totaling $15,168,837 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $1,715,544 was for sound insulation program expenditures, $4,108,344 was for the Engineered Material Arresting System (EMAS) Extension project, $3,000,000 for the Terminal A Baggage Claim project, $2,860,931 was for the Taxiway D Extension project, and $3,484,018 was for other Airport facility development projects.

(11) Customer Facility Charges

Effective December 1, 2009, the Authority adopted a $10 Customer Facility Charge (CFC) per rental car transaction to provide for the planning, design, construction and financing of a consolidated rental car facility (CRCF) in accordance with California Civil Code Section 1936(m) et seq. Effective July 1, 2011 the Authority increased the CFC to $6 per rental car transaction day up to a maximum of five days. All CFC funds collected are maintained in a separate account administered by the Authority prior to disbursement. CFC revenue for the years ended June 30, 2011 and 2010 totaled $3,186,870 and $1,755,750, respectively. During the year ended June 30, 2011 and 2010, funds totaling $0 and $1,105,186, respectively, for eligible costs expended on the CRCF project were reimbursed to the Current Operating Fund from the CFC Fund.

(12) Related-Party Transactions

The Authority is charged for services and items from City of Burbank departments that are categorized in the various expense line items in the statements of revenues, expenses, and changes in net assets and are included in various capital assets for permits and related fees. The most significant are payments for utilities and a City parking tax.

The Airport is subject to a 12% tax on parking revenue payable to the City of Burbank on a quarterly basis. The Authority incurred parking tax expense totaling $2,157,963 and $2,149,576 during the years ended June 30, 2011 and 2010, respectively, of which $63,406 and $0 related to the $1 incremental parking revenue, respectively (see note 17). The Authority incurred utility expense for electricity, water and wastewater utilities from Burbank Water and Power during the years ended June 30, 2011 and 2010 totaling $1,900,310 and $1,807,754 (including amounts charged back to tenants of $278,876 and $273,030), respectively.

(13) Commitments and Contingencies

(a) Litigation and Claims

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; war risk and natural disasters for which the Authority carries commercial insurance, subject to deductibles ranging from $1,000 to $100,000. No settlements exceeded insurance coverage in the past three fiscal years, except for the Lockheed settlement (see note 17).

Several lawsuits and claims, arising in the normal course of Authority operations, and the items described below, were pending against the Authority at June 30, 2011. In the opinion of the Authority's management and legal counsel, there are adequate defenses to these actions, and the Authority's management and legal counsel do not anticipate material adverse effects on the financial position of the Authority from the disposition of these lawsuits and claims.

EPA Superfund Site Cleanup (North Hollywood Operable Unit)

See note 17, *Special Item – Environmental Litigation and Settlement.*

Clybourn Complex Hangar Floors

The hangar floors of eight hangars constructed between 1997 and 1999 located in the Clybourn Complex in the northwest corner of the Airport have experienced surface deterioration through blisters or "pop outs" caused by reactive aggregate. While this damage is superficial, not structural, it results in an unsightly appearance. The Authority, its insurer, the construction contractor of the hangars and other parties reached a settlement to claims filed by the Authority on this matter totaling $2,223,219; such accumulated receipts, less payments of $29,179 and $38,997 during the years ended June 30, 2010 and 2011, respectively, are included in accounts payable and accrued expenses. The method, priority and schedule for repairs to the hangar floors have been negotiated between the Authority and the hangar tenants and repairs have begun in August 2011 and are expected to be completed during FY 2012.

(b) Contracted Services

The Authority has contracted with TBI Airport Management, Inc. (TBI) to perform certain airport administrative, maintenance, and operational services. The agreement expires June 30, 2018 with one ten-year option. Compensation under the agreement is based on a base management fee and reimbursement of operating costs, primarily salaries and benefits. A budget for TBI costs is prepared each year and is subject to review and approval as part of the Authority's annual budget process. The management fee is adjusted annually based on increases or decreases to certain operating costs. Costs incurred under the contract for the year ended June 30, 2011 and 2010 total $9,110,863 and $8,209,888, as follows:

		2011	2010
Contracted airport services	$	8,189,473	7,783,502
Capitalized to constructed capital assets		629,081	154,351
Sound insulation program		218,946	232,103
Other expenses		73,363	39,932
Total airport management contract costs	$	9,110,863	8,209,888

The Authority contracts with Pro-Tec Fire Services for aircraft rescue and firefighting services. The agreement expires October 31, 2013 with two one-year options. Minimum future commitments under this agreement are as follows:

Fiscal year ending June 30:		
2012	$	1,900,000
2013		1,975,000
2014		666,667
	$	4,541,667

The Authority contracts with Central Parking System for self-park management services, valet parking services and employee and customer busing service, which runs through June 30, 2011. This agreement has been extended on a month-to-month basis while the Authority seeks responses to a request for proposals for this service. Compensation under the contract is based on a fixed management fee and reimbursement of operating costs. These costs are subject to review and approval as part of the Authority's annual budget process. Costs under the contract for the years ended June 30, 2011 and 2010 total $6,861,672 and $6,670,168, respectively.

(c) Construction Contracts

The Authority has contract commitments outstanding at June 30, 2011 for various construction contracts totaling $5,754,385. Subsequent to June 30, 2011, the Authority entered additional construction contracts totaling $1,726,711, primarily related to the Clybourn Complex hangar floor rehabilitation project, Terminal A carpet replacement project and Building 9 infrastructure improvement project.

(d) Federal Grants

As of June 30, 2011, the Authority had nonexpended, noncancelable grant commitments of $19,912,194 in federal funds of which $11,942,703 related to the sound insulation program, $618,381 related to an Aircraft Rescue and Firefighting vehicle, $949,479 related to the runway safety area improvements – phase 1 project, $450,000 related to the fiber optic ring project, $4,327,760 related to the transit access study project, $1,486,675 related to Regional Intermodal Transportation Center project and $137,196 in asset forfeiture funds.

The Authority has been awarded various federal grants for noise mitigation, facility improvement and security equipment. Grants awarded, which are included in grant commitments above, and expenditures against those grants for the years ended June 30, 2011 and 2010, are as follows:

Award Date	Award Amount	Project description	Expenditures charged to grant 2011	Expenditures charged to grant 2010
August 2006	$ 12,000,000	Noise mitigation measures	$ —	$ 2,989,069
August 2007	7,000,000	Noise mitigation measures	4,019,805	314,858
June 2008	3,000,000	Noise mitigation measures	116,944	103,865
October 2008	3,778	Bulletproof vest	3,778	—
February 2009	7,000,000	Noise mitigation measures	182,626	139,376
February 2009	1,674,842	Runway guard lights	—	1,476,196
May 2009	3,985,000	Taxiway C, D & G rehabilitation	—	3,317,221
July 2009	641,410	Runway guard lights	—	641,410
July 2009	632,191	ARFF vehicle	10,770	3,040
July 2009	450,000	Fiberoptic ring/perimeter security	—	—
March 2010	604,425	Runway shoulder rehabilitation	596,465	7,960
June 2010	275,000	Fiberoptic ring/perimeter security	—	—
July 2010	115,244	Runway shoulder rehabilitation	31,469	—
July 2010	4,387,000	Transit access study	59,240	—
March 2011	964,270	Runway 15 safety areas	14,791	—
March 2011	550,000	RITC	—	—
May 2011	936,675	RITC (five grants transferred from City of Burbank)	—	—
Various	431,454	Asset forfeiture funds	132,721	232,333

On September 7, 2011, the FAA awarded the Authority a grant in the amount of $728,120 for phase 2 funding to complete the improvements of the Runway 15 safety areas and $483,550 for rehabilitation of the ARFF Station. On September 13, 2011, the FAA awarded the Authority a grant in the amount of $805,900 for a 14 CFR Part 150 noise compatibility study update.

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or single audit of the federal grant programs which resulted in disallowed costs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, the Authority has complied with provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

(14) Airport Development Agreement

The Authority and the City of Burbank have entered into a multiyear agreement (the Development Agreement) clarifying permitted development and uses within the Airport Zone, as defined by the City of Burbank Municipal Code, on the Airport property for the term of the agreement and determining the uses and/or disposition of certain land during the term of the Development Agreement.

The Development Agreement expires seven years after June 21, 2005, the date the Authority gave notice of its A-1 North Property fee title acquisition to the City. Pursuant to the Development Agreement, the Authority agreed to not (i) build or announce plans for a new Passenger Terminal, (ii) expand square footage of the existing Passenger Terminal (with certain exceptions for security related improvements), (iii) expand the general aviation area beyond an area specified in the Development Agreement, or (iv) increase the number of gates at the Airport beyond 14. The Authority's agreement to not build or announce plans for a new Passenger Terminal is effective for ten years. Also pursuant to the Development Agreement, the Authority has a vested right to develop the Airport in accordance with the City of Burbank zoning, development and land use regulations in effect at the time the Development Agreement was executed, except as clarified in the Development Agreement. Such permitted uses include (i) aircraft fabrication, testing, and servicing, (ii) aircraft landing fields for aircraft and helicopters, and runways and control towers, (iii) air passenger facilities and accessory uses, including airport related vehicle parking, and (iv) personal wireless telecommunication service facilities. The Development Agreement also contains provisions for the continuation of an already existing "Noise Working Group" and an "Airport Land Use Working Group." The Development Agreement may (with the mutual approval of the signatories to the Agreement) be amended under certain circumstances, and the Development Agreement may be amended or terminated if the FAA or a court renders a decision that would make it impossible or impractical for the Authority to comply with the Development Agreement.

Based on a recommendation of the Airport Land Use Working Group, on August 1, 2011 the Authority sought and on September 8, 2011 the City agreed to an extension of the Development Agreement to March 15, 2015, and revised the agreement to permit seeking public input on the future vision of the airport, which may include a new or relocated passenger terminal.

(15) Part 161 Application

On November 2, 2009, the Federal Aviation Administration disapproved the Authority's FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport. The Authority continues to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise protection.

(16) Regional Intermodal Transportation Center

On August 24, 2010, the City of Burbank approved entitlements and minor amendments to the Development Agreement to permit the Authority to proceed with the Regional Intermodal Transportation Center (RITC) project to be located in the southeast corner of the A-1 North Property. This project will include a transportation center linking the Airport with the Metrolink/Amtrak Bob Hope Airport train station immediately south of the Airport, local and regional bus service, and other mass transit transportation in the Authority's continuing efforts to promote alternative access to the Airport. The RITC will also include a consolidated rental car facility (CRCF) which will consolidate the rental car operations at the Airport, relocate the ready-return facility that is currently partially located in the Runway 33 runway safety area and eliminate over 700,000 annual trips on Empire Avenue of rental cars traveling between the ready return lot and the current service center facilities used for the washing and fueling of the rental cars on the southwest quadrant of the Airport. The CRCF will be funded in part from Customer Facility Charge (CFC) fees established December 1, 2009, as amended, and residual rent fees from the rental car companies, as required. An elevated covered moving sidewalk will accommodate pedestrian travel between the RITC and the terminal, but will not be physically connected to the terminal building. The Authority has begun discussions with the City of Burbank's Burbank Water and Power Department (BWP) regarding a significant leased installation by BWP of solar power panels on the roof of the RITC to provide an alternate energy source for the community. A publicly accessible consolidated natural gas (CNG) fueling facility to be developed and operated under a ground development lease is also planned to promote use of alternate fuel vehicles.

On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from \$159 million to \$187 million, significantly exceeded the \$112 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected all of the bids and the Board of Commissioners directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services with the expectation of going back out to bid for the redesigned project in November 2011.

(17) Special Item – Environmental Litigation and Settlement

In January 2010, the Authority received a letter from the U.S. Environmental Protection Agency (EPA) indicating that the Agency intended to name the Authority as one of approximately 30 parties designated under the federal Superfund law (CERCLA) as "potentially responsible parties" (PRPs) for the second interim remedy at the North Hollywood Operable Unit (NHOU). The second interim remedy is estimated by EPA to cost approximately \$108 million. This is a preliminary estimate that is made without benefit of a detailed engineering analysis of the exact components of the proposed remedy. Thus, the actual remediation costs could vary considerably from EPA's estimate. In July 2010, the Authority received a letter from the EPA formally designating the Authority as a "potentially responsible party" and requesting that the Authority, together with other named PRPs, form a group and submit a good faith settlement offer to EPA to undertake the work required for the second interim remedy. The July 2010 letter also contained a demand by EPA for payment of certain of its past costs incurred in the NHOU and a portion of the collective San Fernando Valley Superfund Sites that the EPA calculated to be approximately \$13 million.

Separately, the Authority filed a lawsuit, *Burbank-Glendale-Pasadena Airport Authority v. Lockheed Martin Corporation*, No. CV 10-2392 MRP (ANx) in the United States District Court for the Central District of California (Indemnification Action). That lawsuit claimed that Lockheed Martin Corporation owed the Authority a contractual duty to defend and indemnify against the EPA's current claims. The Authority based its claims principally upon a written indemnification provision in the 1978 Airport

Purchase Agreement executed by it and by Lockheed. Lockheed answered the complaint, denying the material allegations thereof and asserting various affirmative defenses.

The Authority settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provides that the Authority will pay to Lockheed Martin Corporation the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed Martin Corporation agreed to defend and indemnify the Authority for certain settled matters, including all response costs (estimated by EPA to be $108 million) in connection with the second interim remedy for the North Hollywood Operable Unit asserted by EPA or by any other PRP against either or both Lockheed Martin Corporation and the Authority.

Included in the Special Item are the costs of the settlement totaling $2 million and legal costs related to the EPA and Lockheed matters for the year ended June 30, 2011 totaling $878,795. Legal costs related to the EPA and Lockheed matters for the year ended June 30, 2010 total $514,854 and were included in Professional Services for the year then ended.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs, including those costs incurred in FY 2010. Incremental parking revenues totaling $591,789 for the year ended June 30, 2011, net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling $63,406, are not included in parking revenues but, rather, are included as an offset to the legal and settlement costs noted above.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of the security for the Bonds, various rights of the Bondholders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority. Certain of the provisions of the Indenture not discussed elsewhere in this Official Statement are summarized below. The headings or titles used herein are solely for convenience of reference. These summaries do not purport to be complete or definitive and reference should be made to the Indenture for a full and complete statement of its provisions.

DEFINITIONS

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant selected by the Authority.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the interest rate with respect to such Capital Appreciation Obligation specified in or determined pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation, on each compounding date specified in such Issuing Instrument. The applicable Accreted Value at any date will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accrued Debt Service" means, as with respect to any period of time and with respect to any Outstanding Parity Obligations, the amount of Debt Service on such Parity Obligations accrued and to accrue during such period calculating such Debt Service as follows: (i) interest on any Variable Rate Obligation for any portion of such during which the rate has not been established will be calculated at the maximum rate of interest payable with respect to such Variable Rate Obligation; (ii) interest payable from Capitalized Interest will be excluded from the calculation; (iii) Debt Service payable from Available Revenues will be excluded from the calculation; (iv) payments of interest due on any Interest Payment Date for a Bond will be deemed to accrue daily in equal amounts from the date of the preceding Interest Payment Date for such Bond or, with respect to the initial Interest Payment Date for a Bond, from the dated date of such Bond; and (v) payments of maturing principal and Sinking Fund Installments will be deemed to accrue daily in equal amounts from the date which is one year prior to the due date of such maturing principal and Sinking Fund Installments.

"Additional Parity Obligations" means Parity Obligations, including Additional Bonds, satisfying the applicable conditions of the Master Indenture.

"Advance Refunded Municipal Securities" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are rated "AAA" by S&P or "Aaa" by Moody's, (b) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions, (c) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) of the definition of "Permitted Investments" which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (b) above, as appropriate, and (d) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) or (b) of the definition of "Permitted Investments" which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an Accountant's Certificate as being sufficient, without reinvestment, to pay principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (b) above, as applicable.

"Aggregate Adjusted Annual Debt Service" means, with respect to any twelve month period of time, the aggregate amount of Accrued Debt Service on all Outstanding Parity Obligations for such period modified, notwithstanding anything to the contrary contained in the definition of Accrued Debt Service, as follows:

(a) In determining the amount of principal payable in a Fiscal Year, payment will (unless a different paragraph of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Parity Obligations in accordance with the maturity schedule or any amortization schedule (including mandatory redemption from Sinking Fund Installments) established by the Issuing Instrument for such Parity Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Obligations maturing or scheduled for redemption in such year. In determining the amount of interest payable in a Fiscal Year, interest payable at a fixed rate will (except to the extent paragraph (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required Interest Payment Dates.

(b) If all or any portion or portions of Outstanding Parity Obligations constitute Balloon Obligations, then, for purposes of determining Aggregate Adjusted Annual Debt Service, each maturity which constitutes Balloon Obligations will, unless otherwise provided in the Issuing Instrument for such Balloon Obligations or unless paragraph (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a period of 20 years (or the actual number of years over which such Balloon Obligations is to be amortized, if greater than 20 years, but in no event greater than 30 years) and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Obligations was issued, and extending not later than the stated or deemed, as the case may be, final maturity of such Balloon Obligations, but in no event later than 30 years from the date such Balloon Obligations was originally issued.

(c) Any maturity of Parity Obligations which constitutes Balloon Obligations for which the stated maturity date occurs within 12 months from the date the calculation of Aggregate Adjusted Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and paragraph (b) above will not apply thereto unless the Authority has received a letter evidencing a binding commitment of an institutional lender or municipal underwriting firm to provide financing to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Obligations will be assumed to be refinanced in accordance with the probable terms set out in such commitment and such terms will be used for purposes of calculating Aggregate Adjusted Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which then applies to such Balloon Obligations and will be amortized over a term of not more than 30 years from the date of refinancing.

(d) If any Outstanding Parity Obligations constitute Variable Rate Obligations which are Tax-Exempt, except to the extent paragraph (h) applies the interest rate on such Parity Obligations for any period as to which such interest rate has not been established will be assumed to be 110% of the daily average interest rate on such Parity Obligations during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or such shorter period that such Parity Obligations will have been Outstanding.

(e) If any Outstanding Parity Obligations constitute Variable Rate Obligations which are not Tax-Exempt, except to the extent paragraph (h) applies the interest rate on such Parity Obligations for any period as to which such interest rate has not been established will be assumed to be 110% of the daily average interest rate on such Parity Obligations during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or such shorter period that such Parity Obligations will have been Outstanding.

(f) If the Parity Obligations proposed to be issued are Variable Rate Obligations which are Tax-Exempt, (except to the extent paragraph (i) applies) then the interest rate on such Parity Obligations will be assumed to be 110% of the average BMA Index during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Authority.

(g) If the Parity Obligations proposed to be issued will be Variable Rate Obligations which are not Tax-Exempt, except to the extent paragraph (i) applies) the interest rate on such Parity Obligations will be assumed to be 110% of the average One Month USD LIBOR Rate during the 12 months ending with the month preceding the month in which the calculation of Aggregate Adjusted Annual Debt Service is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Authority.

(h) If a Qualified Swap has been entered into in connection with any Outstanding Parity Obligations, the interest rate on such Outstanding Parity Obligations for each period during which payments are to be exchanged by the parties under such Qualified Swap will be determined for purposes of calculating Aggregate Adjusted Annual Debt Service by adding: (1) the amount of Debt Service paid or to be paid by the Authority as interest on such Outstanding Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (d) or (e), as applicable, if such Outstanding Parity Obligations constitute Variable Rate Obligations) and (2) the net amount (which may be a negative amount) paid or to be paid by the Authority under the Qualified Swap (after giving effect to payments made and received, and to be made and received, by the Authority under the Qualified Swap) during such period, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap will be deemed to be the rate at which the related Outstanding Parity Obligations constituting Variable Rate Obligations is assumed to bear interest.

(i) If a Qualified Swap has been entered into by the Authority with respect to any Parity Obligations proposed to be issued, which Qualified Swap will be effective at the time the Parity Obligations are issued, the interest on such proposed Parity Obligations for each period during which payments are to be exchanged under the Qualified Swap will be determined for purposes of calculating Aggregate Adjusted Annual Debt Service by adding: (1) the amount of Debt Service to be paid by the Authority as interest on such Parity Obligations during such period (determined as provided in paragraph (f) or (g), as applicable, if such Parity Obligations are to constitute Variable Rate Obligations) and (2) the net amount (which may be a negative amount) to be paid by the Authority under the Qualified Swap (after giving effect to payments to be made and received by the Authority under the Qualified Swap) during such period, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap will be deemed to be the rate at which the proposed Parity Obligations which are to constitute Variable Rate Obligations will be assumed to bear interest.

(j) If any Parity Obligations are, or upon issuance will be, Paired Obligations, the interest thereon will be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations.

(k) With respect to Parity Obligations which are part of a Commercial Paper Program, it will be assumed that the full principal amount of such Commercial Paper Program will be amortized over a term certified by an Authorized Authority Representative as the expected duration of such Commercial Paper Program at the time the initial Obligations of such Commercial Paper Program are issued or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Commercial Paper Program at the time the calculation of Aggregate Adjusted Annual Debt Service is made, but not to exceed 30 years from the date the initial Obligations of such Commercial Paper Program are issued and it will be assumed that Debt Service with respect to such Commercial Paper Program will be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation will be a rate equal to the average rate for such Obligations during the preceding twelve-month period or, if the Obligations have not been Outstanding for a twelve-month period, the period since the issuance of such Obligations or, if the Obligations under the

Commercial Paper Program are Parity Obligations proposed to be issued, as provided in paragraph (f) or (g) of this definition, as applicable.

(l) Reimbursement Obligations which are Parity Obligations will be included in the calculation of Aggregate Adjusted Annual Debt Service to the extent of amounts drawn on the related Credit Support Instrument. Interest on such Reimbursement Obligations will be calculated at the rate in effect on the date the calculation of Aggregate Adjusted Annual Debt Service is made. Reimbursement of amounts drawn will be treated as principal and payable as provided in the related Credit Support Agreement.

(m) If moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Parity Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Aggregate Adjusted Annual Debt Service.

(n) The Parity Purchase Price of Parity Obligations which are Tender Obligations will not be included in the calculation of Aggregate Adjusted Annual Debt Service unless, at the time of calculation of Aggregate Adjusted Annual Debt Service, the Parity Obligations have been tendered or deemed tendered for purchase in accordance with the applicable Issuing Instrument and the Parity Purchase Price is not payable from amounts available under a Credit Support Instrument.

"Airport Consultant" means a person or firm who or which engages in the business of advising the management of airports concerning the operation and financing of airports, including consultation and advice with respect to leases and agreements with airline companies and concessionaires of all types and character and also including advice and consultation generally concerning the use and operation of airports, and which person or firm, by reason of his or its knowledge and experience, has acquired a reputation as a recognized airport consultant. Such Airport Consultant may include a person or firm rendering professional engineering or accounting services in addition to his or its occupation as an airport consultant and may include any person or firm regularly retained by the Authority as an airport consultant to the Authority.

"Authorized Authority Representative" means the President, Vice President, Treasurer, Secretary and Assistant Secretary of the Commission, and any other Person who is duly authorized to act as an Authorized Authority Representative for purposes of the Indenture by the Commission.

"Available CFC Revenues" means, for any period of time, the amount of Customer Facility Charges as to which the Trustee has received a certificate of an Authorized Authority Representative pursuant to the Indenture specifying the amount of such Customer Facility Charges for each Fiscal Year during such period which will constitute Available CFC Revenues and pledging such Customer Facility Charges to the payment of Debt Service on Bonds.

"Available Grant Revenues" means, for any period of time, the amount of Grant Funds as to which the Trustee has received a certificate of an Authorized Authority Representative pursuant to the Indenture specifying the amount of such Grant Funds for each Fiscal Year during such period which will constitute Available Grant Revenues and pledging such Grant Funds to the payment of Debt Service on Bonds.

"Available PFC Revenues" means, for any period of time, the amount of Passenger Facility Charges as to which the Trustee has received a certificate of an Authorized Authority Representative pursuant to the Indenture specifying the amount of such Passenger Facility Charges for each Fiscal Year during such period which will constitute Available PFC Revenues and pledging such Passenger Facility Charges to the payment of Debt Service on Bonds.

"Available Revenues" means for any period of time, the amount of Available CFC Revenues, Available Grant Revenues and Available PFC Revenues to be received by the Authority during such period.

"Balloon Obligations" means, with respect to any Series of Obligations not included in a Commercial Paper Program, those Obligations of such Series which mature on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal) and which on the date of original issuance constitute at least twenty-five percent of the principal amount of the Obligations of such Series. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such indebtedness which is required, by the applicable Issuing Instrument, to be amortized by prepayment or redemption prior to its stated maturity date.

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"BMA Index" means The Bond Market Association Municipal Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand bonds or notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association.

"Bond Debt Service" means, for any period of time, the Debt Service on the Outstanding Bonds during such period.

"Book-Entry Bonds" means Bonds registered in the name of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"Capital Improvement" means, to the extent chargeable to a capital account of the Airport under Generally Accepted Accounting Principles: (i) any addition, betterment, replacement, renewal, extension, equipping, or improvement of or to the Airport, including, without limitation, the acquisition of land or any interests therein; and (ii) capital costs for the extension, reinforcement, enlargement or other improvement of facilities or property, or the acquisition of interests therein, not included as part of the Airport, determined by the Authority to be necessary or convenient in connection with the utilization of the Airport.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that the principal of maturing Obligations of such program are expected to be paid with the proceeds of renewal short-term Obligations except to the extent that the Obligations of such commercial paper program are to be amortized.

"Credit Provider" means any municipal bond or financial guaranty insurance company, bank or other financial institution or organization which has issued any Credit Support Instrument.

"Credit Provider Bonds" means any Bonds paid as to principal, Redemption Price or Purchase Price with funds provided under a Credit Support Instrument for so long as such Bonds are held with respect to Reimbursement Obligations by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Authority and the applicable Credit Provider providing for, among other things, the reimbursement to the Credit Provider for draws under the applicable Credit Support Instrument, as originally executed or as they may from time to time be supplemented or amended in accordance with the provisions thereof and any applicable Issuing Instrument.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of the principal or purchase price of, or interest on, any Obligations; provided that the term will not include any Reserve Guaranty.

"Customer Facility Charges" means charges collected by the Authority pursuant to the authority granted by the Section 1936 of the Civil Code of the State (or any successor statute), as amended and supplemented from time to time, in respect of any component of the Airport and interest earnings thereon, net of amounts that collecting entities are entitled to retain for collecting, handling and remitting such customer facility charge revenues.

"Debt Service" means, for any period of time and with respect to any Obligations, the sum of (a) the interest payable during such period on the Outstanding Obligations, assuming that all Outstanding Serial Obligations are retired as scheduled and that all Outstanding Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled; (b) that portion of the principal amount of all Outstanding Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations; (c) that portion of the principal amount of all Outstanding Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations; (d) the amounts payable as Primary Reimbursement Obligations during such period; and (e) the Parity Purchase Price of Tender Obligations payable by the Authority during such period to the extent that such Tender Obligations have been tendered or deemed tendered for purchase in accordance with the applicable Issuing Instrument and the Parity Purchase Price is not payable from amounts available under a Credit Support Instrument.

"Debt Service Reserve Requirement" means: (i) with respect to the Debt Service Reserve Fund, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Participating Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service for the Participating Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for the Participating Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Participating Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the Participating Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the Authority and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Participating Bonds that constitute Variable Rate Obligations, the interest rate on such Participating Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Participating Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Participating Bonds shall have been Outstanding; (ii) with respect to any Series Debt Service Reserve Fund, the amount specified as such in the Supplemental Indenture establishing such Series Debt Service Reserve Fund; and (iii) with respect to any debt service reserve for Parity Obligations other than the Debt Service Reserve Fund or a Series Debt Service Reserve Fund, the amount, if any, specified in the applicable Issuing Instrument establishing such debt service reserve as the Debt Service Reserve Requirement for such debt service reserve.

"Defeasance Securities" means any of the securities describe in clause (a), (b) or (m) of the definition of "Permitted Investments," if and to the extent the same are at the time legal investments for funds of the Authority.

"Escrow Agent" means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, in each case satisfying the financial qualifications of a successor Trustee contained in the Indenture and appointed by the Authority to hold in trust moneys set aside for the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid pursuant to the Indenture.

"Event of Bankruptcy" means any of the following with respect to any Person: (a) the commencement by such Person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such Person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person will admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person's assets will be appointed in any proceeding brought against the Person or such Person's assets; (e) assignment of assets by such Person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

"Excess Reimbursement Obligation" means, for any period of time, the amount required to be paid during such period pursuant to a Credit Support Agreement as a reimbursement of advances made pursuant to the related Credit Support Instrument and the interest on such advances which is in excess of the Primary Reimbursement Obligation for such period.

"Facilities Construction Credits" will mean the amounts further described in the Indenture resulting from an arrangement embodied in a written agreement between the Authority and another Person pursuant to which the Authority permits such Person to make a payment or payments to the Authority which is reduced by the amount owed by the Authority to such Person under such agreement, resulting in a net payment to the Authority by such Person. The "Facilities Construction Credit" will be deemed to the amount owed by the Authority under such agreement which is "netted" against the payment of such Person to the Authority.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as will be specified in the applicable provisions of the Indenture requiring such an opinion and that such action is authorized by or permitted under the terms of the Indenture.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as the same may be amended and supplemented, and any successor statute.

"Fiduciary" means the Trustee, any Paying Agents for the Bonds and any Escrow Agent, tender agent or other fiscal agent for the Bonds appointed pursuant to a Supplemental Indenture.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"Generally Accepted Accounting Principles" means the generally accepted accounting principles applied on a consistent basis that are applicable to the circumstances as of the date of determination as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned airport applying all statements and interpretations issued by the Governmental Accounting Standards Board and, to the extent adopted by the Authority from time to time: (i) the statements and pronouncements of the Financial Accounting Standards Board; and (ii) the statements and pronouncements of such other entity or entities as may be approved by a significant segment of the accounting profession.

"Independent Certified Public Accountant" means any firm of certified public accountants selected by the Authority, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance.

"Issuing Instrument" means with respect to any Obligations, the indenture, trust agreement, loan agreement, installment purchase agreement, revolving credit agreement, Credit Support Agreement or other instrument or agreement under which such Obligations are issued.

"Letter of Intent" means a written commitment to make grant payments to the Authority (which commitment may be subject to appropriations) from the United States of America or any department or agency thereof, including the Federal Aviation Administration of the United States Department of Transportation and the

Transportation Safety Administration of the United States Department of Transportation, or from the State or any department or agency of the State.

"Maximum Aggregate Adjusted Annual Debt Service" means, as of any date of calculation, the maximum amount of Aggregate Adjusted Annual Debt Service with respect to all Outstanding Parity Obligations in the then current or any future Fiscal Year.

"Net Payment" means with respect to a Swap, the amount payable by the Authority on each scheduled payment date under such Swap net of the amount payable by the counterparty under such Swap on such scheduled payment date.

"Obligations" means with respect to any Person and without duplication: (a) obligations of such Person with respect to borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (d) all obligations of such Person as lessee under capital leases, (e) all indebtedness of others secured by a lien on any asset of such Person, whether or not such indebtedness is assumed by such Person, (f) all indebtedness of others guaranteed by such Person, and (g) all obligations of such Person under a Swap.

"Operating Expenses" means the reasonable and necessary costs and expenses of operating, maintaining and administering the Airport, determined in accordance with Generally Accepted Accounting Principles, including (among other things) charges under management agreements for the operation and maintenance of the Airport, salaries and wages, payments in connection with medical, pension and post-retirement medical plans, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the Airport in good repair and working order, reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, legal fees and expenses, the costs of Capital Improvements to the extent said Capital Improvements are budgeted to be paid from the Operating Fund, the fees and expenses of the Fiduciaries, the regularly scheduled fees (but not the Reimbursement Obligations) to be paid pursuant to any Credit Support Agreement, expenses incurred in connection with the purchase or redemption of Parity Obligations and Subordinate Obligations (but not the purchase price or redemption price of such Parity Obligations and Subordinate Obligations), the amounts required to be paid into the Rebate Fund pursuant to the Rebate Instructions, and all other costs (including overhead of officers and employees of the member cities of the Authority) properly allocable to the operation, maintenance or administration of the Airport, but excluding in all cases amortization of intangibles or other bookkeeping entries of a similar nature, amortization and depreciation of Airport facilities and assets, charges for the payment of principal, Redemption Price, Purchase Price or interest on any Obligations and so long as the revenues in connection with any facility or assets of the Airport are not included as Pledged Revenues, all costs and expenses of operating, maintaining and administering such facilities and assets, including any Special Facility.

"Operating Reserve Requirement" means, as of any date of calculation, an amount equal to twenty-five percent (25%) of the amount included in the then current Annual Budget for Operating Expenses.

"Outstanding" means as of any particular time: (a) with respect to Bonds, except as otherwise provided in the Indenture, all Bonds theretofore or thereupon being issued by the Authority except (i) Bonds theretofore cancelled or surrendered to the Trustee for cancellation; (ii) subject to the provisions of the Indenture with respect to payments by Credit Providers, Bonds paid or deemed to be paid pursuant to the Indenture; and (iii) Bonds in lieu of or in substitution for which replacement Bonds have been issued; and (b) with respect to any other Obligations, all such Obligations other than Obligations no longer outstanding under the provisions of the Issuing Instrument pursuant to which such Obligations were issued.

"Paired Obligations" will mean any two Series (or portion thereof) of Parity Obligations which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Authority for the terms of such Series.

"Parity Obligations" means Bonds and any Obligations which are payable from the Net Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including without limitation Primary Reimbursement Obligations and Net Payments due under Qualified Swaps but excluding Termination Payments payable by the Authority.

"Parity Purchase Price" means with respect to Parity Obligations which are Tender Obligations, the Purchase Price of such Parity Obligations then due and payable if and to the extent payable from Net Revenues on a parity with the payment of principal of and interest on the Parity Obligations.

"Participating Bonds" means the Bonds of each Series except any Series of Bonds which, pursuant to the terms of the Supplemental Indenture authorizing such Series, is not secured by amounts in the Debt Service Reserve Fund.

"Passenger Facility Charges" means charges collected by the Authority pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"Permitted Investments" means any of the following obligations if and to the extent that they are permissible investments of funds of the Authority as stated in its current investment policy (the Trustee may rely on the investment directions of the Authority that the investment is approved by the Authority's investment policy) and to the extent then permitted by law:

(a) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

(i) <u>Farmers Home Administration ("FmHA")</u>
Certificates of beneficial ownership

(ii) <u>Federal Housing Administration ("FHA")</u>
Debentures

(iii) <u>General Services Administration</u>
Participation certificates

(iv) <u>Government National Mortgage Association ("GNMA")</u>
GNMA - guaranteed mortgage-backed bonds GNMA - guaranteed pass-through obligations (participation certificates)

(v) <u>United States Maritime Administration</u>
Guaranteed Title XI financing

(vi) <u>United States Department of Housing and Urban Development</u>
Capital Improvement Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States Government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) <u>Federal Home Loan Bank System</u>
Senior debt obligations

(ii) <u>Federal Home Loan Mortgage Corporation ("FHLMC")</u>
Participation Certificates
Senior debt obligations

(iii) <u>Federal National Mortgage Association ("FNMA")</u>
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal)

(iv) <u>Student Loan Marketing Association</u>
Senior debt obligations

(v) <u>Resolution Funding Corporation ("REFCORP")</u>
Obligations (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)

(vi) <u>Farm Credit System</u>
Consolidated system-wide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAAm" or better and if rated by Moody's rated "Aaa," "Aa1" or "Aa2," including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services, provided such funds satisfy the criteria in the Indenture contained.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Authority or the Trustee must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation.

(g) Investment agreements with, or guaranteed by, a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which is rated at least "AA" by S&P and "Aa" by Moody's, and which agreements are acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

(h) Commercial paper rated, at the time of purchase, "P-1" by Moody's and "A-1+" or better by S&P and which matures not later than 270 calendar days after the date of purchase.

(i) Bonds, notes, or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are rated by Moody's and S&P in the highest rating category assigned by such Rating Agencies and general obligations of such states rated "A-2" or better by Moody's and "A" or better by S&P.

(j) United States dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating on their short-term certificates of deposit on the date of purchase of "P-1" or better by Moody's and "A-1" or better by S&P and maturing not more than 360 calendar days after the date of purchase.

(k) Repurchase Agreements for 30 days or less must satisfy the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

(i) Repurchase agreements must be between the Authority or the Trustee and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list must be rated "A" or better by S&P and Moody's, or

(2) Banks must be rated "A" or above by S&P and Moody's.

(ii) The written repurchase agreements contract must include the following:

(1) Securities which are acceptable for transfer are:

(a) Securities described in paragraph (a) or (b) of this definition, or

(b) Securities of FNMA or FHLMC described in paragraph (c) of this definition.

(2) The collateral must be delivered to the Authority, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneously with payment.

(3) Valuation of Collateral

(a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(iii) The value of collateral in the case of securities described in paragraphs (a) or (b) of this definition must be equal to 104% of the amount of cash transferred by the Authority or the Trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest. The value of collateral in the case of securities of FNMA or FHLMC described in paragraph (c) of this definition must be equal to 105% of the amount of cash transferred by the Authority or the Trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral falls below the required percentage of the value of the cash transferred, then additional cash and/or acceptable securities must be transferred.

(iv) An opinion of counsel selected by the Authority, which may be in-house counsel to the Authority or other counsel retained by the Authority, to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds must be received by the Authority or the Trustee.

(l) Any State administered pool investment fund in which the Authority is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State.

(m) Advance Refunded Municipal Securities.

(n) Any other investment approved in writing by the Credit Provider for all of the Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2005 Series A pursuant to the financial guaranty insurance policy issued by Ambac Assurance insuring payment when due of the principal of and interest on such Bonds as provided therein.

"Pledged Revenues" mean all income, receipts, earnings and revenues received by or accrued to the Authority excluding, except to the extent deposited in the Revenue Fund: (a) gifts, grants and other funds otherwise included in this definition of "Pledged Revenues" which are restricted by their terms to purposes inconsistent with the payment of Operating Expenses or Debt Service on Parity Obligations, (b) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of Operating Expenses or Debt Service on Parity Obligations, (c) except as and to the extent provided in the Master Indenture, any Transfer, (d) except as provided in the Master Indenture, any Special Facility Revenue, (e) any gain or loss from the sale, exchange or other disposition of capital assets of the Authority, (f) any Released Revenues, (g) any unrealized gains or losses on securities held for investment by or on behalf of the Authority, (h) the proceeds of Obligations, (i) any Termination Payments paid to the Authority upon the termination of a Swap, (j) Facilities Construction Credits, (k) Passenger Facility Charges, (l) Customer Facility Charges, (m) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Authority Obligations, (n) any arbitrage earnings which are required to be paid to the United States of America pursuant to Section 148 of the Code, (o) Capitalized Interest, and (p) interest earnings or other investment earnings on any Account in the Construction Fund established by any Supplemental Indenture unless otherwise provided in such Supplemental Indenture.

For purposes of testing compliance with the rate covenant described in the Indenture and the limitations on the issuance of Parity Obligations contained in the Indenture, Pledged Revenues will be calculated based upon Generally Accepted Accounting Principles, except that such calculation will include and exclude those items specifically included or excluded above or in the definition of Aggregate Adjusted Annual Debt Service.

"Primary Reimbursement Obligation" means, for any period of time, that portion of the amount required to be paid during such period as a Reimbursement Obligation which is not in excess of the regularly scheduled Debt Service on the Parity Obligations as to which the related advance on the Credit Support Instrument was made assuming any Parity Obligations which are Variable Rate Obligations bear interest during such period at the interest rate specified in the related Credit Support Agreement.

"Purchase Price" means: (i) with respect to Bonds of any Series constituting Tender Obligations, the purchase price set forth in, or determined pursuant to, the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Tender Obligations, the purchase price set forth in, or determined pursuant to, the Issuing Instrument authorizing such Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

"Qualified Counterparty" means with respect to a Swap with the Authority, a Person which is a financial institution whose senior long-term debt obligations, or whose obligations under the Swap are guaranteed by a financial institution whose long-term senior debt obligations, are rated by the Rating Agencies not lower than the "Aa" or "AA" Rating Category, as applicable, and such Person's payment obligations under the Swap (or such guarantor's payment obligations under its guarantee of the counterparty's payment obligations under the Swap, if applicable) are at least on a parity with such party's long-term senior debt obligations.

"Qualified Swap" means a Swap satisfying the conditions of the Master Indenture under which the Authority's obligation to make Net Payments is payable from the Net Revenues on a parity with the Debt Service payments of other Parity Obligations.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Authority, each of Moody's and S&P, or in the event that neither Moody's or S&P then maintains a rating on Parity Obligations at the request of the Authority, any other nationally recognized rating agency then providing or maintaining a rating on Parity Obligations at the request of the Authority.

"Rating Category" means (a) with respect to any long-term rating category of a Rating Agency, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (b) with respect to any short-term or commercial paper rating category of a Rating Agency, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Authority to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation will not be lowered or withdrawn solely as a result of the occurrence of such event.

"Refunding Parity Obligations" means Parity Obligations, including Refunding Bonds, issued for a purpose set forth in the Master Indenture relating to Refunding Bonds and satisfying the applicable conditions set forth in the Master Indenture relating to conditions to issuance of Parity Obligations.

"Reimbursement Obligations" means the obligations of the Authority to pay from the Net Revenues amounts due under a Credit Support Agreement.

"Released Revenues" means a category of income, receipts and other revenues of the Authority which are excluded from the definition of "Pledged Revenues" pursuant to the Indenture.

"Reserve Guaranty" means, with respect to Parity Obligations, a policy of municipal bond or financial guaranty insurance or surety bond or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, rated by the Rating Agencies at the time of issuance of such policy or surety bond or letter of credit not lower than the "Aa" or "AA" Rating Category, as applicable, and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

"Reserve Guaranty Agreement" means an agreement between the Authority and a Reserve Guaranty Provider under which, among other things, the Authority agrees to reimburse the Reserve Guaranty Provider for amounts drawn under the applicable Reserve Guaranty and to pay interest on such amounts.

"Reserve Guaranty Provider" means the issuer of a Reserve Guaranty.

"Series Debt Service Reserve Fund" means any fund established by the Authority pursuant to a Supplemental Indenture in connection with the issuance of any Series of Bonds other than Participating Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and, under the conditions provided in such Supplemental Indenture, to provide additional security for such other Series of Bonds as will satisfy such conditions.

"Significant Portion" means, for purposes of the Master Indenture relating to the sale or other disposition of property and eminent domain, any Airport facilities or portions thereof which, if such facilities had been sold or disposed of on the date which is one year prior to the last day of the month preceding the month of sale or disposition of the facilities pursuant to the Master Indenture, as applicable, would have resulted in a reduction of Net Revenues for such year of more than 5% when actual Net Revenues for such year are decreased by Pledged Revenues directly attributable to such Airport facilities and increased by the Operating Expenses directly attributable to such Airport facilities.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments of such amounts by the Authority from the Net Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

“Special Facilities” or “Special Facility” mean a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the provisions of the Master Indenture relating to Special Facilities and Special Facility Obligations.

“Special Facility Revenue” means the contractual payments and all other revenues derived by the Authority from a Special Facility which are pledged to secure Special Facility Obligations.

“Special Facility Obligations” means Obligations issued pursuant to an Issuing Instrument other than the Indenture to finance Special Facilities and which are not payable from the Net Revenues or secured by a lien on and/or pledge of the Pledged Revenues but which are payable from, and secured by a pledge and lien on, only revenues derived from the financed Special Facilities.

“Subordinate Obligation” means any Obligation which is expressly made subordinate and junior in right of payment from the Net Revenues to the payment of Parity Obligations and which complies with the provisions of the Master Indenture and includes any Excess Reimbursement Obligations and Termination Payments to be paid by the Authority.

“Supplemental Indenture” means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Authority and the Trustee.

“Swap” means any contract, agreement or arrangement between the Authority and a counterparty (i) providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) providing for the exchange of cash flows or a series of payments, or (iii) providing for the hedge of payment, currency, rate spread or similar exposure, including but not limited to interest rate exposure. The term “Swap” includes any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure.

“Tax Certificate” means a certificate relating to the requirements of the Code signed on behalf of the Authority and delivered in connection with the issuance of a Series of Bonds constituting Tax-Exempt Securities.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“Tender Obligations” means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the Owners thereof under the terms of such Parity Obligations, to tender for purchase all or a portion of such Parity Obligations to the Authority, a fiscal agent, a paying agent, a tender agent or other agent.

“Termination Payment” means, with respect to a Swap, the amount payable by the Authority or the counterparty as a result of the termination of such Swap prior to its scheduled expiration date.

“Term Obligations” means Obligations as to which Sinking Fund Installments have been established in the Issuing Instrument authorizing such Obligations.

“Term Parity Obligations” means Term Obligations which are Parity Obligations.

"Test Year" means, with respect to the issuance of Refunding Parity Obligations pursuant to the Master Indenture, the period commencing in the Fiscal Year in which such Refunding Parity Obligations are issued and ending in the last Fiscal Year in which any Parity Obligations which are Outstanding both immediately prior to and immediately after the issuance of such Refunding Parity Obligations are scheduled to remain Outstanding.

"Transfer" means with respect to a Fiscal Year (a) the amount in the Surplus Fund on the last Business Day of such Fiscal Year plus (b) any amounts withdrawn from the Surplus Fund during such Fiscal Year to pay Operating Expenses and to make any required payments or deposits to pay or secure the payment of principal, Purchase Price or Redemption Price of or interest on Parity Obligations less (c) any amounts credited to the Surplus Fund from the Revenue Fund during such Fiscal Year.

"Trust Estate" means, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture and subject to the rights of the Authority to release categories of Pledged Revenues from the Trust Estate as provided in the Indenture: (i) the Net Revenues; (ii) all amounts on deposit in the Construction Fund, the Revenue Fund, the Debt Service Fund, the Reserve and Contingency Fund and the Surplus Fund, including the investments, if any, thereof; (iii) the Available Revenues; and (iv) any additional property that may from time to time, by delivery or by writing of any kind, be subjected to the lien of the Indenture by the Authority or by anyone on its behalf which additional property the Trustee is authorized and directed to accept as part of the Trust Estate securing the Bonds.

"Variable Rate Obligations" means any Obligation, other than Obligations which are part of Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

GENERAL TERMS AND PROVISIONS OF BONDS

Medium of Payment; Form and Date; Letters and Numbers. Unless otherwise provided with respect to a Series in the Supplemental Indenture authorizing such Series, the Bonds of each Series will be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The Bonds will be issued in the form of fully registered bonds without coupons in Authorized Denominations. Unless otherwise provided with respect to a Series in the Supplemental Indenture authorizing such Series, the Bonds of each Series will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) such Bonds are authenticated on an Interest Payment Date, in which event from such Interest Payment Date; and (ii) unless such Bonds are authenticated after a Record Date and before the next succeeding Interest Payment Date for such Bonds, in which event from such Interest Payment Date; provided, however, that if the date of authentication of a Bond will be prior to the Record Date for the first Interest Payment Date for such Bond, such Bond will bear interest from its original dated date. Notwithstanding the foregoing, if the Authority will default in the payment of interest, then the Bonds will bear interest from the date to which interest has been paid or if no interest has been paid, from their original dated date.

Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds (or, with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series), interest on each Bond will be payable on each Interest Payment Date for such Bond and will be paid by check of the Trustee mailed on such Interest Payment Date to the Owner of such Bond shown on the Bond Register as of the close of business on the Record Date immediately preceding such Interest Payment Date. Owners of at least $1,000,000 aggregate principal amount (or, with respect to a Series of the Bonds, such other principal amount as may be specified in the Supplemental Indenture authorizing such Series), of Bonds of any Series may, at any time prior to a Record Date with respect to the payment of interest on such Bonds, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such Bonds by wire transfer or by deposit to an account. Notwithstanding the foregoing, however, if the Authority will default in the payment of interest due on Bonds on any Interest Payment Date, such interest will cease to be payable to the persons in whose name such Bonds were registered in the Bond Register on the Record Date for such Interest Payment Date, and will be payable, when and if paid by the Authority, to the persons in whose names such Bonds are registered at the close of business on the record date fixed therefor by the Trustee, which will not be more than 15 days and not less than 10 days prior to the date of the proposed payment.

Transfers Outside Book-Entry Program. In the event that the resignation or removal of a Securities Depository has become effective, then the Authority will thereupon discontinue the current book-entry program for the Book-Entry Bonds with such Securities Depository. In such event, the Authority will cause the Trustee to obtain from the former Securities Depository a list showing the interests of the Participants in the Book-Entry Bonds and will cause such Book-Entry Bonds to be surrendered to the Trustee on or before the date any replacement Bonds are to be issued. Furthermore, in the event the Authority determines to use a substitute Securities Depository, the Authority will so notify the Trustee and each Paying Agent for the Bonds. If, prior to the termination of the current Securities Depository's book-entry system for the Bonds, the Authority fails to identify another qualified Securities Depository to replace the current Securities Depository, then the Bonds will no longer be required to be registered in the name of a Securities Depository or its Nominee and the Authority will issue, and the Trustee will authenticate, replacement Bonds in the appropriate amounts and in whatever name or names the Owners of the Bonds will designate pursuant to the Representation Letter with the former Securities Depository. In the event the Authority determines that the Beneficial Owners of the Bonds will be able to obtain physical, certificated Bonds through the former Securities Depository, the Authority may notify the Participants identified by the former Securities Depository as having an interest in the Bonds of the availability of such physical, certificated Bonds and the Trustee will authenticate, transfer and exchange Bonds as required by the Securities Depository in the appropriate names and amounts, which will be in Authorized Denominations.

Interchangeability of Bonds. Upon surrender of a Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee and duly executed by the Owner or the Owner's attorney duly authorized in writing, such Bond may, at the option of the Owner thereof, and upon payment by such Owner of any charges which the Trustee may make as provided in the Indenture, be exchanged for an equal aggregate principal amount of Bonds of the same Series, terms and maturity of any other Authorized Denominations.

Negotiability, Transfer and Registry. Each Bond will be transferable only upon the Bond Register, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or the Owner's duly authorized attorney. Upon the transfer of any such Bond, the Authority will execute and the Trustee will authenticate, deliver and register in the Bond Register in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series, terms and maturity as the surrendered Bond.

Regulations With Respect to Exchanges and Transfers. Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, in all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority will execute and the Trustee will authenticate and deliver Bonds in accordance with the provisions of the Indenture relating to such Bonds. All Bonds surrendered in any such exchanges or transfers will forthwith be delivered to the Trustee and cancelled by the Trustee. Unless the Supplemental Indenture authorizing a Series of Bonds provides that such transfer or exchange of Bonds of such Series will be made without charge to the Owner, for every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid and any other cost incurred by the Authority or the Trustee with respect to such exchange or transfer.

Bonds Mutilated, Destroyed, Stolen or Lost. Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, if any Bond becomes mutilated or is lost, stolen or destroyed, the Authority may execute and the Trustee will authenticate and deliver a new Bond of like date, Series, maturity, principal amount and terms as the Bond so mutilated, lost, stolen or destroyed; provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to the Authority or the Trustee, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Trustee together with indemnity satisfactory to the Trustee, (iii) all other reasonable requirements of the Authority and the Trustee are complied with, and (iv) expenses in connection with such transaction are paid by the Owner. Any mutilated Bond surrendered for exchange will be cancelled. Any new Bond issued in substitution for a Bond alleged to be destroyed, stolen or lost will constitute original additional contractual obligations on the part of the Authority, whether or not the Bond so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and will be equally payable from the Net Revenues on a parity with and entitled to equal and proportionate benefits with, all other Bonds.

Redemption at the Direction of Authority. Except as otherwise provided with respect to Credit Provider Bonds in the Supplemental Indenture authorizing such Credit Provider Bonds or in the applicable Credit Support Agreement or except as otherwise provided with respect to Book-Entry Bonds in a Representation Letter, in the case of a redemption of Bonds at the option or direction of the Authority, the Authority will give written notice to the Trustee of the exercise of its option or direction to redeem Bonds and of the redemption date, principal amount of the Bonds of each Series and maturity to be redeemed (which Series, maturities and principal amounts will be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Supplemental Indenture authorizing each Series of Bonds and provided that, with respect to any Bond to be redeemed in part, the portion of such Bond which is not to be redeemed will be in an Authorized Denomination). Such notice will be given at least forty-five (45) days prior to the redemption date or such shorter period as will be acceptable to the Trustee. In the event notice of redemption will have been given, other than a conditional notice of redemption, there will be paid on or prior to the redemption date to the Trustee an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem on the applicable redemption date at the applicable Redemption Price, all of the Bonds to be redeemed.

Redemption Otherwise Than at Authority's Direction. Except as otherwise provided with respect to Credit Provider Bonds in the Supplemental Indenture authorizing such Credit Provider Bonds or in the applicable Credit Support Agreement or except as otherwise provided with respect to Book-Entry Bonds in a Representation Letter, whenever the terms of the Indenture require or authorize the Trustee to redeem Bonds otherwise than at the option or direction of the Authority and the Indenture does not expressly set forth the principal amount of Bonds of each Series and maturity to be redeemed, the Authority may select the principal amounts of the Bonds of each Series and maturity to be redeemed (which Series, maturities and principal amounts to be redeemed will be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Indenture and provided that, with respect to any Bond to be redeemed in part, the portion of such Bond which is not to be redeemed will be in an Authorized Denomination) and in the event the Authority does not notify the Trustee of such Series, maturities, and principal amounts to be redeemed on or before the forty-fifth (45th) day preceding the redemption date, the Trustee will, in such manner as the Trustee in its discretion may deem fair and appropriate, subject to any limitations with respect to the Series, maturity, or principal amount of Bonds to be redeemed contained in the Indenture, select the principal amount of each Series and maturity of the Bonds to be redeemed, which selection will be conclusive, give the notice of redemption required by the Indenture and pay out of moneys available therefor the Redemption Price of the Bonds to be redeemed to the Owners thereof.

Redemption of Less than Entire Maturity. Except as otherwise provided with respect to Credit Provider Bonds in the Supplemental Indenture authorizing such Credit Provider Bonds or in the applicable Credit Support Agreement or except as otherwise provided with respect to Book-Entry Bonds in a Representation Letter, if less than all of the Bonds of like Series and maturity are to be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed will, subject to any limitations with respect thereto contained in the Indenture, be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination greater than the minimum Authorized Denomination for the Bonds of a Series will be redeemed in part only in a principal amount such that the portion of such Bond which is not redeemed will be in an Authorized Denomination and that, in selecting portions of Bonds of a Series and maturity for redemption, the Trustee will treat each Bond of each Series and maturity as representing that number of Bonds of the minimum Authorized Denomination for such Series which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for the Bonds of such Series.

ESTABLISHMENT AND APPLICATION OF FUNDS

Establishment of Funds and Accounts. The following Funds and Accounts are established by the Indenture:

Construction Fund, to be held by the Trustee,

Revenue Fund, to be held by the Authority,

Operating Fund, including the Operating Reserve Account therein, to be held by the Authority,

Rebate Fund, to be held by the Trustee,

Debt Service Fund, to be held by the Trustee,

Participating Bonds Debt Service Reserve Fund, to be held by the Trustee,

Reserve and Contingency Fund, to be held by the Authority, and

Surplus Fund, to be held by the Authority.

Operating Fund. Amounts in the Operating Fund will be paid out from time to time by the Authority for reasonable and necessary Operating Expenses, including the transfer to the Trustee for deposit in the Rebate Fund of the amount to be paid therein pursuant to the Rebate Instructions.

Debt Service Fund. The Trustee will apply the moneys in the Debt Service Fund to the payment of the following: (i) on or before each Interest Payment Date for any of the Outstanding Bonds the amount required for the interest payable on such date; (ii) on or before each due date therefor, the principal and, to the extent included in Debt Service, the Parity Purchase Price of, Outstanding Bonds payable on such due date; (iii) on or before each redemption date for Outstanding Bonds, the amount required for the payment of the Redemption Price and any accrued interest on the Bonds then to be redeemed; and (iv) upon receipt of a written request signed by an Authorized Authority Representative, to the respective Credit Providers, on each date a Primary Reimbursement Obligation is due pursuant to a Credit Support Agreement, the amount of such Primary Reimbursement Obligation to the extent not included in Debt Service on Bonds representing or securing such Primary Reimbursement Obligation.

Amounts accumulated in the Debt Service Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may, and if so directed in writing by an Authorized Authority Representative will, be applied by the Trustee, on or prior to the sixtieth day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the optional redemption at not exceeding the applicable sinking fund Redemption Price of such Bonds, if such Bonds are then subject to redemption at the option by the Authority. All such purchases of Bonds will be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases will be made by the Trustee as directed by an Authorized Authority Representative. The applicable sinking fund Redemption Price (or principal of maturing Bonds) of any Bonds so purchased or redeemed will be deemed to constitute part of the Debt Service Fund until such Sinking Fund Installment due date, for the purpose of calculating the amount of such Fund. If directed in writing by an Authorized Authority Representative on or prior to the forty-fifth (45th) day next preceding a Sinking Fund Installment due date, there will be applied as a credit against such Sinking Fund Installment, and there will be deemed to constitute part of the Debt Service Fund until such Sinking Fund Installment due date for the purpose of calculating the amount of such Fund, the principal of any Bonds of the Series and maturity for which such Sinking Fund Installment was established which have been purchased or redeemed and cancelled or delivered to the Trustee for cancellation on or prior to the forty-fifth (45th) day next preceding such Sinking Fund Installment due date and not previously applied as a credit against a Sinking Fund Installment. As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, the Trustee will proceed to call for redemption on such due date, by giving notice as provided in the Indenture, Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment due date) in such amount as will be necessary to complete the retirement of Bonds from the unsatisfied balance of such Sinking Fund Installment. The Trustee will pay out of the Debt Service Fund, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing). All expenses in connection with the purchase or redemption of Bonds may be paid from the Operating Fund.

Debt Service Reserve Fund. If on the Business Day immediately preceding an Interest Payment Date for the Participating Bonds, or any other date on which any principal, Redemption Price or Parity Purchase Price of, or interest on, the Outstanding Participating Bonds is due, after applying amounts in the Debt Service Fund ratably (based on the amounts due) to the payment of the principal, Redemption Price and interest then due with respect to all Outstanding Bonds, the amount in the Debt Service Fund available for payment of the principal, Redemption Price, Parity Purchase Price and interest then due with respect to all Outstanding Participating Bonds is less than the amount due on such date, the Trustee will apply amounts in the Debt Service Reserve Fund to the extent necessary to make good the deficiency for the principal, Redemption Price and interest then due with respect to the Outstanding Participating Bonds.

In lieu of the deposits and transfers to the Debt Service Reserve Fund required by the Indenture, the Authority may cause to be deposited in the Debt Service Reserve Fund a Reserve Guaranty or Reserve Guaranties in an aggregate amount equal to the difference between the applicable Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Fund or being deposited in the Debt Service Reserve Fund concurrently with such Reserve Guaranty or Guaranties. No such deposit of a Reserve Guaranty will be made in the Debt Service Reserve Fund unless the Trustee will have received prior to such deposit (i) an opinion of counsel to the effect that such Reserve Guaranty has been duly authorized, executed and delivered by the issuer thereof and is valid, binding and enforceable in accordance with its terms and (ii) in the event such issuer is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority that such Reserve Guaranty has been duly authorized, executed and delivered by the issuer thereof and is valid, binding and enforceable in accordance with its terms under the applicable foreign law.

In computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Guaranty will be valued at the amount available to be drawn or payable thereunder on the date of computation.

Reserve and Contingency Fund. Amounts in the Reserve and Contingency Fund will be applied to the cost of renewals, replacements, extensions, betterments and improvements to the Airport, including, without limitation, any Capital Improvement. Amounts in the Reserve and Contingency Fund will also be applied to the payment of operation and maintenance costs and contingencies for the Airport including payments with respect to the prevention or correction of any unusual loss or damage in connection with the Airport or to prevent a loss of revenue therefrom, all to the extent not scheduled to be paid from amounts in the Operating Fund pursuant to the then current Annual Budget.

Surplus Fund. Amounts in the Surplus Fund not required to meet a deficiency as required by he Indenture will be applied to or set aside for any one or more of the following in the discretion of the Authority:

(i) payment into the Revenue Fund;

(ii) the purchase or redemption of any Parity Obligations, expenses in connection with the purchase or redemption of any Parity Obligations, or the establishment or augmentation of any reserves which the Authority determines will be required in connection with the Parity Obligations;

(iii) payments with respect to Subordinate Obligations;

(iv) the purchase or redemption of any Subordinate Obligations, expenses in connection with the purchase or redemption of any Subordinate Obligations, or the establishment or augmentation of any reserves which the Authority determines will be required in connection with any Subordinate Obligations;

(v) Operating Expenses or any reserves in connection therewith;

(vi) payments into an Account in the Construction Fund or into the Reserve and Contingency Fund for application to the purposes thereof; and

(vii) transferred to the Authority for any lawful purpose.

Rebate Fund. When required in connection with a Series of Bonds pursuant to the Supplemental Indenture authorizing such Series of Bonds or the Tax Certificate, if any, relating to such Series of Bonds, there will be established an Account within the Rebate Fund with respect to such Series of Bonds. Amounts on deposit in each Account in the Rebate Fund will be applied as provided in Supplemental Indenture pursuant to which Account was established and the Rebate Instructions relating to such Account.

Available Revenues. After the filing of a certificate of an Authorized Authority Representative specifying Available Revenues for a period of time pursuant the Indenture, the Authority will deposit the Available Revenues directly into the Debt Service Fund as soon as practicable after such Available Revenues are received or, if any of such Available Revenues are subject to a prior pledge or lien, as soon as practicable after such Available Revenues may be deposited in the Debt Service Fund in accordance with such prior pledge or lien.

Investment of Certain Funds. Moneys held in the Debt Service Fund will be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (a), (b), (c), (d), (l), or (m) of the definition of "Permitted Investments" which mature not later than such times as will be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Fund.

Moneys held in the Debt Service Reserve Fund will be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (a), (b), (c), (d), (g), (l), (m) or (n) of the definition of "Permitted Investments" which mature not later than such times as will be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Fund, but in any event not later than five (5) years from the time of such investment except that such five year limitation will not apply to any investment approved under clause (n) and except further that any security described in clause (g) of the definition of "Permitted Investments" may mature not later than 30 years from the time of such investment provided that the Trustee may make withdrawals of all or any part of such Permitted Investment without penalty upon not more than two Business Days notice. Moneys held in the Revenue Fund and the Construction Fund may be invested and reinvested in Permitted Investments which mature or which may be drawn upon not later than such times as will be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys in the Operating Fund, including amounts in the Operating Reserve Account, the Reserve and Contingency Fund and the Surplus Fund may be invested and reinvested in Permitted Investments which mature or which may be drawn upon not later than such times as will be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds but in any event not later than five (5) years from the time of such investment. Moneys held in any other Fund or Account may be invested as provided in the Supplemental Indenture establishing such Fund or Account.

COVENANTS AND OBLIGATIONS OF THE AUTHORITY

Creation of Prior Liens. The Authority will not issue any bond, note, or other evidence of indebtedness, or incur any Obligation, payable from or secured by the Trust Estate on a basis which is in any manner prior or superior to the lien on, pledge of and security interest in the Trust Estate securing the Outstanding Bonds pursuant to the Indenture; provided that the Authority may issue Parity Obligations other than Bonds payable from and secured by the Net Revenues and amounts in the Revenue Fund on a basis which is on a parity with the lien on, pledge of and security interest in the Net Revenues and amounts in the Revenue Fund securing the Outstanding Bonds pursuant to the Indenture; and provided further that the Authority may issue Subordinate Obligations payable from and secured by the Net Revenues and amounts in the Revenue Fund on a basis which is subordinate to the lien on, pledge of and security interest in the Net Revenues and amounts in the Revenue Fund securing the Outstanding Bonds.

Against Encumbrances. Except as otherwise provided in the Indenture, the Authority will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the Authority in, upon, about or relating to the Airport and will keep the Airport free of any and all liens against any portion of the Airport. In the event any such lien attaches to or is filed against any portion of the Airport, the Authority will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Authority desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Airport. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Authority will forthwith pay or cause to be paid and discharged such judgment.

Sale or Other Disposition of Property. The Authority will not, except as permitted below, transfer, sell or otherwise dispose of any Airport facility or facilities. Any transfer of an asset over which the Authority retains substantial control in accordance with the terms of such transfer, will not, for so long as the Authority has such control, be deemed a disposition of an Airport facility or facilities.

The Authority may, to the extent permitted by law, transfer, sell or otherwise dispose of Airport facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other Airport facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds of such disposition are deposited into the Revenue Fund to be used as described below and the Authority delivers a certificate of an Authorized Authority Representative to the effect that the Authority expects that such disposal will not prevent it from fulfilling its obligations under the Indenture; or

(c) The Authority has furnished evidence (including, but not limited to, a certificate of an Authorized Authority Representative) to the Trustee that (i) the disposition of such Airport facilities, including Airport facilities constituting a Significant Portion of the Airport, would not result in the ratings on any Bond being suspended or downgraded by any Rating Agency and (ii) such disposition would be for a consideration not less than fair market value; or

(d) The Authority has furnished to the Trustee (i) a certificate of an Authorized Authority Representative or an Airport Consultant to the effect that notwithstanding such disposition of Airport facilities, including Airport facilities constituting a Significant Portion of the Airport, but taking into account the use of the proceeds of such disposition in accordance with the expectations of the Authority as evidenced by a certificate of an Authorized Authority Representative, the Authority is expected to be in compliance with its rate covenant under the Indenture and during each of the five Fiscal Years immediately following such disposition and (ii) a Ratings Confirmation with respect to the disposition of any Significant Portion of Airport facilities.

Proceeds of the disposition of Airport facilities under paragraphs (b), (c) and (d) above will be deposited into a separate fund or account held by the Authority and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue producing Airport facilities, (ii) pay or redeem Bonds or other Parity Obligations or (iii) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture or create an escrow fund pledged to pay specified other Parity Obligations and thereby cause such other Parity Obligations to be deemed paid in accordance with the Issuing Instrument pursuant to which such Parity Obligations were issued.

Airport facilities which were financed with the proceeds of Obligations the interest on which is then Tax-Exempt will not be disposed of except under the terms described above, unless the Authority has first received a Favorable Opinion of Bond Counsel with respect to such disposition.

No such disposition will be made which would cause the Authority to be in default of any other covenant contained in the Indenture.

Insurance; Application of Insurance Proceeds. Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(i) the Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self insured programs provided by similar airports; and

(ii) the Authority will place on file with the Trustee annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Authority Representative containing a summary of all insurance policies and Qualified Self Insurance programs then in effect with respect to the Airport and the operations of the Authority. The Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Indenture or obtained by the Authority.

"Qualified Self Insurance" will mean insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Authority may have a material interest and of which the Authority may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage on an actuarially sound basis as determined by the Authority and which the Authority determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance.

If, as a result of any event, any part of the Airport is destroyed or severely damaged, the Authority will create within the Construction Fund a special Account and will credit the Net Proceeds received as a result of such event of damage or destruction to such Account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport facilities, (iii) pay or redeem Bonds or other Parity Obligations, or (iv) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture or create an escrow fund pledged to pay specified other Parity Obligations and thereby cause such other Parity Obligations to be deemed paid in accordance with the Issuing Instrument pursuant to which such Parity Obligations were issued; provided, however, that if the Authority proposes to use the proceeds as described in clause (iii) or clause (iv) above, the Authority will first deliver to the Trustee a certificate of an Authorized Authority Representative or an Airport Consultant showing that, after taking into account the proposed use of the Net Proceeds, the Authority is expected to be in compliance with the rate covenant under the Indenture during the Fiscal Year in which such use occurs.

Operation and Maintenance of the Airport; Budgets. The Authority will maintain and preserve the Airport facilities in good repair and working order at all times and will operate the Airport in an efficient and economical manner and will pay all Operating Expenses as they become due and payable. The Authority will prepare, not later than July 30 of each Fiscal Year, an Annual Budget for the Airport approved by the Commission setting forth the estimated Pledged Revenues, Operating Expenses, scheduled Debt Service for all Outstanding Obligations of the Authority for such Fiscal Year and will take such action as may be necessary to include all such payments and all other payments required to be made under the Issuing Instruments for Outstanding Obligations of the Authority during such Fiscal Year. Any such Annual Budget may be amended at any time during any Fiscal Year provided that such amended budget will include all payments coming due in such Fiscal Year with respect to Obligations, and debt service reserves therefor, payable from Net Revenues.

The Authority covenants to adopt a budget with respect to Capital Improvements for the Airport for each Fiscal Year which will show, in addition to such other matters as the Authority may determine to include, the amounts, if any, to be expended during such Fiscal Year for identified Capital Improvements to the Airport and the sources of such amounts. The Capital Improvements budget may be part of the Authority's Annual Budget.

Payment of Taxes and Compliance with Governmental Regulations. The Authority will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Authority with respect to the ownership or operation of the Airport, services rendered in connection with such ownership or operation, or the Construction of any Capital Improvements to the Airport or other operations at the Airport or any part thereof when the same will become due. The Authority will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Airport or any part thereof; provided, however, the Authority will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith and contesting such validity or application will not materially impair the operations or financial condition of the Airport or the performance by the Authority of all of its obligations and covenants under the Indenture and all Outstanding Bonds.

Tax Covenants. The Authority covenants it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-Exempt status of interest on any Bond under Section 103 of the Code, it being recognized that the interest on some of the Bonds may not be Tax-Exempt. Without limiting the generality of the foregoing, the Authority will comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Bonds.

If the Authority provides the Trustee with an Opinion of Bond Counsel to the effect that any specified action required under tax covenant in the Indenture or a Tax Certificate is no longer required or that some further or different action is required to maintain the Tax-Exempt status of interest on any Bonds under Section 103 of the Code, the Authority and the Trustee may conclusively rely on such opinion in complying with the requirements of the Indenture and of the applicable Tax Certificate, and the covenants under the Indenture will be deemed to be modified to that extent.

Accounts; Financial Statements and Other Reports. The Authority covenants that it will keep and provide accurate books and records of account showing all Pledged Revenues received and all expenditures of the Authority and that it will keep or cause to be kept accurate books and records of account showing all moneys, Pledged Revenues, accounts and funds (including the Revenue Fund and all Funds and Accounts provided for in the Indenture) which are or will be in the control or custody of the Authority; and that all such books and records pertaining to the Airport will be open upon reasonable notice during business hours to the Trustee and to the Owners of not less than ten percent (10%) of the principal of Bonds then Outstanding, or their representatives duly authorized in writing. Within 180 days after the close of each Fiscal Year, so long as any of the Bonds remain Outstanding, the Authority will prepare financial statements including a statement of the revenues and expenses for such Fiscal Year, a statement of cash flows of the Authority as of the end of such Fiscal year and a balance sheet prepared as of the close of such Fiscal Year.

AMENDMENTS TO INDENTURE

Amendments With Bondholder Consent. The rights and obligations of the Authority and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding will have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement will, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Obligations if the conditions of the Indenture are satisfied, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds for purposes of consent. No such modification, amendment or supplement will (i) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (ii) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

Amendments without Bondholder Consent. The Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Authority and the Trustee may enter into without the consent of the Owner of any Bond, to provide for the issuance of a Series of Bonds in accordance with the terms and conditions of the Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Bonds for any or all purposes of the Indenture except that no such Credit Provider will be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or, except as otherwise provided with respect to a Bond constituting a Tender Obligation in the Indenture, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

The Master Indenture and any Supplemental Indenture and the rights and obligations of the Authority, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Authority and the Trustee may enter into without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement will not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in the Master Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Master Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Master Indenture or a Supplemental Indenture, as the Authority may deem necessary or desirable; or

(iii) to modify, amend or supplement the Master Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

Notwithstanding anything to the contrary in the Indenture, the provisions of the Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise require Bondholder consent, without the consent of the Owners of Bonds constituting Tender Obligations if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) notice of the amendment is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series will have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series, then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, references to the Owners of such Bonds will be deemed to be to the applicable Credit Provider.

Bonds Owned by Authority. For purposes of modifications to the Indenture, Bonds owned or held by or for the account of the Authority, or any funds of the Authority, will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds, and the Authority will not be entitled with respect to such Bonds to give any consent or take any other action in connection with amendments and supplements provided for in the Indenture as an Owner of Bonds.

CONCERNING THE FIDUCIARIES

Responsibilities of Fiduciaries. No Fiduciary will be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the next sentence, no Fiduciary will be liable in connection with the performance of its duties under the Indenture except for its own negligence, willful misconduct or default. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Resignation and Removal of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Authority, each Credit Provider and each Reserve Guaranty Provider, specifying the date when such resignation will take effect; provided that no such resignation will take effect until a successor Trustee will have accepted the appointment.

The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Authority Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Guaranty Provider, at any time by an instrument in writing signed by an Authorized Authority Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; or (iv) at any time by an instrument in writing signed by a Credit Provider and filed with the Trustee and the Authority, for any breach of its fiduciary duties under the Indenture; provided that no such removal will be effective until the later of 30 days from the filing of such instrument with the Trustee and until a successor Trustee will have accepted the appointment.

Successor Trustee. Any successor Trustee will be a bank or trust company organized under the laws of any state of the United States or national banking association, in good standing and duly authorized to exercise trust powers and subject to examination by federal or state authority and acceptable to each Credit Provider. Each successor Trustee will have reported capital and surplus aggregating at least $75,000,000, or have all of its obligations under the Indenture guaranteed by a bank or trust company organized under the laws of the United States, or any state thereof, with a reported stock and surplus or net worth aggregating at least $75,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

DEFEASANCE

Bonds (or portions of Bonds) for the payment or redemption of which moneys will have been set aside and will be held in trust by an Escrow Agent at the maturity or redemption date thereof, as applicable, will be deemed to have been paid within the meaning of the Indenture. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid will be in an Authorized Denomination) will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning of the Indenture if (i) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Authority will have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (ii) there will have been deposited with an Escrow Agent either moneys in an amount which will be sufficient, or Defeasance Securities, the principal of and the interest on which when due will provide moneys which, together with the other moneys, if any, held by such Escrow Agent for such purpose, will be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (ii) above, the Authority will have given the Trustee, in form satisfactory to it, instructions to mail to the Owner of such Bond a notice that such deposit has been made and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. The receipt of any such notice will not affect the validity of the proceedings for the payment of Bonds. Neither Defeasance Securities nor moneys deposited with an Escrow Agent to defease Bonds will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Defeasance Securities, (i) to the extent such cash will not be required at any time for such payment, as evidenced by an Accountant's Certificate, will be paid as provided in a written direction of an Authorized Authority Representative free and clear of any trust, lien, pledge or assignment securing said Bonds, and (ii) to the extent such cash will be required for such payment at a later date, will, to the extent practicable, at the written direction of an Authorized Authority Representative, be reinvested in Defeasance Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, will be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture will prevent the Authority from substituting for the Defeasance Securities held for the payment or redemption of Bonds (or portions thereof) other Defeasance Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, will be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Defeasance Securities for such purpose provided that the Authority will deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal of and/or interest due on any Bonds will be paid by a Credit Provider pursuant to a Credit Support Instrument, such Bonds will remain Outstanding for all purposes, not be defeased or otherwise satisfied and will not be considered paid by the Authority, and the pledge of the Trust Estate and any other amounts pledged to the payment of such Bonds pursuant to the Indenture, and all covenants, agreements and other obligations of the Authority to the Owners of such Bonds will continue to exist and will run to the benefit of the applicable Credit Provider and the applicable Credit Provider will be subrogated to the rights of such Owners.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Each of the following will constitute an Event of Default under the Indenture:

(a) if default will be made in the payment of the principal of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligation when and as the same will become due and payable, whether on an Interest Payment Date, at maturity, by declaration, or otherwise;

(b) if default will be made in the payment when due of the Parity Purchase Price of any Outstanding Bond or other Parity Obligation which are Tender Obligations;

(c) if default will be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained, and such default will continue for a period of 120 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of not less than 25% in principal amount of the Bonds Outstanding; provided, however, if such default is such that it can be corrected by the Authority but not within the applicable period specified above, it will not constitute an Event of Default if corrective action is instituted by the Authority within thirty (30) days of the Authority's receipt of the notice of the default required by this paragraph and diligently pursued; or

(d) Any Parity Obligation is declared due and payable as a result of an event of default under the Issuing Instrument for such Parity Obligation; or

(e) an Event of Bankruptcy will have occurred and be continuing with respect to the Authority.

Right to Accelerate Upon Default. Notwithstanding anything contrary in the Indenture or in the Bonds, and subject to recession of such action pursuant to the Indenture, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit

Support Agreement, and will, at the direction of the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Authority) and, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment will, without further action, become and be immediately due and payable.

Enforcement Proceedings. If an Event of Default will happen and will not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, will proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Net Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State, or for an accounting by the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, will deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

Regardless of the happening of an Event of Default, the Trustee will have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised will be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

Application of Pledged Revenues and Other Moneys After Default. Notwithstanding anything to the contrary contained in the Indenture, the Authority covenants that if an Event of Default will happen and will not have been remedied, the Authority, upon the demand of the Trustee, will cause to be paid over to the Trustee as received in each month all Pledged Revenues not required to be deposited in the Operating Fund to pay Operating Expenses in accordance with the Annual Budget then in effect.

During the continuance of an Event of Default, the Trustee will apply all Net Revenues received by the Trustee pursuant to any right given or action taken under the Indenture which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, to the following purposes and in the following order of priority:

> First: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.
>
> Second: To the payment of the principal, Redemption Price and Parity Purchase Price of and interest on the Outstanding Bonds, and the principal, redemption price and Parity Purchase Price of and interest on the other Outstanding Parity Obligations, including Primary Reimbursement Obligations, then due and payable.
>
> Third: To the payment to the Credit Providers, the amounts due with respect to Excess Reimbursement Obligations.
>
> Fourth: To the Reserve Guaranty Providers, the amounts due with respect to Reserve Guaranties.

Fifth: To the Qualified Counterparties, the amounts due with respect to Termination Amounts.

Sixth: To the transfer to the Debt Service Reserve Fund and each Series Debt Service Reserve Fund and to each debt service reserve for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Fund and each Series Debt Service Reserve Fund will equal the applicable Debt Service Reserve Requirement and the amount in each debt service reserve for other Outstanding Parity Obligations will equal the amount required to be on deposit in such debt service reserve under the applicable Issuing Instrument.

Seventh: Subject to any applicable priority of payment of Subordinate Obligations to the payment of amounts due with respect to outstanding Subordinate Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinate Obligations have been issued.

In the event the amount of Net Revenues available to the Trustee is not sufficient to make all the payments required by any numbered clause above, the Trustee will apply the available Net Revenues to the payments of amounts due pursuant to such numbered clauses ratably (based on the respective amounts to be paid), without any discrimination or preference except as otherwise provided in the Issuing Instruments pursuant to which Subordinate Obligations have been issued.

If and whenever all overdue installments of interest on all Outstanding Bonds and other Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Authority under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and other Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and other Outstanding Parity Obligations which will then be payable, will be paid by or for the account of the Authority, or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Indenture, the Outstanding Bonds, the other Outstanding Parity Obligations and the Issuing Instruments for such other Outstanding Parity Obligations will be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, the Trustee will pay over all unexpended Net Revenues in the hands of the Trustee (except Net Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee will be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights will extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

Restrictions on Owner's Action. Except as otherwise provided in the Indenture, no Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner will have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least 25% in principal amount of the Bonds then Outstanding will have filed a written request with the Trustee, and will have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners will have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds.

Nothing in the Indenture or in the Bonds contained will affect or impair the obligation of the Authority, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Net Revenues and the other moneys pledged for such payment under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any moneys held by any Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by such Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with such Fiduciary after the date when such Bonds, the Redemption Price or the Purchase Price thereof became due and payable, will, at the written request of an Authorized Authority Representative be repaid by such Fiduciary to the Authority, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Fiduciary will thereupon be released and discharged with respect thereto and the Owners of such Bonds will look only to the Authority for the payment of such Bonds.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS

Each Airport Use Agreement (an "Agreement") sets forth the agreement for the use of Airport facilities between the Burbank-Glendale-Pasadena Airport Authority (the "Authority") and the applicable Signatory Airline. The Airport Use Agreements between the Authority and all Signatory Airlines are substantially the same. Certain provisions of the Airport Use Agreements are summarized below. The headings or titles used herein are solely for convenience of reference. These summaries do not purport to be complete or definitive and reference should be made to the Agreement for a full and complete statement of its provisions.

DEFINITIONS

"Act" means the Joint Exercise of Powers Act, commencing with Section 6500 of the Government Code of the State.

"Affiliate" means any Air Transportation company that: (i) has been designated as an Affiliate for purposes of the Agreement by a Signatory Airline pursuant to an Agreement, which designation has not been rescinded by such Signatory Airline in accordance with the Agreement; (ii) has in full force and effect an executed operating permit with the Airport; (iii) (a) has a common parent with or is a subsidiary of the Signatory Airline designating such Air Transportation company as its Affiliate and does not sell tickets for departures at the Airport or (b) otherwise operates under the same or a similar trade name at the Airport as the Signatory Airline designating such Air Transportation company as its Affiliate and does not sell tickets for departures at the Airport; (iv) is not a Signatory Airline; and (v) has not, within the five years immediately preceding its designation as an Affiliate, been a major airline (as such term is defined by the FAA).

"Agency" means any federal, state, regional, municipal or local governmental agency.

"Aircraft Arrivals" means any aircraft arrivals at the Airport (including, without limitation, scheduled flights, charters, sight-seeing flights, test flights, ferry, courtesy flights, inspection flights or any other flights).

"Airfield Area" means those portions of the Airport, including the Apron Area, as they now exist or hereafter may be modified, changed, or developed, as hereinafter provided, which provide for the landing and takeoff, handling, servicing, loading and unloading, and other operations of aircraft and related support facilities (e.g., field lighting, navigational aides and cart roads).

"Airfield Area Requirement" has the meaning set forth in the Agreement.

"Airline" means, with respect to a particular Agreement, the Signatory Airline that is a party to such Agreement and any corporate successor to such corporation and any permitted assignee or other transferee under the Agreement.

"Airline Party" means Airline and its shareholders, partners, directors, officers, employees, agents, representatives and contractors.

"Airport Cost Centers" means the following cost centers, more fully described in the Agreement, as the same may be amended, modified or supplemented from time to time:

(a) "Airfield Cost Center" refers to the revenues received and expenses, including Coverage on Bonds, incurred in connection with the operation, maintenance and improvement of the Airfield Area.

(b) "Authority Areas Cost Center" refers to the revenues received and expenses incurred in connection with the operation, maintenance and improvement of the Authority Areas.

(c) "Other Buildings and Areas Cost Center" refers to the revenues received and expenses, including Coverage on Bonds, incurred in connection with the operation, maintenance, and improvement of those portions of the Airport not included in any other Airport Cost Center, including the facilities, installations and improvements thereon, as they exist now or may be modified, changed or developed.

(d) "Parking and Roadway Cost Center" refers to the revenues received and expenses, including Coverage on Bonds, incurred in connection with the operation, maintenance and improvement of (i) access roads to the Terminal Building and (ii) those portions of the Airport devoted to automobile parking, as the same now exist or may be acquired, modified, changed, improved or developed.

(e) "Terminal Building Cost Center" refers to the revenues received and expenses, including Coverage on Bonds, incurred in connection with the operation, maintenance and improvement of the Terminal Building.

"Airport Engineer" means the Authority's Director of Engineering and Planning or his or her designee.

"Airport Expense" means all costs and expenses of operating the Airport or incidental to, or arising out of, the operation of the Airport, including but not limited to, Coverage on Bonds and the costs of defending, settling or satisfying any litigation which relates to the Airport, or any aspect thereof.

"Airport Layout Plan" means the Airport Layout Plan attached to the Agreement.

"Airport Manager" means the person or organization designated by the Authority to exercise functions with respect to the rights and obligations of the Authority under the Agreement. The term also includes any person expressly designated by the Authority to exercise functions with respect to rights and obligations of the Airport Manager under the Agreement or such other person, division, department, bureau or agency as may from time to time exercise functions equivalent or similar to those exercised by Airport Manager.

"Airport Purpose" means any action or undertaking by the Authority reasonably related to (i) the development and preservation of the Airport as a destination for air commerce and as an industrial or commercial site or (ii) the operation and preservation of the Authority.

"Airport Revenue" has the meaning of the term "Revenues" as defined in any Bond Resolution.

"Air Transportation" means the carriage of passengers, personal property, cargo and mail by aircraft.

"Alterations" has the meaning assigned to such term in the Agreement.

"Annual Budget" means the capital and operating budgets prepared by the Airport Manager and approved by a resolution of the Authority.

"Approved Alterations" has the meaning assigned to such term in the Agreement.

"Apron Area" means the aircraft parking and maneuvering areas adjacent to the Terminal Building.

"Authority Areas" means those areas, designated in the Agreement, and will include any property or improvements hereafter acquired by the Authority with either (i) funds other than Airport Revenue or (ii) Airport Revenue allocable to the Authority Areas Cost Center.

"Authority Parties" means the Authority, Airport Manager and the cities of Burbank, Glendale and Pasadena, California, and their respective commissioners, officials, directors, officers, employees, agents, representatives, contractors, successors and assigns.

"Bond Resolution" means the indenture, trust agreement, resolution or similar instrument, howsoever denominated, pursuant to which bonds, notes or other evidences of indebtedness of the Authority have been or will be issued, as originally executed or as the same may be amended, modified or supplemented from time to time pursuant to the provisions thereof.

"Bonds" means notes, revenue bonds and other evidences of indebtedness issued by the Authority for any Airport Purpose pursuant to a Bond Resolution.

"CFR" means the Code of Federal Regulations.

"Capital Improvement" means any item charged to a capital account of the Airport in the Authority's financial statements.

"Claims" means any and all demands, claims, actions, causes of action, proceedings, judgments, damages, awards, penalties, fines, losses, liabilities, obligations, costs and expenses, including, without limitation, interest, court costs and attorneys' fees.

"Contamination" means any spilling, discharging, releasing or disposing of Hazardous Substances on, in, under or about the Airport, or any other contamination or deterioration of groundwater, subsoil or soil in, on, under or originating from the Airport.

"Coverage" for any series of Bonds means a given percentage, specified in the corresponding Bond Resolution, of the annual debt service for such series and will also mean the dollar amount computed by applying said percentage to said annual debt service.

"CUPPS" means the Common Use Passenger Processing System certified by IATA and described in the Agreement.

"Disability Equipment" means equipment for use in boarding and unloading of passengers in accordance with the specifications set forth in the FAA Advisory Circular dated March 17, 2000, as the same may be amended, modified or supplemented from time to time.

"Disability Laws" means the provisions of 49 U.S.C. 1374(c), 14 CFR 382.23 and 49 CFR 27.71, as the same may be amended, modified or supplemented from time to time.

"Environmental Law" means any federal, state or local law, statute, ordinance, code, judgment, order or regulation pertaining to the environment, Hazardous Substances, pollutants, occupational safety and health, industrial hygiene or the environmental conditions on, under or about the Airport.

"Equipment Maintenance Agreement" means the agreement for the maintenance of common use Airport equipment and facilities entered into by the Signatory Airlines and any other passenger airlines that, with the prior written approval of the Authority, agree to be bound by the provisions of such Equipment Maintenance Agreement, as the same may be amended, modified or supplemented from time to time with the prior written consent of the Authority.

"Event of Default" has the meaning set forth in the Agreement.

"Exclusive Use Space" means the premises in the Terminal Building leased by the Authority to Airline as described in the Agreement.

"Expiration Date" means the Stated Expiration Date, unless extended or earlier terminated pursuant to the Agreement.

"FAA" means the Federal Aviation Administration created under the Federal Aviation Act of 1958 or any federal agency succeeding to its jurisdiction.

"Hazardous Substances" means any hazardous or toxic substance, material or waste which is or will become regulated by any Agency acting in its governmental capacity.

"IATA" means the International Air Transport Association, its successors and assigns.

"Joint Use Fees" mean Airline's share of the fees payable by the Signatory Airlines for the license to use the Joint Use Space, which share will be calculated and paid by Airline pursuant to the Agreement.

"Joint Use Formula" means a formula which equally allocates among those Signatory Airlines using the Joint Use Space in question 20% of the fees for the use of the Joint Use Space and allocates 80% of such fees among such Signatory Airlines according to the ratio of the number of each such Signatory Airline's enplaning passengers at the Airport during each month of the Fiscal Year to the total number of enplaning passengers of all such Signatory Airlines.

"Joint Use Space" means the premises in the Terminal Building available to Airline and the other Signatory Airlines for the uses specified in the Agreement and described in the Agreement.

"Landing Fees" means the amount payable as such pursuant to the Agreement.

"Landing Fee Rate" means the rate set forth in the Agreement for Landing Fees as from time to time adjusted as provided in the Agreement.

"Law" means any federal, state, county, municipal or local statute, rule, regulation or ordinance or any order, restriction or requirement of any Agency having jurisdiction over the Airline, the Airport or the Authority, as the case may be.

"Majority-In-Interest" means, as of any date, a numerical majority of Signatory Airlines, which numerical majority will have landed more than seventy-five percent (75%) of the Total Landed Weight at the Airport during the immediately preceding Fiscal Year.

"Maximum Gross Landing Weight" means, with respect to an aircraft, the certified maximum weight of such aircraft, as recited in the flight manual governing that aircraft.

"Noise Abatement Rules" mean the Burbank-Glendale-Pasadena Airport Authority Noise Abatement Rules as the same may be amended, modified or supplemented by the Authority from time to time.

"Non-Airline Revenue" means revenue received by the Authority from sources other than the Signatory Airlines.

"Non Storm Water Discharge" means any discharge to storm sewer systems that is not entirely composed of storm water.

"PFC Laws" mean all federal statutes and regulations applicable to the Authority's Passenger Facility Charges program.

"Premises" mean any Exclusive Use Space and Joint Use Space; provided, however, that in the case of Joint Use Space, such areas will only constitute "Premises" during the period of time for which Airline has a license to use such areas.

"Proposed Action" means any contemplated material amendment, modification or supplement to a Bond Resolution.

"Public Areas" mean those Terminal Building areas made available by the Authority from time to time for use by Authority, Airline, Airline Parties, passengers and other members of the general public.

"Rental" means the amounts payable as such pursuant to the Agreement.

"Reports" mean the reports prepared annually by the Authority pursuant to the Agreement.

"Rules and Regulations" mean those rules and regulations promulgated by the Authority for the orderly use of the Airport or its facilities as the same may be amended, modified or supplemented from time to time.

"Security Deposit" has the meaning given such term under the caption "MISCELLANEOUS – Security Deposit."

"Security Requirements" has the meaning given such term under the caption "PERMISSIBLE USES – Airport Security."

"Signatory Airlines" mean airlines providing scheduled transportation of persons or property by air to and from the Airport which have executed agreements with the Authority granting certain rights and privileges in connection with such airline's use and occupancy of the Airport, substantially similar to the Agreement.

"Special Funds" mean any and all funds or accounts permitted by, established under, or identified in a Bond Resolution, held and administered by the Trustee or the Authority, and such other funds as the Authority may from time to time establish as hereinafter provided.

"Stated Expiration Date" means June 30, 2014, or June 30, 2019, if the June 30, 2014 date is extended pursuant to the Agreement.

"Storm Water" means storm water runoff, snowmelt runoff, and storm water surface runoff and drainage.

"Sub-Contractor" means the independent contractor hired to maintain and repair equipment pursuant to the Equipment Maintenance Agreement.

"Terminal Building" means the terminal building, as shown on the Airport Layout Plan attached to the Agreement, as the same may be modified or improved from time to time.

"Terminal Building Requirement" is the amount of Rental and Joint Use Fees sufficient to provide for the expenses of the Terminal Building Cost Center, as provided in the Agreement.

"Total Landed Weight" means the sum of the Maximum Gross Landing Weights for all of Airline's and Airline's Affiliates' Aircraft Arrivals over a stated period of time.

"Total Landed Weight of the Signatory Airlines" means the sum of the Maximum Gross Landing Weights for all of the Aircraft Arrivals of the Signatory Airlines (inclusive of their respective Affiliates) over a stated period of time.

"Trustee" means the entity designated by a Bond Resolution to act in a fiduciary capacity, either as a trustee or as a fiscal agent, with respect to the issuance of Bonds.

"TSA" means the Transportation Security Administration created under the Aviation and Transportation Security Act of 2001 or any federal agency succeeding to its jurisdiction.

"U.S.C." means the United States Code.

TERM; TERMINATION

Term. The term of each Airport Use Agreement became effective on its execution by the Authority and the Airline, and the initial Stated Expiration Date is June 30, 2014 for all Signatory Airlines, provided that the Stated Expiration Date may be extended for one five year term to June 30, 2019, by an Authority option to extend the Agreement, upon acceptance of the Airline.

Termination by Airline.

Thirty Day Termination. (a) Airline may terminate the Agreement and all of its future obligations under the Agreement (those not accrued as of the date of termination) at any time that Airline is not in default in its payments or other obligations to the Authority under the Agreement, by giving the Authority 30 days' advance written notice, upon or after the happening of any one of the following events:

(1) Any lawful action of the FAA or any Agency having jurisdiction over the operations of Airline at the Airport prohibiting Airline from or refusing to permit Airline to operate such aircraft as Airline may reasonably need to operate into, from or through the Airport and the remaining in force of such prohibition or refusal for a period of at least 30 days; provided such notice of termination may only be given to the Authority if such action of the FAA or Agency has been, and continues to be, in effect for at least 30 days.

(2) The inability of Airline to use the Premises for a period exceeding 30 days due to (i) any defect or unsafe operating condition existing at the Airport, (ii) any Law, or (iii) war or other casualty beyond the control of Airline; provided such notice of termination may only be given to the Authority if the event or Law described under this paragraph (a) has been, and continues to be, in effect for at least 30 days.

(3) The erection of any obstacle on or in the vicinity of the Airport which would cause the cancellation, termination or modification of Airline's air carrier operating certificate or similar authorization establishing minimum safety standards for the operation of Airline.

Sixty Day Termination. (b) Airline may terminate the Agreement, and terminate all of its future obligations under the Agreement (those not accrued as of the date of termination) at anytime that Airline is not in default in its current payments or obligations under the Agreement, by giving the Authority 60 days' advance written notice, upon or after the lawful termination or suspension of Airline's right to operate into, from or through the Airport.

Payments. (c) In the event Airline elects to terminate the Agreement pursuant to the terms of the Agreement described under paragraph (a), Airline will, upon termination, immediately pay to the Authority an amount equal to either (i) the total of Airline's Rental which would otherwise become due and payable under the Agreement between the date of such termination and the Stated Expiration Date, or (ii) such other sum as may be agreed to by the Authority and Airline. In any calculation of Airline's Rental, the charges per square foot in effect as of the date of termination will be used, without adjustment for future escalations under the Agreement and without discounting future payments to their present value. Furthermore, said calculations of Rental will be based upon the amount of the Exclusive Use Space leased by Airline as of either the date of termination or the effective date of the Agreement, whichever is greater.

Termination by the Authority. The Authority will have the right to terminate the Agreement upon the occurrence of an Event of Default under the Agreement.

Surrender of the Premises. No notice to quit possession on the Expiration Date will be given by the Authority, and Airline covenants and agrees that upon such Expiration Date it will peaceably surrender possession of the Premises in good condition, reasonable wear and tear, acts of God, fire and other casualties excepted, and the Authority will have the right to take possession thereof. Airline will have the right, upon termination and within 60 days thereafter, to remove all trade fixtures and equipment and other personal property installed or placed by it at its expense, in, on or about the Airport, subject, however, to any valid lien which the Authority may have thereon for unpaid rents or fees; provided, however, Airline will not abandon any of its property on the Premises. Any and all property not removed by Airline within said 60-day period will, at the option of Authority, thereupon become a part of the land on which it is located, and title thereto will thereupon vest in the Authority. All Authority property damaged by or as the result of the removal of Airline's property will be restored by Airline, at its own expense, to the condition existing prior to such damage.

Holdover by Airline. Absent the written consent of the Authority, Airline has no right to possess or occupy any of the Premises after the Expiration Date. Absent the written consent of the Authority, during any holdover period by Airline, Airline will be subject to all charges which are charged to non-Signatory Airlines at the Airport, including landing and fuel charges. In the event that Airline will possess or occupy the Premises after the Expiration Date with the written consent of the Authority, such holding over or use, in the absence of a written agreement on the subject to the contrary, will be deemed to have created, with respect to the Exclusive Use Space, a tenancy from month to month, and, with respect to the Joint Use Space a license, terminable on 30 days' written notice by either party to the other. The provisions summarized in this paragraph will survive termination of the Agreement.

GRANT OF RIGHTS TO USE AIRPORT AND FACILITIES

Grant of Rights to Use. The Authority grants to Airline the right to conduct activities on the Airport directly connected with its business of Air Transportation, upon the terms and subject to the conditions set forth in the Agreement.

Exclusive Use Space. Authority leases to Airline, and Airline leases from the Authority, the Exclusive Use Space. Notwithstanding any other provision of the Agreement, certain portions of the Exclusive Use Space will be converted to Joint Use Space pursuant to the Agreement, and the fees for the use of such space will be as described in the Agreement (subject to adjustment), upon installation of CUPPS.

Joint Use Space. The Authority grants to Airline a non-exclusive license to use, in common with others and subject to the direction of the Authority, the Joint Use Space, upon the terms and subject to the conditions set forth in the Agreement. The Authority will have the right, at any time or from time to time during the term of the Agreement and in the Authority's sole and absolute discretion, to (i) terminate Airline's license to use some or all of the Joint Use Space, (ii) reduce, expand or otherwise modify the Joint Use Space, (iii) grant to others a license to use the Joint Use Space, and/or (iv) grant to Airline a non-exclusive license to use, in common with others and subject to the direction of the Authority, other areas of the Joint Use Space not originally specified in the Agreement.

CUPPS. The Authority reserves the right to install CUPPS within the Premises. Airline acknowledges that the Authority will be pursuing the development and installation of an IATA-certified CUPPS system at the Airport and agrees to cooperate with the development, installation, use and cost of operation and maintenance of such CUPPS system.

Acceptance of Space. Airline accepts the Exclusive Use Space in the condition existing as of the effective date of the Agreement. Airline agrees that the Premises are in a good and usable condition and acknowledges that Airline has inspected the Premises and other areas of the Airport to its satisfaction and acknowledges that the Authority is not obligated to make any repairs or alterations to the Premises or any other areas of the Airport.

Reservations to the Authority. Airline accepts the Premises subject to any and all existing easements and encumbrances. The Authority reserves the right, without obligation, to install, lay, construct, maintain and repair utilities and appurtenances necessary or convenient in connection therewith in, over, upon, through, across, under and along the Premises or any part thereof, and to enter the Premises for any and all such purposes. The Authority also reserves the right to grant franchises, licenses, easements, rights of way and permits in, over, upon, through, across, under and along any and all portions of the Premises. No right reserved by the Authority described in this paragraph will be so exercised as to interfere unreasonably with Airline's operations under the Agreement.

Authority's Right of Access. The Authority will have access to the Premises at all times in cases of emergency. The Authority will also have access to the Premises at any time for the purpose of examining the same to ascertain if they are in good repair, inspecting any work in progress, making repairs which the Authority may be required or permitted to make under the Agreement, or exhibiting the same to prospective purchasers or airlines or other prospective or actual tenants, licensees or other users of the Airport. Such entry will be made in a manner which will not unreasonably interfere with Airline's use of the Premises, except in case of emergency.

PERMISSIBLE USES

Conduct of Airline's Business. Airline will maintain the highest degree and standards of service to meet the needs of the traveling public. Airline will monitor the conduct, demeanor and appearance of its employees and all other individuals constituting Airline Parties. Upon objection from the Authority concerning the conduct, demeanor or appearance of any such individual, Airline immediately will take all steps necessary to correct or remove the cause of the objection.

Nuisance. Airline will not use or permit the use of the Premises or any other areas of the Airport in any manner that will (i) tend to create or permit any waste or nuisance, (ii) tend to disturb other tenants, concessionaires, licensees or users of the Airport, (iii) invalidate or cause the cancellation of or be in conflict with any fire or other hazard insurance policies covering the Airport or (iv) increase the premiums for any fire insurance policies covering the Airport or any property located therein. Airline, at its expense, will comply with all rules, orders, regulations, or requirements of the National Board of Fire Underwriters, or any other similar body.

Authority Noise Abatement Rules. Airline acknowledges that Airline has read and understands the Noise Abatement Rules and covenants to conduct its business and flight operations in compliance with the Noise Abatement Rules.

Licenses and Permits; Compliance with Laws. Airline, at Airline's own cost and expense, will obtain and maintain in effect at all times during the term of the Agreement all licenses, permits, certificates, approvals and other authorizations required by any applicable Law in connection with the Airline's performance of the Agreement or the conduct of Airline's business and operations at the Airport. Airline will comply with all applicable Laws in the conduct of Airline's business and operations at the Airport.

Compliance with FAA Grant Assurances and Airport Use. Airline acknowledges and understands that the Authority is obligated to comply with the provisions in the Agreement in connection with FAA grant assurances. Airline agrees that it will not do anything that will cause or contribute to the violation by the Authority of any of such provisions.

Airport Security. Within 30 days of the effective date of the Agreement, Airline will submit Airline's security program to Authority, as required by 49 CFR 1542 and 49 CFR 1544 (the "Security Requirements"). Airline will use reasonable precautions which comply with the Security Requirements to prevent unauthorized persons from gaining access to restricted flight and aircraft operational areas. Airline will comply with 49 CFR 1544, which requires background checks, including references and prior employment history, for all persons who have unescorted access to the airfield side of the Airport security fence in a manner consistent with the Security Requirements. Airline agrees to maintain records of background checks for all employees, agents, representatives and contractors of Airline and to make such records available to the TSA and the Authority as may be requested from time to time. Upon receipt of any written notice from the Authority of a violation of the Security Requirements, Airline will promptly engage security personnel or undertake other necessary security procedures as reasonably requested by the Authority to cure the violation, and Airline will pay any fine or penalty imposed by the TSA as a result of such violation.

CAPITAL IMPROVEMENTS

Review of Capital Improvements. (a) If the Authority decides to undertake a Capital Improvement, the cost of which is to be funded by the inclusion of (i) the purchase price, (ii) the construction cost, (iii) the annual debt service on Bonds therefor or (iv) the Signatory Airlines' lease payments, fees for use of the Joint Use Space or Landing Fees during any subsequent Fiscal Year or Fiscal Years, then the Authority will submit a report on said Capital Improvement to each of the Signatory Airlines. Said report will be submitted at least 60 days prior to the expiration of the then current Fiscal Year.

Approval. (b) Except as described in this paragraph and in paragraph (e) below, Capital Improvements will be approved by the Signatory Airlines as described below. Approval by the Signatory Airlines will not be required in the case of a Capital Improvement, the portion of the total cost of which does not exceed $1,000,000; provided, however, the total cost of Capital Improvements not approved by the Signatory Airlines will not exceed $2,000,000 in any Fiscal Year. Capital Improvements described in paragraph (e) below will not be included in any such limits. Each year the limits specified in this paragraph may be adjusted based on any change in such costs.

First Meeting. (c) Within a reasonable time, but no sooner than 30 days after distribution of the report described in paragraph (a) above, the Authority will convene a meeting of the Signatory Airlines for the purpose of discussing and obtaining the Signatory Airline's approval of any proposed Capital Improvement requiring such approval and to the means of financing its cost. The Capital Improvement will be deemed approved unless approval is specifically withheld, in writing, by a Majority-In-Interest of the Signatory Airlines within 30 days of said meeting.

Second Meeting. (d) If the Capital Improvement is not approved at the first meeting, the Authority will have the option to convene a second meeting of the Signatory Airlines. At the second meeting, the Authority will respond to questions raised during the first meeting and will ask for reconsideration of the Capital Improvement. Upon reconsideration, the proposed Capital Improvement will be deemed approved, unless approval is specifically withheld, in writing, by a Majority-In-Interest of the Signatory Airlines within 30 days of said meeting. If approval is so withheld, said Capital Improvement will thereupon be deferred until the next Fiscal Year. In such subsequent Fiscal Year, if the Authority remains desirous of proceeding with said Capital Improvement, the process set forth in this paragraph and paragraph (c) will be repeated. In the event approval of a Capital Improvement is not specifically withheld by a Majority-In-Interest of the Signatory Airlines in the manner specified as described in such paragraphs, the Authority may include the cost for such Capital Improvement in the Signatory Airlines' Landing Fee Rate and Rental.

Adjustment of Landing Fees and Rental. (e) Notwithstanding the absence of approval by any Signatory Airline to any proposed Capital Improvement, the Authority may include the cost of such Capital Improvement in the succeeding Fiscal Year's calculation for the Landing Fee Rate and each Signatory Airline's Rental, if the Authority determines that such Capital Improvement is necessary or prudent to: (1) insure compliance with a Law of any Agency (exclusive of the Authority); or (2) permit the continued operation, maintenance and development of the Airport for any of its intended purposes; or (3) maintain or create functional capability at the Airport at a level which is required (i) by public health, safety or welfare or (ii) by the Trustee for the security of any Bonds; or (4) satisfy judgments against the Authority rendered by a court of competent jurisdiction; or (5) repair or replace Airport property damaged by casualty to a condition appropriate for the continued use of such Airport property for its intended purpose; or (6) acquire land to preserve the Airport or its operations.

RENTALS, CHARGES AND FEES

Rental. Airline will pay to the Authority as rent for the Exclusive Use Space during the term of the Agreement, without notice or demand and without deduction or setoff, the amounts set forth in the Agreement ("Rental"). Said Rental will be payable monthly, in advance, on or before the first day of each month, and will be subject to adjustment as provided in the Agreement.

Joint Use Fees. Airline will pay to the Authority Airline's share of the amounts set forth in the Agreement for the license to use the Joint Use Space during the term of the Agreement. The Joint Use Fees, calculated in accordance with the Agreement, will be payable on a monthly basis. Not later than the last day of each month during the term of the Agreement and the month following the termination of the Agreement, the Authority will deliver to Airline an invoice setting forth the Joint Use Fees and Airline's share of such Joint Use Fees for such month. The Joint Use Fees for each month will be allocated among the Signatory Airlines according to the Joint Use Formula. The Joint Use Fees for each month are to be paid by Airline to the Authority within 15 days following the delivery to the Airline of the Authority's written invoice.

Landing Fees. Airline will pay the Authority, without notice or demand and without deduction or setoff, fees for the use of the facilities of the Airport, other than the Exclusive Use Space and the Joint Use Space, monthly landing fees (the "Landing Fees"). The Landing Fee Rate will be subject to adjustment from time to time as provided in the

Agreement. The Airline's Landing Fees for a month will be the product of the then applicable Landing Fee Rate multiplied by Airline's and any Affiliates' Total Landed Weight for the month. The Landing Fees for each month will be paid by Airline to the Authority on the first day of the second month following the month of Aircraft Arrivals to which the Landing Fees relate.

Passenger Facility Charges. Airline agrees to the imposition by the Authority of a Passenger Facility Charge at the Airport. Airline agrees to comply with the Airport's Passenger Facility Charges program and all PFC Laws. Without limiting the generality of the foregoing, Airline issuing an air travel ticket or whose ticket stock is used in issuing such ticket by an agent will collect from its passengers the funds required by the Airport Passenger Facility Charges program and will remit to the Authority said funds in accordance with the Airport's Passenger Facility Charges program and the PFC Laws.

Late Charge. Any payment required under the Agreement and not received on or before the due date thereof will be assessed a late charge as provided in the Agreement.

Interest on Past Due Payments. Any amount due from Airline pursuant to the Agreement which is not paid within ten days of when due will bear interest from the due date until paid as provided in the Agreement; provided, however, that the payment of any late fee or interest will not excuse or cure any default by Airline with respect to its obligations to pay any amount due from Airline pursuant to the Agreement.

Changes in Scheduling. At the earliest date possible, but in no event later than 15 days prior to any change in schedule, Airline will discuss with the Authority its consideration of any changes to its schedule of operations or the type and series of aircraft used at the Airport. Such discussion will be kept confidential unless disclosure is required by law.

Additional Rental. The Authority, after notice to Airline, may, but is not obligated to, cure any default of Airline. Airline will pay all amounts paid or costs incurred by the Authority to cure any such default and any amounts levied or assessed by the Authority for violations by Airline of the Noise Abatement Rules or the Rules and Regulation will be payable with the next succeeding installment of monthly Rental due under the Agreement.

Taxes. Airline will pay all taxes (including any possessory interest tax or personal property tax), assessment, and charges, if any, which at any time during the term of the Agreement may be levied against Airline or become a lien by virtue of any levy, assessment or charge against Airline by any Agency, upon or in respect of the Premises or such facilities of the Airport as are made available for use by Airline under the Agreement, or in respect to or upon any personal property belonging to Airline situated on the Premises or any of the other facilities of the Airport under the Agreement.

Affiliates. Airline may at any time, by written notice to the Authority, designate an Air Transportation company as its Affiliate; provided that at the time of such designation such Air Transportation company satisfies the requirement for an Affiliate contained in the definition of "Affiliate." Airline may designate more than one Affiliate. An Air Transportation company may be designated as an Affiliate by more than one Signatory Airline.

ADJUSTMENT OF RENTAL, JOINT USE FEES AND LANDING FEES

Effective Date of Adjustments. The Rental, Joint Use Fees and Landing Fee Rate will be subject to adjustment. Said adjustments will be effective on the first day of the Fiscal Year to which they apply, subject to extraordinary adjustment under the Agreement, as summarized under "–Extraordinary Adjustments of Landing Fee Rate" below.

Records of Airport Cost Centers. Authority will maintain accounting records which will reflect the following items for each of the Airport Cost Centers: (i) annual revenues; (ii) maintenance and operating expenses (including administrative expenses); and (iii) any other documented expenses of the Authority incurred for Airport purposes and charged to the Airport. Authority will further maintain records evidencing the allocation of capital funds obtained from the proceeds of Bonds or other capital fund sources to each Airport Cost Center.

Adjustments of Rental and Joint Use Fees. The Rental and Joint Use Fees then in effect will be subject to adjustment by the Authority in connection with the adoption of each Annual Budget during the term of the Agreement to amounts sufficient to provide for the expenses of the Terminal Building Cost Center for the Fiscal Year to which such Annual Budget relates net of certain revenues attributable to the Terminal Building Cost Center.

Adjustment of Landing Fee Rate. The Landing Fee Rate then in effect will be subject to adjustment by the Authority in connection with the adoption of each Annual Budget during the term of the Agreement to an amount sufficient to provide for the expenses of the Airfield Cost Center for the Fiscal Year to which such Annual Budget relates net of certain revenues attributable to the Airfield Cost Center.

The adjusted Landing Fee Rate for a Fiscal Year will be calculated by dividing the Airfield Area revenue requirement for such Fiscal Year by the estimated composite Maximum Gross Landing Weight of all Aircraft Arrivals of all Signatory Airlines during such Fiscal Year, as estimated by the Authority, based upon estimates of use provided by the Signatory Airlines; provided, however, the Landing Fee Rate will not be less than zero cents per thousand pounds.

Authority Areas Cost Center. Except for certain Bonds attributable to Authority Areas, Airline will not be liable for any cost or expense incurred in connection with the development, operation and maintenance of the Authority Areas, and said costs and expenses will not be a factor in any calculation or adjustment of Rental, Joint Use Fees or the Landing Fee Rate.

Extraordinary Adjustments of Landing Fee Rate. Notwithstanding any other provision of the Agreement, if at any time during the term of the Agreement, Airport Revenue is insufficient to pay, when due, all items included in the Authority's budget, including Bond debt service, or to pay any other Airport Expense, the Authority may, upon notice to Airline, immediately increase the Landing Fee Rate to such amount as is sufficient to assure that all such items, expenses and costs will be paid in full solely from Airport Revenue.

Notwithstanding any other provisions of the Agreement described under "ADJUSTMENT OF RENTAL, JOINT USE FEES AND LANDING FEES," in the event that total Landing Fees of all Signatory Airlines for any quarter vary by more than ten percent from the projected total Landing Fees for such quarter, the Landing Fee Rate will, in the event that adjustment is deemed necessary by the Authority, be adjusted for the balance of such Fiscal Year by an amount equal to the difference (between projected and actual total Landing Fees) divided by the estimated Maximum Gross Landing Weight of Aircraft Arrivals during the balance of such Fiscal Year.

Notwithstanding any other provisions of the Agreement described under "ADJUSTMENT OF RENTAL, JOINT USE FEES AND LANDING FEES," in the event that actual Airport Expenses exceed the projected Airport Expenses used to calculate the Landing Fee Rate for a Fiscal Year, or if actual Airport Revenue is less than projected Airport Revenue, Airline's proportionate share of the difference will be charged to Airline's Landing Fee over the remaining billing periods in the Fiscal Year.

BOND RESOLUTION

Subordination to Resolution. The Agreement is made subject and subordinate to each Bond Resolution. In conflicts between the Agreement and any Bond Resolution, such Bond Resolution will govern. So long as any Bonds secured by a Bond Resolution are outstanding, all Airport Revenue, including interest income, will be deposited, maintained and paid as set forth in such Bond Resolution.

Amendments to Bond Resolution. In the event that the Authority contemplates a material amendment, modification or supplement to a Bond Resolution, it will provide notice of the Proposed Action to Airline. The determination of the Authority to proceed with the Proposed Action will be final unless a Majority-In-Interest of Signatory Airlines object to such action. In such event, the objecting Signatory Airlines will be given an opportunity to challenge said determination before the Authority at a regularly scheduled meeting. The decision of the Authority regarding the Proposed Action will be binding and final, notwithstanding any objection by such Signatory Airlines.

MAINTENANCE OF AIRPORT FACILITIES AND PUBLIC AREAS

Airline's Responsibilities. Airline will, at its sole cost and expense and in a manner acceptable to the Authority, perform all of the following:

(a) Maintain the Premises in a neat, clean and orderly condition, free from litter, debris, refuse, petroleum products or grease that may result from activities of Airline or the Airline Parties.

(b) Remove all oil and grease spillage or other damage which is attributable to Airline's aircraft and other equipment.

(c) Perform ordinary preventative maintenance and ordinary upkeep of all facilities, personal property and equipment; provided, however, the Authority, at its own cost and expense, will maintain the exterior portions of the walls and roof of the Premises and all central mechanical distribution systems in good repair and condition.

(d) Immediately repair any damage occasioned by the fault or negligence of Airline or the Airline Parties.

(e) Promptly remove Airline's damaged or disabled aircraft from any area of the Airport to such storage areas as may be designated by the Authority, following approval by the National Transportation Safety Board, the FAA or other government agency having jurisdiction with respect to such removal.

Authority's Responsibilities. The Authority will use reasonable efforts to keep, or make appropriate arrangements to keep, the Public Areas of the Terminal Building adequately and attractively supplied, equipped, furnished and decorated, clean and presentable. Except as otherwise provided in the Agreement, the Authority will provide and supply in the Public Areas of the Terminal Building and other areas of the Airport not otherwise subject to the exclusive use of the Airline or other Signatory Airlines, adequate signage, heat, electricity, light, power, air-conditioning, sewage, water and janitorial services (including waste removal). The Authority also will provide field lighting, adequate to meet FAA standards, for all landing, taxiing and ramp areas and also for all vehicular parking areas. The Authority's undertakings described in this paragraph do not relieve any Airline Party or users of the Airport, including Airline, of any of their respective duties, obligations or responsibilities to maintain any property or facilities at the Airport.

Waiver. Airline expressly agrees that the Authority will not be liable to any Airline Party for loss or damage occasioned by flood, fire, earthquake, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke, vandalism, malicious mischief, civil authority or any other cause beyond the reasonable control of the Authority.

ALTERATIONS AND IMPROVEMENTS

Construction. Airline will not, without in each instance obtaining the prior written consent of the Authority, which consent may be granted or withheld in the Authority's sole and absolute discretion, construct, install or make any modifications, alterations, improvement, or additions ("Alterations") in, on or to the Premises. Airline will have no right to construct, install or make any Alterations in any areas of the Airport, other than Airline's rights described in the preceding sentence.

Payment. Airline will pay, when due, all claims for labor, materials, equipment and services furnished or alleged to have been furnished to or for Airline at or for use in the Premises or any other areas of the Airport, which claims are or may be secured by any lien against the Premises or any other areas of the Airport or any interest therein. In the event any such lien is filed against the Premises or any other areas of the Airport in connection with Approved Alterations, it will be discharged by Airline, at Airline's expense, within ten days after written notice thereof is delivered to Airline. The Authority will have the right to post such notices of nonresponsibility as are provided for in the mechanics' lien laws of the State.

Authority's Property. Except for personal property and trade fixtures not permanently affixed to the Premises, all Approved Alterations made by or on behalf of Airline under "–Construction" above, upon the Expiration Date, will become the Authority's property and will be surrendered with the Premises, unless the Authority will elect otherwise not less than 15 days prior to the Expiration Date.

DAMAGE OR DESTRUCTION

Repairable Damage. Should the Premises, or any portion thereof, be damaged by fire or other casualty not caused by any Airline Party, and if the damage is repairable within a reasonable time from the date of the occurrence, the space will be repaired with due diligence by the Authority; provided, however, the Authority will exert its reasonable effort to provide Airline with temporary substitute space, if available, until such time as the repairs are completed.

Complete Destruction. Should the Premises, or any portion thereof, be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the damage cannot, in the opinion of the Authority, be repaired within a reasonable time after the occurrence, the Authority will have the option to terminate the Agreement to the extent that it applies to the affected building, rooms or other space. In the event that the terms of the Agreement summarized in this paragraph will become applicable, the Authority will advise Airline within 30 days after the happening of any such damage whether the Authority has elected to continue the Agreement in effect as to the space damaged or destroyed or to terminate it.

Waiver by Airline. Airline waives the provisions of Sections 1932, 1933, and 1941 through 1942, inclusive, of the California Civil Code and of any other Law now or hereafter in effect which is contrary to the obligations of Airline under the Agreement or which relieves Airline therefrom, or which places upon the Authority obligations in addition to those provided for in this Article of the Agreement.

INSURANCE

Obligation to Maintain Insurance. At all times during the term of the Agreement and at its sole cost and expense, Airline will maintain in effect the insurance coverage and limits of liability as provided in the Agreement ("Required Insurance"). In the event that Airline fails to maintain any of the Required Insurance, the Authority will have the right, but not the obligation, to obtain some or all of the Required Insurance at Airline's sole expense.

Liability and Workers' Compensation Coverages. Airline will maintain in effect insurance protecting Airline and each Authority Party from and against claims arising out of, resulting from or relating to the conduct by Airline of its business of Air Transportation and otherwise relating to Airline's use of the Airport pursuant to the Agreement, which includes but is not limited to:

Comprehensive Airline Liability Insurance. Comprehensive Airline liability covering bodily injury, death, property damage and passenger liability insurance, including war and allied perils coverage under extended coverage endorsement AVN52D or equivalent, airport premises and operations liability, aircraft liability, contractual liability, products and completed operations liability and independent contractors liability, all written on an occurrence basis in an amount not less than $300,000,000 combined single limit for bodily injury, death, property damage and passenger liability each occurrence and each aircraft, and, with respect to products and completed operations liability, in the annual aggregate, and, provided that Airline has complied with the requirements of the immediately following paragraph, as respects the coverage provided for bodily injury and property damage under extended coverage endorsement AVN52D or equivalent (war and allied perils coverage), subject to a sub-limit of $25,000,000 any one occurrence and in the annual aggregate, as respects non-passenger third-party liability only, within the full policy limit and not in addition thereto.

FAA Insurance. So long as the FAA is issuing war risk insurance for aircraft hull, passenger, crew and third-party liability as representative of the United States of America under 49 U.S.C. Ch. 443, Airline will obtain and maintain the maximum amount of coverage available to Airline from the FAA or other available sources.

Automobile Liability Insurance. Automobile liability insurance covering all owned, non-owned and hired vehicles written on an occurrence basis in an amount not less than $5,000,000 combined single limit for each occurrence for bodily injury, death and property damage.

Workers' Compensation and Employer's Liability Insurance. Workers' compensation insurance written in accordance with California statutory limits and employer's liability insurance, in amounts specified in the Agreement.

War Risk Liability Coverage. All policies of liability insurance required under the Agreement will include war risk liability extensions.

Property Insurance. Airline will maintain in effect property insurance written on an all risk of direct physical loss basis covering Airline's fixtures, tenant improvements and betterments, personal property and equipment located at the Airport in an amount not less than 100% of the replacement value thereof. The proceeds of such insurance will be used to repair or replace the insured property. Airline will also maintain in effect aircraft physical damage insurance (aka hull insurance) covering all aircraft operated by Airline against "All Risks" of loss or damage in an amount not less than 100% of the replacement value thereof.

Business Interruption Coverage. Airline will maintain in effect business interruption insurance, insuring against damage or economic loss caused by any interruption of Airline's business of Air Transportation or use of the Airport due to an insured peril in an amount at least equal to the sum of the then current annual Rental, Landing Fees, Joint Use Fees and Passenger Facility Charges required to be paid by Airline to the Authority pursuant to the Agreement.

Policy Requirements. Each policy of Required Insurance will be obtained from an insurance company, or pool of multiple insurance companies, each authorized to conduct business in the State and having a rating of not less than A-X in A.M. Best's Insurance Guide or such other similar guide acceptable to the Authority and/or otherwise acceptable to the Authority. Within ten days prior to the effective date of the Agreement and ten days prior to policy renewal dates thereafter, Airline will deliver to the Authority certificates of insurance issued by the insurance companies and evidencing that all Required Insurance has been obtained and is being maintained by Airline, together with copies of endorsements (i) requiring the insurers to give to the Authority at least 30 days' prior written notice of the cancellation or non-renewal of any Required Insurance, (ii) with respect to the "all risk" property insurance, naming the Authority as a loss payee, (iii) providing that all Required Insurance is primary insurance without right of contribution of any other insurance carried by or on behalf of any Authority Party, (iv) requiring insurers to provide a waiver of subrogation in favor of Authority Parties and (v) with respect to the comprehensive airline liability, automobile liability and employer's liability insurance, naming (A) Airline and the Airline Parties as named insureds, and (B) except for workers' compensation insurance, all of the Authority Parties as "additional insureds." The coverage of the Authority as an additional insured will be in accordance with the terms of the Agreement. Under no event will any Authority Party be responsible or liable for the payment of any premiums for the insurance required to be obtained and maintained by Airline under the Agreement.

INDEMNIFICATION

General. In addition to any other claim or indemnity under the Agreement, or by operation of law to which the Authority is entitled, to the fullest extent permitted by law, Airline will defend, indemnify and hold harmless the Authority Parties from and against any and all Claims arising out of, resulting from, relating to or in connection with the Agreement, the conduct of Airline's Air Transportation business or operations at the Airport, or Airline's use of the Premises or other areas of the Airport by Airline or any Airline Party.

War Risk Indemnification. During the period that the FAA makes available to Airline war risk insurance coverage, to the fullest extent permitted by law, Airline will release, indemnify, defend and hold harmless the Authority Parties from and against any and all Claims, which in any way arise out of or result from flight activities of Airline, the screening, ticketing, boarding or transporting of passengers by Airline, the use or occupancy by Airline of any space or facilities at the Airport or the performance of services by the Authority for the use or benefit of Airline, only to the extent that (i) such Claims are not covered by other insurance of the Authority and (ii) coverage in the form of war risk insurance under the Airline's insurance policies as required by the Agreement. Airline's indemnification obligations under the Agreement will apply regardless of whether or not the damage, loss or injury complained of arises out of or relates to the negligence (whether active, passive or otherwise) of, or was caused in part by, an Authority Party. Airline's indemnification obligations under the Agreement will not be limited in any way by any limitation on the amount or type of damages, compensation or benefits paid or payable by Airline under Workers' Compensation Acts, disability benefits acts or other employee benefit laws or regulations.

Exculpation of the Authority from Liability. Airline, on behalf of itself and the Airline Parties, waives any and all Claims against the Authority Parties, and the Authority Parties will not be liable for any Claim arising out of, resulting from, relating to or in connection with any cause whatsoever, except to the extent that any Claims, as listed in the Agreement, arise from the gross negligence or willful misconduct by the Authority.

EMINENT DOMAIN

Entire or Substantial Taking. In the event that the Premises or any other portion of the Airport, or so much thereof as to make the balance not reasonably adequate for the conduct of Airline's business of Air Transportation, is taken under the power of eminent domain, the Agreement automatically will terminate as of the date of the vesting of title in such condemning entity.

Partial Taking. In the event of any taking under the power of eminent domain which does not result in a termination of the Agreement pursuant to immediately preceding paragraph, the Authority and Airline will each, at its own expense, promptly restore the remaining portion or the Premises for which they are obligated under the Agreement to repair to as near its former condition as is reasonably possible, and the Agreement will continue in full force and effect.

Awards. Any award for any taking of all or any part of the Premises or any other areas of the Airport under the power of eminent domain will be the property of the Authority, whether or not such award will be made as compensation for diminution in value for the taking of the fee.

EVENTS OF DEFAULT; REMEDIES

Event of Default. Each of the following will constitute an Event of Default under the Agreement:

(a) (i) The voluntary or involuntary appointment of a receiver, trustee or liquidator to take possession of all or substantially all of the assets of Airline when such appointment is not dismissed, terminated or vacated in 60 days; or (ii) a general assignment by Airline for the benefit or protection of creditors; or (iii) Airline's admission of its inability to pay its debts as they become due; or (iv) any action taken against or suffered by Airline under any federal, state or other statute relating to insolvency, bankruptcy, reorganization, arrangement, composition, liquidation, dissolution or other relief for debtors; unless, in the case of an involuntary petition filed against Airline to have Airline adjudged bankrupt or for reorganization or arrangement, the petition is dismissed within 60 days.

(b) Any attachment, execution, distraint, judicial seizure or other process of law pursuant to which Airline's rights or interest in the Premises or the Agreement may be taken, occupied or used by anyone other than Airline, when such attachment, execution, distraint, judicial seizure or other process of law will not be released, dismissed or stayed within 90 days.

(c) An attempted or purported assignment, sublease, transfer, conveyance, mortgage, grant of security interest, hypothecation or other encumbrance of all or any part of Airline's rights or interests under the Agreement or in the Premises in violation of the Agreement.

(d) Vacation or abandonment of the Premises or of possession of the Premises, except in conjunction with the exercise by Airline of any express right of Airline to terminate the Agreement.

(e) The failure by Airline to cure a violation of the Airport Security Requirements within 30 days of Airline's receipt of notice of such violation.

(f) The failure by Airline to pay any amount when due and payable under the Agreement, where such failure to pay continues for ten days following the date that such amount was due.

(g) Any violation by Airline of a provision of the Agreement relating to insurance.

(h) The failure by Airline to obtain and/or maintain in effect all licenses, permits, approvals, authorizations and registrations required by applicable Laws in connection with the conduct of Airline's business.

(i) The failure by Airline to comply with the Authority's Rules and Regulations within 30 days of Airline's receipt of the notice in accordance with the Agreement.

(j) Any violation by Airline of the Noise Abatement Rules and failure by Airline to cure such default in a timely fashion as described in the Agreement.

(k) Any violation by Airline or any of its agents or employees of any Hazardous Substances laws, rules, or regulations as described in "ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION" above.

(l) The failure by Airline to replenish the Security Deposit required by the Agreement within 10 days of Airline's receipt of written notice of such failure.

(m) The occurrence of any non-curable default in the keeping or performance of any provision of the Agreement to be kept and performed by Airline other than those described in (a) through (l) above.

(n) The failure to remedy any curable default in the keeping or performance of any other provision of the Agreement to be kept and performed by Airline, other than those described in (a) through (l) above, within a period of 30 days (or other reasonable time as described in the Agreement) after the delivery to Airline of written notice of such default, or immediately in the event of an emergency.

(o) The occurrence and continuation of any default, breach or non-performance by Airline under the Agreement or any other written agreement between the Authority and Airline, or by Airline under the Equipment Maintenance Agreement, after giving effect to any applicable grace period, notice requirement or opportunity to cure such default, breach or non-performance.

Remedies. Upon the occurrence and continuance of any Event of Default by Airline, the Authority may at any time, upon notice and demand, and without limiting the exercise of any other right or remedy which the Authority may have by reason of such default or breach:

(a) Terminate Airline's right to possession of the Premises by notice to Airline. In such event, the Authority will be entitled to recover from Airline: (i) the unpaid amounts (including late charges and interest) payable by Airline under the Agreement which have accrued to the date of termination; (ii) the worth at the time of termination of the Rental which would have accrued under the Agreement from the date of termination until the Scheduled Expiration Date less the worth at the time of termination of the amount of such Rental loss that Airline proves could have been reasonably avoided; and (iii) any other amount necessary to compensate the Authority for all damages and losses proximately caused by Airline's failure to perform its obligations under the Agreement.

(b) Pursue any other remedy now or hereafter available to the Authority under the laws of the State, including, without limitation, the remedy provided in California Civil Code Section 1951.4, to continue the Agreement in effect and enforce all rights and remedies under the Agreement.

Default by the Authority. The Authority will not be deemed to be in default in the performance of any obligation required to be performed by it under the Agreement unless and until it has failed to perform such obligation for 30 days following the delivery by Airline to the Authority of written notice specifying the obligation the Authority has failed to perform; provided, however, in the event that the nature of the Authority's obligation is such that more than 30 days are required for its performance, the Authority will not be deemed to be in default if it will commence such performance within such 30 day period and thereafter diligently prosecutes the same to completion. In the event of the Authority's default under the Agreement, subject to the notice and cure provisions described in the Agreement, Airline's sole remedy will be to terminate the Agreement with no further obligation or liability by either party.

ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION

Hazardous Substances and Environmental Compliance. Airline agrees that it will abide by all Hazardous Substances laws, rules and regulations, relating to Hazardous Substances. Airline agrees it will carry no Hazardous Substances onto the Airport which are not permitted by law to be carried by passenger aircraft except those items required to maintain Airline's aircraft.

Airline will comply with all Environmental Laws and will not engage in any activity on or about the Airport that violates any Environmental Law. In conducting its operations and maintenance on the Airport under the Agreement, Airline will comply with such regulations regarding the storage, distribution, processing, handling and/or disposal, regardless of whether the obligation for such compliance is placed on the owner of the land, owner of the improvements or user of the improvements.

Airline will at its own expense take all investigatory and/or remedial action required or ordered by any governmental Agency or Environmental Law for clean-up and removal of any Contamination caused by Airline or an Airline Party. In conducting a clean-up of a Hazardous Substance release, Airline will comply with applicable Environmental Laws.

Environmental Indemnification. To the fullest extent authorized by law, the Airline will indemnify, defend and hold harmless the Authority Parties and their respective officers and employees, from and against any and all Environmental Law Claims arising out of any actions by the Airline, the Airline's operations at the Airport or any action arising from and which involve any Airline Party, including the cost of defense. However, Airline's indemnity obligation will not apply in the event of any claims for any loss, damage or expense arising from the sole or active negligence or willful misconduct of the Authority or agents, servants or independent contractors who are directly responsible to the Authority.

In the event that a monetary judgment is awarded against the Authority and the Airline because of the concurrent negligence of the Authority and the Airline or their respective officers, subcontractors, or employees, an apportionment of liability to pay such judgment will be made by a court of competent jurisdiction. The rights and obligations of the parties as described under "ENVIRONMENTAL COMPLIANCE AND INDEMNIFICATION" will survive the termination of the Agreement.

MISCELLANEOUS PROVISIONS

No Obligation to Provide Utilities or Services. Airline acknowledges that the Authority has no obligation to provide utilities or services to the Exclusive Use Space. Airline will comply with all rules, regulations and other requirements which any provider or supplier of utilities or services may establish for the use, proper functioning and protection of any said utility or service. The Authority is not obligated to Airline to furnish any fire fighting services or security services for the Premises or other areas of the Airport.

Subordination. The Agreement is subject and subordinate to all mortgages, deeds of trust, bond indentures, liens, encumbrances and other security interests now or hereafter affecting the Premises or any other areas of the Airport, and to all renewals, modifications, replacements, consolidations and extensions thereof.

Rules and Regulations. Airline will comply with the Rules and Regulations established by the Authority for use of the Premises and the other areas of the Airport. The Authority will provide Airline with a copy of the Rules and Regulations and any and all supplements, modifications and amendments thereto. Upon receipt of any written notice from the Authority of a violation of the Rules and Regulations by Airline, Airline will cure the violation specified in such notice. The Authority will not be responsible to Airline for the nonperformance of any other airline, tenant, occupant, licensee, concessionaire or user of the Airport of any of the Rules and Regulations.

Covenant Not to Grant More Favorable Terms. The Authority covenants and agrees not to enter into any lease, contract or any other agreement with any other certificated air carrier containing more favorable terms than the Agreement, or to grant to any certificated air carrier engaged in Air Transportation, rights, privileges or concessions with respect to the Airport which are not accorded to Airline under the Agreement; provided, however, that this covenant will not extent to Exclusive Use Space, or any leases, contracts or other agreements in effect as of the date of the Agreement with any other certificated air carrier or to any leases, contracts or other agreements with any carrier operating only aircraft of less than 30,000 pounds gross weight.

Security Deposit. Airline will deposit with the Authority an irrevocable letter of credit, surety bond or cash ("Security Deposit") in an amount equal to three times the estimated monthly Rent and Landing Fees due under the Agreement to guarantee the faithful performance by Airline of its obligations under the Agreement and the payment of all rentals, fees and charges due under the Agreement. Authority may use the Security Deposit as provided in the Agreement. The obligation of Airline to provide and maintain the Security Deposit will be a continuing obligation in the nature of a payment obligation. In the event Authority is required to draw down or collect against Airline's Security Deposit for any reason, Airline will, within ten business days after Authority's written notice to Airline of such draw down or collection, take such action as may be necessary to replenish the existing Security Deposit to its original amount or to provide additional or supplemental Security Deposit from another source so that the aggregate of all Security Deposits is equal to the required amount.

Maintenance and Repair of Equipment. Airline agrees that it will enter into and maintain in full force and effect during the term of the Agreement, the Equipment Maintenance Agreement to assume responsibility and provide for all labor, material and equipment for the maintenance and repair of all equipment throughout the term of the Agreement, including all costs associated with the maintenance and repair of the equipment. The Authority, in its sole discretion, may upon reasonable notice, add, delete, shift or adjust the equipment without amending the Agreement. The Authority will not pay for any work performed on the equipment. A Sub-Contractor acceptable to the Authority may be hired by Airline to generally maintain and repair the equipment. Any Sub-Contractor so hired will not have any possessory rights in Airport facilities but may, in a nonexclusive and non-possessory manner, enter the Airport for the purpose of performing the obligations set forth in the Equipment Maintenance Agreement. Airline agrees that the Equipment Maintenance Agreement will include the terms and conditions set forth in the Agreement.

Governing Law. The Agreement will be governed by and construed pursuant to the Law of the State, including any choice of law principles which would result in use of other states' law.

Amendment; Modification. No change or modification of the terms or provisions of the Agreement will be valid unless in writing and signed by both parties.

Successors and Assigns. The provisions contained in the Agreement will bind and inure to the benefit of the Authority, Airline and, except as otherwise provided in the Agreement, their respective successors and assigns.

APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the 2012 Bonds, payments of principal, premium, if any, and interest on the 2012 Bonds to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2012 Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the 2012 Bonds, or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2012 Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the 2012 Bonds. The 2012 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 2012 Bond certificate will be issued for each maturity of each Series of the 2012 Bonds, each in the aggregate principal amount of such Series and maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.org**. The information on such website are not incorporated into this Official Statement.

Purchases of the 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012 Bond (the "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 2012 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 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 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 the 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 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.

So long as a book-entry system is used for determining beneficial ownership of the 2012 Bonds, the Trustee is to send redemption notice to DTC or to Cede & Co., as partnership nominee for DTC. Any failure of DTC to advise any Participant, or of any Direct Participant or Indirect Participant to notify the actual purchaser of each 2012 Bond, or any such notice of its content or effect does not affect the validity of the redemption of the 2012 Bonds called for redemption or any other action premised on that notice. In the event of a call for optional redemption, the Authority's notification to DTC initiates DTC's standard call; and if a partial call, DTC's practice is to determine by lot the amount of the interest of each Participant in the 2012 Bonds to be redeemed, and each such Participant then selects by lot the ownership interest in such 2012 Bonds to be redeemed. When DTC and its Participants allocate the call, the Beneficial Owners of the book-entry interests called are to be notified by the broker or other organization responsible for maintaining the records of those interests and subsequently credited by that organization with the process once the 2012 Bonds are redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2012 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND OF ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2012 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2012 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2012 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2012 Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2012 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2012 BONDS; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2012 BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2012 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2012 BONDS; OR (vi) ANY OTHER MATTER.

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APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the 2012 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Burbank-Glendale-Pasadena Airport Authority, proposes to render its final opinion in connection with the 2012 Bonds in substantially the following form:

[Delivery Date]

Commission
Burbank-Glendale-Pasadena
Airport Authority
2627 Hollywood Way
Burbank, California 91505

Re: Burbank-Glendale-Pasadena Airport Authority
Airport Revenue Bonds,
2012 Series A and 2012 Taxable Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Burbank-Glendale-Pasadena Airport Authority (the "Authority") in connection with the issuance of $6,715,000 aggregate principal amount of its Airport Revenue Bonds, 2012 Series A (the "2012 Series A Bonds") and $75,450,000 aggregate principal amount of its Airport Revenue Bonds, 2012 Taxable Series B (the "2012 Series B Bonds" and, together with the 2012 Series A Bonds, the "2012 Series Bonds"). The 2012 Series Bonds have been issued pursuant to the Master Indenture of Trust, dated as of May 1, 2005, as amended and supplemented (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A. as successor Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof, relating to the 2012 Series A Bonds (the "Tax Certificate"), certificates of the Authority, the Trustee and others, opinions of counsel to the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Indenture provides that the 2012 Series Bonds are special obligations of the Authority payable solely from the Trust Estate and the 2012 Series Debt Service Reserve Fund, each pledged pursuant to the Indenture which pledge is subject to the provisions of the Indenture permitting the application of amounts in the Trust Estate and the 2012 Series Debt Service Reserve Fund for the purposes and on the terms and conditions set forth in the Indenture. The Indenture further provides that the 2012 Series Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the Authority other than the Trust Estate and the 2012 Series Debt Service Reserve Fund. The Indenture further provides that the pledge of the Trust Estate pursuant to the Indenture securing the 2012 Series Bonds shall be on a parity with the pledge of the Trust Estate securing other Bonds and that the pledge of the Net Revenues and amounts in the Revenue Fund securing the Bonds shall be on a parity with the pledge of the Net Revenues and amounts in the Revenue Fund securing other Parity Obligations.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2012 Series Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2012 Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2012 Series Bonds, the Indenture and the Tax Certificate and their 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, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any of such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2012 Series Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2012 Series Bonds constitute the valid and binding special obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the 2012 Series Bonds, of the Trust Estate and amounts in the 2012 Series Debt Service Reserve Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. Interest on the 2012 Series A Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 (the "Code") except that no opinion is expressed as to the status of interest on any 2012 Series A Bond for any period such 2012 Series A Bond is held by a "substantial user" of the facilities financed by the 2012 Series A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the 2012 Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes.

Interest on the 2012 Series A Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Series A Bonds.

4. Interest on the 2012 Series B Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Series B Bonds.

Faithfully yours,

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APPENDIX G

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon delivery of the 2012 Bonds, the Burbank-Glendale-Pasadena Airport Authority and The Bank of New York Mellon Trust Company, N.A., will enter into a Continuing Disclosure Agreement relating to the 2012 Bonds in substantially the following form:

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of May 1, 2012, is executed and delivered by the Burbank-Glendale-Pasadena Airport Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee" and "Dissemination Agent," respectively), in connection with the issuance by the Authority of its Airport Revenue Bonds, 2012 Series A (the "2012 Series A Bonds") and its Airport Revenue Bonds, 2012 Taxable Series B (the "2012 Series B Bonds" and, together with the 2012 Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to a Master Indenture of Trust between the Authority and the Trustee, dated as of May 1, 2005 (as the same may be amended from time to time, the "Master Indenture"), as amended and supplemented, including as amended and supplemented by the Third Supplemental Indenture of Trust between the Authority and the Trustee, dated as of May 1, 2012 (collectively, the "Indenture"). Pursuant to Section 6.03 of the Third Supplemental Indenture of Trust, the Authority and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the person designated by the Authority on the signature page hereof or such person's designee, or such other person as the Authority shall designate in writing to the Trustee and Dissemination Agent from time to time.

"Dissemination Agent" shall mean The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) and Section 5(b) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Owner" shall mean, with respect to a Bond, the registered owner of such Bond as set forth in the bond register maintained by the Trustee pursuant to the Indenture.

"Participating Underwriter" shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Responsible Officer" shall mean an officer of the Trustee at the corporate front office of the Trustee with regular responsibility for the administration of matters related to the Indenture.

"Rule" shall mean 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" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or, upon written direction, shall cause the Dissemination Agent to, not later than 180 days after the end of the Authority's fiscal year (currently ending as of June 30 of each year), commencing with the report for the 2011-2012 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) Business Days prior to the date specified in Section 3(a), the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Authority and the Dissemination Agent to determine if the Authority is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in Section 3(a), the Trustee shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall file a report with the Authority and the Trustee (if the Trustee is not the Dissemination Agent) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, including a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows prepared on the accrual basis of accounting, all of which shall be prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements required for the fiscal year being audited, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the information contained in the tables with the following headings in the Official Statement for the most recently ended fiscal year (and not to include any stub period for any fiscal year):

1. "Bob Hope Airport – Comparative Summary of Operating Revenues";

2. "Bob Hope Airport – Comparative Summary of Traffic Activities";

3. "Bob Hope Airport – Top 10 Domestic O&D Enplaned Passenger Markets";

4. "Bob Hope Airport – Total Passengers by Airline";

5. "Bob Hope Airport – Aircraft Operations – Airline Services";

6. "Bob Hope Airport – Aircraft Operations – Cargo and Other Non-Airline Services"; and

7. "Bob Hope Airport – Landed Weight by Type of Carrier."

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which have been made available to the public on the MSRB's website. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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 or 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 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Owners or Beneficial Owners;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving 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 Trustee shall, as soon as reasonably practicable, upon a Responsible Officer's obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to Section 5(e) below. The Trustee shall have no duty to determine the materiality of any such Listed Events. For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by a Responsible Officer.

(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 the 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. Notwithstanding the foregoing, notice of the Listed Event described in Sections (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 Bonds pursuant to the Indenture.

SECTION 6. Format for Flings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Authority's and the Trustee's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Trustee.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority, Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Trustee and Dissemination Agent shall agree to any amendment so requested by the Authority provided, the Trustee and Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking herein, 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 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 Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, 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 a filing with the MSRB, 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 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Authority or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee shall at the written request of any Participating Underwriter or the Owners of at least 25% of the principal amount of the Outstanding Bonds, and upon provision of indemnification satisfactory to the Trustee, or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Master Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections and limitations from liability afforded the Trustee thereunder. The Dissemination Agent and Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities, costs and expenses (including attorneys fees) due to the Dissemination Agent's or Trustee's respective fraud, violation of law, whether willful or negligent, negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Owners, or any other party. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Authority in a timely manner and in a form suitable for filing. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Authority:	Burbank-Glendale-Pasadena Airport Authority 2627 Hollywood Way Burbank, California 91505 Attention: Senior Deputy Executive Director
To the Trustee and Dissemination Agent:	The Bank of New York Mellon Trust Company, N.A. 700 South Flower Street, Suite 500 Los Angeles, California 90017 Attention: Corporate Trust Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

By ______________________________
President

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

By ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Burbank-Glendale-Pasadena Airport Authority
Name of Bond Issue:	Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2012 Series A and Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2012 Taxable Series B
Date of Issuance:	May ___, 2012

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.03 of the Third Supplemental Indenture of Trust between the Authority and the Trustee, dated as of May 1, 2012, amending and supplementing the Master Indenture of Trust between the Authority and the Trustee, dated as of May 1, 2005, and as required by the Continuing Disclosure Agreement between the Authority and the Trustee, dated as of May 1, 2012. [The Authority anticipates that the Annual Report will be filed by __________.]

Dated:

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

cc: Authority

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY • AIRPORT REVENUE BONDS 2012 SERIES A (AMT) AND 2012 TAXABLE SERIES B

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

ORGANIZED JUNE 21, 1977

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