

*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 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2015A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel observes that interest on the 2015B Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2015 Bonds. See “TAX MATTERS.”*



**\$32,260,000**  
**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**  
**AIRPORT REVENUE BONDS**

consisting of

<b>\$1,335,000</b>	<b>\$30,925,000</b>
<b>2015 SERIES A</b>	<b>2015 SERIES B</b>
<b>(NON-AMT)</b>	<b>(AMT)</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 2015 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, 2015 Series A (the “2015A Bonds”) and the Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2015 Series B (the “2015B Bonds”) and, together with the 2015A Bonds, the “2015 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 as further described herein.

The 2015 Bonds will be issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York, the securities depository for the 2015 Bonds. The 2015 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 2015 Bonds will not receive physical bond certificates. As long as Cede & Co. is the registered owner as nominee of DTC, amounts due on the 2015 Bonds will be paid directly to such registered owner with such payment to be subsequently disbursed to the Beneficial Owners of the 2015 Bonds, as further described herein. Interest on the 2015 Bonds is payable on each January 1 and July 1 commencing January 1, 2016.

The 2015 Bonds are being issued to (i) refund and defease the Authority’s outstanding Airport Revenue Bonds, 2005 Series A and Airport Revenue Bonds, 2005 Series B, and (ii) pay the costs of issuance of the 2015 Bonds. See “PLAN OF REFUNDING” herein.

The 2015 Bonds will not be subject to redemption prior to maturity.

**The 2015 Bonds will be special obligations of the Authority payable solely from, and secured solely by a pledge of, the Trust Estate and the 2015 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 2015 Series Debt Service Reserve Fund secures only the 2015 Bonds. The 2015 Series Debt Service Reserve Fund will be funded with a municipal bond debt service reserve insurance policy.**

**The 2015 Bonds will not constitute a charge against the general credit of the Authority. The 2015 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 2015 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 2015 Bonds, and the payment of the 2015 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.**

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**Maturity Schedule on Inside Front Cover**

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The 2015 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 2015 Bonds in definitive form will be available for delivery through the facilities of DTC on or about April 30, 2015.

**Citigroup**

## MATURITY SCHEDULE

**\$1,335,000**  
**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**  
**AIRPORT REVENUE BONDS**  
**2015 SERIES A**  
**(NON-AMT)**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP<sup>†</sup></b>
2016	\$680,000	3.000%	103.006%	120827DB3
2017	655,000	4.000	106.823	120827DC1

**\$30,925,000**  
**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**  
**AIRPORT REVENUE BONDS**  
**2015 SERIES B**  
**(AMT)**

<b>Maturity (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP<sup>†</sup></b>
2016	\$2,070,000	3.000%	102.602%	120827DD9
2017	2,440,000	5.000	108.201	120827DE7
2018	3,245,000	5.000	110.824	120827DF4
2019	3,405,000	5.000	112.667	120827DG2
2020	3,580,000	5.000	114.344	120827DH0
2021	3,755,000	5.000	115.693	120827DJ6
2022	3,940,000	5.000	116.384	120827DK3
2023	4,140,000	5.000	117.638	120827DL1
2024	4,350,000	5.000	118.478	120827DM9

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2014 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**  
2627 North Hollywood Way, Burbank, California 91505

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Bill Wiggins, Secretary  
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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, 2015 Series A and 2015 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 2015 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.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the 2015 Bonds or the advisability of investing in the 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented in Appendix G: “INFORMATION ABOUT THE 2015 RESERVE GUARANTY PROVIDER.”

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, 2015 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 2015 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 2015 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The 2015 Bonds have not been registered or qualified under the securities laws of any state.

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## OFFICIAL STATEMENT

relating to

**\$32,260,000**

### **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY AIRPORT REVENUE BONDS**

consisting of

**\$1,335,000**  
**2015 SERIES A**  
**(NON-AMT)**

**\$30,925,000**  
**2015 SERIES B**  
**(AMT)**

## INTRODUCTION

This Official Statement, including the cover page, inside cover pages and appendices hereto, is furnished in connection with the offering by the Burbank-Glendale-Pasadena Airport Authority (the "Authority") of \$1,335,000 of its Airport Revenue Bonds, 2015 Series A (the "2015A Bonds") and \$30,925,000 of its Airport Revenue Bonds, 2015 Series B (the "2015B Bonds" and, together with the 2015A Bonds, the "2015 Bonds"). The 2015 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 Fourth Supplemental Indenture of Trust between the Authority and the Trustee, dated as of April 1, 2015 (the "Fourth Supplemental Indenture"). The Master Indenture as amended and supplemented is referred to in this Official Statement as the "Indenture." The 2015 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 B, and if not defined in Appendix B, then in the Indenture.

### **The Authority**

The Authority is a joint powers agency created in June 1977 pursuant to the Joint Exercise of Powers Act (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 consists of two runways, one of which is equipped with an instrument landing system, a passenger terminal and related facilities, the Regional Intermodal Transportation Center, parking facilities (in addition to those provided in the Regional Intermodal Transportation Center), general aviation facilities, as well as other property and supporting facilities. The Airport's passenger terminal facilities consist of three buildings aggregating approximately 216,000 square feet (the "Passenger Terminal"), with two terminals and administration offices. The Passenger Terminal has a total of 14 aircraft gates. See "THE AIRPORT–Description of the Airport."

### **2015 Bonds**

The 2015 Bonds will be dated their date of delivery and will bear interest from that date, payable on each January 1 and July 1, commencing January 1, 2016, 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 2015 Bonds will be issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York, the securities depository for the 2015 Bonds. The 2015 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 2015 BONDS.”

### **Use of Proceeds**

Proceeds of the 2015 Bonds will be used to (i) refund and defease the Authority’s outstanding Airport Revenue Bonds, 2005 Series A and Airport Revenue Bonds, 2005 Series B (collectively, the “2005 Bonds”) and (ii) pay the costs of issuance of the 2015 Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

### **Trust Estate**

The 2015 Bonds will be special obligations of the Authority payable from, and secured by a pledge of, the Trust Estate and the 2015 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 (as defined herein) constitute Available Revenues which are to be deposited directly into the Debt Service Fund and applied only to the payment of debt service on the 2012 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 2015 BONDS–Pledge of Trust Estate” and “SOURCES OF REVENUES.”

The 2015 Bonds will not constitute a charge against the general credit of the Authority. The 2015 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 2015 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 2015 Bonds, and the payment of the 2015 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 2015 BONDS,” and Appendix B: “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

### **Parity Obligations**

As of March 1, 2015, there was \$82,165,000 aggregate principal amount of the Authority’s Outstanding Airport Revenue Bonds, 2012 Series A and 2012 Taxable Series B (collectively, the “2012 Bonds”) outstanding under the Indenture, which will be the only other Bonds outstanding under the Indenture upon the issuance of the 2015 Bonds and refunding of the 2005 Bonds. See “DEBT SERVICE SCHEDULE.” The Authority may issue Bonds under the Indenture in addition to the 2012 Bonds and the 2015 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 2015 BONDS–Additional Parity Obligations.”

### **2015 Series Debt Service Reserve Fund; 2015 Reserve Guaranty**

The Fourth Supplemental Indenture establishes the 2015 Series Debt Service Reserve Fund and establishes the Debt Service Reserve Requirement for such Fund (see “SECURITY FOR THE 2015 BONDS–2015 Series Debt Service Reserve Fund; 2015 Reserve Guaranty” herein). The Fourth Supplemental Indenture also includes a pledge of the 2015 Series Debt Service Reserve Fund for the benefit of the Owners of the 2015 Bonds. The 2015 Series Debt Service Reserve Fund will be funded at the 2015 Bond Reserve Requirement (as defined herein) with a municipal bond debt service reserve insurance policy (the “2015 Reserve Guaranty”) to be issued by Assured Guaranty Municipal Corp. (the “2015 Reserve Guaranty Provider”).

The 2015 Series Debt Service Reserve Fund does not secure the 2012 Bonds or any other Bonds, except the 2015 Bonds. The 2015 Bonds are not secured by any debt service reserve other than the 2015 Series Debt Service Reserve Fund. See “SECURITY FOR THE 2015 BONDS–2015 Series Debt Service Reserve Fund; 2015 Reserve Guaranty” and Appendix B: “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

### **No Redemption**

The 2015 Bonds will not be subject to redemption prior to maturity.

### **Sources of 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 2014\* approximately 70.1 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 9.9 percent in FY 2014), the Airport is dependent on such airlines attracting passengers to support other major categories of operating revenues including parking fees (approximately 40.7 percent of operating revenues in FY 2014), rental car company rent and concession fees (approximately 12.1 percent of operating revenues in FY 2014) and other rent and concessions (approximately 7.4 percent of operating revenues in FY 2014). Non-terminal rents are approximately 26.2% of operating revenues and other operating income is approximately 3.7% of operating revenues. See “SOURCES OF 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 3.82 million passengers in FY 2014. The Authority, however, has been proactive in seeking to retain and further develop air transportation services at the Airport, including airline specific outreach, new advertising, retaining an outside consultant to assist with a revised branding identity of the Airport in conjunction with a redesigned website, and continued publicity of the Airport through an agreement with IMG College LLC by sponsorship of UCLA athletics and the Rose Bowl Stadium, located in Pasadena, California. Passenger activity at the Airport for the first six months of FY 2015 was 1,971,743 passengers as compared to 1,927,142 passenger for the first six months of FY 2014. See “AIRPORT OPERATIONS–Airport Traffic.”

### **Airlines Serving the Airport**

The Airport is served by seven U.S. carriers. Southwest Airlines Co. (“Southwest”) is the dominant carrier at the Airport in terms of the number of flights and passengers, accounting for approximately 74 percent of total passengers at the Airport in FY 2014. The other major airlines serving the Airport are Alaska Airlines (“Alaska”), Delta Air Lines, Inc. (“Delta”), JetBlue Airways (“JetBlue”), United Airlines, Inc. (“United”), US Airways and SeaPort Airlines, Inc. (“SeaPort”). 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. See “AIRPORT USE AGREEMENTS,” “FINANCIAL CONDITION OF SIGNATORY AIRLINES,” “AIRPORT OPERATIONS–Airline Concentration” and “CERTAIN INVESTMENT CONSIDERATIONS–Effects of Airline Bankruptcy” 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, Delta, JetBlue, SeaPort, Southwest, United and US Airways (collectively, the “Signatory Airlines”). American Airlines (“American”) was a Signatory Airline until April 25, 2012 and, accordingly, references to “Signatory Airlines” with respect to periods prior to April, 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

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

the Signatory Airlines and the Airport's rate setting mechanism. The current Airport Use Agreements expire on June 30, 2019, and the Authority cannot give any assurances that any extensions or replacements of the current Airport Use Agreements 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 Airline can terminate its Airport Use Agreement after notice as provided in the applicable Airport Use Agreement. See "AIRPORT USE AGREEMENTS," and Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

### **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 Authority has instituted Customer Facility Charges at the Airport and Customer Facility Charges received in each Fiscal Year commencing with FY 2015, 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 debt service on the 2012 Bonds. Pledged Customer Facility Charges are not available to pay debt service on the 2015 Bonds. See "SECURITY FOR THE 2015 BONDS" and "SOURCES OF REVENUES."

### **Authority for the 2015 Bonds**

The 2015 Bonds will be issued pursuant to the provisions of the Indenture and the provisions of the Refunding Act. The issuance of the 2015 Bonds and the execution and delivery of the Fourth Supplemental Indenture were authorized by a resolution adopted by the Commission of the Authority (the "Commission") at its meeting on March 16, 2015.

### **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 2015 Bonds, to provide certain financial information and operating data and to give notices of certain events to assist the underwriter of the 2015 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 F: "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

### **Certain Investment Considerations**

The 2015 Bonds may not be suitable for all investors. Prospective purchasers of the 2015 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 2015 Bonds.

### **Miscellaneous**

This Official Statement contains brief descriptions of, among other things, the 2015 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 2015 Bonds are qualified in their entirety by reference to the form of the 2015 Bonds included in the Fourth 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.

## PLAN OF REFUNDING

Proceeds of the 2015 Bonds will be used to (i) refund and defease the Authority’s outstanding Airport Revenue Bonds, 2005 Series A and Airport Revenue Bonds, 2005 Series B, and (ii) pay the costs of issuance of the 2015 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Under an Escrow Deposit Agreement, dated as of April 1, 2015 (the “Escrow Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, a portion of the proceeds of the 2015 Bonds, together with certain funds held by the Trustee for the 2005 Bonds and other available funds of the Authority, are to be deposited into an escrow fund (the “Escrow Fund”) established under the Escrow Agreement and held as cash and/or invested pursuant to the Escrow Agreement. Amounts on deposit in the Escrow Fund are to be applied on July 1, 2015 (the “Redemption Date”) to pay the principal amount of the 2005 Bonds maturing on the Redemption Date, to pay the unpaid, accrued interest on the 2005 Bonds payable on the Redemption Date, and to pay the redemption price of the outstanding 2005 Bonds maturing after the Redemption Date, which redemption price is equal to the principal amount of such 2005 Bonds to be redeemed on the Redemption Date. The mathematical accuracy of certain computations relating to the adequacy of the Escrow Fund investments and cash to provide for the timely payment of such debt service and such redemption price will be verified by The Arbitrage Group, Inc. See “VERIFICATION AGENT.” The amounts on deposit in the Escrow Fund will not be available to pay debt service on the 2015 Bonds or the 2012 Bonds.

### ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the 2015 Bonds.

	2015A Bonds	2015B Bonds	Total
<b>Sources of Funds:</b>			
Principal Amount	\$1,335,000.00	\$30,925,000.00	\$32,260,000.00
Original Issue Premium	65,131.45	4,318,839.10	4,383,970.55
Available Funds under the Indenture	1,840,710.62	8,014,032.57	9,854,743.19
Authority Funds	16,635.17	-	16,635.17
<b>Total Sources</b>	<b>\$3,257,477.24</b>	<b>\$43,257,871.67</b>	<b>\$46,515,348.91</b>
<b>Uses of Funds:</b>			
Deposit to Escrow Fund	\$3,237,225.00	\$42,790,962.50	\$46,028,187.50
Costs of Issuance <sup>(1)</sup>	20,252.24	466,909.17	487,161.41
<b>Total Uses</b>	<b>\$3,257,477.24</b>	<b>\$43,257,871.67</b>	<b>\$46,515,348.91</b>

<sup>(1)</sup> Includes Underwriter’s discount, rating agency fees, legal and other professional fees, premium for the 2015 Reserve Guaranty and other costs of issuing the 2015 Bonds.

## THE 2015 BONDS

### General

The 2015 Bonds will be dated their date of delivery and will bear interest from that date, payable on each January 1 and July 1, commencing January 1, 2016, 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 2015 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

### Book-Entry Only System

The 2015 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 2015 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 2015 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 2015 Bonds, all payments on the 2015 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 2015 Bonds will be the responsibility of the DTC Participants. For information on the DTC book-entry system, see Appendix D: “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 2015 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 2015 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 2015 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2015 BONDS; OR (F) ANY OTHER MATTER RELATING TO DTC OR THE DTC BOOK-ENTRY ONLY SYSTEM.

### No Redemption

The 2015 Bonds will not be subject to redemption prior to maturity.

## DEBT SERVICE SCHEDULE

The following table sets forth for each Fiscal Year the annual accrued Debt Service requirements for the 2015 Bonds and the 2012 Bonds, assuming the refunding of the 2005 Bonds and no optional redemption of the 2012 Bonds. When the 2015 Bonds are issued and the 2005 Bonds are refunded (see "PLAN OF REFUNDING"), the 2015 Bonds and the 2012 Bonds will be the only bonded indebtedness of the Authority. Accordingly, current debt service on the 2005 Bonds is not included in the following table.

Fiscal Year Ended June 30	2015A Bonds		2015B Bonds		2012 Bonds	Total Debt Service <sup>(2)</sup>
	Principal	Interest	Principal	Interest	Total	
2015	-	\$ 7,896 <sup>(1)</sup>		\$ 254,988 <sup>(1)</sup>	\$ 5,832,095	\$ 6,094,980
2016	\$ 680,000	46,600	\$ 2,070,000	1,504,850	5,836,555	10,138,005
2017	655,000	26,200	2,440,000	1,442,750	5,833,563	10,397,513
2018	-	-	3,245,000	1,320,750	5,834,996	10,400,746
2019	-	-	3,405,000	1,158,500	5,836,911	10,400,411
2020	-	-	3,580,000	988,250	5,837,008	10,405,258
2021	-	-	3,755,000	809,250	5,834,054	10,398,304
2022	-	-	3,940,000	621,500	5,834,956	10,396,456
2023	-	-	4,140,000	424,500	5,835,892	10,400,392
2024	-	-	4,350,000	217,500	5,832,433	10,399,933
2025	-	-	-	-	5,833,134	5,833,134
2026	-	-	-	-	5,832,439	5,832,439
2027	-	-	-	-	5,835,069	5,835,069
2028	-	-	-	-	5,835,469	5,835,469
2029	-	-	-	-	5,833,360	5,833,360
2030	-	-	-	-	5,833,464	5,833,464
2031	-	-	-	-	5,835,225	5,835,225
2032	-	-	-	-	5,833,087	5,833,087
2033	-	-	-	-	5,831,771	5,831,771
2034	-	-	-	-	5,832,360	5,832,360
2035	-	-	-	-	5,836,615	5,836,615
2036	-	-	-	-	5,833,665	5,833,665
2037	-	-	-	-	5,833,219	5,833,219
2038	-	-	-	-	5,834,406	5,834,406
2039	-	-	-	-	5,836,353	5,836,353
2040	-	-	-	-	5,833,189	5,833,189
2041	-	-	-	-	5,834,333	5,834,333
2042	-	-	-	-	5,838,000	5,838,000
Total <sup>(2)</sup>	\$1,335,000	\$80,696	\$30,925,000	\$8,742,838	\$163,363,617	\$204,447,152

<sup>(1)</sup> Represents a portion of the accrued interest on the 2015 Bonds payable on January 1, 2016.

<sup>(2)</sup> Numbers may not sum due to rounding.

## SECURITY FOR THE 2015 BONDS

**The 2015 Bonds will be special obligations of the Authority payable solely from, and secured solely by a pledge of, the Trust Estate and the 2015 Series Debt Service Reserve Fund. The 2015 Bonds will not constitute a charge against the general credit of the Authority. The 2015 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 2015 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 2015 Bonds, and the payment of the 2015 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 2015 Bonds will be special obligations of the Authority payable from and secured by a pledge of the Trust Estate and amounts in the 2015 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) with respect to such period. 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 such 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 debt service on the Bonds except as may otherwise be provided in the Indenture. "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.

Pursuant to the Third Supplemental Indenture, the Pledged Customer Facility Charges were pledged as Available Revenues as described under "*-Available Revenues*" below. **Such Pledged Customer Facility Charges, however, are restricted to the payment of debt service on the 2012 Bonds. Pledged Customer Facility Charges are not available to pay debt service on the 2015 Bonds.**

In addition to the pledge of the Trust Estate, the 2015 Bonds will also be secured by a pledge of amounts in the 2015 Series Debt Service Reserve Fund. The pledge of the 2015 Series Debt Service Reserve Fund secures only the 2015 Bonds. The 2015 Bonds are not secured by amounts in the Debt Service Reserve Fund securing any Participating Bonds or by any other Series Debt Service Reserve Fund. The 2012 Bonds are secured by the 2012 Series Debt Service Reserve Fund, which Fund is not pledged to the 2015 Bonds. See "*-2015 Series Debt Service Reserve Fund; 2015 Reserve Guaranty*" 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 were 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 2015 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.

Pursuant to the Third Supplemental Indenture, the Authority pledged the Pledged Customer Facility Charges as Available Revenues. 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 the 2012 Bonds. The Pledged Customer Facility Charges are not available for payment of debt service on the 2015 Bonds. For more information about Customer Facility Charges, see “SOURCES OF REVENUES—Available Revenues—Customer Facility Charges.” For scheduled debt service on the 2012 Bonds, assuming no optional redemption, see “DEBT SERVICE SCHEDULE” herein.

***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–2015 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 and is not included in the calculation of “Accrued Debt Service.”

***Failure to Meet Rate Covenant.*** If in any Fiscal Year either the General Rate Covenant or the Coverage Rate Covenant is 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 is 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.

#### **2015 Series Debt Service Reserve Fund; 2015 Reserve Guaranty**

The Fourth Supplemental Indenture provides that neither Series of the 2015 Bonds will constitute Participating Bonds, and that the payment of the principal of and interest on the 2015 Bonds will be secured by amounts in the 2015 Series Debt Service Reserve Fund and not amounts in the Debt Service Reserve Fund securing the Participating Bonds, nor in any other Series Debt Service Reserve Fund such as the 2012 Series Debt Service Reserve Fund. The Fourth Supplemental Indenture also includes a pledge of, and lien on, the 2015 Series Debt Service Reserve Fund, including the investments of amounts in the 2015 Series Debt Service Reserve Fund and any Reserve Guaranties therein for the benefit and protection of the Owners of the 2015 Bonds. The 2015 Series Debt Service Reserve Fund does not secure the 2012 Bonds or any other Bonds, except the 2015 Bonds.

The Fourth Supplemental Indenture establishes the Debt Service Reserve Requirement for such Fund to be, as of any date of calculation, an amount equal to the least of (a) ten percent of the initial offering price to the public of the 2015 Bonds as determined under the Code, (b) the greatest amount of Bond Debt Service for the 2015 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 2015 Bond is due, or (c) 125 percent of the sum of the Bond Debt Service for the 2015 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 the 2015 Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the 2015 Bonds is due, divided by the number of such Fiscal Years (the “2015 Bond Reserve Requirement”).

The 2015 Reserve Guaranty, to be issued by Assured Guaranty Municipal Corp., will be credited to the 2015 Series Debt Service Reserve Fund and the amount available to be drawn or payable under such 2015 Reserve Guaranty will initially be in an amount equal the 2015 Bond Reserve Requirement upon issuance of the 2015 Bonds, \$3,664,397.06. In computing the amount on deposit in the 2015 Series Debt Service Reserve Fund, a Reserve Guaranty

(including the 2015 Reserve Guaranty) will be valued at the amount available to be drawn or payable thereunder on the date of computation. Amounts may be drawn on the 2015 Reserve Guaranty only to pay scheduled principal and interest payments on the 2015 Bonds when due. A form of the 2015 Reserve Guaranty is included as Appendix H to this Official Statement.

If on the date that is five Business Days prior to an Interest Payment Date for the 2015 Bonds or any other date on which any principal of, or interest on, the Outstanding 2015 Bonds is due, there are insufficient amounts in the Debt Service Fund to pay such principal of, or interest on, the Outstanding 2015 Bonds then due (calculated ratably based on the amounts then due with respect to all Outstanding Bonds), the Trustee is required to make a claim under the 2015 Reserve Guaranty, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to draw funds from the 2015 Series Debt Service Fund to the extent necessary to pay principal of, or interest on, the Outstanding 2015 Bonds as and when required.

If the amount on deposit in the 2015 Series Debt Service Reserve Fund at any time is less than the 2015 Bond Reserve Requirement, the deficiency is required to be made up as set forth under “–Flow of Funds” below.

For information about the 2015 Reserve Guaranty Provider, see Appendix G: “INFORMATION ABOUT THE 2015 RESERVE GUARANTY PROVIDER.” The Authority will not be obligated to monitor the rating of the 2015 Reserve Guaranty Provider and, in the event the rating of the 2015 Reserve Guaranty Provider is downgraded, the Authority will not be obligated to deposit cash in, or obtain an additional reserve guaranty to the credit of, the 2015 Series Debt Service Reserve Fund.

See Appendix B: “SUMMARY OF CERTAIN PROVISION OF THE INDENTURE–ESTABLISHMENT AND APPLICATION OF FUNDS–2015 Series Debt Service Reserve Fund” for more information.

### **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, if any, 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

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

- (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 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 to maintain each debt service reserve for such Outstanding Parity Obligations at the amount required by the applicable Issuing Instruments.

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.

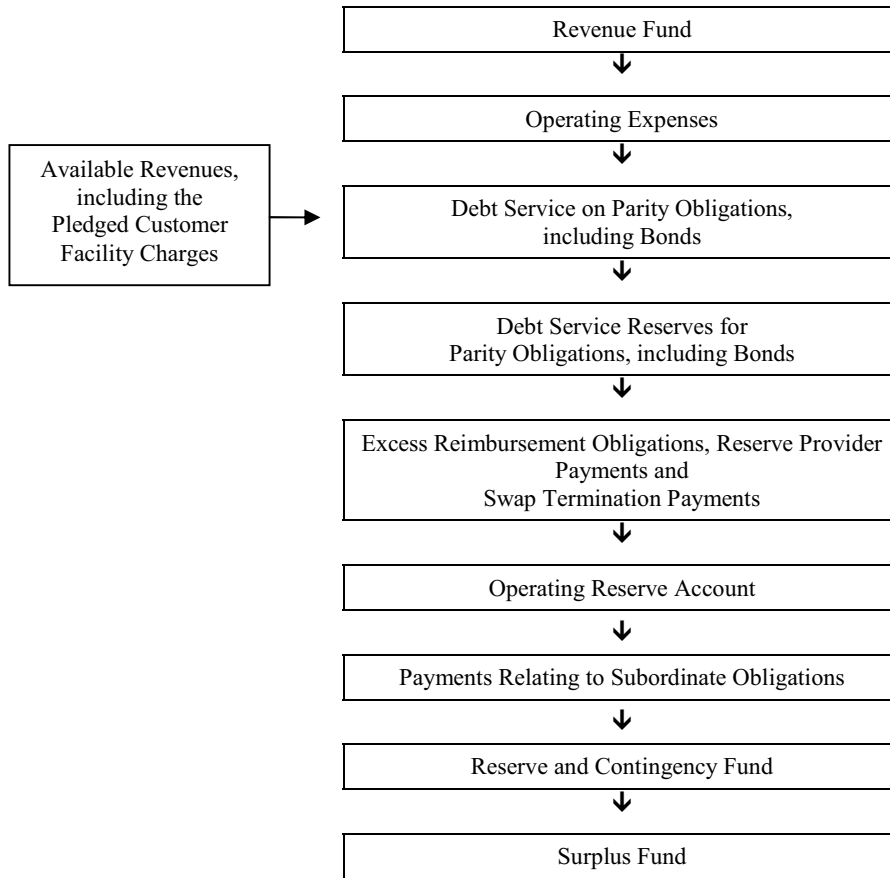
Eleventh, on the last Business Day of each month, the Authority may withdraw from the Revenue Fund and deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

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.

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

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



For more information about such funds, see Appendix B: “SUMMARY OF CERTAIN PROVISION OF THE INDENTURE—ESTABLISHMENT AND APPLICATION OF FUNDS.”

### 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 2015 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 2015 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.

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.

The 2015 Bonds are being issued as Refunding Parity Obligations in compliance with clause (ii) in the immediately preceding paragraph.

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 in the near term but may issue Additional Bonds in future years. No assurances can be given that no Additional Bonds will be issued. See “THE AIRPORT–Replacement Passenger Terminal” herein.

### **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 or 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 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–*Part 150 Noise Compatibility Program*”). The Authority currently has not issued any obligations payable from, or secured by, Passenger Facility Charges.



## SOURCES OF 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.

The principal sources of Pledged Revenues and information about Customer Facility Charges, certain of which are pledged as Available Revenues to the payment of debt service on the 2012 Bonds, 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, see Appendix A: "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 provides 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 2014 and FY 2015.

**Table 1**  
**Bob Hope Airport**  
**Comparative Summary of Operating Revenues**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	6 mos. ended Dec. 31, 2013	6 mos. ended Dec. 31, 2014
Parking fees <sup>(1)</sup>	\$20,331,286	\$19,825,325	\$18,767,804	\$18,128,538	\$18,832,517	\$9,195,015	\$9,675,226
Tenant Rent:							
Signatory Airlines	2,162,981	2,206,248	2,198,720	2,175,883	2,178,548	1,088,582	1,097,453
RACs Facility Rent <sup>(2)</sup>	-	-	-	-	-	-	1,061,943
RACs <sup>(3)</sup>	512,953	416,328	367,100	368,014	368,335	185,727	168,430
Hangar leases	8,694,777	8,248,875	7,270,877	8,201,384	8,338,900	4,300,500	4,171,545
Ground leases	2,464,531	2,531,280	2,659,895	2,835,558	3,011,324	1,487,229	1,717,778
Other terminal rents	187,765	140,122	140,974	239,648	336,627	167,364	170,013
Fuel yard	41,358	42,013	42,842	43,804	44,460	22,108	22,351
Temporary ramp rentals	8,178	35,764	82,184	128,828	199,533	106,654	69,060
Total Tenant Rent	<u>14,072,543</u>	<u>13,620,630</u>	<u>12,762,592</u>	<u>13,993,119</u>	<u>14,477,727</u>	<u>7,358,164</u>	<u>8,478,573</u>
Concession fees	7,944,325	8,098,199	8,163,553	8,298,815	8,317,353	4,129,422	4,129,508
Landing fees	2,996,230	2,808,867	2,762,824	3,137,690	2,927,426	1,507,908	1,475,467
Other	<u>1,033,033</u>	<u>1,011,990</u>	<u>997,663</u>	<u>1,403,971</u>	<u>1,689,707</u>	<u>888,339</u>	<u>918,956</u>
<b>Total Operating Revenues:</b>	<b><u>\$46,377,417</u></b>	<b><u>\$45,365,011</u></b>	<b><u>\$43,454,436</u></b>	<b><u>\$44,962,133</u></b>	<b><u>\$46,244,730</u></b>	<b><u>\$23,078,848</u></b>	<b><u>\$24,677,730</u></b>

<sup>(1)</sup> Includes a 12 percent City of Burbank parking tax, which is included in "other operating expenses" in Table 9 under "FINANCIAL INFORMATION" herein.

<sup>(2)</sup> Includes Rental Car Company Facility Rent, which the Authority began collecting on July 15, 2014 under the Rental Car Company Agreements. See "-Tenant Rent-Rental Car Facility Rent; Rental Car Company Agreements" below.

<sup>(3)</sup> Includes rent for Rental Car Company service/storage areas, overflow storage areas and rental counters at the Airport that is not located in the RITC. Beginning in July 1, 2016, the Rental Car Companies will be obligated to pay ground rent under the Rental Car Company Agreements.

Source: Burbank-Glendale-Pasadena Airport Authority.

As reflected in Table 1, total operating revenues\* of the Airport increased by \$1,282,597, or approximately 2.9 percent from FY 2013 to FY 2014. Such increase is primarily the result of an increase of \$703,979 in parking revenues, which increase was mostly a result of a special item that was returned to the Authority's operating fund totaling \$683,775 (see Appendix A: "FINANCIAL STATEMENTS–Note 17"), and an increase of tenant rent. The operating revenues represented in the table above do not include Customer Facility Charges received by the Authority (see "– Available Revenues–*Customer Facility Charges*"). See Appendix A: "FINANCIAL STATEMENTS–Management's Discussion and Analysis" for a discussion of operating revenues.

## **Parking Fees**

**General.** Parking fees are collected by the Authority and such revenues are the most significant revenue source for the Airport, comprising \$18,832,517 or approximately 41 percent of total operating revenues for FY 2014.\* Airport parking facilities provide 6,631 public parking spaces, excluding employee parking. Shuttle buses operated by Standard Parking Corp. transport passengers to and from remote parking spaces (Economy Lots A, B and C). Parking in the short-term parking garage costs \$31.00 per day. Parking in the short term Lot E and valet parking costs \$23.00 per day. The economy parking lots range from \$10.00 per day to \$13.00 per day.

Parking revenues generally coincide with the levels of passenger activity. Parking revenues increased from \$18,128,538 in FY 2013 to \$18,832,517 in FY 2014.\* Such increase in parking revenues, however, was primarily the result of a special item that was returned to the Authority's operating fund totaling \$683,775 (as noted above). 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. On December 7, 2013, such amounts previously set aside as a special item were returned to the Authority's operating fund. See Appendix A: "FINANCIAL STATEMENTS–Note 17." The Authority collects and forwards to the City of Burbank ("Burbank") 12 percent of its public parking revenues as part of Burbank's transient parking tax.

**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 2014, the costs under the contract with Standard Parking System totaled \$6,309,863.

## **Tenant Rent**

The total amount of tenant rent the Authority received in FY 2014 was \$14,477,727, which is a slight increase from the total amount of tenant rent it received in FY 2013, which amount was \$13,993,119. The following is a breakdown by the types of different rent received at the Airport.

**Signatory Airline Passenger Terminal 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 rents range from \$8.74 to \$26.74 per square foot per year. For FY 2014, the Signatory Airlines paid a total of \$2,178,548 in terminal rents which is a slight increase from the amount of terminal rent received from Signatory Airlines in FY 2013, \$2,175,883. 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 C: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS.").

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 the years 2015 through 2023. For FY 2014 and FY 2013, the Authority received \$336,627 and \$239,648, respectively, under such leases.

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\* Includes a 12 percent City of Burbank parking tax, which is included in "other operating expenses" in Table 9 under "FINANCIAL INFORMATION" herein.

**Rental Car Facility Rent; Rental Car Company Agreements.** The Authority 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” or “RACs”) for the use of the Rental Car Facilities. The Rental Car Companies (Avis Budget Car Rental, LLC (“Avis”), Budget Rent a Car System, Inc. (“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”)) currently operate under eleven brand names (Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, Midway, National, Payless and Thrifty) at the Rental Car Facilities.

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 began upon completion of the Rental Car Facilities on July 15, 2014. 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 (see “–Concession Fees–Rental Cars” below).

The Rental Car Companies are also obligated to pay rent (“Facility Rent”) based in part on the amount of the Authority’s debt service payments in connection with the 2012 Bonds, net of Customer Facility Charges budgeted to be remitted to the Authority by the Rental Car Companies. Under the 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 (see “–Available Revenues–Customer Facility Charges” below), is expected to be in excess of debt service on the 2012 Bonds. The Authority began collecting Facility Rent under the Rental Car Company Agreement on July 15, 2014. For the first six months of FY 2015, ended December 31, 2014, the Authority received \$1,061,943 in Facility Rent.

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. The Authority also cannot give any assurances that the Rental Car Companies will continue to perform under the Rental Car Agreements in the event of an increase in Facility Rent or in the event of an extension of the Rental Car Company Agreements at the option of the Authority.

In addition to Facility Rent, the Rental Car Companies also paid rent for service and storage areas, rental counters and other space at the Airport. Such rent amounted to \$368,014 and \$368,335 in FY 2013 and FY 2014, respectively. Beginning in FY 2016, the Rental Car Companies will begin paying ground rent under the Rental Car Company Agreements.

**Other Rent.** The Authority also 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 two fixed based operators. The Authority currently has 46 such leases expiring from 2015 to 2031. For FY 2014 and FY 2013, the Authority received \$11,594,217 and \$11,209,575, respectively, under such leases. Four of such leases (aggregating approximately \$1.1 million in annual rent in FY 2014) relate to leases on the Trust Property (defined herein) and expired on March 15, 2015. The Authority does not expect that such leases relating to the Trust Property will be renewed.

## Concession Fees

In FY 2014 and FY 2013, the Authority received \$8,317,353 and \$8,298,815, respectively, from concessions. The following is a breakdown of certain concessionaires at the Airport.

**Rental Cars.** Each Rental Car Company is obligated under its respective Rental Car Company Agreement to pay the Authority a concession fee consisting of the greater of such company's minimum annual guarantee (\$4,832,850 in FY 2014) or 10 percent of its annual gross revenues as defined in the Rental Car Company Agreement. During FY 2014, the Authority received \$5,221,871 in concession fees from the Rental Car Companies.

**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, 2023, provides for payment to the Authority of the greater of an annual minimum (\$1,263,000 for FY 2014) 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 2014, the Authority received \$1,631,042 from food and beverage concessions.

**Gift and News.** The Authority also has a non-exclusive agreement for gift and news concessions with The Paradies Shops, Inc., a Georgia corporation. The gift and news 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 (\$784,158 for FY 2014), which amount includes \$18,928 for space rental. During FY 2014, the Authority received \$783,864 from gift and news concessions. The Authority has received several proposals to provide gift and news concessions in the Airport subsequent to the termination of the current agreement, and is currently in the process of reviewing such proposals. The Authority expects to enter into a new gift and news concessions agreement in April 2015. In addition, the Authority received a total of \$600,245 in FY 2014 in connection with advertising concessions, flowers, wi-fi internet services, baggage carts and miscellaneous products and services.

## Landing Fees

The Airport Use Agreements provide for a landing fee rate for the Signatory Airlines of \$0.97 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 fee rate for aircraft other than Signatory Airline aircraft is \$1.56 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 FY 2014, the total amount of landed weight for all aircraft including all-cargo airplanes was approximately 2.825 billion pounds. The total amount of landing fees the Authority received in FY 2014 was \$2,927,426. This is a decrease from the FY 2013 results, which were approximately 3.036 billion pounds and \$3,137,690, 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 periodically reviews its rates and charges under the Airport Use Agreements and proposes changes to rates and charges, if any, based on forecasts of revenues and expenses. See Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

## Available Revenues

**General.** 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 "SECURITY FOR THE 2015 BONDS—Pledge of Trust Estate—*Available Revenues*" herein.

**Pursuant to the Third Supplemental Indenture, the Authority pledged the Pledged Customer Facility Charges as Available Revenues to be deposited directly to the Debt Service Fund to pay debt service on the 2012 Bonds. The Pledged Customer Facility Charges are not available to pay debt service on the 2015 Bonds.**

**Customer Facility Charges.** The project financed by the 2012 Bonds was 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 applied Customer Facility Charges collected up to June 30, 2014 directly to the costs of certain rental car facility projects (see “THE AIRPORT–Regional Intermodal Transportation Center” herein). Customer Facility Charges received in each Fiscal Year after June 30, 2014, 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 debt service on the 2012 Bonds. The Pledged Customer Facility Charges are to be deposited in the Debt Service Fund.

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: “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 Authority imposed a \$10.00 per transaction Customer Facility Charge on vehicles rented from the rental car companies at the Airport. In accordance with changes in California law, effective as of July 1, 2011, the Authority adjusted its Airport Customer Facility Charge to a per transaction day Customer Facility Charge, charging \$6.00 per transaction day, with a five transaction day limit. The Authority has the ability, subject to compliance with California law, to raise Customer Facility Charges up to \$9.00 per transaction day, subject to a five transaction day limit. The Authority plans to apply in 2016 for approval to increase Customer Facility Charges up to \$9.00 per transaction day in order to meet the deadline for such application. Even if the Authority receives authority to implement such increase, it does not currently expect to increase the Customer Facility Charge rate at the Airport.

In FY 2014, there were 285,195 rental car transactions at the Airport subject to Customer Facility Charges. Under the Customer Facility Charge rate of \$6 per transaction day (with a five day transaction day limit), the Airport received approximately \$4.9 million in Customer Facility Charges in FY 2014, which was applied to the cost of the RITC project. For the first six months ended December 31, 2015, the Authority received \$2,697,053 in Customer Facility Charges.

The Authority cannot predict the total amount of Customer Facility Charges it will receive in the future. In any Fiscal Year, however, only Customer Facility Charges up to the amount debt service on the 2012 Bonds accruing during such Fiscal Year are pledged as Available Revenues to the payment of debt service on the 2012 Bonds. For scheduled debt service on the 2012 Bonds, assuming no optional redemption, see “DEBT SERVICE SCHEDULE” herein.

## **AIRPORT USE AGREEMENTS**

The Authority has separate but substantially identical Airport Use Agreements with the Signatory Airlines: Alaska, Delta, JetBlue, SeaPort, Southwest, United and US Airways. American Airlines was a Signatory Airline until April 25, 2012 and, accordingly, references to “Signatory Airlines” with respect to periods prior to April, 2012, include American and references to “Signatory Airlines” with respect to periods after May, 2013, include SeaPort.

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 facilities, security deposit and the Airport’s rate setting mechanism. The current Airport Use Agreements expire on 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 vacate and cease operations at the Airport, continue operating at the Airport as a non-signatory airline or operate as may otherwise be agreed to by the Authority and the respective Signatory Airline.

For FY 2014, the Signatory Airlines and their affiliates accounted for virtually 100 percent of the enplaned passengers at the Airport and approximately 9.9 percent of the Airport's operating revenues for FY 2014.

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 installed 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 CUPPS system became operational in the spring of 2014 and has resulted 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 expenses of operating the Airport or incidental to, or arise out of, the operations of the Airport. The Authority most recently raised rent and fees under the Airport Use Agreements in July 1, 2012, and 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 C: "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 (except SeaPort), 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. Passenger Facility Charges will not be used as a source of repayment on the Bonds.

The Passenger Facility Charge legislation (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 the investment of 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 REVENUES,” the Signatory Airlines, through payments of rent and landing fees, provided the Airport with \$4,580,743 in revenue for FY 2014. That amounts to approximately 9.9 percent of the Airport’s total operating revenue for FY 2014. While this percentage is still significant, it trails parking fees, non-Signatory Airline rent and concession fees 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.”

## **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:

Steve Madison	President of the Authority; Attorney, member of Pasadena City Council (appointed by Pasadena in 2010)
Frank Quintero	Vice President of the Authority; Vocational Counselor (appointed by Glendale in 2008)
Bill Wiggins	Secretary of the Authority; Chairman of Automation Plating Corporation (appointed by Burbank in 2001)
Don Brown	Retired Burbank police officer (appointed by Burbank in 2001)
Dave Weaver	Retired Civil Engineer, member of Glendale City Council (appointed by Glendale in 2009)
Terry Tornek	Real Estate Developer and Manager, member of Pasadena City Council (appointed by Pasadena in 2012)
Jacque Robinson	Labor Community Organizer, member of Pasadena City Council (appointed by Pasadena in 2012)
Laura Friedman	Small Business Owner, member of Glendale City Council (appointed by Glendale in 2013)
Ray Adams	Real Estate Consultant (appointed by Burbank in 2015)

## **Employees and Contractors**

The only Authority employees are 26 full-time peace officers and 13 part-time peace officers, providing security for the Airport (resulting in a total of 32.5 full-time equivalent employees). 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, 2014, and expires on January 31, 2017.

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 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. Pro-Tec Fire Services, Limited, currently provides aircraft rescue and firefighting services under a contract expiring on April 30, 2015. The Authority does not expect such contract with Pro-Tec Fire Services, Limited, to be renewed and is currently in the process of negotiating the provision of aircraft rescue and firefighting services with TBI. It is expected that costs for aircraft rescue and firefighting services will increase by approximately \$500,000 in Fiscal Year 2015-16 as compared to Fiscal Year 2014-15. Until an agreement with TBI for the provision of aircraft rescue and firefighting services becomes effective, the Authority expects Pro-Tec Fire Services, Limited to continue providing aircraft rescue and firefighting services on a temporary basis.

## **Employee Retirement Plans**

The Authority provides retirement benefits for all of its full-time employees, which includes the 26 peace officers discussed above. The Authority previously had a 401(k) program for such peace officers sponsored by the BAPOA, however, effective April 4, 2013, the Authority replaced its 401(k) program with a 401(a) profit sharing plan and a 457(b) government deferred compensation plan. Under such plan, the Authority makes contributions of 6.5% of eligible base salaries and overtime to the 401(a) profit sharing plan. Officers may make voluntary contributions to the 457(b) government deferred compensation plan, but there is no additional Authority match. All employees are eligible



to participate upon hire and contributions and earnings vest immediately. The Authority's required accruals and contributions, calculated using the base salary amount of \$3,133,213 in FY 2014 and the base salary amount of \$3,158,707 in FY 2013, amounted to \$195,821 in FY 2014 and \$192,158 in FY 2013. 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 aforementioned 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. For more information, see Appendix A: "FINANCIAL STATEMENTS–Note 8."

### **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. Commission members may, and often do, serve subsequent terms 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 ("CNEL") 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 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 powers 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.

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\* The noise impact area is defined as the area around the airport that is exposed to a specified CNEL db noise exposure but has not provided aviation easements or received mitigation through acoustical noise treatment. The current statutory limit of the noise impact area is 370 acres of 65 CNEL db impact. Currently the size of the measured noise impact area of the Airport is approximately 6 acres of 65 CNEL db impact.

**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 issued 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 2014, there were 47,070 commercial takeoffs and landings at the Airport with approximately 3.82 million passengers. The Airport has historically been served by approximately six to eight carrier groups, and is currently being served by six Signatory Airlines. Southwest, a low-cost schedule carrier, has been the dominant airline at the Airport since 1991. In FY 2014, Southwest accounted for approximately 74 percent of the total passengers using the Airport. See "AIRPORT OPERATIONS."

The size of the enclosed passenger terminal facilities for commercial air traffic is currently approximately 216,000 square feet. The length of the two runways and the noise impact contour of the Airport are limited by California statute. In response to opposition by Burbank and citizen groups from Burbank, the Authority and Burbank previously entered into the 2005 Development Agreement (described below) which limited the type of development that was permitted at the Airport for a specific period of time. For information regarding the Passenger Terminal, the 2005 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*" and "--The 2005 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"). At that time, the Airport encompassed all of the Airport-zoned property that LAT owned from 1940 to 1978. When LAT announced plans in 1976 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 acquired from LAT the runways, taxiways, passenger terminal, certain hangars and other improvements totaling approximately 440 acres 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. In ensuing years, the Authority acquired additional properties from LAT and other property owners resulting in the current approximate 558 acres of Airport property.

### Description of the Airport

The Airport consists of two runways, a passenger terminal and related facilities, the Regional Intermodal Transportation Center, parking facilities (in addition to those provided in the Regional Intermodal Transportation Center), general aviation facilities, as well as other property and supporting facilities. More information with respect to such facilities is provided below.

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 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 216,000 square feet. The Passenger Terminal consists of two terminal areas referred to as Terminal A and Terminal B and administration space for Authority and tenant operations. The main terminal building constituting Terminal A was originally constructed in 1930 and has undergone numerous modifications since then. The addition of Terminal B to the Passenger Terminal was completed in 1974 and 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, as well as administrative offices for the Authority, the Airport Manager and certain tenants. For more information about the Passenger Terminal, see “–Passenger Terminal” below.

For information about the Regional Intermodal Transportation Center (“RITC”), see “–Regional Intermodal Transportation Center” below.

Public parking facilities at the Airport currently include a 431-space, four-level structure that was completed in 1969 for short-term parking, three economy lots and the valet lot and parking spaces provided by the Replacement Parking Structure constructed as part of the RITC project (see “–Regional Intermodal Transportation Center” below). Such parking spaces provided by the Replacement Parking Structure replaced parking spaces that were displaced as a result of the construction of the RITC. Airport parking facilities provide 6,631 spaces, excluding employee parking.

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 of the northwest quadrant of the Airport 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 and facilities are located to the west of Runway 15-33 and are adjacent to the major surface streets bordering the Airport.

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 impact area contour of the Airport as it existed on September 14, 1976. See “ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS–Noise Restrictions.” The Authority and Burbank also agreed to freeze litigation concerning Airport growth through a development agreement, which, among other things, prohibited the Authority’s expansion or relocation of the Airport’s Passenger Terminal before March 15, 2015 (the “2005 Development Agreement”). See “–The 2005 Development Agreement” below.

### **Passenger Terminal**

**General.** The current FAA approved Airport Layout Plan shows that the existing passenger terminal building is located within the current FAA Building Restriction Line (the “BRL”). In particular, the closest portion of Terminal A is approximately 250 feet from the centerline of Runway 8-26, as opposed to the BRL’s identified 750 feet clearance. Similarly, the closest portion of Terminal B is approximately 350 feet from the centerline of Runway 15-13, as opposed to the BRL’s identified 750 feet clearance. The current FAA approved Airport Layout Plan also shows that the taxi lanes adjacent to both Terminal A and Terminal B are located within the current FAA Runway Safety Area (which calls for a 250 foot clearance from the centerline of each runway).

As described below, the Authority has attempted for years to address the issue of the proximity of the terminal complex to the Airport runways. The Airport, however, has faced local opposition to these efforts, including litigation.

A description of the Airport's past efforts and current ongoing effort to address the issue of the proximity of the Passenger Terminal to the runway is set forth below.

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 identified in 1990 as an area of approximately 131 acres identified as the former Lockheed Plant B-6 Property (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 an approximately 50 acres portion of the B-6 Property (the "Adjacent Property"), subject to agreements which limit the use of that property. The Authority obtained possession but not fee simple title to the balance of the property (approximately 81 acres) and title to this acreage was transferred to a third-party trustee pursuant to the same agreements (the "Trust Property"). The Trustee was instructed to sell approximately 22 acres of the Trust Property to Voit Development in 2003. Title to the balance of the Trust Property (approximately 59 acres) currently remains with the third-party trustee. Under these agreements, title to the approximately 59 acres of the Trust Property cannot be granted to the Authority and no portion of the Trust Property may be used for a passenger terminal facility unless approved by Burbank (as described below).

Since 1995, Burbank and a number of citizen groups from Burbank have taken action to prevent the building of a replacement terminal. These actions included litigation between the Authority and Burbank which ultimately resulted in a court decision that Section 21661.6 of the California Public Utilities Code requires the Authority to obtain Burbank's consent to the acquisition by the Authority of any property within Burbank for expansion or enlargement of the Airport. Such consent must follow the provisions identified in Section 21661.6 of the California Public Utilities Code. 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 (where these measures apply) or to make certain other capital improvements to the Airport and are in addition to any such constraints contained in the 2005 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.

In 2005, the Airport and Burbank entered into the 2005 Development Agreement, which allowed certain capital projects at the Airport to proceed but prohibited the construction of a new passenger terminal for a ten year period. That time period was intended to allow the parties to work toward a mutually acceptable vision of the future of the Airport. The 2005 Development Agreement expired on March 15, 2015. See "*The 2005 Development Agreement*" below.

***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. 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. 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 practicable, 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 finding by the FAA is consistent with the FAA's earlier review of the Airport in November 2002.

The Authority successfully passed its most annual Federal Aviation Regulation Part 139 inspection in December 2014, which certified that the Airport and Airport operating conditions are in compliance with FAA

requirements. The Authority cannot provide any assurances that the FAA will not reach a different conclusion subsequent to a future review of the Airport and its operating procedures.

### **Replacement Passenger Terminal**

While the Authority has not received any indication from the FAA of a contemplated change in its approval of the operating conditions at the Airport (see “–Passenger Terminal–*Proximity of Passenger Terminal to Runway*” above), the Authority is actively pursuing the entitlement for replacement of the existing Passenger Terminal. The Authority is motivated chiefly by a desire to meet all of the FAA’s design safety standards concerning the distance between the Passenger Terminal and the runway, and by a desire to have a facility that meets the State’s modern standards for seismic safety. Under the 2005 Development Agreement, which expired on March 15, 2015, the Authority was restricted in the development of a replacement passenger terminal. Any replacement of the Passenger Terminal would require numerous approvals, including in some cases voter approval, as well as the development of a viable financing plan, and would be subject to numerous permits, conditions and regulations, and potentially would be subject to challenges from various parties opposed to the replacement passenger terminal. The Authority estimates that satisfying all the conditions and prerequisites necessary to commence construction of a replacement passenger terminal would take between seven and ten years.

The Authority’s preferred site for the replacement passenger terminal is part of the Adjacent Property (see “–Passenger Terminal–*General*” above). Any replacement passenger terminal to be built on the Adjacent Property, however, would require approval by Burbank. Additionally, the use of any part of the Trust Property in connection with a replacement passenger terminal on the Adjacent Property also requires approval by Burbank. Pursuant to the terms of the Amended, Restated, Superseding and Combined Escrow and Trust agreement, the Trust Property is to be sold. Moreover, obtaining discretionary approvals from the Burbank City Council for a replacement passenger terminal on the Adjacent Property also requires the approval of the Burbank electorate under Measure B (see “–Passenger Terminal–*General*” above). The Authority is pursuing such approvals from Burbank. If the Adjacent Property is not available as the site for a replacement passenger terminal, the Authority believes a suitable site would be an area of the Airport currently used for general aviation.

The development of a replacement passenger terminal is in its earliest stages and no assurance can be given as to whether the Authority will be successful in its efforts to construct such a terminal. In addition to obtaining all the necessary approvals and permits for a replacement terminal, the Authority would have to develop a financing plan for the costs of the new terminal which it expects would most likely include the issuance of a significant amount of Additional Bonds. The Authority believes that, subject to continuing FAA approval, if it is not successful in constructing a new passenger terminal, it will be able to continue operations at the Airport as presently being conducted using the current Airport facilities.

### **Regional Intermodal Transportation Center**

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 constructed the RITC. The major elements of the RITC are the new parking structure (the “Replacement Parking Structure”), the elevated walkway connecting the RITC with the Passenger Terminal (the “Elevated Walkway”), the consolidated car rental facilities (the “Rental Car Facilities”), and the commuter and shuttle bus facilities and pedestrian facilities (the “Transit Facilities”). Other elements included as part the RITC project are street improvements, utility improvements and landscaping.

The Rental Car Facilities consist of a three level facility (the “Main Structure”) and a separate customer service building (the “Customer Service Building”) which was built on columns 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 two 20,000-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 connected to the Elevated Walkway by escalator and elevator.

The Replacement Parking Structure is a five level parking garage with approximately 1,040 parking spaces. The Elevated Walkway is a covered walkway connecting the RITC with the Passenger Terminal. The facilities related to the major facilities of the RITC includes a signalized, surface pedestrian walkway connecting the RITC to the commuter train station adjacent to the Airport, improvements to public streets adjacent to the Airport and bicycle stations.

### **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 was owned by Airport Concessions and Development, Limited, a Spanish consortium, approximately 90 percent of which is owned by Abertis Infraestructuras S.A., a company based in Spain. In the fall of 2013, TBI was acquired by Airports Worldwide, Inc. Airports Worldwide, Inc. is a privately-held company whose sole business is investing in, developing and operating airports worldwide. The company currently owns 48.75% of the shares in the Juan Santamaria International Airport in Costa Rica's capital city of San Jose, and 45.0% of the shares in the concession to develop and operate the Daniel Oduber Quiros International Airport serving the Guanacaste region of Costa Rica. TBI has operating and management contracts with the Airport, Hartsfield-Jackson Atlanta International Airport, Raleigh Durham International Airport, Middle Georgia Airport and Macon Downtown Airport in Georgia.

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 \$10.13 million in FY 2013, \$10.64 million in FY 2014 and is budgeted at \$11.57 million for FY 2015. As of January 1, 2015, TBI was providing 104 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.

### **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.

**Bob Hope Airport  
Senior Management**

<b>Name</b>	<b>Title</b>	<b>Current Position</b>	<b>Airport Tenure</b>
Dan Feger	Executive Director	Since 2008	Since 1988
John T. Hatanaka	Senior Deputy Executive Director <sup>(1)</sup>	Since 2008	Since 2002
Kathy J. David	Deputy Executive Director, Finance and Administration <sup>(2)</sup>	Since 2011	Since 1992
Denis Carvill	Deputy Executive Director, Engineering, Maintenance, Operations and Airline Relations <sup>(3)</sup>	Since 2014	Since 2009
Robert Anderson	Director, Engineering and Planning <sup>(4)</sup>	Since 2011	Since 1979
Kimberly Parker-Polito	Director, Information and Communication Technologies	Since 2014	Since 2014
David Freedman	Director, Business, Property and Administrative Services	Since 2012	Since 2011
Victor J. Gill	Director, Public Affairs and Communications	Since 1994	Since 1984
Mark D. Hardyment	Director, Transportation Noise and Environmental Programs	Since 2004	Since 1988
Edward B. Skvarna	Director, Public Safety and Chief of Police <sup>(5)</sup>	Since 2005	Since 2005
Scott R. Smith	Director, Financial Services <sup>(6)</sup>	Since 2004	Since 2004
Rod Mercado	Director, Human Resources	Since 2014	Since 2013
James Rossi	Director, Operations	Since 2014	Since 2013

<sup>(1)</sup> Previously, Mr. Hatanaka was Director of Passenger and Airport Service for Japan Airlines, T.A.

<sup>(2)</sup> Previously, Ms. David was Director, Administrative Services for the Authority.

<sup>(3)</sup> Previously, Mr. Carvill was Vice President, Airport Operations at Skybus Airlines.

<sup>(4)</sup> Previously, Mr. Anderson was Manager, Engineering and Planning for the Authority.

<sup>(5)</sup> Chief Skvarna joined the BGPAA after his retirement from the Burbank Police Department at the rank of Captain.

<sup>(6)</sup> 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 that cover both liability and all risk property loss with respect to the Airport. The insurance policies are for one year periods, except a pollution legal liability insurance policy in connection with the RITC 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 \$225 million subject to various deductibles; earthquake/earthquake sprinkler leakage and flood coverage with policy limits of \$20 million subject to deductibles of 5 percent of value at time of loss; terrorism coverage with policy limits of \$225 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, each with a term of one year, expire on July 1, 2015. The Authority plans to renew these insurance policies before their termination. The Authority procured an Owners Controlled Insurance Program ("OCIP") for the construction of the RITC which has been completed. The OCIP is currently in its close-out phase that is anticipated to be completed in approximately 12 months. The Authority also procured a pollution legal liability insurance policy for the RITC, expiring on July 1, 2020, with a policy limit of \$25 million.

## **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 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, 2016 through the FFY ending September 30, 2020 includes projects with an estimated total cost of approximately \$58.5 million. Funding sources for such ACIP include \$47.1 million in federal funding and \$11.3 million in Passenger Facility Charges. Such ACIP includes, among other things, the (a) rehabilitation of the Airport’s two runways, including EMAS replacement, (b) reconstruction and pavement of Taxiway A, (c) ramp pavement rehabilitation for Taxiway C and D and the general aviation ramp, and (d) airfield lighting system rehabilitation. The Authority does not expect to issue any Additional Bonds in connection with its five-year ACIP.

For discussions relating to the current efforts regarding a replacement terminal, see “–Replacement Passenger Terminal” above.

## **The 2005 Development Agreement**

The Authority and Burbank entered into the multiyear 2005 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 during the term of the 2005 Development Agreement. Pursuant to the 2005 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) increase the size of the portion of the Airport used for general aviation beyond an area specified in the 2005 Development Agreement, (iv) increase the number of commercial airline passenger gates at the Airport beyond its existing fourteen gates, and (v) prohibit the loading and unloading of commercial air carrier aircraft anywhere on the Airport except at the existing 14 gates. Pursuant to the 2005 Development Agreement, Burbank agreed not to change its interpretation of permitted uses in the Airport Zone (as defined in the 2005 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 2005 Development Agreement was amended on September 24, 2010 to permit the construction of the RITC. The 2005 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. The 2005 Development Agreement expired on March 15, 2015. For discussions relating to the current discussion for a new development agreement, see “–Replacement Passenger Terminal” above.

## **AIRPORT OPERATIONS**

The following is a summary of certain information regarding Airport operations. For additional information see Appendix A: “FINANCIAL STATEMENTS–Management’s Discussion and Analysis.”

### **Airport Traffic**

The state of the national economy, changes in fuel costs, the restructuring of the airline industry and a variety of other factors could materially affect passenger traffic levels at the Airport. As illustrated in Table 2, passenger levels decreased by approximately 4 percent in FY 2014 (from 3,971,804 in FY 2013 to 3,816,578 in FY 2014), approximately 6 percent in FY 2013 (from 4,206,023 in FY 2012 to 3,971,804 in FY 2013) and approximately 4 percent in FY 2012 (from 4,359,928 in FY 2011 to 4,206,023 in FY 2012). From FY 2010 to FY 2014, passenger levels decreased by approximately 15.5 percent in the aggregate.



**Table 2**  
**Bob Hope Airport**  
**Comparative Summary of Traffic Activities**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	6 mos. ended Dec. 31, 2013	6 mos. ended Dec. 31, 2014
Commercial carrier flight operations (takeoffs & landings)	63,730	57,306	54,110	50,691	47,070	24,307	23,397
Landed weight (000's pounds)	3,493,028	3,279,572	3,239,082	3,036,084	2,825,497	1,458,530	1,392,065
Total enplaned and deplaned passengers	4,515,713	4,359,928	4,206,023	3,971,804	3,816,578	1,927,142	1,971,743
Cargo tonnage (tons)	46,863	47,598	51,989	51,948	53,967	27,237	29,552

Source: Burbank-Glendale-Pasadena Airport Authority.

The drop in passenger traffic at the Airport since FY 2008 (where the number of total passengers was at a high of 5,841,021) is primarily due to the economic recession which commenced in 2008. This reduction in passenger traffic resulted in decreases in airline capacity at the Airport. For example, Southwest reduced service to certain of its nonstop destinations; JetBlue ceased service to Salt Lake City and reduced capacity to New York; 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 five Fiscal Years prior to February, 2012, resulted 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.

The Authority, however, has been proactive in seeking to retain and further develop air transportation services at the Airport, including airline specific outreach, new advertising, retaining an outside consultant to assist with a revised branding identity of the Airport in conjunction with a redesigned website, and continued publicity of the Airport through an agreement with IMG College LLC by sponsorship of UCLA athletics and the Rose Bowl Stadium, located in Pasadena, California. In addition, the Authority implemented an incentive program in 2012 for commercial airlines that begin operating service to an airport in a metro area that, as of the commencement of such service, did not have non-stop scheduled flights to or from the Airport. For such airlines, the Authority offered to waive any landing fees in connection with the qualifying route for one calendar year from the launch date of such service. Such incentive program currently expires on August 31, 2015, but the Authority expects to renew such incentive program for a three year period.

Passenger activity at the Airport for the first six months of FY 2015 (1,971,743 passengers) reflects an increase of approximately 2.3 percent from the first six months of FY 2014 (1,927,142 passengers).

For further information concerning the operational and financial results of the Airport, see "FINANCIAL INFORMATION" and Appendix A: "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 99.5 percent of total scheduled passengers at the Airport in FY 2014.

Nine of the top ten O&D markets for the Airport in FY 2014 were in the western United States (with travel distances of less than 1,000 miles) and accounted for over approximately 80 percent of the total O&D passengers during this period. The top three cities in FY 2014 with the highest number of enplaned passengers for the Airport were Oakland, Las Vegas and Sacramento.

**Table 3**  
**Bob Hope Airport**  
**Top 10 Domestic O&D Enplaned Passenger Markets**  
**(FY 2014)**

Rank	City Market <i>Airport</i>	Nonstop Miles	Domestic O&D Enplaned Passengers	Market as % of Total
1	San Francisco Bay Area		589,043	31.3%
	<i>Oakland</i>	325	360,438	19.2
	<i>San Jose</i>	296	191,935	10.2
	<i>San Francisco</i>	326	36,670	1.9
2	Las Vegas	223	231,821	12.3
3	Sacramento	358	191,087	10.2
4	Phoenix	369	163,367	8.7
5	Seattle	937	133,318	7.1
6	Portland	817	84,508	4.5
7	Denver	850	73,923	3.9
8	New York <sup>(1)</sup>	2,444	62,983	3.3
9	Salt Lake City	574	30,547	1.6
10	Spokane	927	13,537	0.7
	Top 10 Markets		1,574,134	83.7%
	Other markets		306,406	16.3
	Total—All Markets		1,880,540	100.0%

<sup>(1)</sup> Market includes Kennedy, LaGuardia, and Newark airports  
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 50 driving miles or less from the Airport. The Airport generally serves communities in Los Angeles and Ventura County (the “Air Trade Area”), which are part of the Los Angeles Basin. Table 4, represents the percentage share of total enplanements of passengers by these five airports for the period 2010 through 2014. As reflected in Table 4, the Airport’s share of the total amount of enplaned passengers in the Los Angeles Basin has decreased, from 5.6 percent in 2010 to 4.3 percent in 2014.

**Table 4**  
**Bob Hope Airport**  
**Percentage of Enplaned Passengers by Airports Serving the Los Angeles Basin <sup>(1)(2)</sup>**

Calendar Year	BUR	LAX	SNA	ONT	LGB
	<i>Percent of Total</i>	<i>Percent of Total</i>	<i>Percent of Total</i>	<i>Percent of Total</i>	<i>Percent of Total</i>
2010	5.6%	73.9%	10.8%	6.0%	3.7%
2011	5.2	75.1	10.4	5.5	3.8
2012	4.8	75.7	10.5	5.1	3.8
2013	4.4	77.0	10.6	4.6	3.4
2014	4.3	77.8	10.3	4.5	3.1

<sup>(1)</sup> Refers to the total number of passengers enplaned at these five airports

<sup>(2)</sup> Percentages may not add up to 100.0% due to rounding

Source: Burbank-Glendale-Pasadena Airport Authority with respect to information relating to the Airport, and Ricondo & Associates with respect to information relating to the other airports serving the Los Angeles Basin.

## **Airline Concentration**

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 74.5 percent in FY 2014. 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—Certain Factors Particular to the Airport—*Concentration of Southwest Airlines.*"

In FY 2014, the top two airlines (Southwest and Alaska) accounted for approximately 84.3 percent of total passengers, and the top four airlines accounted for approximately 95.2 percent of total passengers. Table 5 presents the number of total passengers at the Airport by airlines for the period FY 2010 through FY 2014.

**Table 5**  
**Bob Hope Airport**  
**Total Passengers by Airline <sup>(1)</sup>**

Air Carrier	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014	
	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	2,978,621	66.0%	2,864,328	65.7%	2,802,487	66.6%	2,891,728	72.8%	2,845,051	74.5%
Alaska <sup>(2)</sup>	365,504	8.1	389,363	8.9	381,092	9.1	379,267	9.6	374,526	9.8
American <sup>(3)</sup>	325,409	7.2	318,594	7.3	180,786	4.3	-	-	-	-
JetBlue	313,713	7.0	273,104	6.3	291,946	6.9	187,921	4.7	94,744	2.5
US Airways <sup>(4)</sup>	230,124	5.1	212,240	4.9	207,948	5.0	190,968	4.8	196,277	5.1
United <sup>(5)</sup>	209,234	4.6	206,500	4.7	257,869	6.1	239,818	6.0	221,604	5.8
Delta <sup>(6)</sup>	93,108	2.1	95,799	2.2	83,895	2.0	81,728	2.1	81,947	2.1
Other <sup>(7)</sup>	-	-	-	-	-	-	374	0.0	2,429	0.1
<b>Total Passengers</b>	<b>4,515,713</b>		<b>4,359,928</b>		<b>4,206,023</b>		<b>3,971,804</b>		<b>3,816,578</b>	

<sup>(1)</sup> Percent of Total figures may not add to 100.0% due to rounding.

<sup>(2)</sup> Includes data for Alaska and Horizon Air (an affiliate of Alaska)

<sup>(3)</sup> American ceased operations at the Airport as of February, 2012

<sup>(4)</sup> Includes data for US Airways and Mesa Air (doing business as US Airways Express)

<sup>(5)</sup> Includes data for United and SkyWest (doing business as United Express)

<sup>(6)</sup> Includes data for Delta and SkyWest (doing business as Delta Connection)

<sup>(7)</sup> Includes data for SeaPort which began operations at the Airport in May 2013.

Source: Burbank-Glendale-Pasadena Airport Authority.

## Passenger Airline Operations

Total passenger aircraft operations at the Airport decreased from 55,862 in FY 2010 and to 46,588 in FY 2014. Such amounts are decreases from total aircraft operations at the Airport of 68,748 in FY 2008. Mainline operations (aircraft activity with more than 99 seats) decreased from 44,362 in FY 2010 to 33,029 in FY 2014. Operations by regionals/commuters (aircraft activity with 99 seats or less) also decreased from FY 2010 to FY 2014. Table 6 presents the number of mainline operations and regional/commuter operations at the Airport for FY 2010 through FY 2014.

**Table 6**  
**Bob Hope Airport**  
**Aircraft Operations – Airline Services**

Fiscal Year	Mainline <sup>(1)</sup>	Regionals/ Commuters <sup>(2)</sup>	Airline Total
2010	44,362	11,500	55,862
2011	40,700	11,742	52,442
2012	39,887	12,816	52,703
2013	36,602	13,172	49,774
2014	33,029	13,559	46,588

<sup>(1)</sup> Includes scheduled and charter operations on aircraft greater than 99 seats

<sup>(2)</sup> 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

Table 7 presents the number of air cargo and other non-airline air service operations at the Airport for FY 2010 through FY 2014. All-Cargo operations at the Airport declined from 10,040 in FY 2010 to 6,577 in FY 2014. Air taxi operations, general aviation and military operations increased from FY 2010 to FY 2014.

**Table 7**  
**Bob Hope Airport**  
**Aircraft Operations – Cargo and Other Non-Airline Services**

Fiscal Year	All-Cargo	General Aviation	Air Taxi	Military
2010	10,040	37,668	7,969	246
2011	10,356	46,753 <sup>(1)</sup>	6,401	297
2012	8,327	63,291 <sup>(1)</sup>	6,350	454
2013	7,729	67,596	6,356	578
2014	6,577	60,098	9,987	702

<sup>(1)</sup> Increase in FY 2011 and FY 2012 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 2014, approximately 2.8 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 2010, approximately 3.5 billion pounds of landed weight were reported by aircraft operating at the Airport. Table 8 breaks down the amount of landed weight reported by aircraft from FY 2010 through FY 2014.

**Table 8**  
**Bob Hope Airport**  
**Landed Weight by Type of Carrier**  
**(millions of pounds)**

Fiscal Year	Passenger Carriers		All-Cargo Carriers		Total Landed Weight
	Landed Weight	% of Total	Landed Weight	% of Total	
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
2012	2,923.9	90.3	315.2	9.7	3,239.1
2013	2,717.3	89.5	318.8	10.5	3,036.1
2014	2,480.5	87.8	345.0	12.2	2,825.5

*Source: Burbank-Glendale-Pasadena Airport Authority.*

## Airline Cost Per Enplaned Passenger

The following table shows the cost per enplaned passenger for airlines serving the Airport for the last five Fiscal Years.

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Airline Costs <sup>(1)</sup>	\$4,768,653	\$4,576,001	\$4,541,008	\$4,824,848	\$4,613,781
Enplaned Passengers	2,258,193	2,174,896	2,092,805	2,062,601	1,949,065
Airline Cost per Enplaned Passenger	\$2.11	\$2.10	\$2.17	\$2.34	\$2.37

<sup>(1)</sup> Represents all terminal rent and landing fees paid by airlines to the Authority.

*Source: Burbank-Glendale-Pasadena Airport Authority.*

## FINANCIAL INFORMATION

### Outstanding Debt

The 2015 Bonds and the 2012 Bonds will represent the only bonded indebtedness of the Authority upon issuance of the 2015 Bonds and the refunding of the 2005 Bonds. See “PLAN OF REFUNDING” and “DEBT SERVICE SCHEDULE.”

### Historical Operating Results

The following Statements of Revenues and Expenses for the Airport for FY 2010 through FY 2014 were prepared by the Authority based on its audited annual financial statements. The information for the six months ended December 31, 2013 and December 31, 2014 are unaudited. The Authority’s financial statement includes revenues which are not Pledged Revenues available to pay the 2015 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. Certain adjustments have been made to conform the data in the financial statements to Table 9 below. The Authority’s financial statements dated June 30, 2014 and 2013 are attached hereto as Appendix A. For further information concerning the historic financial results of the Airport’s operations, see the information in Appendix A: “FINANCIAL STATEMENTS.”

**Table 9**  
**Burbank-Glendale-Pasadena Airport Authority**  
**Statements of Revenues, Expenses and Changes in Net Assets**

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	6 mos. ended Dec. 31, 2013	6 mos. ended Dec. 31, 2014
<b>Operating revenues:</b> <sup>(1)</sup>							
Parking <sup>(2)</sup>	\$20,331,286	\$19,825,325	\$18,767,804	\$18,128,538	\$18,832,517	\$9,195,015	\$9,675,226
Tenant Rent <sup>(3)</sup>	14,072,543	13,620,630	12,762,592	13,993,119	14,477,727	7,358,164	8,478,573
Concession Fees	7,944,325	8,098,199	8,163,553	8,298,815	8,317,353	4,129,422	4,129,508
Landing Fees	2,996,230	2,808,867	2,762,824	3,137,690	2,927,426	1,507,908	1,475,467
Other	1,033,033	1,011,990	997,663	1,403,971	1,689,707	888,339	918,956
<b>Total operating revenues</b>	<b>46,377,417</b>	<b>45,365,011</b>	<b>43,454,436</b>	<b>44,962,133</b>	<b>46,244,730</b>	<b>23,078,848</b>	<b>24,677,730</b>
<b>Operating expenses:</b>							
Contracted airport services	14,453,670	15,051,145	15,902,247	15,519,119	16,288,319	8,142,131	8,273,164
Salaries and benefits	2,953,126	3,340,203	3,722,641	3,969,864	4,203,080	2,062,359	2,273,899
Financial services	703,075	703,676	703,995	726,530	759,460	397,893	429,466
Rescue services	1,741,667	1,825,000	1,900,000	1,975,000	2,093,333	1,023,333	1,088,333
Materials and supplies	368,912	367,457	344,973	296,105	256,920	90,517	154,548
Repairs and maintenance	4,618,445	4,872,638	5,144,181	4,528,205	4,788,702	2,223,423	2,793,255
Utilities	1,609,350	1,728,285	1,704,783	1,705,004	1,785,299	923,465	929,805
Professional services	2,769,555	2,686,206	2,571,717	2,214,234	2,117,862	946,619	1,085,132
Insurance	1,433,007	1,496,860	1,392,037	1,355,778	1,215,492	606,992	725,231
Other operating expenses <sup>(2)</sup>	3,012,593	3,011,980	2,930,094	2,823,940	2,933,821	1,547,083	1,564,422
<b>Total operating expenses before depreciation</b>	<b>33,663,400</b>	<b>35,083,450</b>	<b>36,316,668</b>	<b>35,113,779</b>	<b>36,442,288</b>	<b>17,963,815</b>	<b>19,317,255</b>
Operating income before depreciation	12,714,017	10,281,561	7,137,768	9,848,354	9,802,442	5,115,033	5,360,475
Depreciation	15,679,876	14,689,703	14,223,495	14,053,442	14,504,772	7,076,194	10,395,680
Operating Income/loss	(2,965,859)	(4,408,142)	(7,085,727)	(4,205,088)	(4,702,330)	(1,961,161)	(5,035,205)
<b>Nonoperating revenues/expenses:</b> <sup>(1)</sup>							
Passenger Facility Charge revenue	10,291,366	9,642,916	8,989,090	8,306,776	7,839,780	3,808,622	3,833,743
Customer Facility Charge revenue	1,755,750	3,186,870	5,154,028	4,856,431	4,904,964	2,443,566	2,697,053
Investment income	4,210,575	2,508,763	1,710,173	818,491	1,351,011	661,629	508,388
Interest expense	(2,850,515)	(2,644,347)	(2,612,714)	(5,511,396)	(3,830,439)	(1,902,803)	(3,192,359)
Gain/Loss on retirement of capital assets	(92,496)	(2,606)	52,360	69,824	(1,165,155)	372	2,330
Sound Insulation Program	(6,109,511)	(6,894,782)	(7,099,900)	(3,368,303)	(1,678,536)	(1,094,831)	(1,253,116)
FAA grants, sound insulation program	3,547,167	4,319,375	5,524,065	2,637,214	1,269,988	826,791	994,588
Other noncapital grants	281,548	127,044	599,009	750,349	921,665	507,679	183,204
Replacement terminal development	-	-	(632,093)	(696,844)	(2,348,269)	(1,511,375)	(642,191)
Other expenses, net	(445,335)	(314,828)	(744,671)	(911,105)	(931,822)	(503,335)	(187,480)
Total nonoperating revenues/expenses, net	10,588,549	9,928,405	10,939,347	6,951,437	6,333,187	3,236,315	2,944,160
Income before capital contributions and special items	7,622,690	5,520,263	3,853,620	2,746,349	1,630,857	1,275,154	(2,091,045)
Capital contributions	5,445,828	657,273	2,611,810	1,746,622	2,442,212	1,499,720	314,357
Special Items	-	(2,350,412) <sup>(4)</sup>	1,247,748 <sup>(5)</sup>	(2,273,554) <sup>(6)</sup>	482,591 <sup>(7)</sup>	482,591	-
<b>Change in net position</b>	<b>13,068,518</b>	<b>3,827,124</b>	<b>7,713,178</b>	<b>2,219,417</b>	<b>4,555,660</b>	<b>3,257,465</b>	<b>(1,776,688)</b>
Total net assets – beginning	432,280,415	445,348,933	449,176,057	456,889,235	457,055,137	457,055,137	461,610,797
Implementation of GASB 65	-	-	-	(2,053,515) <sup>(7)</sup>	-	-	-
<b>Total net assets – beginning (restated)</b>	<b>432,280,415</b>	<b>445,348,933</b>	<b>449,176,057</b>	<b>454,835,720</b>	<b>457,055,137</b>	<b>457,055,137</b>	<b>461,610,797</b>
<b>Total net assets – ending</b>							
Invested in capital assets, net of related debt	215,639,772	225,693,846	220,535,719	242,490,540	245,399,825	248,810,493	244,337,817
Restricted, debt service	11,243,481	11,736,865	11,422,569	11,572,383	13,272,492	10,429,550	12,036,030
Restricted, capital projects	88,337,093	89,051,292	98,348,907	80,231,649	80,401,851	78,613,930	78,425,265
Unrestricted	130,128,587	122,694,054	126,582,040	122,760,565	122,536,629	122,458,629	125,034,997
<b>Total net assets</b>	<b>\$445,348,933</b>	<b>\$449,176,057</b>	<b>\$456,889,235</b>	<b>\$457,055,137</b>	<b>\$461,610,797</b>	<b>\$460,312,602</b>	<b>\$459,834,109</b>

(footnotes on next page)

(footnotes relating to table on prior page)

- (1) Not all revenues are pledged to the payment of the Bonds. See "SECURITY FOR THE 2015 BONDS—Pledge of Trust Estate."
  - (2) Includes 12 percent Burbank parking tax.
  - (3) For more details, see Table 1 under "SOURCES OF REVENUES—General" herein.
  - (4) Reflects 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.*"
  - (5) Reflects allocated parking increment revenue of \$1,248,545, net of expenses relating to environmental litigation settlement in the amount of \$797.
  - (6) Reflects the early retirement of capital assets relating to the construction of the RITC, net of allocated parking increment revenue of \$1,134,927.
  - (7) Reflects allocated parking increment revenue.
- Source: Burbank-Glendale-Pasadena Airport Authority.

As reflected in Table 9, the total unrestricted net assets of the Authority decreased from \$130,128,587 in FY 2010 to \$122,536,629 in FY 2014.

### Investment of Airport Funds

Set forth in Table 10 below are the approximate book values, as of June 30, 2014, 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, 2014 was 1.25 years with a book value of approximately \$182.776 million. The Facility Development Reserve is an unrestricted fund which had a balance of \$101.395 million as of June 30, 2014, and was established in FY 2000 to provide for the future development of Terminal and other Airport facilities.

**Table 10**  
**Burbank-Glendale-Pasadena Airport Authority**  
**Investments as of June 30, 2014**

<u>Cash and Investments in Funds</u>	<u>(millions)</u>	<u>Investment Distribution</u>	<u>(millions)</u>
Operating Fund	\$27.708	U.S. Treasury Securities	\$56.686
Operating Reserve Fund	9.469	U.S. Agency Securities	49.003
Surplus Fund <sup>(1)</sup>	2.815	Medium Term Corporate Notes	33.082
PFC Fund	18.902	Money Market Mutual Funds <sup>(1)</sup>	18.315
CFC Fund	1.421	State Treasurer's LAIF	15.466
Authority Areas Reserve	2.729	Bank Deposits <sup>(2)</sup>	10.230
Asset Forfeiture Fund	0.021	<b>Total<sup>(3)</sup></b>	<b><u><u>\$182.776</u></u></b>
Held by Bond Trustee <sup>(1)</sup>	18.314		
Facility Development Reserve	101.395		
<b>Total<sup>(3)</sup></b>	<b><u><u>\$182.776</u></u></b>		

<sup>(1)</sup> Held by Trustee.

<sup>(2)</sup> Includes cash on hand, deposits with financial institutions and money market mutual funds.

<sup>(3)</sup> Totals may not add due to rounding.

Source: Burbank-Glendale-Pasadena Airport Authority.



## Historical Debt Service Coverage

Table 11 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 11 has not been audited as part of the Authority's audited financial statement, the figures used in Table 11 are based on the Authority's audited financial statements.

**Table 11**  
**Burbank-Glendale-Pasadena Airport Authority**  
**Calculation of Rates and Charges Ratio**  
**(Fiscal Years Ended June 30)**

	2010	2011	2012	2013	2014
<b>Pledged Revenues<sup>(1)</sup></b>	\$50,587,992	\$47,873,774	\$45,164,609	\$45,780,624	\$47,595,741
<b>Less Operating Expenses</b>	33,663,400	35,083,450	36,316,668	35,113,779	36,442,288
<b>Net Revenues</b>	<u>16,924,592</u>	<u>12,790,324</u>	<u>8,847,941</u>	<u>10,666,845</u>	<u>11,153,453</u>
<b>Transfers/ Surplus Fund<sup>(2)</sup></b>	-	-	-	-	1,354,897 <sup>(3)</sup>
<b>Net Revenues plus Transfers/Surplus Fund</b>	<u>16,924,592</u>	<u>12,790,324</u>	<u>8,847,941</u>	<u>10,666,845</u>	<u>12,508,350</u>
<b>Accrued Debt Service<sup>(1) (4)</sup></b>	<u>5,419,861</u>	<u>5,420,438</u>	<u>5,416,638</u>	<u>5,417,613</u>	<u>5,415,588</u>
<b>Debt service coverage ratio</b>	3.12	2.36	1.63	1.97	2.31 <sup>(5)</sup>

<sup>(1)</sup> As Pledged Customer Facility Charges, which are Available Revenues, are collected beginning in FY 2015 and deposited the Debt Service Fund (see "SECURITY FOR THE 2015 BONDS—Pledge of Trust Estate—*Available Revenues*," "SOURCES OF REVENUES—Tenant Rent—*Rental Car Facility Rent; Rental Car Company Agreements*" and "—Available Revenues—*Customer Facility Charges*"), the amount of such Available Revenues will not be included when calculating Pledged Revenues. Debt Service payable from Available Revenues (i.e., debt service on the 2012 Bonds payable from the Pledged Customer Facility Charges) is also excluded from the calculation of Accrued Debt Service.

<sup>(2)</sup> "Transfer" is defined in the Indenture to mean, 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.

<sup>(3)</sup> Represents the amount transferred from the Revenue Fund to the Surplus Fund in May, 2013, which amount was equal to 25 percent of maximum annual Accrued Debt Service for the 2005 Bonds as of the time of such transfer. Pursuant to the Indenture, Transfers up to 25 percent of the Accrued Debt Service on the Bonds for a Fiscal Year may be included in the Coverage Rate Covenant for such Fiscal Year. See "SECURITY FOR THE 2015 BONDS—Rate Covenant—*General*" herein. The Authority transferred an amount equal to \$1,459,500 to the Surplus Fund in May, 2014, which amount was equal to 25 percent of maximum annual Accrued Debt Service for the 2012 Bonds as of the time of such transfer.

<sup>(4)</sup> Represents the principal and interest of Bonds accrued during the listed Fiscal Year, but does not include Debt Service payable from Available Revenues.

<sup>(5)</sup> Debt service coverage ratio for Fiscal Year ending June 30, 2014, without including Transfers, was 2.06.

Source: Burbank-Glendale-Pasadena Airport Authority.

## ENVIRONMENTAL MATTERS AFFECTING AIRPORT OPERATIONS

Several significant environmental matters have direct and indirect impacts on Airport operations and costs, 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 Bonds. Federal law prohibits the Authority from unilaterally implementing additional or new noise or access restrictions. No assurance can be given

that additional Congressionally-approved restrictions or changes in noise restrictions may not adversely affect operations at the Airport.

**Joint Powers Act.** California Government Code §6546.1 prohibits the Authority from authorizing activity which results in an increase in the size of the Airport noise impact area (as that term has been defined in the California Government Code's Noise Standard Section and California case law) above certain levels. The Airport's current noise impact level is significantly below that level. The California Noise Standards also require the Authority to make good faith effort to the best of its ability to eliminate the Airport's noise impact area and to operate, pursuant to a variance from the State, until its noise impact area is eliminated.

**California Noise Standards.** Specifically, under the California Noise Standards, 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.

The most recent administrative hearing occurred 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 both Burbank and the Authority have sought and obtained extensions to permit continued discussion on a new development agreement. 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. However, the federal government later enacted the Airport Noise and Capacity Act ("ANCA") in 1990. ANCA, and its implementing regulation known as Part 161, restrict the Airport from imposing any operational restrictions on aircraft operation absent compliance with ANCA's requirement for such restrictions. The Authority submitted an application pursuant to ANCA, to obtain FAA approval of a mandatory curfew at the Airport. That application was denied.

### **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 have barred the FAA from enforcing federal law prohibiting new noise and access restrictions. Such bill did not pass. 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.** Title 14 of the Code of Federal Regulations, Part 150 ("Part 150") establishes the requirements that airport sponsors, such as the Authority, must follow if they desire to obtain federal funding for implementation of noise mitigation and abatement measures. Those requirements dictate that the Authority must complete and receive FAA approval for a Part 150 Noise Compatibility Study as a precondition to receiving such funding. Further, the FAA requires that airport sponsors update their Noise Exposure Maps ("NEM") approximately every five years. The FAA requires review and acceptance of an updated NEM based on a five-year forecast of incompatible noise exposure surrounding the airport which is used as the foundation for developing an

updated Part 150 Noise Compatibility Study. Once the plan is updated and made available to the public for review, it is submitted to FAA for approval. Once the updated Part 150 Noise Compatibility Study is approved, the Authority is then eligible to submit applications for Airport Improvement Program grants to help pay for implementation of any approved noise compatibility measures. Certain elements of the Authority's Part 150 Noise Compatibility Study 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, 2014, the sound insulation of these schools has been completed, except for two of the schools added to the program in 2000 that were later determined to be outside the approved noise exposure map boundary. 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, 2014, since the inception of the residential sound insulation program, the Authority has completed the insulation of 2,256 residential units and was in the process of sound insulating another 61 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 \$112.2 million having been expended by June 30, 2014. 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 2014, the Authority expended \$1,678,536 on these projects, of which \$1,269,988 was funded by FAA AIP grants, \$305,874 through Passenger Facility Charges and \$102,674 through internally-generated funds. In FY 2013, the Authority expended \$3,368,303 on these projects, of which \$2,637,214 was funded through FAA AIP grants, \$633,494 through Passenger Facility Charges and \$97,595 through internally-generated funds. The Authority has applied approximately \$6.9 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 A: "FINANCIAL STATEMENTS–Note 9." For

information about Passenger Facility Charges, see “FINANCIAL CONDITION OF SIGNATORY AIRLINES–Passenger Facility Charges” and Appendix A: “FINANCIAL STATEMENTS–Note 11.”

Failure by the Authority to comply with the FAA Part 161 and Part 150 regulations could result in the loss of current and future AIP grants from the FAA, and could subject to Authority to the reimbursement of any previously received AIP grants.

### **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 adopted Rules and Regulations for other users of the Airport as to the handling of hazardous substances at the Airport. In addition, Lockheed, the prior owner of the Airport site, operated an aircraft manufacturing facility at the Airport site prior to the Authority’s purchase of such site, and such operations by Lockheed included using a number of substances that are regulated under federal, state and local regulations. 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 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 (none of which was attributed by the EPA to the Authority). 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 Operable Unit

cleanup, including the Second Interim Remedy. As a further part of the settlement, 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. 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, that the Authority may not otherwise be adversely affected by the EPA claim or other EPA actions, or that Lockheed will otherwise perform its obligations under such settlement agreement. For more information, see Appendix A: “FINANCIAL STATEMENTS–Note 17.”

See “CERTAIN INVESTMENT CONSIDERATIONS–Certain Factors Particular to the Airport–*EPA Claim*” and “CERTAIN INVESTMENT CONSIDERATIONS–Certain Factors Particular to the Airport–*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, and may be subject to change. 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, but is otherwise subject to AB 32.

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. A South Coast Rules inspector is currently assigned to the Airport, and the last South Coast Rules inspection of the Airport occurred in June 2013 and confirmed compliance with applicable regulations.

### **CERTAIN INVESTMENT CONSIDERATIONS**

**The 2015 Bonds may not be suitable for all investors. Prospective purchasers of the 2015 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 2015 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 and the revenues, expenses and operations of the Airport 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, renegotiating labor agreements, consolidating connecting activity and replacing mainline jets with regional jets. 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 CONDITION OF SIGNATORY AIRLINES.”

Since the event of September 11, 2001, the Airport, as well as the rest of the aviation industry, has faced numerous challenges. Following the terrorist events, the aviation industry continued to face obstacles as airline traffic and revenue remained soft, the economy weakened, air traffic demand continued to decrease, and airlines’ expenses continued to increase. The aviation industry continues to face obstacles including hostilities in the Middle East, changes in oil prices, increased fare discounting, escalating security costs, the outbreak of SARS and, more recently, the Ebola virus. All of this has had an impact on the operational levels at airports across the county, some more than others. Specifically, with respect to the Airport since the economic downturn in 2008, the number of passengers at the Airport has continued to decline through FY 2014, although initial data available for the first six months of FY 2015 may suggest that such trend may change. See “AIRPORT OPERATIONS – Airport Traffic.”

The Authority cannot predict regional, national and world economies, the likelihood of future terrorist attacks, the likelihood of future air transportation disruptions, including contagious diseases, 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.

### **2015 Bonds Special Obligations of Authority**

The 2015 Bonds will be special obligations of the Authority payable solely from, and secured solely by a pledge of, the Trust Estate and the 2015 Series Debt Service Reserve Fund. The 2015 Bonds will not constitute a charge against the general credit of the Authority. The 2015 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 2015 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 2015 Bonds, and the payment of the 2015 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 2015 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 2015 Bonds. The Authority has not previously excluded any such Released Revenues. See “SECURITY FOR THE 2015 BONDS–Release of Revenues from Pledged Revenues.”

### **Certain Factors Affecting the Airline Industry and Air Travel**

***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 an airline’s 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 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. The current Airport Use Agreements expire on June 30, 2019, and the Authority cannot give any assurances that any extensions or replacements of the current Airport Use Agreements will be agreed upon. See “AIRPORT USE AGREEMENTS.”

***Cost of Aviation Fuel.*** Airline earnings are significantly affected by the price of aviation fuel. According to the Airlines for America (formerly known as Air Transport Association of America), 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 \$2.84 per gallon in 2014. The price of aviation fuel previously rose to an all-time high of approximately 3.75 per gallon in July 2008.

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; Consolidation.*** The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. For example, 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, and the merger between US Airways and American was concluded in 2014. These mergers, as well as future mergers, 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.

***International Conflict and the Threat of Terrorism.*** In the past, international conflict and terrorists actions and threats have had a negative effect on air travel domestically and internationally. As a result of certain

prior 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.

## **Competition**

**Other Regional Airports.** 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. 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 regional airports and transportation modes.

**California High Speed Rail.** The California High Speed Rail Authority (The "CHSR Authority") pursuing a statewide, high speed rail system. According to information from the CHSR Authority in its 2014 Business Plan, high speed rail service is not expected to begin until 2022 and would connect the City of Merced to the San Fernando Valley, in which the Airport is located. The 2014 Business Plan also provides that high speed rail service is expected to be extended to San Jose in 2026, and would be further extended to San Francisco and Los Angeles/Anaheim in 2028. Extensions from Los Angeles/Anaheim to San Diego and from Merced to Sacramento are part of Phase 2 of the implementation of the statewide, high speed rail system. The Authority is unable to predict if or when a statewide, high speed rail system will become operational between the Air Trade Area (including the cities of Burbank and Los Angeles) and northern California, or what effect such rail system would have, if any, on passenger traffic at the Airport or its revenues. See Table 3 under "AIRPORT OPERATIONS – Passenger Operations" herein for a list of the top ten O&D markets for the Airport in FY 2014.

**Travel Alternatives.** 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.

## **Economic Conditions**

**General.** The financial condition of the air transportation industry has historically been correlated with the state of the national economy. In 2008, the U.S. economy, among others, experienced a recession followed by weak growth. In the several years following 2008, the U.S. economy, as well as the regional economy around the Airport, faced high levels of unemployment. The current unemployment rate in the Airport's air trade area is approximately 8.7%. It is not known whether such unemployment rate will improve 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.

**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. 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.



## **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 2015 Bonds. In the last several years, US Airways, United Airlines and Delta, among others, emerged from bankruptcy. For example, American Airlines filed for bankruptcy in November 2011 and 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 2015 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 2015 Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the 2015 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 2015 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 2015 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 2015 Bonds.

## **Effects of Concessionaire Bankruptcy**

A bankruptcy of any significant concessionaire 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 2015 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 2015 Bonds.

## **Availability of Pledged Customer Facility Charges**

The Third Supplemental Indenture pledged, as Available Revenues, the Pledged Customer Facility Charges to the payment of debt service on the 2012 Bonds. Only Customer Facility Charges received in each Fiscal Year 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 debt service on the 2012 Bonds. Although Pledged Customer Facility Charges are not available to pay debt service on the 2015 Bonds, a reduction in Pledged Customer Facility Charges would require debt service on the 2012 Bonds to be paid by Pledged Revenues, which are available to pay debt service on the 2015 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.”

## **Operations at the Airport**

***Airline Activity.*** 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. The Authority, however, has been proactive in seeking to retain and further develop air service to the Airport. See “FINANCIAL CONDITION OF SIGNATORY AIRLINES” and “AIRPORT OPERATIONS – Airport Traffic.”

***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 41 percent of total operating revenues for FY 2014. 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.

***Other Activities.*** 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.

## **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. The current Airport Use Agreements expire on June 30, 2019, 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 C: "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

### **Certain Factors Particular to the Airport**

***Proximity of Passenger Terminal to Runway.*** 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. See "THE AIRPORT–Passenger Terminal–*Proximity of Passenger Terminal to Runway*" for more information.

***Concentration of Southwest Airlines.*** Southwest Airlines has become the dominant airline serving the Airport, accounting for approximately 74.5 percent of total passengers at the Airport in FY 2014. 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.

***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. The Authority and Burbank have executed the 2005 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 2005 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 Available Revenues the Authority receives.

For discussions relating to the current efforts regarding a replacement terminal, see "THE AIRPORT–Replacement Passenger Terminal" herein.

***EPA Claim.*** The Authority has been named as a Potentially Responsible Party by the EPA in connection with a claim regarding environmental contamination in the North Hollywood Operable Unit. 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 for the North Hollywood Operable Unit. 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, that the Authority may not otherwise be adversely affected by the EPA claim or other EPA actions, or that Lockheed will otherwise perform its obligations under such settlement agreement. 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.

## **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. Although the RITC was designed and constructed using seismic isolation to reduce seismic forces in the structures, no assurances can be provided that the RITC, as well as other Airport facilities, will not sustain damages in the event of an earthquake. 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.

With the expiration of the 2005 Development Agreement on March 15, 2015, it is uncertain what regulatory approval or land use issue Burbank may make with respect to the Airport. If current negotiations concerning a possible replacement passenger terminal are successful, the parties' relationship may continue to be non-confrontational. If such negotiations are not successful, however, it is possible Burbank could attempt in the future, as it did prior to entering into the 2005 Development Agreement, to use its police or land use power to obstruct Airport activities both outside and inside the Airport's existing property line. See "THE AIRPORT-Passenger Terminal" and "THE AIRPORT-The 2005 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 and Health Safety Concerns**

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.

Public health and safety concerns have also affected air travel demand from time to time. In 2009, while the United States Center for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel. More recently, in 2014, an outbreak of Ebola in West Africa and the discovery of infected persons with Ebola in the United States again raised concerns about the spread of diseases through air travel. Although the CDC and WHO have not yet recommended travelers avoid domestic or international travel, in the event the CDC or WHO recommends travel restrictions, or should another outbreak occur, such developments may have an effect on activity levels at airports.

### **Limitations on Remedies**

Upon the occurrence and continuance of an event of default under the Indenture, the owners of the 2015 Bonds have limited remedies. Enforceability of the rights and remedies of the owners of the 2015 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 2015 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.

## LITIGATION

***No Litigation Relating to the 2015 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 2015 Bonds or in any way contesting or affecting the validity of the 2015 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 2015 Bonds or the use of the 2015 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—Certain Factors Particular to the Airport—*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 2015 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"). 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 2015 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 2015 Bonds are contingent upon the issuance and delivery of the 2015 Bonds.

## TAX MATTERS

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 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2015A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel observes that interest on the 2015B Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2015 Bonds is less than the amount to be paid at maturity of such 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of

such 2015 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 2015 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 2015 Bonds is the first price at which a substantial amount of such maturity of the 2015 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 2015 Bonds accrues daily over the term to maturity of such 2015 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 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Bonds. Beneficial Owners of the 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Bonds is sold to the public.

2015 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 2015 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 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 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 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 2015 Bonds may adversely affect the value of, or the tax status of interest on, the 2015 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 2015 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 amounts treated as interest on, the 2015 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 2015 Bonds to be subject, directly or indirectly, in whole or in part, 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. For example, the Obama Administration’s budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the 2015 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2015 Bonds. Prospective purchasers of the 2015 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express 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 2015 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 2015 Bonds ends with the issuance of the 2015 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 2015 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 2015 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 2015 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

### **UNDERWRITING**

The Underwriter has agreed to purchase the 2015A Bonds at a purchase price of \$1,396,372.73 (representing the principal amount of \$1,335,000.00, less an underwriting discount of \$3,758.72 plus a premium of \$65,131.45).

The Underwriter has agreed to purchase the 2015B Bonds at a purchase price of \$35,149,225.28 (representing the principal amount of \$30,925,000.00, less an underwriting discount of \$94,613.82 plus a premium of \$4,318,839.10).

The Bond Purchase Agreement pursuant to which the 2015 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 2015 Bonds by the Underwriter is conditioned upon the delivery of all 2015 Bonds.

The Underwriter may offer and sell the 2015 Bonds to certain dealers and others at prices or yields different than the initial offering prices or yields set forth on the inside cover of this Official Statement. The offering prices or yields of the 2015 Bonds may be changed from time to time by the Underwriter.

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

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

Citigroup Global Markets Inc., the underwriter of the 2015 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of



this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2015 Bonds.

### **RATINGS**

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), and Fitch Ratings have assigned ratings of "A2" (stable outlook), "A+" (negative outlook) and "A" (stable outlook), respectively, to the 2015 Bonds. Each such rating reflects only the views of the respective rating agency organization furnishing such rating and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Such ratings are not a recommendation to buy, sell or hold the 2015 Bonds, and may be subject to revisions or withdrawal at any time.

The Authority furnished the rating agencies with information and material relating to the 2015 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 2015 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 2015 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 2015 Bonds.

### **CONTINUING DISCLOSURE**

The Authority has covenanted for the benefit of the Owners and Beneficial Owners of the 2015 Bonds to provide certain financial information and operating data relating to the Authority and the Airport (an "Annual Report") by not later than 180 days following the end of the Authority's fiscal year (which fiscal year currently ends on June 30), commencing with the Annual Report for Fiscal Year 2015, and to provide notices of the occurrence of certain enumerated events (an "Event Notice"). The Annual Reports and the Event Notices will be filed by the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System ("EMMA"). The specific nature of the information to be made available in the Annual Reports and to be contained in the Event Notices is summarized in Appendix F: "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

During the last five years, the Authority (a) did not timely file notice of insured rating changes of the bond insurer for the 2005 Bonds, which insured rating changes occurred in 2010 and 2011, (b) did not file notice of an underlying rating change for its Bonds that occurred in 2012, and (c) did not timely file notice of an underlying rating change for its Bonds that also occurred in 2012.

### **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 2015 Bonds. The Financial Advisor does not assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **VERIFICATION AGENT**

At the time of delivery of the 2015 Bonds, The Arbitrage Group, Inc., is expected to deliver a report as to the mathematical accuracy of certain computations contained in schedules provided to them by the Underwriter relating to the adequacy of the Escrow Fund investments and cash balances to provide for timely payment of the redemption price of the 2005 Bonds. See "PLAN OF REFUNDING."

## FINANCIAL STATEMENTS

The Basic Financial Statements of the Authority as of and for the years ended June 30, 2014 and 2013 set forth in Appendix A 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 opinions will be validated or that such estimates 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 2005 Development Agreement and the Airport Management Services Agreement, do not purport to be comprehensive or definitive, and prospective purchasers of the 2015 Bonds are referred to such statutes and documents in their entirety for the complete terms thereof. During the offering period of the 2015 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/ Steve Madison  
President

**APPENDIX A**  
**FINANCIAL STATEMENTS**

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**BURBANK-GLENDALE-PASADENA  
AIRPORT AUTHORITY**

Basic Financial Statements

June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

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**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Basic Financial Statements

June 30, 2014 and 2013

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Statements of Net Position	24
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Notes to Basic Financial Statements	29

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**Certified Public Accountants.**

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Sacramento

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Newport Beach

San Diego

Seattle

## **Independent Auditor's Report**

The Honorable Board of Commissioners  
Burbank-Glendale-Pasadena Airport Authority  
Burbank, California:

### **Report on the Basic Financial Statements**

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, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Basic Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

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, 2014 and 2013 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.

***Emphasis of Matter***

*Change in Accounting Principles*

As described in Note 2, effective July 1, 2012 the Authority adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the retroactive application of GASB Statement No. 65, the Authority restated the beginning net position at July 1, 2012 by \$2,053,515 to write off unamortized bond issuance costs (other than bond insurance premiums) previously reported as an asset and reduced the amortization of such bond issue costs in FY 2013 in the amount of \$96,710. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 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. 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* in considering the Authority's internal control over financial reporting and compliance.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
December 9, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

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, 2014 and 2013 (as restated). 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 position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the basic financial statements.

The statements of net position present information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Authority currently has no deferred outflows of resources or deferred inflows of resources to report.

The statements of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the fiscal year. All changes in net position 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.

The restatement of the Authority's fiscal year (FY) 2013 financial statements resulted from the implementation of Government Account Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). This resulted in a reduction of beginning net position of \$2,053,515 effective July 1, 2012 to write off unamortized bond issue costs (other than bond insurance premiums) previously reported as an asset, and a reduction in amortization of such bond issue costs in FY 2013 of \$96,710 (see note 2(r)).

### Highlights of Airport Activities

- The assets of the Authority exceeded its liabilities (*net position*) at June 30, 2014 and 2013 (as restated) by \$461,610,797 and \$457,055,137, respectively. Of this amount, \$122,536,629 and \$122,760,565, respectively, may be used to meet the Authority's ongoing obligations to Airport users and creditors (*unrestricted net position*).
- The Authority's total net position increased by \$4,555,660 and \$2,219,417 in the fiscal years ended June 30, 2014 and 2013 (as restated), respectively.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

- The Authority's net capital assets increased by \$36,121,962 in FY 2014, consisting of additions of \$51,795,141, deletions of \$1,168,407 (net of accumulated depreciation of \$471,742), and depreciation expense of \$14,504,772. Included in deletions is \$1,166,527 of construction-in-progress projects that the Authority determined would not move forward, which amount is included in loss on disposal of capital assets. The Authority's net capital assets increased by \$47,165,726 in FY 2013, consisting of additions of \$64,643,143, deletions of \$3,423,975 (net of accumulated depreciation of \$10,469,428), and depreciation expense of \$14,053,442. Included in deletions is \$3,408,481 (net of accumulated depreciation of \$7,301,754) of certain capital assets or portions of capital assets on the A-1 North Property that were demolished or partially demolished as part of the ongoing construction of the Regional Intermodal Transportation Center (RITC). The loss on disposal of these capital assets is included in Special Items on the accompanying Statement of Revenues, Expenses and Changes in Net Position.
- Operational Results:
  - In FY 2014 total passengers of 3,816,578 declined from FY 2013 by 3.9% and in FY 2013 total passengers of 3,971,804 declined from FY 2012 by 5.6%. 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. 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. However, 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 impact of the sluggish national economy on the airline industry and passenger activity is expected to continue in FY 2015.
  - Total operating revenues generated during FY 2014 increased by \$1,282,597, or 2.9%, from FY 2013. Total operating revenues generated during FY 2013 increased by \$1,507,697, or 3.5%, from FY 2012.
  - Total operating expenses incurred during FY 2014 increased by \$1,779,839, or 3.6%, from FY 2013 (increase of \$1,328,509 or 3.8% excluding depreciation expense). Total operating expenses incurred during FY 2013 decreased by \$1,372,942, or 2.7%, from FY 2012 (decrease of \$1,202,889 or 3.3% excluding depreciation expense).
  - The Airport was served during FY 2014 and FY 2013 by seven signatory carriers: Alaska Airlines, Delta Air Lines, JetBlue Airways, Seaport Airlines, Southwest Airlines, United Airlines and U.S. Airways. Seaport Airlines began service on May 1, 2013. Delta Air Lines and United Airlines replaced SkyWest Airlines as signatory carriers in FY 2013 due to a change in their operating agreements for the Delta Connection and United Express service.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

- As the Authority's residential sound insulation program reaches maturity, during FY 2014 the Airport acoustically treated approximately 32 residences with none in progress at June 30, 2014. During FY 2013 the Airport acoustically treated approximately 129 residences (of which 99 were in progress at June 30, 2012) with none in progress at June 30, 2013. The funding for the sound insulation 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. Effective October 10, 2013, the Federal Aviation Administration (FAA) accepted an updated noise exposure map (NEM), which depicts the boundaries of the 65 community noise equivalent level (CNEL) noise exposure area. The NEM, which reflects a decrease in the size of the area surrounding the airport exposed to 65 CNEL, was updated as part of a Part 150 Noise Compatibility Study. This study is still in process, the results of which may deem as eligible multi-family and an additional number of single family residences to the sound insulation program in the revised noise contour area.

**Schedule of Net Position**

A summary of the Airport's net position as of June 30, 2014, 2013 and 2012 is shown below. The impact of implementation of GASB 65 is shown effective July 1, 2011 with restatements of FY 2013 and FY 2012 for MD&A purposes.

Schedule of Net Position							
	2014	2013, as restated	2012, as restated	FY 2013/14 increase (decrease)		FY 2012/13 increase (decrease)	
				Amount	%	Amount	%
<b>Assets:</b>							
Current unrestricted assets	\$ 31,297,211	\$ 34,128,851	\$ 31,991,125	\$ (2,831,640)	(8.3)%	\$ 2,137,726	6.7%
Restricted assets	113,729,716	148,072,420	190,513,756	(34,342,704)	(23.2)	(42,441,336)	(22.3)
Facility Development Reserve	101,395,103	101,395,103	105,000,000	—	0.0	(3,604,897)	(3.4)
Bond insurance premiums	191,127	210,841	230,554	(19,714)	(9.4)	(19,713)	(8.6)
Capital assets, net	<u>363,113,761</u>	<u>326,991,799</u>	<u>279,826,073</u>	<u>36,121,962</u>	11.0	<u>47,165,726</u>	16.9
Total assets	<u>609,726,918</u>	<u>610,799,014</u>	<u>607,561,508</u>	<u>(1,072,096)</u>	(0.2)	<u>3,237,506</u>	0.5
<b>Liabilities:</b>							
Current liabilities	12,884,755	15,408,532	12,970,300	(2,523,777)	(16.4)	2,438,232	18.8
Liabilities payable from restricted assets	6,381,341	6,314,854	4,699,532	66,487	1.1	1,615,322	34.4
Noncurrent liabilities	<u>128,850,025</u>	<u>132,020,491</u>	<u>135,055,956</u>	<u>(3,170,466)</u>	(2.4)	<u>(3,035,465)</u>	(2.2)
Total liabilities	<u>148,116,121</u>	<u>153,743,877</u>	<u>152,725,788</u>	<u>(5,627,756)</u>	(3.7)	<u>1,018,089</u>	0.7
<b>Net position:</b>							
Net investment in capital assets	245,399,825	242,490,540	218,482,204	2,909,285	1.2	24,008,336	11.0
Restricted, debt service	13,272,492	11,572,383	11,422,569	1,700,109	14.7	149,814	1.3
Restricted, capital projects	80,401,851	80,231,649	98,348,907	170,202	0.2	(18,117,258)	(18.4)
Unrestricted	<u>122,536,629</u>	<u>122,760,565</u>	<u>126,582,040</u>	<u>(223,936)</u>	(0.2)	<u>(3,821,475)</u>	(3.0)
Total net position	<u>\$ 461,610,797</u>	<u>\$ 457,055,137</u>	<u>\$ 454,835,720</u>	<u>\$ 4,555,660</u>	1.0	<u>\$ 2,219,417</u>	0.5

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

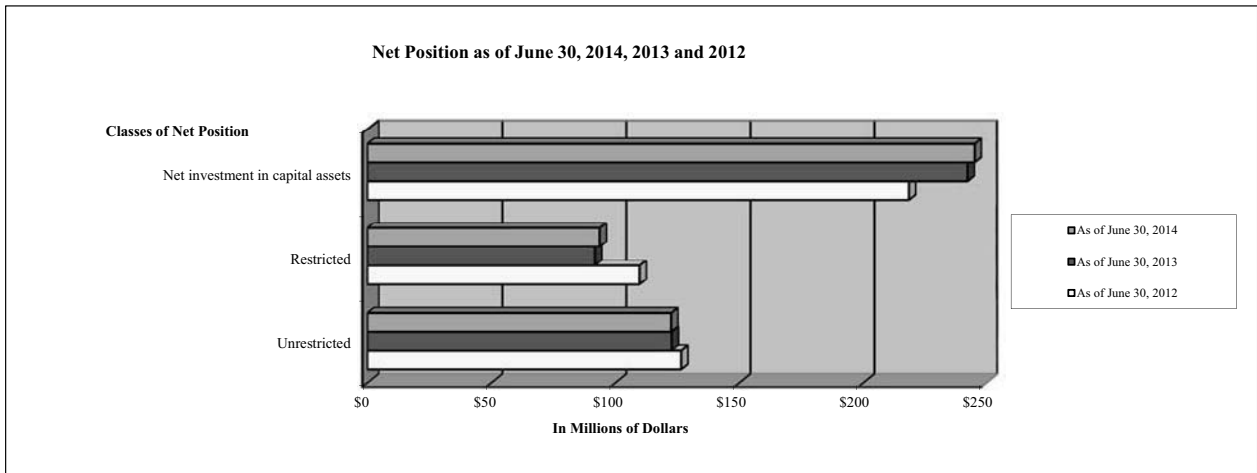
***Net Position***

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities (net position) by \$461,610,797, \$457,055,137 and \$454,835,720 at the close of FY 2014, FY 2013 and FY 2012, respectively.

The largest portion of the Authority's net position (53.2%, 53.1% and 48.0% at June 30, 2014, 2013 and 2012, respectively) reflects its investment in capital assets (e.g., land, buildings, runways, etc.); 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, 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 portion of the Authority's net position (20.3%, 20.1% and 24.1% at June 30, 2014, 2013 and 2012, respectively) represents resources that are subject to external restrictions on how they may be used. Of this restricted net position, 14.2%, 12.6% and 10.4% are for repayment of long-term debt and 85.8%, 87.4% and 89.6% are for construction of capital assets at June 30, 2014, 2013 and 2012, respectively.

The final portion of net position is unrestricted net position and may be used to meet the Authority's ongoing obligations to Airport users and creditors.



As of June 30, 2014, 2013 and 2012, the Authority reported positive balances in all three categories of net position.

***Current Unrestricted Assets***

The Authority's current unrestricted assets decreased by \$2,831,640, or 8.3%, in FY 2014 primarily resulting from reduced cash and investment requirements as the RITC project nears completion (-\$2,122,284), increased grants receivable from additional qualifying grant expenditures (\$431,146) and reduced other receivables due to collection of prior year insurance receivables (-\$668,355) and reduction in amounts due from the Transportation Security Administration (TSA) for an upgrade to its baggage inspection systems (-\$385,178).



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The Authority's current unrestricted assets increased by \$2,137,726, or 6.7%, in FY 2013 primarily resulting from increased cash and investments from net operating revenues (\$819,230) and other receivables related primarily to insurance reimbursement receivables for damaged engineered material arresting system (EMAS) (\$623,011) and runway lighting systems (\$45,344), and amounts due from the TSA for an upgrade to its baggage inspection systems (\$573,415). During FY 2013, \$2,250,000 was transferred from the Facility Development Reserve to the Current Operating Fund representing the net increase of advances for the Authority share of RITC construction (\$5.5 million) less the increase in net cash from operations of \$3.25 million.

#### ***Restricted Assets***

The Authority's restricted assets decreased by \$34,342,704 or 23.2% in FY 2014. The decrease in restricted assets consists of a net decrease in trustee-held cash and investments of \$36,072,703 (including drawdown of \$31,896,334 of 2012 Bonds construction funds, decrease of \$4,332,095 of 2012 Bonds debt service funds for debt service, and an increase in other trustee-held cash and investment of \$155,726), a net decrease of \$1,167,862 of Passenger Facility Charge (PFC) funds (\$7,907,381 of PFC revenues received and net interest less \$9,075,243 drawn for reimbursement of eligible project costs), a net increase of \$1,420,980 of Customer Facility Charge (CFC) funds (\$4,871,904 of CFC revenues received less \$1,459,500 transferred to the Bond Surplus Fund and less \$1,991,424 drawn for reimbursement of RITC project costs), an increase of \$1,459,500 deposited to the Bond Surplus Fund from the CFC Fund, and other changes totaling a net increase of \$17,381.

The Authority's restricted assets decreased by \$42,441,336 or 22.3% in FY 2013. The decrease in restricted assets consists of \$23,340,978 of 2012 Bonds construction funds, \$13,428,021 of CFC funds and \$9,331,705 of PFC funds drawn down for reimbursement of RITC project costs; \$8,508,502 of PFC funds drawn down for reimbursement of sound insulation program costs and other capital projects; \$2,779,761 of debt service on the 2012 Bonds; a reduction of \$193,159 in PFC, CFC and restricted interest receivables; offset by additions of \$8,488,661 of PFC revenues and interest; \$1,354,897 transferred from the Facility Development Reserve to the Bond Surplus Fund; \$4,881,355 of CFC revenues; an increase of \$121,727 in other cash and investments with trustee; an increase of \$222,460 in the Operating Reserve Fund and an increase of \$71,690 in other restricted cash funds.

Debt Service and Debt Service Reserve funds relate to debt service requirements and accumulated interest earnings of the 2005 Bonds and the 2012 Bonds. The Operating Reserve Fund, a fund required by the Bond Indenture in an amount equal to one fourth of the operations and maintenance budget, increased \$102,397 and \$222,460 based on a corresponding increase in that budget for FY 2014 and FY 2013, respectively. The deposits to the Bond Surplus fund of \$1,459,500 in FY 2014 and \$1,354,897 in FY 2013 represent 25% of maximum annual debt service on the 2012 Bonds and 2005 Bonds, respectively, and may be used beginning in FY 2015 and FY 2014, respectively, for bond debt service coverage requirements.

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, 2014 and 2013 totaled \$7,839,780 and \$8,306,776, respectively, including interest and changes in fair value in the PFC Fund of \$121,262 and \$128,511,

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respectively. During the fiscal years ended June 30, 2014 and 2013, funds totaling \$9,075,243 and \$17,840,206, respectively, for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of these amounts, \$6,184,045 and \$9,331,704, respectively, were for the RITC project; \$312,379 and \$797,828, respectively, were for sound insulation program expenses and \$2,578,819 and \$7,710,674, respectively, were 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 transactions. 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, 2014 and 2013 totaled \$4,904,964 and \$4,856,431, respectively, and funds totaling \$1,991,424 and \$13,428,021, respectively, for eligible CRCF construction costs were reimbursed to the Current Operating Fund from the CFC Fund and \$1,459,500 in FY 2014 were deposited to the Bond Surplus Fund from the CFC Fund.

### ***Facility Development Reserve***

Cash and investments – Facility Development Reserve was unchanged in FY 2014 and decreased \$3,604,897, or 3.4%, in FY 2013. This fund was established by the Authority during FY 2000 to provide for the development of the terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects is determined based on the approval of the Authority. In FY 2013, \$1,354,897 was transferred to the Bond Surplus Fund (see current restricted assets above) and \$2,250,000 was transferred to the Current Operating Fund (see current unrestricted assets above).

### ***Capital Assets***

The Authority's net capital assets increased \$36,121,962, or 11.0%, in FY 2014 and \$47,165,726, or 16.9%, in FY 2013.

The net increase in capital assets of \$36,121,962 in FY 2014 includes additions of \$51,795,141, deletions of \$1,168,407 (net of accumulated depreciation of 471,742), and depreciation expense of \$14,504,772. Included in deletions is \$1,166,527 of construction-in-progress projects that the Authority determined would not move forward, which amount is included in Loss on Disposal of Capital Assets on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

FY 2014 additions to capital assets of \$51,795,141 include \$47,809,021 related to construction in progress on the RITC project. Other additions include the replacement parking structure, common use passenger processing system (CUPPS), noise monitoring system and Runway 33 safety improvements. FY 2014 deletions include depreciation of \$14,504,772, the construction-in-progress projects that the Authority determined would not move forward and other deletions of Terminal B modifications for passenger screening and replaced Runway 33 safety modifications.

The net increase in capital assets of \$47,165,726 in FY 2013 includes additions of \$64,643,143, deletions of \$3,423,975 (net of accumulated depreciation of \$10,469,428), and depreciation expense of \$14,053,442. Included in deletions is \$3,408,481 (net of accumulated depreciation of \$7,301,754) of

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certain capital assets or portions of capital assets on the A-1 North Property that were demolished or partially demolished as part of the ongoing construction of the RITC. The loss on disposal of these capital assets is included in Special Items on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

FY 2013 additions to capital assets of \$64,643,143 include \$54,572,822 related to construction in progress on the RITC project. Other additions include aircraft rescue and firefighting (ARFF) Station rehabilitation – exterior, digital video surveillance system (DVSS) Phase IV, autos and trucks, runway rehabilitation, and additions to construction in progress on the CUPPS and noise monitoring system projects. FY 2013 deletions include depreciation of \$14,053,442 and other deletions of terminal ticket counters and paging system related to CUPPS project, and the Runway 15 Blast Fence.

### ***Current Liabilities***

Current liabilities decreased \$2,523,777, or 16.4%, in FY 2014. The decrease results from a decrease in vendor accruals related to capital projects of \$2,862,148, a decrease in vendor accruals related to operating accounts of \$683,549, an increase in other vendor accruals of \$104,450, an increase in vendor accruals for the replacement terminal development program of \$284,188, an increase in unearned tenant rents of \$448,618 an increase in salaries and benefits payable of \$105,588, and an increase in customer deposits of \$79,076.

Current liabilities increased \$2,438,232, or 18.7%, in FY 2013. The increase results from an increase in vendor accruals related to capital projects of \$2,687,807, the TSA baggage inspection upgrade project of \$350,753 and other vendor accruals of \$84,038; a decrease in vendor accruals related to the sound insulation program of \$711,907 and operating activities of \$149,072; an increase in salaries and benefits payable of \$111,514; a decrease of \$16,691 in unearned tenant rents; and an increase in customer deposits of \$81,790.

### ***Liabilities Payable from Restricted Assets***

Liabilities payable from restricted assets increased by \$66,487, or 1.1%, in FY 2014 and increased \$1,615,322, or 34.4%, in FY 2013. The increase in FY 2014 reflects a net increase of \$135,000 in the current portion of 2005 Bonds payable, and a decrease of \$68,513 of 2005 Bonds interest payable due to a principal payment of \$2,880,000 in FY 2014. The increase in FY 2013 reflects a net increase of \$125,000 in the current portion of 2005 Bonds payable, a decrease of \$62,012 of 2005 Bonds interest payable due to a principal payment of \$2,755,000 in FY 2013 and an increase of \$1,552,334 of 2012 Bonds interest payable due to a full 6-month interest accrual period at June 30, 2013 versus 1.7 months at June 30, 2012 when the bonds were issued.

### ***Noncurrent Liabilities***

Noncurrent liabilities decreased by \$3,170,466, or 2.4%, in FY 2014 and decreased \$3,035,465 or 2.2%, in FY 2013. The decrease in FY 2014 includes reclassification of the current portion of the 2005 Bonds of \$3,015,000, and the amortization of the original issue premium on the 2005 Bonds of \$149,232 and the amortization of the original issue premium on the 2012 Bonds of \$6,234. The decrease in FY 2013 includes reclassification of the current portion of the 2005 Bonds of \$2,880,000, and the amortization of the original issue premium on the 2005 Bonds of \$149,232 and the amortization of the original issue premium on the 2012 Bonds of \$6,233.

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**Schedule of Revenues, Expenses and Changes in Net Position**

The following table illustrates a condensed summary of the changes in net position for the fiscal years ended June 30, 2014, 2013 and 2012. The impact of implementation of GASB 65 is shown effective July 1, 2011 with restatements of FY 2013 and FY 2012 for MD&A purposes.

	Schedule of Revenues, Expenses, and Changes in Net Position						
	FY 2014	FY 2013, as restated	FY 2012, as restated	FY 2013/14		FY 2012/13	
				Amount	%	Amount	%
Operating revenues	\$ 46,244,730	\$ 44,962,133	\$ 43,454,436	\$ 1,282,597	2.9%	\$ 1,507,697	3.5%
Operating expenses	50,947,060	49,167,221	50,540,163	1,779,839	3.6	(1,372,942)	(2.7)
Operating loss	(4,702,330)	(4,205,088)	(7,085,727)	(497,242)	11.8	2,880,639	(40.7)
Nonoperating revenues, net	6,333,187	6,951,437	9,372,729	(618,250)	(8.9)	(2,421,292)	(25.8)
Income before contributions and special item	1,630,857	2,746,349	2,287,002	(1,115,492)	(40.6)	459,347	20.1
Capital contributions	2,442,212	1,746,622	2,611,810	695,590	39.8	(865,188)	(33.1)
Special items	482,591	(2,273,554)	1,247,748	2,756,145	(121.2)	(3,521,302)	(282.2)
Changes in net position	4,555,660	2,219,417	6,146,560	2,336,243	105.3	(3,927,143)	(63.9)
Total net position – beginning of year, as previously reported	457,055,137	454,835,720	449,176,057	2,219,417	0.5	5,659,663	1.3
Change in accounting principles, GASB 65	—	—	(486,897)	—	n/a	486,897	(100.0)
Total net position – beginning of year, as restated	457,055,137	454,835,720	448,689,160	2,219,417	0.5	6,146,560	1.4
Total net position – end of year	\$ 461,610,797	\$ 457,055,137	\$ 454,835,720	\$ 4,555,660	1.0	\$ 2,219,417	0.5

**Traffic Activities**

Commercial aircraft operations (takeoffs and landings) and landing weight reflect decreases during FY 2014 of 7.1% and 6.9%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, increased by 3.9% in FY 2014. Commercial aircraft operations (takeoffs and landings) and landing weight reflect decreases during FY 2013 of 6.3% and 6.3%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, decreased slightly by 0.1% in FY 2013.

Total passenger levels decreased by 3.9% and 5.6% in FY 2014 and FY 2013, 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 2014, FY 2013 and FY 2012:

Description	FY 2014	FY 2013	FY 2012	% increase (decrease)	
				FY 2013/14	FY 2012/13
Commercial carrier flight operations (takeoffs and landings)	47,070	50,691	54,110	(7.1)%	(6.3)%
Landing weight (in pounds)	2,825,497,266	3,036,084,287	3,239,082,178	(6.9)	(6.3)
Total enplaned and deplaned passengers	3,816,578	3,971,804	4,206,023	(3.9)	(5.6)
Cargo tonnage (in tons)	53,967	51,948	51,989	3.9	(0.1)

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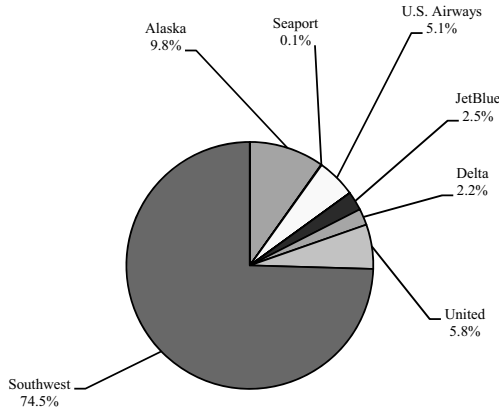
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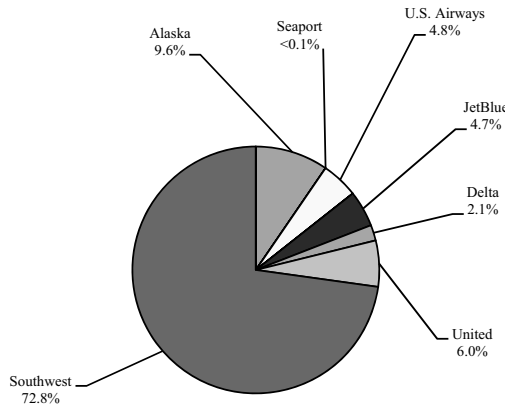
Illustrated below is the passenger traffic share by airline for fiscal years ended June 30, 2014 and 2013:

**Total Passengers by Air Carrier – FY 2014**



<i>Air Carrier</i>	<i>Number of Passengers</i>
Alaska Airlines	374,526
Delta Air Lines	81,947
JetBlue Airways	94,744
Seaport Airlines	2,429
Southwest Airlines	2,845,051
United Airlines	221,604
U.S. Airways	196,277
<b>Total Passengers</b>	<b>3,816,578</b>

**Total Passengers by Air Carrier – FY 2013**



<i>Air Carrier</i>	<i>Number of Passengers</i>
Alaska Airlines	379,267
Delta Air Lines	81,728
JetBlue Airways	187,921
Seaport Airlines	374
Southwest Airlines	2,891,728
United Airlines	239,818
U.S. Airways	190,968
<b>Total Passengers</b>	<b>3,971,804</b>

**\*\* Note:**

Due to a change in operating agreements, Delta Air Lines and United Airlines replaced SkyWest Airlines as signatory airlines in FY 2013.

Seaport Airlines commenced service effective May 1, 2013.

JetBlue Airways reduced service to New York from three daily flights to one daily flight in January 2013

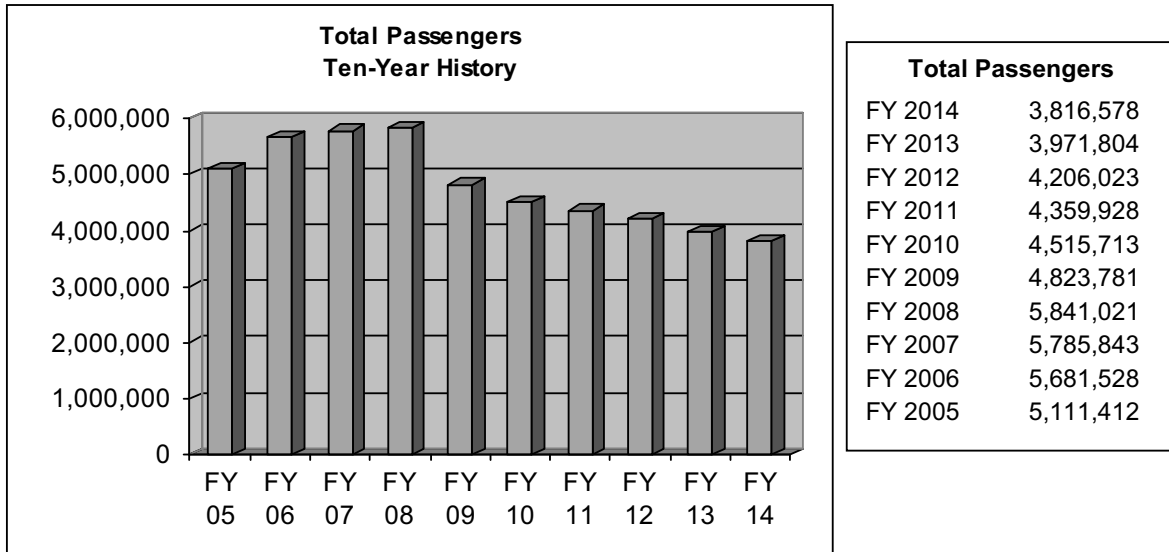
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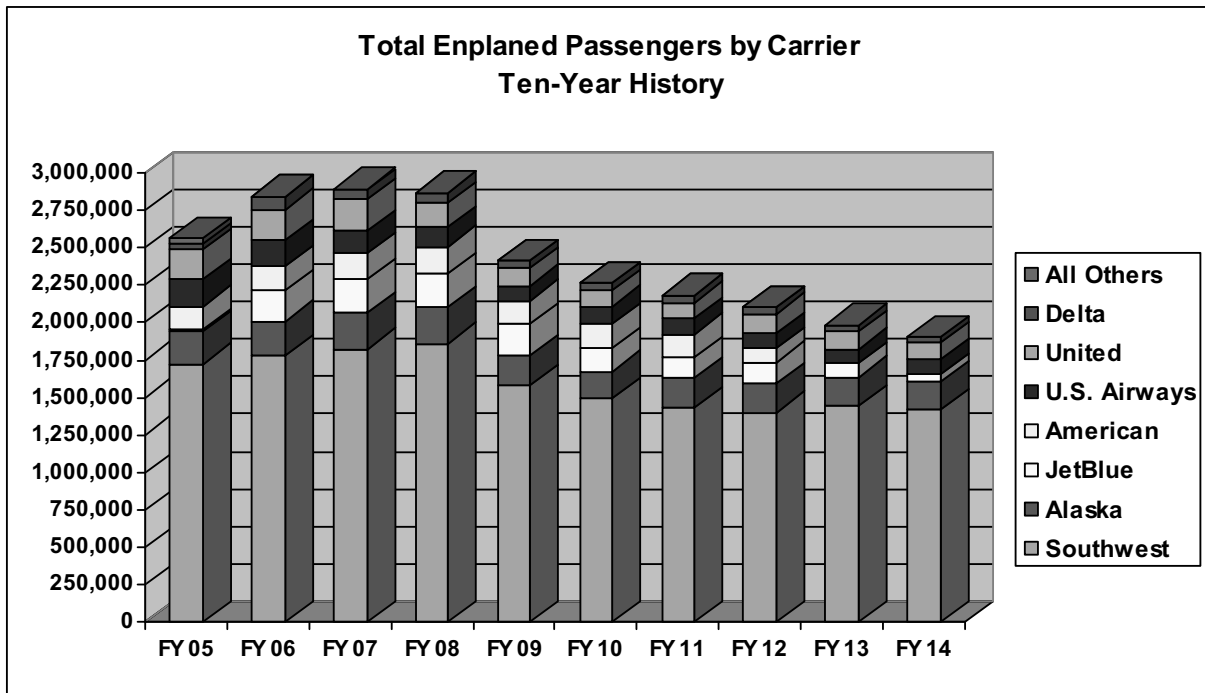
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Illustrated below is a ten-year history of total passengers:



Illustrated below is a ten-year history of enplaned passengers, by carrier:



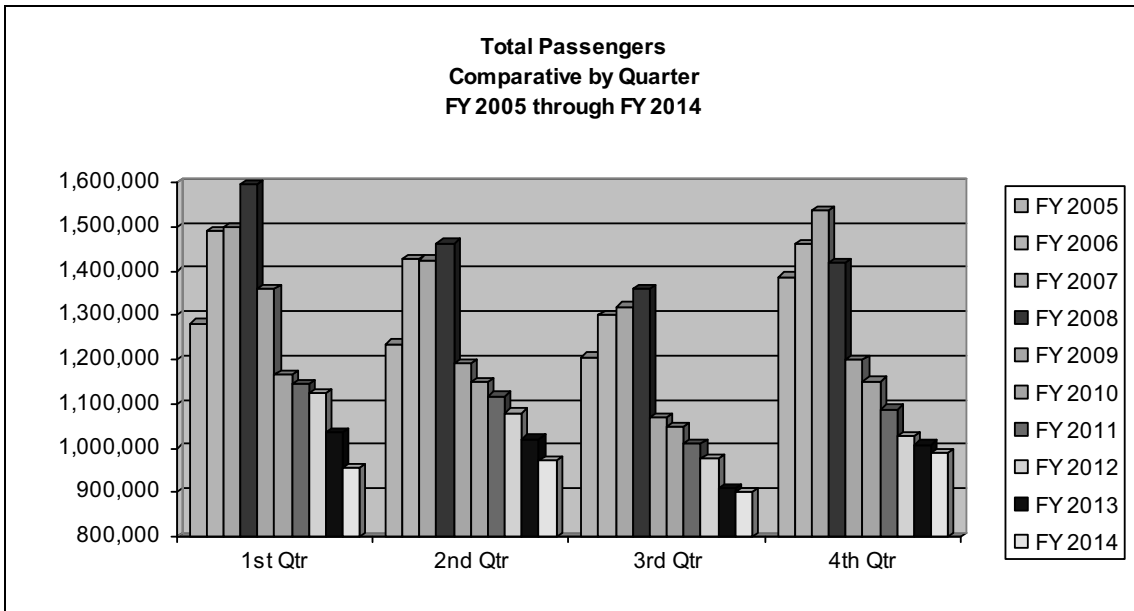
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Illustrated below is a comparison, by quarter, of passenger activity for FY 2005 through FY 2014.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Passengers
<b>FY 2005</b>	1,281,556	1,235,911	1,205,963	1,387,982	5,111,412
<b>FY 2006</b>	1,489,935	1,428,739	1,302,471	1,460,383	5,681,528
<b>FY 2007</b>	1,500,235	1,426,202	1,320,763	1,538,643	5,785,843
<b>FY 2008</b>	1,597,498	1,464,432	1,360,627	1,418,464	5,841,021
<b>FY 2009</b>	1,361,546	1,190,767	1,070,324	1,201,144	4,823,781
<b>FY 2010</b>	1,167,429	1,149,536	1,047,910	1,150,838	4,515,713
<b>FY 2011</b>	1,144,365	1,118,158	1,009,449	1,087,956	4,359,928
<b>FY 2012</b>	1,124,984	1,079,179	975,529	1,026,331	4,206,023
<b>FY 2013</b>	1,034,440	1,020,116	909,364	1,007,884	3,971,804
<b>FY 2014</b>	956,080	971,062	901,596	987,840	3,816,578

**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.

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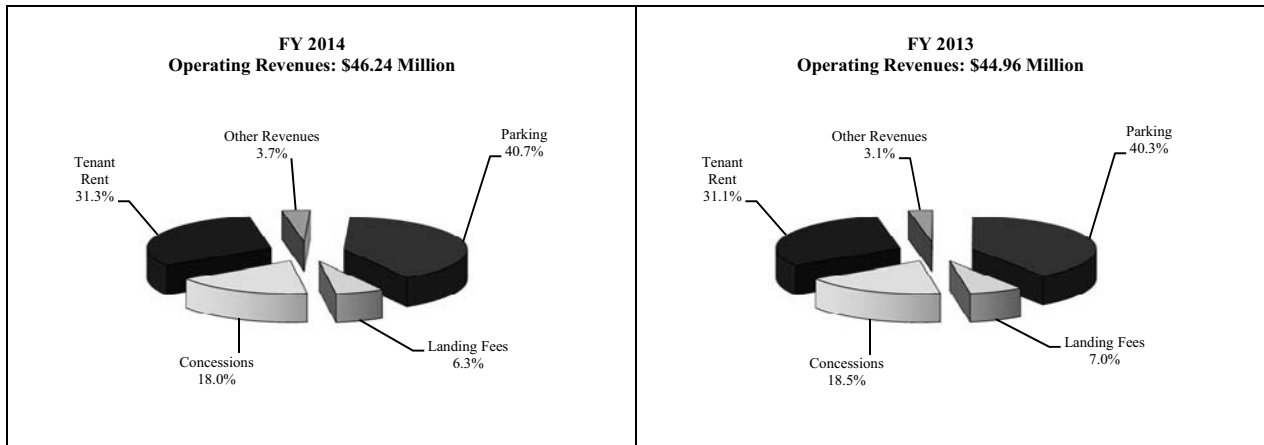
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The following table illustrates a comparative summary of operating revenues in FY 2014, FY 2013 and FY 2012:

	Comparative Summary of Operating Revenues						
	FY 2014	FY 2013	FY 2012	FY 2013/14		FY 2012/13	
				Amount	%	Amount	%
Parking	\$ 18,832,517	\$ 18,128,538	\$ 18,767,804	\$ 703,979	3.9%	\$ (639,266)	(3.4)%
Landing fees	2,927,426	3,137,690	2,762,824	(210,264)	(6.7)	374,866	13.6
Concessions	8,317,353	8,298,815	8,163,553	18,538	0.2	135,262	1.7
Tenant rent	14,477,727	13,993,119	12,762,592	484,608	3.5	1,230,527	9.6
Other operating revenues	1,689,707	1,403,971	997,663	285,736	20.4	406,308	40.7
<b>Total operating revenues</b>	<b>\$ 46,244,730</b>	<b>\$ 44,962,133</b>	<b>\$ 43,454,436</b>	<b>\$ 1,282,597</b>	<b>2.9</b>	<b>\$ 1,507,697</b>	<b>3.5</b>

The charts below illustrate the distribution of major sources of operating revenues in FY 2014 and FY 2013:



Total operating revenues increased by \$1,282,597, or 2.9%, during FY 2014. Parking revenues, landing fees and concessions are generally directly impacted by decreased passenger levels and reduced air carrier activity from the impacts of the national economic recession. Parking revenues increased by \$703,979, or 3.9%, because (i) the parking increment that was part of the Special Item was returned to the Operating Fund after December 7, 2013 totaling \$683,775 (see note 17), (ii) the full year impact of parking lot rate changes made in FY 2013 of \$708,534, and (iii) offset by the decrease in parking demand of -\$688,330. Landing fees declined \$210,264, or 6.7%, because of decreased number of landing aircraft reflecting reduced passenger demand and change in aircraft types. Concession revenues increased by \$18,538, or 0.2%, primarily due to improved food/beverage performance due to expanded menu options. Changes to components of concession fees include off-airport rental cars (a 23.9% decrease), on airport rental cars (flat), food/beverage (a 7.3% increase), gift/news (flat) and advertising (flat). Tenant rent increased by



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\$484,608, or 3.5%, primarily due to contractual increases in existing leases (CPI adjustments) of \$249,882, the impact of leases for new tenants in FY 2014 (\$401,052), leases terminated in FY 2014 (-\$148,350), changes in terms for certain leases (\$132,024) and a tenant improvement allowance for a lease renewal (-\$150,000). Other operating revenues increased by \$285,736, or 20.4%, primarily due to increased movie and television location shooting (\$256,270), and increased reimbursement from TSA for certain eligible law enforcement costs (\$32,206).

Total operating revenues increased by \$1,507,697, or 3.5%, during FY 2013. That portion of operating revenues which were directly impacted by decreased passenger levels and reduced air carrier activity from the impacts of the national economic recession include parking revenues, which decreased \$639,266, or 3.4%; concession revenues, which increased \$135,262, or 1.7% primarily because of contract year-end adjustments in FY 2012 (\$124,732); and landing fees, which increased \$374,866, or 13.6% primarily because of rate increases. Parking revenues were impacted by increased rates (\$1 per day in lots B, C, E and valet effective January 2013) offset by the decline in passengers. Changes to components of concession revenues include rental cars (a 0.6% increase), food/beverage (a 0.1% increase), gift/news (a 1.7% increase) and advertising (a 14.9% increase). Landing fees are impacted by a 21.2% increase in rates effective July 2012 (\$540,351) offset by decreased number of landing aircraft and changes for some operations to smaller aircraft (-\$165,485). Tenant rent increased by \$1,230,527, or 9.6%, primarily due to contractual increases in existing leases (CPI adjustments) of \$271,121, the impact of leases for new tenants in FY 2013 (\$317,488), leases terminated in FY 2013 (-\$18,269), increase in ground lease following occupancy (\$360,626) and a tenant improvement allowance for new tenants in FY 2012 (\$275,000). Other operating revenues increased by \$406,308, or 40.7%, primarily due to increased movie and television location shooting (\$202,536), reimbursement from TSA for certain eligible law enforcement costs (\$105,114), collection of American Airlines pre-bankruptcy receivable written off in FY 2012 (\$40,833) and increase fuel flowage fees (\$33,176).

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***Operating Expenses***

The following illustrates a comparative summary of operating expenses in FY 2014, FY 2013 and FY 2012:

	Operating Expenses Summary						
	FY 2014	FY 2013	FY 2012	FY 2013/14		FY 2012/13	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Contracted airport services	\$ 16,288,319	\$ 15,519,119	\$ 15,902,247	\$ 769,200	5.0%	\$ (383,128)	(2.4)%
Salaries and benefits	4,203,080	3,969,864	3,722,641	233,216	5.9	247,223	6.6
Financial services	759,460	726,530	703,995	32,930	4.5	22,535	3.2
Rescue services	2,093,333	1,975,000	1,900,000	118,333	6.0	75,000	3.9
Repairs and maintenance, materials and supplies	5,045,622	4,824,310	5,489,154	221,312	4.6	(664,844)	(12.1)
Utilities	1,785,299	1,705,004	1,704,783	80,295	4.7	221	0.0
Professional services	2,117,862	2,214,234	2,571,717	(96,372)	(4.4)	(357,483)	(13.9)
Insurance	1,215,492	1,355,778	1,392,037	(140,286)	(10.3)	(36,259)	(2.6)
Other operating expenses	<u>2,933,821</u>	<u>2,823,940</u>	<u>2,930,094</u>	<u>109,881</u>	3.9	<u>(106,154)</u>	(3.6)
Operating expenses before depreciation	36,442,288	35,113,779	36,316,668	1,328,509	3.8	(1,202,889)	(3.3)
Depreciation	<u>14,504,772</u>	<u>14,053,442</u>	<u>14,223,495</u>	<u>451,330</u>	3.2	<u>(170,053)</u>	(1.2)
Total operating expenses	<u>\$ 50,947,060</u>	<u>\$ 49,167,221</u>	<u>\$ 50,540,163</u>	<u>\$ 1,779,839</u>	3.6	<u>\$ (1,372,942)</u>	(2.7)

Total operating expenses increased by \$1,779,839, or 3.6%, in FY 2014 due to a combination of factors, as follows: (1) increased contracted airport services (increase of \$769,200) due to (i) increased parking operator costs of \$94,304 primarily due to increased personnel costs, and (ii) increased Airport Manager costs of \$674,896 primarily related to filling of open positions, reduction of costs charged to the sound insulation and capital programs, and the merit and retention pool; (2) increased salaries and benefits for airport police officers (increase of \$233,216) in accordance with the revised agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union; (3) increased contractually-based rescue services (increase of \$118,333); (4) increased repairs and maintenance costs primarily due to the aging bus fleet (increase of \$167,736), and widening of crosswalks on airport roadways to accommodate passenger traffic to the RITC (\$16,550) and other Avenue A paving repairs (increase of approximately \$50,000); (5) a decrease in insurance costs as positive results were obtained on policy renewals (decrease of \$140,286); (6) an increase of depreciation expense of \$451,330 because asset additions in FY 2014 and FY 2013 exceeded assets fully depreciated in FY 2014 and FY 2013 by \$3.35 million; and (7) an increase in other operating expenses (increase of \$109,881) primarily resulting from increased City of Burbank parking taxes from increased parking revenues.

Total operating expenses decreased by \$1,372,942, or 2.7%, in FY 2013 due to a combination of factors, as follows: (1) decreased contracted airport services (decrease of \$383,128) primarily due to more efficient staff allocation by the parking operator offset by increased Airport Manager costs primarily related to cost of living adjustments and filling of open positions; (2) increased salaries and benefits for airport police officers (increase of \$247,223) in accordance with the related agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union; (3) decreased repairs and maintenance costs primarily

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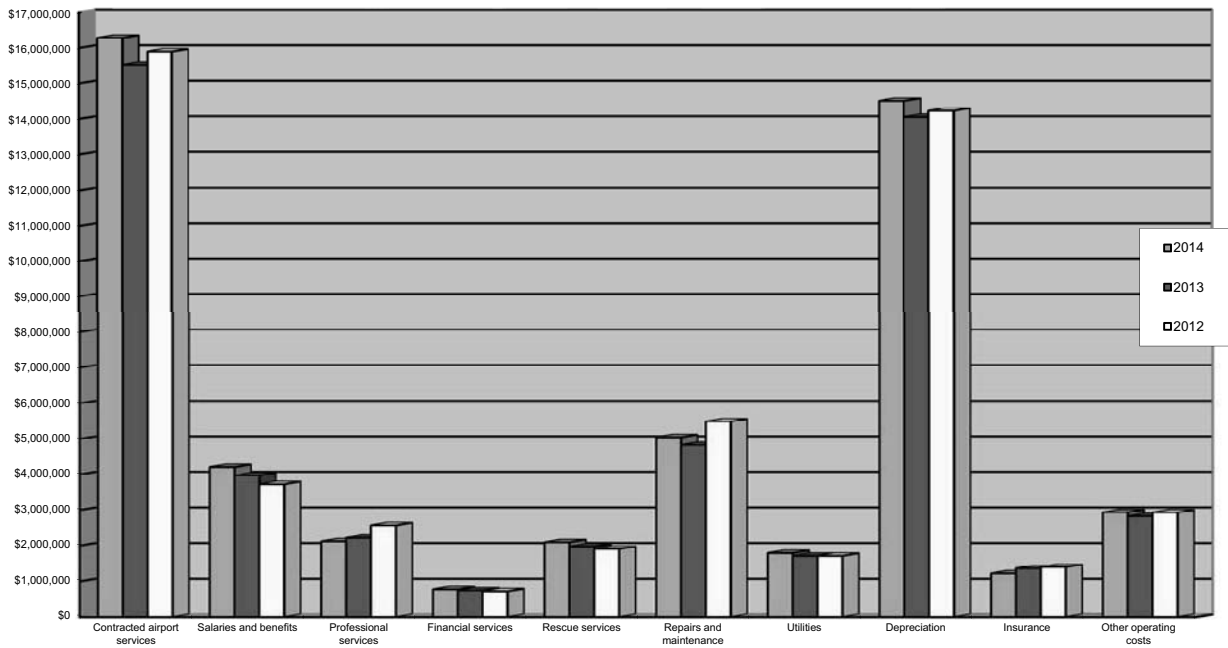
Management's Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

due to airfield striping paint removal in FY 2012 (decrease of \$415,000) and a reduction in required roofing and plumbing repairs; and (4) a decrease in professional services (decrease of \$357,483) primarily related to a decrease in legal expenses (decrease of \$184,711), wildlife hazard assessment conducted in FY 2012 (decrease of \$77,015) and decreased temporary staff costs (decrease of \$61,956).

**Operating Expenses**  
Years ended June 30, 2014, 2013 and 2012



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***Nonoperating Revenues and Expenses***

The following summary illustrates a comparison of nonoperating revenues and expenses in FY 2014, FY 2013 and FY 2012. The impact of implementation of GASB 65 is shown effective July 1, 2011 with restatements of FY 2013 and FY 2012 for MD&A purposes.

	Comparative Summary of Nonoperating Revenues and Expenses						
	FY 2014	FY 2013, as restated	FY 2012, as restated	FY 2013/14 increase (decrease)		FY 2012/13 increase (decrease)	
				Amount	%	Amount	%
Nonoperating revenues:							
PFC revenues	\$ 7,839,780	\$ 8,306,776	\$ 8,989,090	\$ (466,996)	(5.6)%	\$ (682,314)	(7.6)%
CFC revenues	4,904,964	4,856,431	5,154,028	48,533	1.0	(297,597)	(5.8)
Investment income	1,351,011	818,491	1,710,173	532,520	65.1	(891,682)	(52.1)
FAA and other grants	2,191,653	3,387,563	6,123,074	(1,195,910)	(35.3)	(2,735,511)	(44.7)
	<u>16,287,408</u>	<u>17,369,261</u>	<u>21,976,365</u>	<u>(1,081,853)</u>	(6.2)	<u>(4,607,104)</u>	(21.0)
Nonoperating expenses:							
Interest expense	3,830,439	5,511,396	2,564,834	(1,680,957)	(30.5)	2,946,562	114.9
2012 Bonds issuance costs	—	—	1,614,198	—	n/a	(1,614,198)	(100.0)
Sound insulation program	1,678,536	3,368,303	7,099,900	(1,689,767)	(50.2)	(3,731,597)	(52.6)
Loss (gain) on disposal of capital assets	1,165,155	(69,824)	(52,360)	1,234,979	(1,768.7)	(17,464)	33.4
Outreach and consensus	2,348,269	696,844	632,093	1,651,425	237.0	64,751	10.2
Other	931,822	911,105	744,671	20,717	2.3	166,434	22.4
	<u>9,954,221</u>	<u>10,417,824</u>	<u>12,603,336</u>	<u>(463,603)</u>	(4.5)	<u>(2,185,512)</u>	(17.3)
Total nonoperating revenues (expenses), net	\$ <u>6,333,187</u>	\$ <u>6,951,437</u>	\$ <u>9,373,029</u>	\$ <u>(618,250)</u>	(8.9)	\$ <u>(2,421,592)</u>	(25.8)

Nonoperating revenues of \$16,287,408 in FY 2014 and \$17,369,261 in FY 2013 consist of PFC revenues; CFC revenues; investment income, net of amounts capitalized of \$1,911 and \$7,207 in FY 2014 and FY 2013, respectively; and FAA sound insulation and other non-capital grants (capital grant revenues are included in capital contributions). PFC revenue decreased in FY 2014 and FY 2013 due to the decline in passenger traffic and reduced investment income on the PFC Fund resulting from a decline in interest rates. CFC revenue (for funding of the CRCF) increased in FY 2014 due to a small increase in number of customer transaction/days and decreased in FY 2013 due to a reduction in number of customer transaction/days. Investment income increased in FY 2014 because (i) the change in fair value of investments increased \$140,175 in FY 2014 offset by a decrease in fair value in FY 2013 of \$1,044,435 (a net increase of \$1,184,610), (ii) a decrease in interest revenues of \$657,386 due to a decrease in interest rates and a decrease in bond construction funds, and (iii) a decrease in capitalized interest revenue of \$5,296. Investment income decreased in FY 2013 due to (i) the change in fair value of investments decreased \$1,044,435 in FY 2013 offset by a decrease of \$907,135 in FY 2012 (a net decrease of \$137,300), (ii) a decrease in interest revenues of \$797,609 due to a decrease in interest rates and a decrease in bond construction funds, and (iii) a decrease in capitalized interest revenue of \$43,227. FAA sound insulation grant revenues decreased in FY 2014 and FY 2013 because of related changes in sound insulation program costs as the program is reaching maturity.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

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Nonoperating expenses of \$9,954,221 and \$10,417,824 in FY 2014 and FY 2013, respectively, include \$1,678,536 and \$3,368,303, respectively, associated with the Airport's residential and school sound insulation program. These costs decreased in FY 2014 by \$1,689,767, or 50.2%, and decreased in FY 2013 by \$3,731,597, or 52.6%, because the program is reaching maturity. 32 residences were acoustically treated in FY 2014 and 129 residences were acoustically treated in FY 2013 (including 99 in progress at June 30, 2012). Interest expense of \$3,830,439 and \$5,511,396, net of capitalized interest of \$2,766,490 and \$1,222,559 in FY 2014 and FY 2013, respectively, consists of interest expense, and amortization of bond insurance costs and original issue premium on the 2005 Bonds and 2012 Bonds. The decrease in interest expense before capitalization of interest is due to the principal payment on the 2005 Bonds of \$2,880,000 on July 1, 2013. The increase in capitalized interest relates to the RITC program. The loss on disposal of capital assets in FY 2014 primarily relates to certain construction in progress projects that the Authority determined would not move forward. The replacement terminal development program represents the Authority's efforts to obtain community and stakeholder input and reach consensus on the future vision of the Airport, which may include a relocated replacement terminal and transit-oriented development on the B-6 Trust Property, as well as to meet the Authority's ongoing commitment to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise relief to residences surrounding the airport. The increase in costs for this project of \$1,651,425 primarily results from amounts paid to the City of Burbank for reimbursement of an environmental impact report on these projects. Other non-operating expenses include (1) ground access study and transit-oriented development study costs of \$792,460 and \$763,042 in FY 2014 and FY 2013, respectively; (2) Part 150 Noise Compatibility Study Update costs of \$46,612 and \$148,064 in FY 2014 and FY 2013, respectively; and (3) the History and Art Program (HARP) fund raising project revenues and expenses in FY 2014 of \$22,660 and \$115,410, respectively.

#### ***Capital Contributions***

Capital contributions amounting to \$2,442,212 and to \$1,746,622 were recorded during FY 2014 and FY 2013, respectively. In FY 2014 these amounts represent FAA airport improvement program grants for Runway 33 safety improvements, runway shoulder rehabilitation and acquisition of an aircraft rescue and firefighting (ARFF) vehicle totaling \$436,180; U.S. Department of Homeland Security (DHS) Urban Area Security Initiative (UASI) grants for Perimeter Security Infrastructure of \$240,450; Federal Transit Administration (FTA) grants in the amount of \$1,164,247 and Los Angeles County Metropolitan Transportation Authority (Metro) Measure R grants in the amount of \$599,164 for the Transit Center and offsite portion of the RITC; and U.S. Department of Justice (DOJ) bulletproof vest partnership program of \$2,171. In FY 2013 these amounts represent FAA airport improvement program grants for Runway Safety Area rehabilitation (blast fence and service road relocation) of \$793,910 and ARFF Building rehabilitation of \$418,401; U.S. Department of Homeland Security (DHS) Urban Areas Security Initiative (UASI) grants for Perimeter Security infrastructure of \$298,124 and Federal Transit Administration (FTA) grants for the Transit Center portion of the RITC of \$236,187.

#### ***Special Item – Environmental Litigation and Settlement***

In January 2010, the U.S. Environmental Protection Agency (EPA) formally designated the Authority as a Potentially Responsible Party (PRP) for the second interim remedy at the North Hollywood Operable Unit (NHOU) and requested that the Authority, together with other named PRPs, form a group and submit a good faith settlement offer to EPA to undertake the required remediation work. Additionally, the EPA demanded payment of certain of its past costs incurred in the NHOU and a portion of the collective San Fernando Valley Superfund Sites that it calculated to be approximately \$13 million.

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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) to obtain indemnification against the EPA's claims. The Authority subsequently settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provided that the Authority 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 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 for the years ended June 30, 2014, 2013, 2012 and 2011 are the costs of the settlement totaling \$0, \$0, \$0 and \$2,000,000, and legal costs related to the EPA and Lockheed matters totaling \$0, \$0, \$797 and \$878,795, respectively. Cumulative settlement and legal costs total \$3,394,446.

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. Incremental parking revenues, net of related City parking tax, totaling \$482,591, \$1,134,927, \$1,248,545 and \$528,383 for the years ended June 30, 2014, 2013, 2012 and 2011, respectively, are not included in parking revenues but, rather, are included in the Special Item until the legal and settlement costs noted above were fully recovered, which occurred in December 2013.

Additional information regarding this Special Item can be found in note 17 in the accompanying notes to the basic financial statements.

#### ***Special Item – Early Retirement of Certain Capital Assets for RITC Construction***

Included in deletions of capital assets in FY 2013 is \$3,408,481 (net of accumulated depreciation of \$7,301,754) of certain capital assets or portions of capital assets on the A-1 North Property that were demolished or partially demolished as part of the ongoing construction of the RITC. The loss on disposal of these capital assets is included in Special Items on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Additional information regarding this Special Item can be found in note 6 in the accompanying notes to the basic financial statements.

#### ***Capital Assets***

Additions to capital assets in FY 2014 and FY 2013 totaled \$51.7 million and \$64.6 million, respectively.

Significant capital asset additions in FY 2014 include:

- Replacement parking structure
- CUPPS system
- Noise monitoring system
- Runway 33 safety improvements
- Additions to construction in progress on the RITC (\$47.8 million).

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

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(Unaudited)

Significant capital asset additions in FY 2013 include:

- ARFF Station rehabilitation, exterior
- DVSS Phase IV
- Autos and trucks
- Runway rehabilitation
- Additions to construction in progress on the RITC (\$54.6 million), CUPPS and noise monitoring system projects.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital assets:			
Land	\$ 158,758,472	\$ 158,758,472	\$ 158,758,472
Other non-depreciable capital assets	589,966	589,966	589,966
Buildings and improvements	138,031,978	118,962,778	131,506,161
Runways and improvements	93,466,437	92,148,698	91,678,433
Machinery and equipment	38,903,767	35,596,134	33,694,093
Construction in progress	111,138,905	84,678,485	23,757,668
Less accumulated depreciation	<u>(177,775,764)</u>	<u>(163,742,734)</u>	<u>(160,158,720)</u>
Total capital assets, net	<u>\$ 363,113,761</u>	<u>\$ 326,991,799</u>	<u>\$ 279,826,073</u>

The Authority has contract commitments outstanding at June 30, 2014 for various construction contracts totaling \$5,065,535, including \$485,409 related to the RITC project, \$2,218,456 related to the sound insulation program, \$802,352 related to the replacement terminal development program, \$646,237 related to the ARFF truck acquisition, \$319,999 related to the ground access study, \$377,002 related to the terminal high voltage system project and \$216,080 related to other projects. Subsequent to June 30, 2014, the Authority entered into additional construction contracts totaling \$473,837 primarily related to the Runway 33 runway safety area clearance project.

Additional information regarding the Authority's capital assets can be found in note 6 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 (the 2005 Bonds) in three series at an effective interest rate of 4.680% and at an original issue premium of \$2,968,089. 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. The outstanding balance of 2005 Bonds at June 30, 2014 is \$47,915,000, plus unamortized original issue premium of \$1,610,489, for a net total amount outstanding for this issue of \$49,525,489. Principal payments on the 2005 Bonds of \$2,880,000 and \$2,755,000 were made July 1, 2013 and 2012, respectively. The current portion of 2005 Bonds at June 30, 2014 is \$3,015,000, which was paid July 1, 2014.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

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On May 10, 2012, the Authority issued \$82,165,000 of 2012 Airport Revenue Bonds (the 2012 Bonds) in two series with an effective interest rate of 5.624% and at an original issue premium of \$187,886. The proceeds of the 2012 Bonds, issued in parity with the 2005 Bonds, are (i) for the costs of the RITC project consisting of the CRCF and the allocated costs of the Replacement Parking Structure attributable to the parking spaces displaced by the CRCF (2012 Bond Project); (ii) to fund the 2012 Debt Service Reserve Fund; (iii) to provide debt service with respect to the 2012 Bonds through July 1, 2014; and (iv) to pay the costs of issuance of the 2012 Bonds. Debt service on the 2012 Bonds is expected to be repaid through CFCs and rents from authorized rental car companies using the CRCF. The \$6,715,000 Airport Revenue Bonds 2012 Series A (AMT) (2012 Series A Bonds) and the \$75,450,000 Airport Revenue Bonds 2012 Taxable Series B (2012 Taxable Series B Bonds) mature in varying amounts from 2015 through 2042.

The 2005 Bonds are insured by Ambac Assurance Corporation (Ambac), a subsidiary of Ambac Financial Group Inc. (Ambac Financial). On November 9, 2010, Ambac Financial filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. On May 1, 2013, Ambac Financial announced the completion of its financial restructuring and emergence from Chapter 11 bankruptcy protection. 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 and 2012 Bonds were reviewed in August 2014 by Standard and Poor's which reaffirmed its rating of A+ but revised its outlook from stable to negative primarily due to declining passenger activity. Fitch Ratings reviewed its rating of the 2005 and 2012 Bonds in October 2014, which downgraded its rating to A from A+ and revised the outlook to stable from negative, primarily due to declining passenger activity. As of the date of this report, Moody's Investors Services has not yet undertaken a review of the 2005 and 2012 Bonds. Its current rating is A2 outlook stable.

Additional information regarding the Authority's long-term debt can be found in note 7 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. In 2011, the Authority and 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 relocated replacement passenger terminal.

Additional information regarding the Airport Development Agreement can be found in note 15 in the accompanying notes to the basic financial statements.

#### ***Regional Intermodal Transportation Center***

Construction on the RITC project continued in FY 2014. The replacement parking structure was completed and opened for business on August 1, 2013 and the consolidated rental car facility and elevated walkway were substantially completed and opened to the public for business on July 15, 2014. The RITC project has been funded by a combination of 2012 Revenue Bonds, Customer Facility Charges, Passenger



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Facility Charges, federal and local grants, loans from the Authority to the rental car companies for contract contingencies, and Authority investment from the Facility Development Fund. Cumulative expenditures on the RITC project through June 30, 2014 total \$120.9 million. Offsets to the debt service on the 2012 Revenue Bonds and the loans from the Authority to the rental car companies will be made from Customer Facility Charges and rental car company facility rents.

Additional information regarding the RITC can be found in note 16 in the accompanying notes to the basic financial statements.

#### ***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 Position

June 30, 2014 and 2013

Assets	2014	2013 (restated)
Current unrestricted assets:		
Cash and investments – current operating fund (note 3)	\$ 27,708,092	\$ 29,830,376
Grants receivable	1,785,163	1,354,017
Accounts receivable, net of allowance of \$11,300 and \$10,500 in 2014 and 2013, respectively	895,339	898,921
Accrued interest receivable	475,928	587,412
Other receivables (note 4)	188,237	1,271,948
Prepaid expenses	244,452	186,177
Total current unrestricted assets	31,297,211	34,128,851
Current restricted assets:		
Cash and investments (note 3):		
Cash and investments with trustee	18,314,644	54,387,347
Other restricted cash and investments:		
Operating Reserve Fund	9,469,379	9,366,982
Bond Surplus Fund	2,814,397	1,354,897
Authority Areas Reserve	2,729,071	2,645,142
Asset Forfeiture Fund	21,842	70,218
Passenger Facility Charge Fund	18,901,958	20,069,820
Customer Facility Charge Fund	1,421,254	274
Total other restricted cash and investments	35,357,901	33,507,333
Total restricted cash and investments	53,672,545	87,894,680
Passenger Facility Charge receivables	666,978	696,197
Customer Facility Charge receivables	458,688	425,628
Accrued interest receivable	57,996	182,406
Total current restricted assets	54,856,207	89,198,911
Noncurrent restricted assets – Trust Assets (note 5)	58,873,509	58,873,509
Total restricted assets	113,729,716	148,072,420
Bond insurance premiums, net (notes 2(r) and 7)	191,127	210,841
Cash and investments – Facility Development Reserve (note 3)	101,395,103	101,395,103
Capital assets (notes 6 and 10):		
Land	158,758,472	158,758,472
Other nondepreciable capital assets	589,966	589,966
Construction in progress	111,138,905	84,678,485
Buildings and improvements	138,031,978	118,962,778
Runways and improvements	93,466,437	92,148,698
Machinery and equipment	38,903,767	35,596,134
Less accumulated depreciation	(177,775,764)	(163,742,734)
Total capital assets, net	363,113,761	326,991,799
Total assets	\$ 609,726,918	\$ 610,799,014

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Statements of Net Position

June 30, 2014 and 2013

<b>Liabilities</b>	<b>2014</b>	<b>2013 (restated)</b>
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,751,057	\$ 13,908,116
Salaries and benefits payable	730,591	625,003
Unearned revenue	1,038,793	590,175
Customer deposits	364,314	285,238
Total current liabilities	<u>12,884,755</u>	<u>15,408,532</u>
Liabilities payable from restricted assets (note 7):		
Current portion of long-term debt:	3,015,000	2,880,000
Accrued interest payable	3,366,341	3,434,854
Total liabilities payable from restricted assets	<u>6,381,341</u>	<u>6,314,854</u>
Long-term debt, net of current portion (note 7):		
Revenue bonds payable, less current portion	127,065,000	130,080,000
Original issue premium, net	1,785,025	1,940,491
Total long-term liabilities	<u>128,850,025</u>	<u>132,020,491</u>
Total liabilities	<u>148,116,121</u>	<u>153,743,877</u>
<b>Net Position</b>		
Net investment in capital assets	245,399,825	242,490,540
Restricted:		
Debt service	13,272,492	11,572,383
Capital projects	80,401,851	80,231,649
Unrestricted	122,536,629	122,760,565
Total net position	<u>\$ 461,610,797</u>	<u>\$ 457,055,137</u>

See accompanying notes to basic financial statements.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

	2014	2013 (restated)
Operating revenues:		
Charges for services:		
Parking	\$ 18,832,517	\$ 18,128,538
Landing fees	2,927,426	3,137,690
Concessions	8,317,353	8,298,815
Tenant rent	14,477,727	13,993,119
Fuel flowage fees	552,293	528,387
Other operating revenues	1,137,414	875,584
Total operating revenues	46,244,730	44,962,133
Operating expenses:		
Contracted airport services	16,288,319	15,519,119
Salaries and benefits	4,203,080	3,969,864
Financial services	759,460	726,530
Rescue services	2,093,333	1,975,000
Materials and supplies	256,920	296,105
Repairs and maintenance	4,788,702	4,528,205
Utilities	1,785,299	1,705,004
Professional services	2,117,862	2,214,234
Insurance	1,215,492	1,355,778
Other operating expenses	2,933,821	2,823,940
Total operating expenses before depreciation	36,442,288	35,113,779
Operating income before depreciation	9,802,442	9,848,354
Depreciation (note 6)	14,504,772	14,053,442
Operating loss	(4,702,330)	(4,205,088)
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest on the Passenger Facility Charge Fund of \$121,262 and \$128,511 in 2014 and 2013, respectively (note 11)	7,839,780	8,306,776
Customer Facility Charge revenue (note 12)	4,904,964	4,856,431
Investment income, net of \$1,911 and \$7,207 capitalized in 2014 and 2013, respectively	1,351,011	818,491
Interest expense, net of \$2,766,490 and \$1,222,559 capitalized in 2014 and 2013, respectively	(3,830,439)	(5,511,396)
(Loss) gain on retirement of capital assets	(1,165,155)	69,824
Sound insulation program (note 9)	(1,678,536)	(3,368,303)
Federal Aviation Administration grants, sound insulation program (note 9)	1,269,988	2,637,214
Other noncapital grants	921,665	750,349
Replacement terminal development	(2,348,269)	(696,844)
Other expenses, net	(931,822)	(911,105)
Total nonoperating revenues, net	6,333,187	6,951,437
Income before capital contributions and special item	1,630,857	2,746,349
Capital contributions	2,442,212	1,746,622
Special items:		
Environmental litigation settlement net of allocated parking increment revenue of \$482,591 and \$1,134,927 in 2014 and 2013, respectively (note 17)	482,591	1,134,927
Early retirement of certain capital assets for Regional Intermodal Transportation Center construction (note 6)	—	(3,408,481)
Total special items	482,591	(2,273,554)
Changes in net position	4,555,660	2,219,417
Total net position – beginning of year, as previously reported	457,055,137	456,889,235
Implementation of GASB 65 – bond issuance costs (note 2(r))	—	(2,053,515)
Total net position – beginning of year, as restated	457,055,137	454,835,720
Total net position – end of year	\$ 461,610,797	\$ 457,055,137

See accompanying notes to basic financial statements.

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**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	\$ 46,775,855	\$ 44,868,086
Cash paid to suppliers of goods and services	(30,312,795)	(30,184,174)
Cash paid for employees' services	(4,100,457)	(3,859,892)
Cash paid for parking taxes to the City of Burbank	(1,970,287)	(1,888,723)
Cash paid for outreach and consensus initiative	(2,064,081)	(673,525)
Cash paid from settlement – hangar floors	(6,872)	(12,659)
Cash received for settlement – hangar apron	191,000	—
Cash received for HARP program fundraising	13,481	—
Cash paid for HARP program fundraising	(56,079)	—
Cash (paid for) received from Special Item (note 17):		
Cash received from \$1 parking rate increment	540,502	1,271,118
Cash paid for parking taxes to the City of Burbank for parking increment	(92,386)	(137,484)
Net cash provided by operating activities	<u>8,917,881</u>	<u>9,382,747</u>
Cash flows from noncapital financing activities:		
Sound insulation program	(1,553,222)	(4,080,210)
FAA grants, sound insulation program	1,296,996	3,031,581
Ground access study	(778,936)	(701,097)
Part 150 noise compatibility study	(46,612)	(175,981)
Payments for TSA Other Transaction Agreement	(862,001)	(747,481)
Reimbursements for TSA Other Transaction Agreement	1,072,565	524,819
Other noncapital grants received	777,209	606,648
Net cash used in noncapital financing activities	<u>(94,001)</u>	<u>(1,541,721)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(51,948,864)	(60,755,839)
Proceeds from sale of capital assets	3,252	85,568
Principal paid on revenue bonds	(2,880,000)	(2,755,000)
Interest paid on revenue bonds	(6,801,195)	(5,379,386)
Passenger Facility Charge program receipts	7,747,736	8,325,876
Customer Facility Charge program receipts	4,871,904	4,881,355
Capital contributions received	2,128,516	1,488,317
Net cash used in capital and related financing activities	<u>(46,878,651)</u>	<u>(54,109,109)</u>
Cash flows from investing activities:		
Interest received on investments, including interest received in the Passenger Facility Charge Fund of \$215,046 and \$304,823 in 2014 and 2013, respectively	1,625,304	2,407,372
Purchases of investments not considered cash equivalents	(73,539,539)	(85,244,922)
Proceeds from the sale or maturity of investments not considered cash equivalents	115,398,114	118,813,313
Net cash provided by investing activities	<u>43,483,879</u>	<u>35,975,763</u>
Net increase (decrease) in cash and cash equivalents	5,429,108	(10,292,320)
Cash and cash equivalents, beginning of year	<u>20,260,844</u>	<u>30,553,164</u>
Cash and cash equivalents, end of year	\$ <u><u>25,689,952</u></u>	\$ <u><u>20,260,844</u></u>

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (4,702,330)	\$ (4,205,088)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	14,504,772	14,053,442
Other noncash operating expenses, net	982	2,516
Other nonoperating expenses	(2,386,120)	(696,844)
Special item (note 17)	482,591	1,134,927
Changes in assets and liabilities:		
Accounts receivable	3,582	(159,216)
Other receivables	671,140	(680,318)
Prepaid expenses	(58,275)	(125,759)
Accounts payable and accrued expenses	(197,268)	(116,234)
Accounts payable and accrued expenses related to Special Item	(34,475)	(1,292)
Salaries and benefits payable	105,588	111,514
Unearned revenue	448,618	(16,691)
Customer deposits	79,076	81,790
Net cash provided by operating activities	<u>\$ 8,917,881</u>	<u>\$ 9,382,747</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Operating fund	\$ 27,708,092	\$ 29,830,376
Restricted cash and investments	53,672,545	87,894,680
Facility Development Reserve	<u>101,395,103</u>	<u>101,395,103</u>
Cash, cash equivalents, and investments	182,775,740	219,120,159
Investments not considered cash equivalents	<u>(157,085,788)</u>	<u>(198,859,315)</u>
Cash and cash equivalents, end of year (note 3)	<u>\$ 25,689,952</u>	<u>\$ 20,260,844</u>
Summary of significant noncash investing and financing activities:		
Amortization of bond insurance premiums	\$ 19,714	\$ 19,714
Amortization of original issue premiums	(155,466)	(155,466)
Change in fair value of investments	84,774	(1,186,473)
Change in capital assets acquired by accounts payable	(2,862,148)	2,706,022
Change in sound insulation program from accounts payable	125,315	(711,907)
Capitalized interest expense, net	2,764,579	1,215,352
Special item - early retirement of certain capital assets for RITC construction (note 6)	—	(3,408,481)

See accompanying notes to basic financial statements.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2014 and 2013

### (1) Nature of Authority

The Burbank-Glendale-Pasadena Airport Authority (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 (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 position as "contracted airport services." The Authority directly employs airport police 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 position, 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.

#### (b) Description of Basic Financial Statements

*Statements of Net Position* – The statements of net position are designed to display the financial position of the Authority including its assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The Authority currently has no deferred outflows of resources or deferred inflows of resources to report. The Authority's equity is reported as net position which is classified into three categories defined as follows:

- *Net investment in capital assets* – This component of net position, totaling \$245,399,825 and \$242,490,540 (restated – see note 2(r)) at June 30, 2014 and 2013,

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

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 position consists of constraints placed on use of resources 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 position restricted for debt service totaled \$13,272,492 and \$11,572,383 at June 30, 2014 and 2013, respectively. Net position restricted for capital projects totaled \$80,401,851 and \$80,231,649 at June 30, 2014 and 2013, respectively, including \$19,626,557 and \$20,862,020 at June 30, 2014 and 2013, respectively, restricted by enabling legislation for the passenger facility charge program and \$1,879,942 and \$425,902 at June 30, 2014 and 2013, respectively, restricted by enabling legislation for the customer facility charge program.
- *Unrestricted* – This component of net position, totaling \$122,536,629 and \$122,760,565 at June 30, 2014 and 2013, respectively, consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

*Statements of Revenues, Expenses, and Changes in Net Position* – The statements of revenues, expenses, and changes in net position 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 including compliance with federal, state and local regulatory requirements, 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

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

agreements, contributors, laws 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 (RITC) 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 infrastructure and equipment purchases. The Authority receives a Transit Oriented Development (TOD) grant and a Measure R grant for a ground access study and a Measure R grant for a portion of the RITC project from the Los Angeles County Metropolitan Transportation Authority. Such grants related to capital acquisitions are recorded on the statements of revenues, expenses, and changes in net position 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 FAA, 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 \$6 per rental car transaction day up to five days 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.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

**(h) Revenues and Cash Accounts**

All revenues, except PFCs and CFCs (upon completion of the CRCF, CFCs collected will be transferred to the Debt Service Fund), 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, 2014 and 2013, there was no balance in the Rebate Fund.
- **Debt Service Fund** – Bond interest currently payable on the 2005 Bonds is deposited to this monthly prior to each semiannual payment. Currently payable bond principal on the 2005 Bonds is transferred to this account monthly prior to each annual payment. The interest and principal amounts due on the 2012 Bonds through July 1, 2014 in the amount of \$9,277,903 was deposited to this account upon issuance of the 2012 Bonds from bond proceeds. This cash fund is held by a trustee who pays the bond interest and principal when due. The balance in the Debt Service Fund at June 30, 2014 and 2013 is \$6,381,410 and \$10,646,950, respectively. The portion at June 30, 2014 for the 2005 Bonds is \$4,215,363 and for the 2012 Bonds is \$2,166,047. The portion at June 30, 2013 for the 2005 Bonds is \$4,148,808 and for the 2012 Bonds is \$6,498,142.

In July 2014, the trustee opened a separate debt service fund for the 2012 Bonds. CFCs, as received, and RITC Facility Rents, as needed, are deposited to the 2012 Debt Service Fund each month prior to each semiannual interest and each annual bond principal payment currently payable.

- **Debt Service Reserve Funds** – 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 (a separate account each for the 2005 Bonds and the 2012 Bonds), is to be held by the trustee in these funds 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, 2014 and 2013, 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 \$5,419,588 for the 2005 Bonds, and \$5,838,000 for the 2012 Bonds. The balance in the Debt Service Reserve Fund for the 2005 Bonds at June 30, 2014 and 2013 is \$5,546,431 and \$5,461,118, respectively. The balance in the Debt Service Reserve Fund for the 2012 Bonds at June 30, 2014 and 2013 is \$5,850,476 and \$5,846,618, 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, 2014 and 2013 is \$9,469,379 and \$9,366,982, respectively.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

- **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 or 2012 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, 2014 and 2013, 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 Funds 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, 2014 and 2013, 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, 2014 and 2013, there was \$2,814,397 and \$1,354,897 in the Surplus Fund to be transferred to any of the funds mentioned above. Amounts transferred to the Surplus Fund may be used for purposes of computation of the debt service coverage ratio.
- **Cost of Issuance Funds** – The balance in this fund provides for the payment of costs to issue the 2005 Bonds and 2012 Bonds not paid directly from escrow at the closing of the sale of the 2005 Bonds and 2012 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, 2014 and 2013, there was no balance in the Cost of Issuance Fund for the 2005 Bonds and as of June 30, 2014 and 2013, there was no balance in the Cost of Issuance Fund for the 2012 Bonds. The remaining balance in the 2012 Cost of Issuance Fund was transferred to the 2012 Series A Construction Fund in June 2013.
- **Construction Funds** – 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, and the 2012 Series A Bonds and 2012 Taxable Series B Bonds. These funds are held by a trustee and are subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2014 and 2013, there is no balance in the Construction Fund for the 2005 Bonds, and \$536,327 and \$1,698,408 for the 2012 Series A Bonds and \$0 and \$30,734,253 for the 2012 Taxable Series B Bonds as of June 30, 2014 and 2013, respectively.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2014 and 2013

(i) **Other Cash Accounts**

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 the Airport.
- **Passenger Facility Charge Fund** – Cash from the PFC program are maintained in a separate account and are restricted for approved airport improvement projects.
- **Customer Facility Charge Fund** – Cash from the CFC 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. In FY 2014, no transfers were made to the Current Operating Fund. In FY 2013, \$1,354,897 was transferred to the Bond Surplus Fund and \$2,250,000 was transferred to the Current Operating Fund.

(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, 2014, interest cost of \$2,766,490 less interest income of \$1,911 was capitalized. During the year ended June 30, 2013, interest cost of \$1,222,559 less interest income of \$7,207 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 25 years
Machinery and equipment	3 to 20 years



## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

**(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 (LAIF). 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, LAIF), (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 and other similar investments is stated at its share value. The fair value of the Authority's investment in the LAIF is based on the Authority's pro rata share provided by LAIF of the fair value of the entire LAIF portfolio. Certain money market mutual fund investments with initial maturities at the time of the purchase of less than

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2014 and 2013

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 LAIF 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, 2014 or 2013 (see note 17).

**(r) *Recent Accounting Pronouncements***

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Authority adopted this Statement effective July 1, 2012 which resulted in a reduction of beginning net position of \$2,053,515 effective July 1, 2012 to write off unamortized bond

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

issue costs (other than bond insurance premiums) previously reported as an asset, and a reduction from the amount of amortization previously reported of \$96,710 for such bond issue costs in FY 2013. The adjustment of \$2,053,515 includes a reduction in accounts payable and accrued expenses of \$47,793 related to costs of issuance which were not required.

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Authority adopted this statement effective July 1, 2012, which did not have a significant impact on its financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Authority has not yet adopted this statement.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The Authority has not yet adopted this statement.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability in its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

agreement. A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. The Authority adopted this Statement effective July 1, 2013. The Authority has no nonexchange financial guarantees; accordingly, this pronouncement has no financial impact on the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Authority has not yet adopted this Statement.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Notes to Basic Financial Statements

June 30, 2014 and 2013

**(3) Cash and Investments**

**(a) Cash and Investments**

(i) Cash and investments at June 30, 2014 and 2013 are classified in the accompanying statements of net position as follows:

	<u>2014</u>	<u>2013</u>
Cash and investments – current assets:		
Operating fund	\$ 27,708,092	\$ 29,830,376
Cash and investments – restricted assets:		
Cash and investments held by bond trustee:		
Debt service fund – 2005 Bonds	4,215,363	4,148,808
Debt service reserve fund – 2005 Bonds	5,546,431	5,461,118
Debt service fund – 2012 Bonds	2,166,047	6,498,142
Debt service reserve fund – 2012 Bonds	5,850,476	5,846,618
Construction funds – 2012 Bonds	<u>536,327</u>	<u>32,432,661</u>
Total cash and investments held by bond trustee	<u>18,314,644</u>	<u>54,387,347</u>
Other restricted cash and investments:		
Operating Reserve fund	9,469,379	9,366,982
Bond Surplus fund	2,814,397	1,354,897
Authority Areas Reserve fund	2,729,071	2,645,142
Asset Forfeiture fund	21,842	70,218
Passenger Facility Charge fund	18,901,958	20,069,820
Customer Facility Charge fund	<u>1,421,254</u>	<u>274</u>
Total other restricted cash and investments	<u>35,357,901</u>	<u>33,507,333</u>
Total cash and investments – restricted assets	53,672,545	87,894,680
Cash and investments – Facility Development Reserve	<u>101,395,103</u>	<u>101,395,103</u>
Total cash and investments	\$ <u><u>182,775,740</u></u>	\$ <u><u>219,120,159</u></u>

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Notes to Basic Financial Statements

June 30, 2014 and 2013

(ii) Cash and investments as of June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Operating portfolio cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 800	\$ 800
Deposits with financial institutions	1,446,979	1,192,535
Money market mutual funds	1,799,140	496,527
LAIF	<u>15,459,583</u>	<u>17,916,817</u>
Total cash and cash equivalents	<u>18,706,502</u>	<u>19,606,679</u>
Investments:		
U.S. Treasury securities	50,300,748	50,397,186
U.S. Agency securities	44,772,803	45,108,985
Medium-term corporate notes	<u>30,357,831</u>	<u>29,549,868</u>
Total investments	<u>125,431,382</u>	<u>125,056,039</u>
Total cash and cash equivalents and investments	144,137,884	144,662,718
Less restricted portion	(15,034,689)	(13,437,239)
Less Facility Development Reserve	<u>(101,395,103)</u>	<u>(101,395,103)</u>
Current and unrestricted cash and investments	<u>\$ 27,708,092</u>	<u>\$ 29,830,376</u>
Passenger Facility Charge Fund:		
Cash and cash equivalents:		
Deposits with financial institutions	\$ 69,194	\$ 74,158
Money market mutual funds	<u>5,493,002</u>	<u>579,733</u>
Total cash and cash equivalents	<u>5,562,196</u>	<u>653,891</u>
Investments:		
U.S. Treasury securities	6,385,434	7,967,846
U.S. Agency securities	4,230,565	6,657,341
Medium-term corporate notes	<u>2,723,763</u>	<u>4,790,742</u>
Total investments	<u>13,339,762</u>	<u>19,415,929</u>
Total cash and cash equivalents and investments	<u>\$ 18,901,958</u>	<u>\$ 20,069,820</u>
Customer Facility Charge Fund:		
Deposits with financial institutions	<u>\$ 1,421,254</u>	<u>\$ 274</u>
Investments held by bond trustee:		
Money market mutual funds	\$ 18,314,644	\$ 48,967,816
U.S. Agency securities	<u>—</u>	<u>5,419,531</u>
Total investments	<u>\$ 18,314,644</u>	<u>\$ 54,387,347</u>

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Notes to Basic Financial Statements

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	<u>2014</u>	<u>2013</u>
Summary of cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 800	\$ 800
Deposits with financial institutions	2,937,427	1,266,967
Money market mutual funds	7,292,142	1,076,260
LAIF	<u>15,459,583</u>	<u>17,916,817</u>
Total cash and cash equivalents	<u>25,689,952</u>	<u>20,260,844</u>
Investments:		
U.S. Treasury securities	56,686,182	58,365,032
U.S. Agency securities	49,003,368	57,185,857
Medium-term corporate notes	33,081,594	34,340,610
Money market mutual funds held by bond trustee	<u>18,314,644</u>	<u>48,967,816</u>
Total investments	<u>157,085,788</u>	<u>198,859,315</u>
Total cash and cash equivalents and investments	<u>\$ 182,775,740</u>	<u>\$ 219,120,159</u>

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.

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**(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 Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the 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 Code or the Authority's investment policy.

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio<sup>a</sup></u>	<u>Maximum investment in one issuer</u>
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	70%	None
Time deposits	5 years	15%	5%
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.



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Notes to Basic Financial Statements

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**(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 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.

<b>Authorized investment type</b>	<b>Maximum maturity</b>	<b>Maximum percentage allowed</b>	<b>Maximum investment in one issuer</b>
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 1.6 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.

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Notes to Basic Financial Statements

June 30, 2014 and 2013

The weighted average maturity of each authorized investment type by pool at June 30, 2014 and 2013 are as follows:

Authorized investment type	June 30, 2014		June 30, 2013	
	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	\$ 50,300,748	1.46	\$ 50,397,186	1.93
U.S. Agency securities	44,772,803	1.61	45,108,985	1.22
Medium-term corporate notes	<u>30,357,831</u>	1.71	<u>29,549,868</u>	1.57
Total operating portfolio Investments	<u>125,431,382</u>	1.57	<u>125,056,039</u>	1.59
Operating portfolio cash equivalents:				
Money market mutual funds	1,799,140	0.12	496,527	0.14
LAIF	<u>15,459,583</u>	0.64	<u>17,916,817</u>	0.77
Total operating portfolio cash equivalents	<u>17,258,723</u>	0.59	<u>18,413,344</u>	0.75
Total operating portfolio cash equivalents and investments	<u>142,690,105</u>	1.45	<u>143,469,383</u>	1.48
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	6,385,434	1.35	7,967,846	2.09
U.S. Agency securities	4,230,565	0.44	6,657,341	0.87
Medium-term corporate notes	<u>2,723,763</u>	1.20	<u>4,790,742</u>	1.48
Total PFC Fund investments	13,339,762	1.03	19,415,929	1.52
PFC Fund cash equivalents – money market mutual funds	<u>5,493,002</u>	0.12	<u>579,733</u>	0.14
Total PFC Fund cash equivalents and investments	<u>18,832,764</u>	0.77	<u>19,995,662</u>	1.48
Investments held by bond trustee:				
Money market mutual funds	18,314,644	0.14	48,967,816	0.14
U.S. Agency securities	<u>—</u>	n/a	<u>5,419,531</u>	<0.01
Total investments held by bond trustee	<u>18,314,644</u>	0.14	<u>54,387,347</u>	0.13
Total cash equivalents and investments	<u>\$ 179,837,513</u>	1.25	<u>\$ 217,852,392</u>	1.14

**(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.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2014 and 2013

**(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 Code, the Authority's investment policy or the Master Indenture of Trust, as amended, and the actual rating as of June 30, 2014 and 2013 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 LAIF investments in U.S. Treasury securities and U.S. Agency securities.

As of June 30, 2014, Standard and Poor's maintained its rating of AA+ and increased its outlook to stable. Both Fitch Ratings and Moody's Investor Services maintained their AAA ratings and increased their outlook to stable.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

Notes to Basic Financial Statements

June 30, 2014 and 2013

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, 2014:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	\$ 50,300,748	N/A	\$ 50,300,748	\$ —	\$ —	\$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	4,006,256	N/A	—	4,006,256	—	—
Fed. Home Loan Bank	6,686,864	N/A	—	6,686,864	—	—
Fed. Home Loan Mort. Corp.	14,632,955	N/A	—	14,632,955	—	—
Fed. National Mort. Assn.	19,446,728	N/A	—	19,446,728	—	—
Total U.S. Agency securities	44,772,803		—	44,772,803	—	—
Medium-term corporate notes	30,357,831	A	—	—	7,369,998	22,987,833
Total Operating portfolio Investments	125,431,382		50,300,748	44,772,803	7,369,998	22,987,833
Operating portfolio cash equivalents:						
Money market mutual funds	1,799,140	AAA	—	1,799,140	—	—
LAI	15,459,583	N/A	15,459,583	—	—	—
Total Operating portfolio cash equivalents	17,258,723		15,459,583	1,799,140	—	—
Total Operating portfolio cash equivalents and investments	142,690,105		65,760,331	46,571,943	7,369,998	22,987,833
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	6,385,434	N/A	6,385,434	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	442,527	N/A	—	442,527	—	—
Fed. Home Loan Bank	427,687	N/A	—	427,687	—	—
Fed. Home Loan Mort. Corp.	1,482,545	N/A	—	1,482,545	—	—
Fed. National Mort. Assn.	1,877,806	N/A	—	1,877,806	—	—
Total U.S. Agency securities	4,230,565		—	4,230,565	—	—
Medium-term corporate notes	2,723,763	A	—	—	1,031,428	1,692,335
Total PFC Fund investments	13,339,762		6,385,434	4,230,565	1,031,428	1,692,335
PFC Fund cash equivalents – money market mutual funds	5,493,002	AAA	—	5,493,002	—	—
Total PFC Fund cash equivalents and investments	18,832,764		6,385,434	9,723,567	1,031,428	1,692,335
Investments held by bond trustee:						
Money market mutual funds	18,314,644	AAA	—	18,314,644	—	—
Total investments bond trustee	18,314,644		—	18,314,644	—	—
Total cash equivalents and investments	\$ 179,837,513		\$ 72,145,765	\$ 74,610,154	\$ 8,401,426	\$ 24,680,168

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June 30, 2014 and 2013

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, 2013:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	\$ 50,397,186	N/A	\$ 50,397,186	\$ —	\$ —	\$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	10,205,804	N/A	—	10,205,804	—	—
Fed. Home Loan Bank	8,221,635	N/A	—	8,221,635	—	—
Fed. Home Loan Mort. Corp.	14,519,360	N/A	—	14,519,360	—	—
Fed. National Mort. Assn.	12,162,186	N/A	—	12,162,186	—	—
Total U.S. Agency securities	45,108,985		—	45,108,985	—	—
Medium-term corporate notes	29,549,868	A	—	—	7,822,571	21,727,297
Total Operating portfolio Investments	125,056,039		50,397,186	45,108,985	7,822,571	21,727,297
Operating portfolio cash equivalents:						
Money market mutual funds	496,527	AAA	—	496,527	—	—
LAI	17,916,817	N/A	17,916,817	—	—	—
Total Operating portfolio cash equivalents	18,413,344		17,916,817	496,527	—	—
Total Operating portfolio cash equivalents and investments	143,469,383		68,314,003	45,605,512	7,822,571	21,727,297
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	7,967,846	N/A	7,967,846	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	2,100,802	N/A	—	2,100,802	—	—
Fed. Home Loan Bank	450,259	N/A	—	450,259	—	—
Fed. Home Loan Mort. Corp.	2,226,994	N/A	—	2,226,994	—	—
Fed. National Mort. Assn.	1,879,286	N/A	—	1,879,286	—	—
Total U.S. Agency securities	6,657,341		—	6,657,341	—	—
Medium-term corporate notes	4,790,742	A	—	—	1,260,658	3,530,084
Total PFC Fund investments	19,415,929		7,967,846	6,657,341	1,260,658	3,530,084
PFC Fund cash equivalents – money market mutual funds	579,733	AAA	—	579,733	—	—
Total PFC Fund cash equivalents and investments	19,995,662		7,967,846	7,237,074	1,260,658	3,530,084
Investments held by bond trustee:						
U.S. Agency securities – Fed.						
National Mort. Assn.	5,419,531	AAA	—	5,419,531	—	—
Money market mutual funds	48,967,816	AAA	—	48,967,816	—	—
Total investments bond trustee	54,387,347		—	54,387,347	—	—
Total cash equivalents and investments	\$ 217,852,392		\$ 76,281,849	\$ 107,229,933	\$ 9,083,229	\$ 25,257,381

**(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

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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 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:

Issuer	Authorized investment type	Reported amount at June 30			
		2014		2013	
		Amount	Fund%	Amount	Fund%
Operating portfolio investments:					
Federal National Mortgage Association	U.S. Agency securities	\$ 19,446,728	13.63%	\$ 12,162,186	8.48%
Federal Home Loan Mortgage Corp.	U.S. Agency securities	14,632,955	10.26	14,519,360	10.12
Federal Farm Credit Bank	U.S. Agency securities	—	<5.00	10,205,804	7.11
Federal Home Loan Bank	U.S. Agency securities	—	<5.00	8,221,635	5.73
Passenger Facility Charge Fund investments:					
Federal National Mortgage Association	U.S. Agency securities	1,877,806	9.97	1,879,286	9.40
Federal Home Loan Mortgage Corp.	U.S. Agency securities	1,482,545	7.87	2,226,994	11.14
Federal Farm Credit Bank	U.S. Agency securities	—	<5.00	2,100,802	10.51
Held by bond trustee:					
Federal National Mortgage Association	U.S. Agency securities	—	<5.00	5,419,531	9.96

**(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 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 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.

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At June 30, 2014 and 2013, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the Code by the pledging financial institution in the Authority's name, as follows:

	<u>2014</u>	<u>2013</u>
Cash deposits:		
Insured (under Dodd-Frank December 31, 2010 to December 31, 2012)	\$ 250,000	\$ 250,000
Uninsured, collateral held in the Authority's name	<u>3,131,726</u>	<u>2,678,781</u>
Total cash deposits	3,381,726	2,928,781
Plus deposits in transit	161,336	257,681
Less outstanding checks	<u>(605,635)</u>	<u>(1,919,495)</u>
Carrying amount of cash deposits	<u>\$ 2,937,427</u>	<u>\$ 1,266,967</u>

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 December 31, 2012. During the two-year period, all noninterest-bearing accounts of all banks were 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 LAIF that is regulated by the 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, 2014 and 2013, the total amount invested by all California local governments and special districts in LAIF was \$21.1 billion and \$21.2 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2014 and 2013 had a balance of \$64.9 billion and \$58.8 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the Code. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling \$0 and \$0.4 billion, respectively, and asset-backed securities totaling \$1.2 billion and \$0.8 billion, respectively.

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**(4) Other Receivables**

At June 30, 2014 and 2013, the Authority recorded other current receivables not related to operating activities and, therefore, not included in account receivable on the accompanying statements of net position. The other receivables at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>		<u>2013</u>
Transportation Security Administration for an upgrade to the baggage inspection systems	\$ 188,237	\$	573,415
Insurance reimbursement receivables for damage to the engineered material arresting system on Runway 8-26	—		623,011
Insurance reimbursement receivables for damage to the runway lighting system	—		45,344
Amounts due from a construction contractor for damage to Authority property	—		18,214
Amounts due from airlines for common use passenger processing system supplies	—		11,964
	<u>\$ 188,237</u>	\$	<u>1,271,948</u>
Total other receivables			

**(5) Trust Assets**

Since shortly after the Authority was formed in June 1977, the Authority and the FAA have had ongoing 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 sold 21.65 acres of the B-6 Property in 2003.

The Authority entered into a Development Agreement on March 15, 2005, which was subsequently amended (see note 15). Under the terms of the Development Agreement, as amended, 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 subject to the ongoing discussions between the City of Burbank and the Authority on the future visioning of the airport.

The B-6 Trust Property was classified as restricted trust assets on the Authority's financial statements with a balance of \$58,873,509 as of June 30, 2014 and 2013.



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**(6) Capital Assets**

Changes in capital assets for the year ended June 30, 2014 were as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Other deletions</u>	<u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 158,758,472	\$ —	\$ —	\$ —	\$ 158,758,472
Other non-depreciable assets	589,966	—	—	—	589,966
Construction in progress	<u>84,678,485</u>	<u>51,795,141</u>	<u>(24,168,194)</u>	<u>(1,166,527)</u>	<u>111,138,905</u>
Total capital assets not being depreciated	<u>244,026,923</u>	<u>51,795,141</u>	<u>(24,168,194)</u>	<u>(1,166,527)</u>	<u>270,487,343</u>
Capital assets being depreciated/amortized:					
Building and improvements	118,962,778	19,429,464	(360,264)	—	138,031,978
Runways and improvements	92,148,698	1,332,663	(14,924)	—	93,466,437
Machinery and equipment	<u>35,596,134</u>	<u>3,406,067</u>	<u>(98,434)</u>	—	<u>38,903,767</u>
Total capital assets being depreciated/ amortized	<u>246,707,610</u>	<u>24,168,194</u>	<u>(473,622)</u>	—	<u>270,402,182</u>
Less accumulated depreciation/amortization for:					
Building structures	(78,172,429)	(6,714,810)	360,264	—	(84,526,975)
Runway/airfield improvements	(57,160,459)	(5,160,110)	14,924	—	(62,305,645)
Equipment	<u>(28,409,846)</u>	<u>(2,629,852)</u>	<u>96,554</u>	—	<u>(30,943,144)</u>
Total accumulated depreciation/ amortization	<u>(163,742,734)</u>	<u>(14,504,772)</u>	<u>471,742</u>	—	<u>(177,775,764)</u>
Total capital assets being depreciated/ amortized, net	<u>82,964,876</u>	<u>9,663,422</u>	<u>(1,880)</u>	—	<u>92,626,418</u>
Total capital assets, net	\$ <u><u>326,991,799</u></u>	\$ <u><u>61,458,563</u></u>	\$ <u><u>(24,170,074)</u></u>	\$ <u><u>(1,166,527)</u></u>	\$ <u><u>363,113,761</u></u>

Other deletions of construction in progress in FY 2014 is \$1,166,527 of construction in progress projects that the Authority determined would not move forward. This amount was included in loss on disposal of capital projects on the accompanying Statement of Revenues, Expenses and Changes in Net Position. Current year additions related to the RITC project total \$47,809,021.

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Changes in capital assets for the year ended June 30, 2013 were as follows:

	<u>July 1,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2013</u>
Capital assets not being depreciated:				
Land	\$ 158,758,472	\$ —	\$ —	\$ 158,758,472
Other non-depreciable assets	589,966	—	—	589,966
Construction in progress	<u>23,757,668</u>	<u>64,643,143</u>	<u>(3,722,326)</u>	<u>84,678,485</u>
Total capital assets not being depreciated	<u>183,106,106</u>	<u>64,643,143</u>	<u>(3,722,326)</u>	<u>244,026,923</u>
Capital assets being depreciated/amortized:				
Building and improvements	131,506,161	907,400	(13,450,783)	118,962,778
Runways and improvements	91,678,433	510,892	(40,627)	92,148,698
Machinery and equipment	<u>33,694,093</u>	<u>2,304,034</u>	<u>(401,993)</u>	<u>35,596,134</u>
Total capital assets being depreciated/ amortized	<u>256,878,687</u>	<u>3,722,326</u>	<u>(13,893,403)</u>	<u>246,707,610</u>
Less accumulated depreciation/amortization for:				
Building structures	(81,189,668)	(7,021,709)	10,038,948	(78,172,429)
Runway/airfield improvements	(52,038,455)	(5,162,631)	40,627	(57,160,459)
Equipment	<u>(26,930,597)</u>	<u>(1,869,102)</u>	<u>389,853</u>	<u>(28,409,846)</u>
Total accumulated depreciation/ amortization	<u>(160,158,720)</u>	<u>(14,053,442)</u>	<u>10,469,428</u>	<u>(163,742,734)</u>
Total capital assets being depreciated/ amortized, net	<u>96,719,967</u>	<u>(10,331,116)</u>	<u>(3,423,975)</u>	<u>82,964,876</u>
Total capital assets, net	<u>\$ 279,826,073</u>	<u>\$ 54,312,027</u>	<u>\$ (7,146,301)</u>	<u>\$ 326,991,799</u>

Included in deletions of buildings and improvements in FY 2013 are \$10,710,235, net of accumulated amortization of \$7,301,754, for a net loss on disposal of capital assets of \$3,408,481 which represent certain capital assets or portions of capital assets on the A-1 North Property that were demolished or partially demolished as part of the ongoing construction of the RITC. The demolished capital assets consist of water, sewer and storm drain underground utilities (\$990,410); fencing and hardscape (\$1,972,088), lights and underground electrical utilities (\$3,016,605); and paving, sidewalks, curbs and gutters (\$4,731,132). The net loss on disposal of these capital assets is included in Special Items on the accompanying statement of revenues, expenses and changes in net position. Additions to construction in progress for the year ended June 30, 2013 related to the RITC project total \$54,572,822.

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**(7) Long-Term Debt**

The following is a summary of changes in long-term debt for the years ended June 30, 2014 and 2013:

	<u>Beginning balance</u>		<u>Additions</u>		<u>Deductions</u>		<u>Ending balance</u>		<u>Due within one year</u>
Year ended June 30, 2014:									
Revenue bonds payable:									
2005 Revenue Bonds:									
2005 Series A	\$ 5,100,000	\$	—	\$	(945,000)	\$	4,155,000	\$	980,000
2005 Series B	45,695,000		—		(1,935,000)		43,760,000		2,035,000
Plus deferred amounts for original issue premium	1,759,722		—		(149,233)		1,610,489		—
2012 Revenue Bonds:									
2012 Series A	6,715,000		—		—		6,715,000		—
2012 Taxable Series B	75,450,000		—		—		75,450,000		—
Plus deferred amounts for original issue premium	180,769		—		(6,233)		174,536		—
Total long-term debt payable	<u>\$ 134,900,491</u>	\$	<u>—</u>	\$	<u>(3,035,466)</u>	\$	<u>131,865,025</u>	\$	<u>3,015,000</u>
Year ended June 30, 2013:									
Revenue bonds payable:									
2005 Revenue Bonds:									
2005 Series A	\$ 6,015,000	\$	—	\$	(915,000)	\$	5,100,000	\$	945,000
2005 Series B	47,535,000		—		(1,840,000)		45,695,000		1,935,000
Plus deferred amounts for original issue premium	1,908,954		—		(149,232)		1,759,722		—
2012 Revenue Bonds:									
2012 Series A	6,715,000		—		—		6,715,000		—
2012 Taxable Series B	75,450,000		—		—		75,450,000		—
Plus deferred amounts for original issue premium	187,002		—		(6,233)		180,769		—
Total long-term debt payable	<u>\$ 137,810,956</u>	\$	<u>—</u>	\$	<u>(2,910,465)</u>	\$	<u>134,900,491</u>	\$	<u>2,880,000</u>

**(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, as amended, 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

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coupon interest rate of 6.400%. The 2005 Series A Bonds are due in annual installments ranging from \$880,000 to \$1,100,000 from July 1, 2011 to July 1, 2017 with interest rates ranging from 3.500% 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 by the Authority, 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, 2014 and 2013 is \$4,155,000 and \$5,100,000, respectively, plus unamortized original issue premium of \$11,650 and \$15,533, respectively. At June 30, 2014 and 2013, the current portion of the 2005 Series A Bonds, paid July 1, 2014 and 2013, are \$980,000 and \$945,000, respectively. Interest payable on the 2005 Series A Bonds totals \$80,913 and \$98,631 at June 30, 2014 and 2013, respectively. Bond insurance premiums of \$38,888 are being amortized using the straight-line method over the life of the 2005 Series A Bonds. Unamortized bond insurance premiums of \$9,644 and \$12,858 at June 30, 2014 and 2013, respectively, are reported in the accompanying statement of net position. See note 2(r) regarding the impact of adoption of GASB 65 related to other bond issuance costs.

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 Taxable Series C Bonds were paid in full July 1, 2010. The 2005 Series B Bonds are due in annual installments ranging from \$1,760,000 to \$5,160,000 from July 1, 2011 to July 1, 2025 with interest rates ranging from 5.000% to 5.250% 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, 2014 and 2013 is \$43,760,000 and \$45,695,000, respectively, plus unamortized original issue premium of \$1,598,839 and \$1,744,189, respectively. At June 30, 2014 and 2013, the current portion of the 2005 Series B Bonds, paid July 1, 2014 and 2013, are \$2,035,000 and \$1,935,000, respectively. Interest payable on the 2005 Series B Bonds totals \$1,119,381 and \$1,170,175 at June 30, 2014 and 2013, respectively. Bond insurance premiums of \$331,574 for the 2005 Series B Bonds are being amortized using the straight-line method over the life of the respective bonds. Unamortized bond insurance premiums at June 30, 2014 and 2013 for 2005 Series B Bonds of \$181,483 and \$197,983, respectively, are reported in the accompanying statement of net position. See note 2(r) regarding the impact of adoption of GASB 65 related to other bond issuance costs.

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 Master Indenture of Trust, as amended. Authority management believes that the Authority has complied with such requirements.

**(b) 2012 Revenue Bonds**

On May 10, 2012, the Authority issued \$82,165,000 of 2012 Airport Revenue Bonds (2012 Bonds) with an effective interest rate of 5.624% and at an original issue premium totaling

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\$187,886. The 2012 Bonds, issued as parity bonds with the 2005 Bonds, were issued in two series. The 2012 Bonds 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, as amended, and the Debt Service Reserve Fund. The net proceeds of the 2012 Bonds of \$81,568,556 (including initial issue premium of \$187,886 less underwriters' discount of \$784,330) were deposited with the Bond Trustee into the Debt Service Reserve Fund (\$5,838,000), Cost of Issuance Fund (\$877,962), Debt Service Fund for debt service through July 1, 2014 (\$9,277,903) and the Construction Fund (\$65,574,691).

The \$6,715,000 Airport Revenue Bonds 2012 Series A (AMT) (2012 Series A Bonds), at an effective interest rate of 4.949%, and the \$75,450,000 Airport Revenue Bonds 2012 Taxable Series B (2012 Taxable Series B Bonds), at an effective interest rate of 5.722%, were issued (i) to finance those costs of the RITC project consisting of the CRCF and the portion of the costs of the Replacement Parking Structure attributable to the parking spaces displaced by the CRCF (2012 Bond Project); (ii) to fund the 2012 Debt Service Reserve Fund; (iii) to provide capitalized interest with respect to the 2012 Bonds through July 1, 2014; and to pay the costs of issuance of the 2012 Bonds.

The 2012 Series A Bonds are due in annual installments ranging from \$1,155,000 to \$5,560,000 from July 1, 2041 to July 1, 2042 at an interest rate of 5.000% payable semiannually on July 1 and January 1. The 2012 Series A Bonds are subject to optional redemption by the Authority, without premium, in whole or in part on any date on and after July 1, 2022 at a redemption price equal to the price equal to the principal and accrued interest to the redemption date on the portion to be redeemed. The balance of 2012 Series A Bonds outstanding at June 30, 2014 and 2013 is \$6,715,000 and \$6,715,000, respectively, plus unamortized original issue premium of \$174,536 and \$180,769, respectively. Interest payable on the 2012 Series A Bonds totals \$167,875 and \$167,875 at June 30, 2014 and 2013, respectively. See note 2(r) regarding the impact of adoption of GASB 65 related to bond issuance costs.

The 2012 Taxable Series B Bonds are due in annual installments ranging from \$1,500,000 to \$4,970,000 from July 1, 2015 to July 1, 2041 with interest rates ranging from 2.036% to 5.812% payable semiannually on July 1 and January 1. The 2012 Taxable Series B Bonds are subject to optional redemption by the Authority, in whole or in part, on any date, at a Redemption Price equal to the Make-Whole Redemption Price, as defined in the Official Statement, plus unpaid accrued interest. The balance of 2012 Taxable Series B Bonds outstanding at June 30, 2014 and 2013 is \$75,450,000 and \$75,450,000, respectively. Interest payable on the 2012 Taxable Series B Bonds totals \$1,998,172 and \$1,998,172 at June 30, 2014 and 2013, respectively. See note 2(r) regarding the impact of adoption of GASB 65 related to bond issuance costs.

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 Master Indenture of Trust, as amended. Authority management believes that the Authority has complied with such requirements.

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**(c) Annual Debt Service Requirements to Maturity**

Revenue bond debt service requirements to maturity are as follows:

	<u>2005 Bonds</u>		<u>2012 Bonds</u>		<u>Total</u>		<u>Total debt service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Payable in year ending							
June 30:							
2015	\$ 3,015,000	\$ 2,328,481	\$ —	\$ 4,332,095	\$ 3,015,000	\$ 6,660,576	\$ 9,675,576
2016	3,160,000	2,181,075	1,500,000	4,316,824	4,660,000	6,497,899	11,157,899
2017	3,310,000	2,025,481	1,535,000	4,282,559	4,845,000	6,308,040	11,153,040
2018	3,470,000	1,860,975	1,570,000	4,241,780	5,040,000	6,102,755	11,142,755
2019	3,640,000	1,681,213	1,615,000	4,193,453	5,255,000	5,874,666	11,129,666
2020 – 2024	21,245,000	5,300,294	9,015,000	19,969,082	30,260,000	25,269,376	55,529,376
2025 – 2029	10,075,000	509,875	11,490,000	17,359,007	21,565,000	17,868,882	39,433,882
2030 – 2034	—	—	15,060,000	13,683,906	15,060,000	13,683,906	28,743,906
2035 – 2039	—	—	19,890,000	8,702,261	19,890,000	8,702,261	28,592,261
2040 – 2043	—	—	20,490,000	2,283,698	20,490,000	2,283,698	22,773,698
Total principal and interest to maturity	47,915,000	\$ 15,887,394	82,165,000	\$ 83,364,665	130,080,000	\$ 99,252,059	229,332,059
Unamortized portion of:							
Original issue premium	1,610,489		174,536		1,785,025		1,785,025
Less current portion of principal	<u>(3,015,000)</u>		<u>—</u>		<u>(3,015,000)</u>		<u>(3,015,000)</u>
Total long-term portion of revenue bonds payable	\$ <u>46,510,489</u>		\$ <u>82,339,536</u>		\$ <u>128,850,025</u>		\$ <u>228,102,084</u>

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**(d) Pledged Revenues**

The 2005 Bonds and 2012 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. The Authority covenants that the ratio of Net Pledged Revenues plus transfers to the Surplus Fund to net accrued debt service on parity obligations will be 1.25 or greater (coverage rate covenant) and that Net Revenues plus transfers to the Surplus Fund will equal or exceed the sum of net accrued debt service on parity obligations and required deposit to Debt Service Reserve, Operating Reserve and other accounts (general rate covenant). The computation of the coverage rate covenant and general rate covenant as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Net Revenues	\$ 11,153,453	\$ 10,666,845
Transfers to Surplus Fund	<u>1,354,897</u>	<u>—</u>
Net Pledged Revenues	<u>\$ 12,508,350</u>	<u>\$ 10,666,845</u>
Accrued debt service on 2005 Bonds	\$ 5,415,588	\$ 5,417,613
Accrued debt service on 2012 Bonds	4,332,095	4,332,095
Less: capitalized interest for 2012 Bonds accrued debt service deposited from 2012 Bonds proceeds	<u>(4,332,095)</u>	<u>(4,332,095)</u>
Net accrued debt service on parity obligations	<u>\$ 5,415,588</u>	<u>\$ 5,417,613</u>
Ratio of Net Pledged Revenues to net accrued debt service on parity obligations	<u>2.31</u>	<u>1.97</u>
Net Revenues plus transfers to Surplus Fund	\$ 12,508,350	\$ 10,666,845
Less: transfers to Operating Reserve	(102,397)	(222,460)
Less: net accrued debt service on parity obligations	<u>(5,415,588)</u>	<u>(5,417,613)</u>
Excess of net revenues over net accrued debt service on parity obligations and transfers to Operating Reserve	<u>\$ 6,990,365</u>	<u>\$ 5,026,772</u>

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 and 2012 Bonds is equal to the remaining debt service on the 2005 Bonds and 2012 Bonds at June 30, 2014 of \$229,332,059. The pledged revenues are in force during the term of the 2005 Bonds and 2012 Bonds with final maturity on July 1, 2042.

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#### **(8) Retirement Plan**

Effective February 1, 2006, the Authority entered into an employment contract with the Burbank Airport Police Officers Association (BAPOA) which, among other things, called for the implementation of a 401(k) program sponsored by the BAPOA (BAPOA 401(k) Plan) into which the Authority contributes 6% of eligible base salaries and overtime as a retirement contribution, payable as part of weekly payroll. Employees may also contribute to their 401(k) account, but there is no additional Authority match. All employees are eligible to participate upon hire and contributions and earnings vest immediately. The 401(k) Plan is administered by Transamerica Retirement Solutions.

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 contributions.

Effective April 4, 2013, the BAPOA replaced its 401(k) program with a 401(a) profit sharing plan (BAPOA 401(a) Profit Sharing Plan) and a 457(b) government deferred compensation plan (BAPOA 457(b) Government Deferred Compensation Plan). On this date, the Authority discontinued retirement contributions to the 401(k) program and now makes retirement contributions of 6% of eligible base salaries and overtime to the 401(a) profit sharing plan. Officers may make voluntary contributions to the 457(b) government deferred compensation plan, but there is no additional Authority match. Officers may take loans against contributions. All employees are eligible to participate upon hire and contributions and earnings vest immediately. The 401(a) Plan and the 457(b) Plan are administered by Transamerica Retirement Solutions.

Effective February 1, 2014, the Authority entered into a new employment contract which increased the Authority retirement contribution rate to 6.5% from 6%.

Total salaries and benefits for the Airport Police Officers were \$4,203,080 in FY 2014 and \$3,969,864 in FY 2013. The Authority's contributions have been calculated using the base salary plus overtime amount of \$3,133,213 in FY 2014 and \$3,158,707 in FY 2013. The Authority made the required accruals and contributions, amounting to \$195,821 and \$192,158 in fiscal years 2014 and 2013, respectively.

#### **(9) 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, 2014 and 2013, two of these additional schools have been completed; the other two schools are now outside the approved noise exposure map boundary.

##### ***(b) Residential Home Sound Insulation Program***

As part of the Authority's efforts to achieve noise compatibility within Airport-adjacent communities, the Authority also initiated a residential home sound insulation program. The



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sound insulation program is funded through a combination of federal grant monies, PFC funds, and Authority funds.

The Authority has entered into agreements with the FAA to provide funding assistance. The following sound insulation grant award agreement was outstanding during the years ended June 30, 2014 and 2013:

<u>Date accepted</u>	<u>AIP grant number</u>	<u>Award Amount</u>	<u>Project description</u>
February 2009	3-06-0031-47	\$ 7,000,000	Sound insulation of residences

During the year ended June 30, 2014 the Authority expended \$1,678,536 on these projects, of which \$1,269,988 was funded through FAA grants, \$305,874 through PFC funds and \$102,674 through Authority funds. The Authority acoustically treated 32 residences during FY 2014.

During the year ended June 30, 2013 the Authority expended \$3,368,303 on these projects, of which \$2,637,214 was funded through FAA grants, \$633,494 through PFC funds and \$97,595 through Authority funds. The Authority acoustically treated 129 residences during FY 2013, of which 99 were in progress at June 30, 2012. Effective October 10, 2013, the FAA accepted an updated noise exposure map (NEM), which depicts the boundaries of the 65 CNEL noise exposure area. The NEM, which reflects a decrease in the size of the area surrounding the airport exposed to 65 CNEL, was updated as part of a Part 150 Noise Compatibility Study. This study is still in process, the results of which may deem as eligible multi-family and an additional number of single family residences to the sound insulation program in the revised noise contour area.

**(10) 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, 2014 and 2013 as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 28,773,504	\$ —	\$ 28,773,504	\$ —
Buildings and improvements	30,282,599	24,612,587	29,931,117	23,621,176
Runways and improvements	647,000	647,000	647,000	647,000
	<u>\$ 59,703,103</u>	<u>\$ 25,259,587</u>	<u>\$ 59,351,621</u>	<u>\$ 24,268,176</u>

The leases on such properties expire at various times, and generally terms are provided whereby lease terms may be extended.

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Concession lease revenues are based on a percentage of gross receipts subject to minimum annual guarantees (MAG). Such concession rentals totaled \$8,317,353 and \$8,298,815 for the years ended June 30, 2014 and 2013, respectively, consisting of MAG revenues of \$7,727,624 and \$7,800,017, respectively, and over-MAG revenues of \$589,729 and \$498,798, respectively.

Minimum future rental revenue on noncancelable leases in effect at June 30, 2014 is as follows:

	<u>Lease revenue</u>
Fiscal year ending June 30:	
2015	\$ 27,673,499
2016	19,758,133
2017	17,545,476
2018	17,170,238
2019	14,247,545
2020 – 2024	54,963,379
2025 – 2029	6,257,678
2030 – 2031	766,797
	<u>\$ 158,382,745</u>

**(11) Passenger Facility Charges**

In June 1994, the FAA approved the Authority’s application to collect a \$3.00 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, 2014 and 2013 totaled \$7,839,780 and \$8,306,776, respectively, including investment income on the PFC investment portfolio of \$121,262 and \$128,511, respectively. During the year ended June 30, 2014, funds totaling \$9,075,243 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, \$312,379 was for sound insulation program expenditures, \$6,184,045 was for the elevated walkway portion of the RITC project, \$1,800,281 was for the Common Use Passenger Processing System (CUPPS) project, and \$778,538 was for other Airport development projects. During the year ended June 30, 2013, funds totaling \$17,840,206 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, \$797,828 was for sound insulation program expenditures, \$9,331,704 was for the elevated walkway portion of the RITC project, \$5,177,116 was for the CUPPS project, \$1,505,802 was for the Digital Video Surveillance System Phase IV, and \$1,027,756 was for other Airport development projects.

**(12) Customer Facility Charges**

Effective December 1, 2009, the Authority adopted a \$10 CFC per rental car transaction to provide for the planning, design, construction and financing of a 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

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a separate account administered by the Authority prior to disbursement. CFC revenue for the years ended June 30, 2014 and 2013 totaled \$4,904,964 and \$4,856,431, respectively. Eligible costs expended on the CRCF project, which have been reimbursed to the Current Operating Fund from the CFC Fund, totaled \$1,991,424 and \$13,428,021 for the years ended June 30, 2014 and 2013, respectively. In FY 2014, \$1,459,500 of CFC funds were transferred to the Surplus Fund. This amount represents 25% of the maximum annual debt service on the 2012 Bonds and may be used, beginning in FY 2015, for bond debt service coverage as defined in the Bond Indentures, as amended.

#### **(13) 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, City parking tax and permits and plan check fees.

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 \$2,044,847 and \$2,048,566 during the years ended June 30, 2014 and 2013, respectively, of which \$57,911 and \$136,191, respectively, related to the \$1 incremental parking revenue (see note 17). Amounts due to the City of Burbank for parking taxes were \$523,851 and \$541,677 at June 30, 2014 and 2013, respectively. The Authority incurred utility expense for electricity, water and wastewater utilities from Burbank Water and Power during the years ended June 30, 2014 and 2013 totaling \$2,166,569 and \$1,935,713 (including amounts charged back to tenants of \$293,813 and \$295,760), respectively. Amounts due to Burbank Water and Power were \$230,077 and \$159,026 at June 30, 2014 and 2013, respectively. The Authority paid permit and plan check fees to the City of Burbank totaling \$62,028 and \$455,935 during the years ended June 30, 2014 and 2013, respectively, the majority of which related to the RITC project. No amounts were due for permit and plan check fees at June 30, 2014 and 2013, respectively. The Authority paid the City costs related to the environmental impact report (EIR) for evaluation of a replacement terminal and development on the B-6 Trust Property totaling \$802,351 during the year ended June 30, 2014. No amounts were due for EIR fees at June 30, 2014.

The Authority is also charged for services from City of Glendale departments that are categorized in the various expense line items in the statements of revenues, expenses and changes in net position. The most significant are payments for Verdugo Fire Communications services totaling \$19,530 and \$16,758 during the years ended June 30, 2014 and 2013, respectively. No amounts were due to the City of Glendale at June 30, 2014 and 2013, respectively.

#### **(14) 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).

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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, 2014. 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*.

#### **Fox Rent-A-Car, Inc. vs. Burbank-Glendale-Pasadena Airport Authority**

Fox Rent-A-Car, Inc.'s (Fox) pending lawsuit against the Authority alleges the Authority breached a settlement agreement which resolved a prior writ petition filed by Fox. Fox's writ petition alleged the Authority had failed to comply with the California Public Records Act in responding to Fox's document request related to the Authority's initial allocation of garage space in the new CRCF at the Airport.

Pursuant to the settlement agreement, the Authority agreed to conduct a reallocation evaluation of garage space provided to the rental car companies in the new CRCF. Fox was allocated some additional garage space by the Authority, but alleges in its lawsuit that the settlement agreement required it be provided with more space for its rental cars than what it received from the Authority. Fox seeks monetary damages as well as an order from the Court compelling the Authority to conduct another reallocation evaluation of garage space pursuant to the provisions of the settlement agreement. The Authority denies Fox's allegations and the case is currently in the discovery phase. The amount of loss contingency cannot be accurately estimated at this time because the Authority is in the process of obtaining information, through the discovery phase, regarding Fox's alleged monetary damages.

#### **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 cumulative payments of \$1,311,732, 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 were begun in August 2011 and were substantially completed during FY 2012. The balance of receipts of approximately \$911,000 is being retained for future hangar floor repairs.

#### **(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

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

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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 years ended June 30, 2014 and 2013 total \$10,638,707 and \$10,130,876, as follows:

	<u>2014</u>	<u>2013</u>
Contracted airport services	\$ 9,978,456	\$ 9,303,560
Capitalized to constructed capital assets	427,637	540,075
Sound insulation program	133,598	178,697
Other expenses	<u>99,016</u>	<u>108,544</u>
Total airport management contract costs	<u>\$ 10,638,707</u>	<u>\$ 10,130,876</u>

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. The Authority exercised the first of these two option years on September 16, 2013 and, on September 15, 2014, extended the agreement for an additional six months through April 2015. Minimum future commitments under this agreement are as follows:

Fiscal year ending June 30:	
2015	\$ <u>1,838,333</u>

Effective February 10, 2012, The Authority contracted with Standard Parking for self-park management services, valet parking services and employee and customer busing service, with a base term through June 30, 2014 and two one-year option periods. The Authority exercised the first of these two option years on April 21, 2014. 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, 2014 and 2013 are \$6,309,863 and \$6,215,560, respectively.

**(c) Construction Contracts**

The Authority has contract commitments outstanding at June 30, 2014 for various construction contracts totaling \$5,065,535, including \$485,409 related to the RITC project, \$2,218,456 related to the sound insulation program, \$802,352 related to the replacement terminal development program, \$646,237 related to the aircraft rescue and firefighting truck acquisition, \$319,999 related to the ground access study, \$377,002 related to the terminal high voltage system project and \$216,080 related to other projects. Subsequent to June 30, 2014, the Authority entered into additional construction contracts totaling \$473,837 primarily related to Runway 33 runway safety area clearance project.

**(d) Federal and Other Grants**

As of June 30, 2014, the Authority had nonexpended, noncancelable grant commitments of \$4,828,205 in federal funds of which \$2,511,437 related to the sound insulation program, \$406,320 related to the Part 150 noise compatibility study update, \$509,761 related to runway safety area improvements for Runway 15-33, \$684,782 related to acquisition of an ARFF

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truck, \$396,262 related to runway shoulder rehabilitation, and \$319,643 related to the ground access study project. The Authority also had nonexpended, noncancelable grant commitments of \$40,457 in County of Los Angeles Transit-Oriented Development (TOD) grant funds and \$81,747 in Measure R grant funds for ground access and RITC project costs.

The Authority has been awarded various federal and other 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, 2014 and 2013, are as follows:

Award Date	Award Amount	Project description	Expenditures charged to grant	
			2014	2013
February 2009	\$ 7,000,000	Noise mitigation measures	\$ 1,269,988	\$ 2,637,214
June 2010	275,000	Fiberoptic ring/perimeter security	—	5,000
July 2010	1,778,142	Ground access study	490,521	554,209
May 2011	1,486,675	RITC (including five grants transferred from the City of Burbank totaling \$936,675)	1,164,247	236,187
Sept. 2011	705,849	Runway 15 safety areas	—	484
Sept. 2011	505,821	ARFF Station rehabilitation	—	418,401
Sept. 2011	805,900	Part 150 noise compatibility study	37,289	119,324
Jan. 2012	300,000	Fiberoptic ring/perimeter security	—	279,313
August 2012	1,289,440	Runway 33 safety areas	227,784	793,426
Sept. 2012	254,261	Fiberoptic ring/perimeter security	240,450	13,811
Sept. 2013	685,015	ARFF Truck acquisition	233	—
Sept. 2013	604,425	Runway shoulder rehabilitation	208,163	—
Sept. 2013	2,171	Bulletproof vest partnership	2,171	—
Various	47,201	Asset forfeiture funds	36,840	9,762
Total expenditures charged to federal grants			<u>3,677,686</u>	<u>5,067,131</u>
August 2012	289,700	CoLA – Transit-Oriented Dev.	179,230	70,013
May 2014	294,536	CoLA – Measure R ground access study local match	214,625	—
May 2014	371,669	CoLA – Measure R RITC local match	371,669	—
May 2014	229,331	CoLA – Measure R RITC Transit Center upgrades	227,495	—
Total expenditures charged to local grants			<u>993,019</u>	<u>70,013</u>
Total expenditures charged to grants			<u>\$ 4,670,705</u>	<u>\$ 5,137,144</u>

On September 15, 2014, the FAA awarded the Authority a grant in the total amount of \$4,720,572 for shoulder and swale rehabilitation of Runway 8/26 and Runway 15/33, and Taxiway B reconstruction.

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

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

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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.

#### **(15) Airport Development Agreement**

The Authority and the City of Burbank have entered into a multiyear agreement (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.

Under its original terms, the Development Agreement was to expire seven years after June 21, 2005, the date the Authority gave notice of its A-1 North Property fee title acquisition to the City of Burbank. 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, the Authority and the City of Burbank 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 relocated replacement passenger terminal and transit-oriented development on the B-6 Trust Property. This Development Agreement amendment was approved by the Authority via Resolution No. 443 adopted on August 1, 2011, and approved by the City of Burbank via Ordinance No. 3819 adopted on September 13, 2011.

#### **(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 RITC project located in the southeast corner of the A-1 North Property. This project includes a transportation center linking the

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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 also includes a CRCF which consolidates the rental car operations at the Airport, relocates the ready-return facility that was partially located in the Runway 33 runway safety area and eliminates over 700,000 annual trips on Empire Avenue of rental cars traveling between the ready return lot and the service center facilities previously used for the washing and fueling of the rental cars on the southwest quadrant of the Airport. The CRCF is funded in part from CFC fees established December 1, 2009, as amended, and rental car company facility rents, as required. An elevated covered moving sidewalk accommodates pedestrian travel between the RITC and the terminal, but is not physically connected to the terminal building. The Authority has begun discussions with the City of Burbank's Water and Power Department (BWP) that would allow 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 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 \$120 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority Commission 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 Commission approved redesign services and went back out to bid for the redesigned project on November 10, 2011 for the Replacement Parking Structure (RPS) and on January 13, 2012 for the balance of the project.

The Authority opened bids from seven prequalified contractors for the construction of the design-build RPS on January 10, 2012 with the low bid of \$8,496,000, and opened bids from five prequalified contractors for the construction of the balance of the RITC project on March 22, 2012 with a low bid of \$72,683,000. The Authority approved these construction contracts for the RITC on May 14, 2012 and issued notices to proceed on May 21, 2012.

On April 23, 2012, the Authority approved the revised Plan of Finance with an estimated cost of \$112.6 million, as well as the form of non-exclusive on-airport rental car lease and concession agreement.

On May 10, 2012, the Authority issued \$82,165,000 of 2012 Airport Revenue Bonds in order to finance the CRCF and the portion of the costs of the RPS attributable to the parking spaces displaced by the CRCF (see note 7).

Construction on the RITC project continued in FY 2013 and FY 2014. The replacement parking structure was completed and opened for business on August 1, 2013 and the CRCF and elevated walkway were substantially completed and opened to the public for business on July 15, 2014. The RITC project has been funded by a combination of 2012 Revenue Bonds, CFCs, PFCs, federal and local grants, loans from the Authority to the rental car companies for contract contingencies, and Authority investment from the Facility Development Fund. Cumulative expenditures on the RITC project through June 30, 2014 total \$120.9 million. Offsets to the debt service on the 2012 Revenue Bonds and the loans from the Authority to the rental car companies will be made from CFCs and rental car company facility rents.



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#### (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 EPA 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 was estimated by EPA to cost approximately \$108 million. This was a preliminary estimate that was 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 (Lockheed) 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 by written agreement on February 22, 2011. The written settlement agreement provided that the Authority pay to Lockheed the sum of \$2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed agreed to defend and indemnify the Authority for certain settled matters, including all response costs 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 and the Authority.

No costs were incurred in FY 2014 and FY 2013 related to the environmental litigation and settlement. Cumulative total settlement costs are \$2,000,000 and legal costs are \$1,394,446.

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. Incremental parking revenues, net of related City of Burbank parking tax, totaling \$482,591 and \$1,134,927 for the years ended June 30, 2014 and 2013, respectively, (cumulative total net incremental parking revenues are \$3,394,446 as of June 30, 2014) are not included in parking revenues but, rather, are included in the Special Item until the legal and settlement costs noted above are fully recovered (occurred December 7, 2013). Such incremental parking revenues are net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling \$57,911 and \$136,191 for the years ended June 30, 2014 and 2013, respectively.

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## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The Indenture sets forth the terms of the Bonds, including the 2015 Bonds, the nature and extent of the security for the Bonds, including the 2015 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 period 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.

“Authorized Denominations” means, with respect to the 2015 Bonds, \$5,000 and any integral multiple thereof.

“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, as of any date of calculation and with respect to the 2015 Series Debt Service Reserve Fund, an amount equal to the least of (a) 10% of the initial offering price to the public of the 2015 Bonds as determined under the Code, (b) the greatest amount of Bond Debt Service for the 2015 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 2015 Bonds is due, or (c) 125% of the sum of the Bond Debt Service for the 2015 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 the 2015 Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service for the 2015 Bonds is due, divided by the number of such Fiscal Year, all as computed and determined by the Authority and specified in writing to the Trustee.

“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.

“Fourth Supplemental Indenture” means the Fourth Supplemental Indenture of Trust, dated as of April 1, 2015, between the Authority and the Trustee, as the same may be amended and supplemented

“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.

“Master Indenture” means the Master Indenture of Trust, dated as of May 1, 2005, between the Authority and the Trustee.

“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) Farmers Home Administration (“FmHA”)  
Certificates of beneficial ownership
- (ii) Federal Housing Administration (“FHA”)  
Debentures
- (iii) General Services Administration  
Participation certificates
- (iv) Government National Mortgage Association (“GNMA”)  
GNMA - guaranteed mortgage-backed bonds GNMA - guaranteed pass-through obligations (participation certificates)
- (v) United States Maritime Administration  
Guaranteed Title XI financing
- (vi) United States Department of Housing and Urban Development  
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) Federal Home Loan Bank System  
Senior debt obligations

- (ii) Federal Home Loan Mortgage Corporation (“FHLMC”)  
Participation Certificates  
Senior debt obligations
- (iii) Federal National Mortgage Association (“FNMA”)  
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) Student Loan Marketing Association  
Senior debt obligations
- (v) Resolution Funding Corporation (“REFCORP”)  
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) Farm Credit System  
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 (a) with respect to the 2012 Series Bonds, 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, (b) with respect to the 2015 Bonds, 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 a nationally recognized rating agency at the time of issuance of such policy or surety bond or letter of credit not lower than a rating of A- by S&P, or other comparable rating, and (c) with respect to any Additional 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, satisfying the requirements to be set forth in the Supplemental Indenture or other Issuing Instrument pursuant to which such Additional Parity Obligations are issued.

“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.

“2012 Pledged Customer Facility Charges” means the first Customer Facility Charges received by the Authority in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2015, up to the amount of the scheduled Debt Service on the Outstanding 2012 Series Bonds accruing during such Fiscal Year.

“2012 Series Bonds” means the Authority’s Airport Revenue Bonds, 2012 Series A and the Authority’s Airport Revenue Bonds, 2012 Taxable Series B.

“2015 Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, dated as of April 1, 2015, between the Authority and the Trustee, as trustee and as dissemination agent, relating to the 2015 Bonds, as the same may be amended and supplemented.

“2015 Rebate Account” means the Account in the Rebate Fund established pursuant to the Fourth Supplemental Indenture.

“2015 Reserve Guaranty” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the 2015 Reserve Guaranty Provider and relating to the 2015 Bonds as provided in the Fourth Supplemental Indenture.

“2015 Reserve Guaranty Provider” means Assured Guaranty Municipal Corp.

“2015 Reserve Guaranty Provider Expenses” means any and all reasonable charges, fees, costs, losses, liabilities and expenses that the 2015 Reserve Guaranty Provider may pay or incur in connection with the 2015 Reserve Guaranty, including, but not limited to, fees and expenses of the 2015 Reserve Guaranty Provider’s attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (a) any accounts established to facilitate payments under the 2015 Reserve Guaranty, (b) the administration, enforcement, defense or preservation of any rights in respect of the Indenture (including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Authority) relating to the

Indenture, any party to the Indenture or the transactions contemplated thereby), (c) any amendment, waiver or other action with respect to, or related to, the Indenture or the 2015 Reserve Guaranty at the Authority's request, whether or not executed or completed, (d) the pursuit of any remedies under the Indenture in accordance with the Indenture, or (e) any action taken by the 2015 Reserve Guaranty Provider to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture, which costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the 2015 Reserve Guaranty Provider spent in connection with such actions, together with interest thereon at the 2015 Reserve Guaranty Provider Late Payment Rate, compounded semi-annually, from the date that payment is first due to the 2015 Reserve Guaranty Provider until the date the 2015 Reserve Guaranty Provider is paid in full.

"2015 Reserve Guaranty Provider Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, New York, as its prime or base lending rate (the "Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the 2015 Bonds, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such other national bank or banking association as the 2015 Reserve Guaranty Provider shall designate.

"2015A Bonds" means the Authority's Airport Revenue Bonds, 2015 Series A authorized by the Fourth Supplemental Indenture.

"2015B Bonds" means the Authority's Airport Revenue Bonds, 2015 Series B authorized by the Fourth Supplemental Indenture.

"2015 Bonds" means the 2015A Bonds and the 2015B Bonds.

"2015 Series Debt Service Reserve Fund" means the Fund so designated and established pursuant to the Fourth Supplemental Indenture.

"2015 Tax Certificate" means that certain Tax Certificate, dated as of the date of delivery of the 2015 Bonds, with respect to the 2015 Bonds and signed by an Authorized Authority Representative.

## **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.

Any provision of the Indenture to the contrary notwithstanding, in the event any Available Revenues that are deposited into the Debt Service Fund in accordance with the Master Indenture are restricted, by law or pursuant to the terms under which such Available Revenues are made available to the Authority, to be applied to the payment of debt service for one or more Series of Bonds, such Available Revenues so deposited into the Debt Service Fund shall be applied only to the payment of debt service for such Series of Bonds. The 2012 Pledged Customer Facility Charges shall be applied only to the payment of debt service for the 2012 Series Bonds. Any other restriction to the application of Available Revenues to the payment of debt service for one or more Series of Bonds shall be as provided in a Supplemental Indenture or Supplemental Indentures pursuant to which such Series of Bonds are issued.

*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.

*2015 Series Debt Service Reserve Fund.* If on the date that is five Business Days prior to an Interest Payment Date for the 2015 Bonds, or any other date on which any principal of, or interest on, the Outstanding 2015 Bonds is due, there are insufficient amounts in the Debt Service Fund to pay such principal of, or interest on, the Outstanding 2015 Bonds then due (calculated ratably based on the amounts then due with respect to all Outstanding Bonds), the Trustee is required to make a claim under the 2015 Reserve Guaranty, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to draw funds from the 2015 Series Debt Service Fund to the extent necessary to pay principal of, or interest on, the Outstanding 2015 Bonds as and when required. The Trustee will ascertain the necessity for a claim upon the 2015 Reserve Guaranty and, if a claim is required to be made thereon, provide notice to the 2015 Reserve Guaranty Provider in accordance with the terms of the 2015 Reserve Guaranty at least five Business Days prior to each Interest Payment Date for the 2015 Bonds or any other date on which any principal of, or interest on, the Outstanding 2015 Bonds is due.

The Authority may, with the prior written consent of the 2015 Reserve Guaranty Provider, cause to be deposited in the 2015 Series Debt Service Reserve Fund an additional 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 2015 Series Debt Service Reserve Fund or being deposited in the 2015 Series Debt Service Reserve Fund (including amounts available under any Reserve Guaranties credited to the 2015 Series Debt Service Reserve Fund) concurrently with such additional Reserve Guaranty or Reserve Guaranties. No deposit of an additional Reserve Guaranty will be made in the 2015 Series 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.

If a disbursement is made pursuant to a Reserve Guaranty credited to the 2015 Series Debt Service Reserve Fund, the Authority will be obligated either (i) to reinstate such Reserve Guaranty so that the amount available to be drawn or payable thereunder shall be an amount not less than the Debt Service Reserve Requirement for the 2015 Series Debt Service Reserve Fund, or (ii) to deposit into the 2015 Series Debt Service Reserve Fund, in accordance with the Indenture, funds in the amount of the disbursement made under such Reserve Guaranty, or a combination of such alternatives, as will provide that the amount in the 2015 Series Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement; provided, however, that to the extent a Reserve Guaranty will be reinstated so that the amount, if any, in the 2015 Series Debt Service Reserve Fund (including Reserve Guaranties) will equal the applicable Debt Service Reserve Requirement, amounts in the 2015 Series Debt Service Reserve Fund in excess of the applicable Debt Service Reserve Requirement will be applied to the reimbursement of drawings under a Reserve Guaranty credited to the 2015 Series Debt Service Reserve Fund.

Moneys, if any, held in the 2015 Series 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) or (m) of the definition of "Permitted Investments" in the Indenture 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 any security described in clause (g) of the definition of Permitted Investments may mature not later than thirty (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 2015 Series Debt Service Reserve Fund will be paid into the Revenue Fund; provided, however, that such payment will be made only to the extent the amounts remaining in the 2015 Series Debt Service Reserve Fund is not less than the applicable Debt Service Reserve Requirement.

If a draw has been made on the 2015 Reserve Guaranty, the Trustee will, from the deposits to the 2015 Series Debt Service Reserve Fund made pursuant to the Fourth Supplemental Indenture, repay the 2015 Reserve Guaranty Provider for such draw, pay the 2015 Reserve Guaranty Provider for any 2015 Reserve Guaranty Provider Expenses related to such draw, and pay the 2015 Reserve Guaranty Provider interest on such draw and 2015 Reserve Guaranty Provider Expenses from the date of payment by the 2015 Reserve Guaranty Provider at the 2015 Reserve Guaranty Provider Late Payment Rate. Amounts so paid to the 2015 Reserve Guaranty Provider will be applied pursuant to the Indenture. As and to the extent that payments are made to the 2015 Reserve Guaranty Provider in repayment of such draw, the coverage under the 2015 Reserve Guaranty will be increased by a like amount, subject to the terms of the 2015 Reserve Guaranty.

*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 the 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 relating to Series 2015 Bonds.* The Authority covenants that 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 exclusion from gross income of the interest on the 2015 Bonds under Section 103 of the Code. The Authority will not directly or indirectly use or permit the use of any proceeds of the 2015 Bonds, or any facilities financed or refinanced thereby, in such a manner as would adversely affect the exclusion of interest on any 2015 Bonds from gross income under Section 103 of the Code. The Authority will not directly or indirectly use or permit the use of any proceeds of any 2015 Bonds, or of any facilities financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause any 2015 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2015 Bonds. In the event that at any time the Authority is of the opinion that it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority will so instruct the Trustee in writing, and the Trustee will take such action as may be directed in such instructions.

The Authority specifically covenants that:

- (i) Except as approved in a Favorable Opinion of Bond Counsel, the Authority will not allow the amount of Gross Proceeds of the 2015 Bonds invested during any Bond Year in Nonpurpose Investments with a Yield in excess of the Yield on the 2015 Bonds to exceed the lesser of (a) 150% of the scheduled debt service on the 2015 Bonds for that Bond Year or (b) the amounts on deposit in the 2015 Series Debt Service Reserve Fund and attributed to the 2015 Bonds (provided that such amounts do not exceed 10% of the proceeds of the 2015 Bonds) plus \$100,000.
- (ii) The Authority will pay or cause to be paid the Rebate Requirement as provided in the 2015 Tax Certificate.
- (iii) The Authority will determine the amount of the Rebate Requirement for the 2015 Bonds as provided in the 2015 Tax Certificate and cause such Rebate Requirement to be deposited in the 2015 Rebate Account. The Owners of the Bonds will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the 2015 Rebate Account as directed in writing by an Authorized Authority Representative in the applicable Rebate Instructions.

*2015 Rebate Account.* For purposes of complying with tax covenants contained in the Indenture, there is established an Account in the Rebate Fund designated the “Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2015 Series Rebate Account” to be held by the Trustee.

*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.

*Continuing Disclosure.* The Authority covenants and agrees to comply with the 2015 Continuing Disclosure Agreement as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the requirements of the 2015 Continuing Disclosure Agreement, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default and the Trustee shall have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations with respect to the 2015 Continuing Disclosure Agreement.

## **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.

## APPENDIX C

### 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, 2019.

“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 Stated Expiration Date is June 30, 2019.

### **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 extend 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 D

### DTC BOOK-ENTRY ONLY SYSTEM

*The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the 2015 Bonds, payments of principal, premium, if any, and interest on the 2015 Bonds to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2015 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 2015 Bonds, or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2015 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.*

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the 2015 Bonds. The 2015 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 2015 Bond certificate will be issued for each maturity of each Series of the 2015 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.com](http://www.dtcc.com). The information on such website is not incorporated into this Official Statement.

Purchases of the 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 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 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 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 2015 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 2015 Bond, or any such notice of its content or effect does not affect the validity of the redemption of the 2015 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 2015 Bonds to be redeemed, and each such Participant then selects by lot the ownership interest in such 2015 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 2015 Bonds are redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2015 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 2015 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 2015 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 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, 2015 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2015 Bond certificates will be printed and delivered to DTC.

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 2015 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 2015 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 2015 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2015 BONDS; OR (vi) ANY OTHER MATTER.

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## APPENDIX E

### PROPOSED FORM OF BOND COUNSEL OPINION

*Upon delivery of the 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Burbank-Glendale-Pasadena Airport Authority, proposes to render its final opinion in connection with the 2015 Bonds in substantially the following form:*

[Date of Delivery]

Commission  
Burbank-Glendale-Pasadena Airport Authority  
2627 Hollywood Way  
Burbank, California 91505

Burbank-Glendale-Pasadena Airport Authority  
Airport Revenue Bonds,  
2015 Series A and 2015 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 \$1,335,000 aggregate principal amount of its Airport Revenue Bonds, 2015 Series A (the "2015 Series A Bonds") and \$30,925,000 aggregate principal amount of its Airport Revenue Bonds, 2015 Series B (the "2015 Series B Bonds" and, together with the 2015 Series A Bonds, the "2015 Series Bonds"). The 2015 Series Bonds are being issued pursuant to the Master Indenture of Trust, dated as of May 1, 2005 (the "Master Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) (the "Trustee"), as amended and supplemented, including as amended and supplemented by the Fourth Supplemental Indenture of Trust, dated as of April 1, 2015, between the Authority and the Trustee. The Master Indenture, as amended and supplemented, is referred to herein as the "Indenture." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the 2015 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 2015 Series Bonds are special obligations of the Authority payable solely from the Trust Estate and the 2015 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 2015 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 2015 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 2015 Series Debt Service Reserve Fund. The Indenture further provides that the pledge of the Trust Estate pursuant to the Indenture securing the 2015 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 2015 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 2015 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 2015 Series 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 2015 Series Bonds, the Indenture and the 2015 Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, 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 2015 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 2015 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 2015 Series Bonds, of the Trust Estate and amounts in the 2015 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 2015 Series Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the 2015 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2015 Series B Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2015 Series Bonds.

Faithfully yours,

## APPENDIX F

### PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

*Upon delivery of the 2015 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 2015 Bonds in substantially the following form:*

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of April 1, 2015, 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 and as dissemination agent (the “Trustee” and “Dissemination Agent,” respectively), in connection with the issuance by the Authority of its Airport Revenue Bonds, 2015 Series A (the “2015 Series A Bonds”) and its Airport Revenue Bonds, 2015 Series B (the “2015 Series B Bonds” and, together with the 2015 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 Fourth Supplemental Indenture of Trust, dated as of April 1, 2015, between the Authority and the Trustee (the “Fourth Supplemental Indenture” and, as so amended and supplemented, the “Indenture”). Pursuant to Section 6.01 of the Fourth Supplemental Indenture, 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 the original underwriter of the Bonds, which is 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 2014-15 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. Table 1: “Bob Hope Airport – Comparative Summary of Operating Revenues”;

2. Table 2: “Bob Hope Airport – Comparative Summary of Traffic Activities”;
3. Table 3: “Bob Hope Airport – Top 10 Domestic O&D Enplaned Passenger Markets”;
4. Table 5: “Bob Hope Airport – Total Passengers by Airline”;
5. Table 6: “Bob Hope Airport – Aircraft Operations – Airline Services”;
6. Table 7: “Bob Hope Airport – Aircraft Operations – Cargo and Other Non-Airline Services”; and
7. Table 8: “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. Reporting of Significant Events.**

(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 Filings 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 the 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.  
400 South Hope Street, Suite 400  
Los Angeles, California 90071  
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 \_\_\_\_\_

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, 2015  
Series A

and

Burbank-Glendale-Pasadena Airport Authority Airport Revenue Bonds, 2015  
Series B

Date of Issuance: April 30, 2015

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.01 of the Fourth Supplemental Indenture of Trust between the Authority and the Trustee, dated as of April 1, 2015, 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 April 1, 2015. [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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## APPENDIX G

### INFORMATION ABOUT THE 2015 RESERVE GUARANTY PROVIDER

*The following information and the specimen of the 2015 Reserve Guaranty attached as Appendix H have been furnished by Assured Guaranty Municipal Corp. for use in this Official Statement. No representation is made by the Authority as to the accuracy, completeness or adequacy of such information, nor as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The Authority has not made any independent investigation of Assured Guaranty Municipal Corp., and reference is made to the information set forth below for a description thereof.*

**General.** Assured Guaranty Municipal Corp. (“AGM”) is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

**Current Financial Strength Ratings.** On November 13, 2014, KBRA assigned an insurance financial strength rating of “AA+” (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody’s issued a rating action report stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). In February 2015, Moody’s published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

**Capitalization of AGM.** At December 31, 2014, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,763 million and its net unearned premium reserve was approximately \$1,769 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM’s wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM’s indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

***Incorporation of Certain Documents by Reference.*** Portions of the following document filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the 2015 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under Appendix G: “INFORMATION ABOUT THE 2015 RESERVE GUARANTY PROVIDER” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

***Miscellaneous Matters.*** AGM or one of its affiliates may purchase a portion of the 2015 Bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such 2015 Bonds for investment or may sell or otherwise dispose of such 2015 Bonds at any time or from time to time.

AGM makes no representation regarding the 2015 Bonds or the advisability of investing in the 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented in this Appendix G: “INFORMATION ABOUT THE 2015 RESERVE GUARANTY PROVIDER.”

**APPENDIX H**

**SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**

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## MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium: \$

Termination Date:

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AGM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy. Upon such payment, AGM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Bond Document.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to AGM by or on behalf of the Issuer. Within three Business Days of such reimbursement, AGM shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall AGM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that AGM has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the

stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$ . The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

(212) 974-0100



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