Interest on the Series 2022A Bonds is included in gross income for federal income tax purposes. In the opinion of Kutak Rock LLP, Bond Counsel to the Department, interest on the Series 2022A Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.



\$546,015,000 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA



Los Angeles International Airport
Customer Facility Charge Revenue Bonds
(Consolidated Rental Car Facility Project)
2022 Series A (Federally Taxable)
(Green Bonds)



Dated: Date of Delivery

Due: May 15 as shown on the inside cover

The Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) (the "Series 2022A Bonds") of the Department of Airports of the City of Los Angeles (the "Department") are being issued as described herein. Capitalized terms not defined on the cover of this Official Statement have the meanings ascribed to them in this Official Statement.

The Series 2022A Bonds are being issued to (a) pay, and reimburse the Department, for a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at Los Angeles International Airport (the "ConRAC Project"), (b) fund the interest accruing on the Series 2022A Bonds through June 30, 2023, (c) fund deposits to the Senior Reserve Fund, the Rolling Coverage Fund and the CTS Payment Account, (d) refund a portion of the Department's outstanding commercial paper notes, the proceeds of which were previously used to finance a portion of the costs of the ConRAC Project, (e) pay the premium for the Series 2022A Bond Insurance Policy and (f) pay the costs of issuance of the Series 2022A Bonds. See "PLAN OF FINANCE" herein.

The Series 2022A Bonds are special limited obligations of the Department, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges required to be collected by the rental car companies operating at Los Angeles International Airport ("LAX") that have entered into a Rental Car Concession Agreement (which are currently in effect but will terminate on the earlier of (i) the operational date of the ConRAC (expected to occur in early Fiscal Year 2024) and (ii) January 31, 2024) and/or a Rental Car CLA (which will become effective on the operational date of the ConRAC) and remitted to the Department, and certain funds and accounts held by the Trustee under the Indenture. No revenues of the Department, other than the Customer Facility Charges, are pledged to the payment of the Series 2022A Bonds. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS."

The Series 2022A Bonds do not constitute or evidence an indebtedness of the City of Los Angeles (the "City") or a lien or charge on any property or the general revenues of the City. Neither the faith and the credit nor the taxing power of the City, the State of California or any public agency, other than the Department, to the extent described herein, is pledged to the payment of the principal of or interest on the Series 2022A Bonds. The Department has no power of taxation. The Series 2022A Bonds constitute and evidence an obligation of the Department payable only in accordance with Section 609(b) of the City Charter and any other applicable provisions thereof. Neither the ConRAC Project nor any other properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2022A Bonds.

The Series 2022A Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2022A Bonds may be made in book-entry-form only in denominations of \$5,000 and integral multiplies thereof. Interest on the Series 2022A Bonds will be payable on May 15 and November 15, commencing on May 15, 2022. So long as the Series 2022A Bonds are held by DTC, the principal and redemption price of and interest on the Series 2022A Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal, redemption price and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2022A Bonds, as more fully described herein. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES." For information on minimum unit sales for purchasers outside the United States, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

The Series 2022A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SERIES 2022A BONDS—Redemption Provisions."

The scheduled payment of principal of and interest on the Series 2022A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2022A Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE" and APPENDIX I — "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



The purchase and ownership of Series 2022A Bonds involve investment risk and may not be suitable for all investors. This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2022A Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed decision, giving particular attention to the matters discussed under "IMPACT OF COVID19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX" and "CERTAIN INVESTMENT CONSIDERATIONS."

The Series 2022A Bonds are offered when, as and if issued by the Department, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Department, and certain other conditions. Certain legal matters will be passed upon for the Department by Michael N. Feuer, City Attorney of the City. Kutak Rock LLP serves as Disclosure Counsel to the Department with respect to the Series 2022A Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. Frasca & Associates, LLC serves as Municipal Advisor to the Department with respect to the Series 2022A Bonds. It is expected that the delivery of the Series 2022A Bonds will be made through DTC on or about March 16, 2022.

BofA Securities

Siebert Williams Shank & Co., LLC

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND CUSIP NUMBERS

\$546,015,000 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

Los Angeles International Airport Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) Series 2022A (Federally Taxable)

(Green Bonds)

Principal Amount	Interest Rate	Price	CUSIP Numbers [†]
\$18,755,000	3.158%	100.000	54445CAA1
19,350,000	3.258	100.000	54445CAB9
19,980,000	3.358	100.000	54445CAC7
20,650,000	3.408	100.000	54445CAD5
21,355,000	3.608	100.000	54445CAE3
22,125,000	3.758	100.000	54445CAF0
22,955,000	3.858	100.000	54445CAG8
23,840,000	3.958	100.000	54445CAH6
24,785,000	4.058	100.000	54445CAJ2
	\$18,755,000 19,350,000 19,980,000 20,650,000 21,355,000 22,125,000 22,955,000 23,840,000	Amount Rate \$18,755,000 3.158% 19,350,000 3.258 19,980,000 3.358 20,650,000 3.408 21,355,000 3.608 22,125,000 3.758 22,955,000 3.858 23,840,000 3.958	Amount Rate Price \$18,755,000 3.158% 100.000 19,350,000 3.258 100.000 19,980,000 3.358 100.000 20,650,000 3.408 100.000 21,355,000 3.608 100.000 22,125,000 3.758 100.000 22,955,000 3.858 100.000 23,840,000 3.958 100.000

\$352,220,000 – 4.242% Term Bonds due May 15, 2048; Price 100.000; CUSIP No.†: 54445CAK9

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CITY OF LOS ANGELES OFFICIALS

Eric Garcetti⁽¹⁾, Mayor
Michael N. Feuer, City Attorney
Ron Galperin, City Controller
Matthew W. Szabo, City Administrative Officer
Diana Mangioglu, Director of Finance and City Treasurer
Holly L. Wolcott, City Clerk

CITY COUNCIL

Gilbert Cedillo (District 1)
Paul Krekorian (District 2)
Bob Blumenfield (District 3)
Nithya Raman (District 4)
Paul Koretz (District 5)

Nury Martinez (District 6) Monica Rodriguez (District 7) Marqueece Harris-Dawson (District 8) Curren D. Price, Jr. (District 9) Mark Ridley-Thomas⁽²⁾ (District 10) Mike Bonin (District 11) John S. Lee (District 12) Mitch O'Farrell (District 13) Kevin de León (District 14) Joe Buscaino (District 15)

BOARD OF AIRPORT COMMISSIONERS

Beatrice C. Hsu, President

Valeria C. Velasco, Vice President Gabriel L. Eshaghian, Commissioner Karim Webb, Commissioner Sean O. Burton, Commissioner Nicholas P. Roxborough, Commissioner Belinda M. Vega, Commissioner

LOS ANGELES WORLD AIRPORTS STAFF

Justin Erbacci, Chief Executive Officer Tatiana Starostina, Assistant General Manager, Chief Financial Officer

Samantha Bricker, Assistant General Manager, Chief Sustainability and Revenue Management Officer Michael R. Christensen, Assistant General Manager, Operations and Maintenance

Becca Doten, Chief Airport Affairs Officer

Louis Gutierrez, Chief Human Capital and Equity Officer

Vacancy, Chief Development Officer

Jacob Adams, Deputy Executive Director, Landside Access Modernization Program Executive

Richard J. Connolly, Deputy Executive Director, Facilities Management

Martin Elam, Deputy Executive Director, Public Safety and Security

Robert Falcon, Deputy Executive Director, The Development Group

Dave Jones, Deputy Executive Director, Commercial Development

David Reich, Deputy Executive Director, Mobility Planning and Strategy

Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program

Douglas G. Webster, Deputy Executive Director, Operations

Cecil W. Rhambo Jr., Director, Law Enforcement and Homeland Security; Chief of Airport Police

Aura Moore, Chief Information Officer Brian Ostler, General Counsel

TRUSTEE

BOND COUNSEL AND DISCLOSURE COUNSEL

U.S. Bank Trust Company, National Association Kutak Rock LLP

MUNICIPAL ADVISOR AIR

AIRPORT CONSULTANT

VERIFIER OF GREEN BOND PRINCIPLES

Frasca & Associates, LLC

WJ Advisors LLC

Kestrel Verifiers

⁽¹⁾ On July 9, 2021, President Biden nominated Mr. Garcetti for Ambassador Extraordinary and Plenipotentiary to the Republic of India. If confirmed by the U.S. Senate, Mr. Garcetti is expected to resign to serve as ambassador. The City Council would then have the option to appoint an interim mayor or call a special election.

⁽²⁾ Council Member Ridley-Thomas was suspended on October 20, 2021.

This Official Statement is provided in connection with the issuance of the Series 2022A Bonds referred to herein 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 Department and other sources which are believed to be reliable.

No dealer, broker, salesperson or other person has been authorized by the Department to give any information or to make any representation, other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Department. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2022A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. 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 Department since the date hereof.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Series 2022A Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary is a criminal offense.

The Series 2022A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2022A Bonds. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Department since the date hereof.

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

The Underwriters may offer and sell the Series 2022A Bonds to certain dealers and others at prices lower or yields higher than the public offering prices and yields stated on the inside cover page of this Official Statement, and such public offering prices and yields may be changed from time to time by the Underwriters.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2022A Bonds or the advisability of investing in the Series 2022A 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 under the heading "BOND INSURANCE" and APPENDIX I – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The Department undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of materials contained on the websites referenced in this Official Statement, including but not limited to, updates of such information or links to other Internet sites accessed through such websites. Any information contained on such websites that is inconsistent with the information set

forth in this Official Statement should be disregarded. No information contained on such websites is a part of or incorporated into this Official Statement except as expressly noted.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover page and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2022A Bonds is made only by means of this entire Official Statement.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES IN THIS SECTION TO THE "ISSUER" MEAN THE DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES AND REFERENCES TO "SERIES 2022A BONDS" OR "SECURITIES" MEAN THE DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA LOS ANGELES INTERNATIONAL AIRPORT, CUSTOMER FACILITY CHARGE REVENUE BONDS (CONSOLIDATED RENTAL CAR FACILITY PROJECT) 2022 SERIES A (FEDERALLY TAXABLE).

THE INFORMATION UNDER THIS CAPTION HAS BEEN FURNISHED BY THE UNDERWRITERS, AND THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION.

COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE SERIES 2022A BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS, AND THE ISSUER SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH. NO ACTION HAS BEEN TAKEN BY THE ISSUER THAT WOULD PERMIT THE OFFERING OR SALE OF THE SERIES 2022A BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2022A BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2022A BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

MINIMUM UNIT SALES

THE SERIES 2022A BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE SERIES 2022A BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 SERIES 2022A BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

THE SERIES 2022A BONDS MAY BE SOLD ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE SERIES 2022A BONDS MUST

BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 (OR, IN THE CASE OF SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF A NON-CANADIAN JURISDICTION, SECTION 3A.4) OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS ("NI 33-105"), THE UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (THE "PROSPECTUS REGULATION") FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION); OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE SECURITIES IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SERIES 2022A BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

PROHIBITION OF SALES TO EEA OR THE UNITED KINGDOM RETAIL INVESTORS -THE SERIES 2022A BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED. SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE SERIES 2022A BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SERIES 2022A BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SERIES 2022A BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THE SERIES 2022A BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (THE "FINSA"), AND NO APPLICATION HAS BEEN OR WILL BE MADE TO ADMIT THE SERIES 2022A BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE SERIES 2022A BONDS (1) CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA OR (2) HAS BEEN OR WILL BE FILED WITH OR APPROVED BY A SWISS REVIEW BODY PURSUANT TO ARTICLE 52 OF THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE SERIES 2022A BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

WARNING. THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE SERIES 2022A BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) ("SFO"). THE SERIES 2022A BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO `PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SERIES 2022A BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO SERIES 2022A BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO `PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE SERIES 2022A BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO.25 OF 1948, AS AMENDED THE "FIEA"). IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SINCE THE OFFERING CONSTITUTES THE PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS ONLY AS PROVIDED FOR IN "I" OF ARTICLE 2, PARAGRAPH 3, ITEM 2 OF THE FIEA. A TRANSFEROR OF THE SERIES 2022A BONDS SHALL NOT TRANSFER OR RESELL THEM EXCEPT WHERE A TRANSFEREE IS A QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED UNDER ARTICLE 10 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS

PROVIDED IN ARTICLE 2 OF THE FIEA (THE MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED).

NOTICE TO PROSPECTIVE INVESTORS IN SOUTH KOREA

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN SOUTH KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE SERIES 2022A BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FSCMA"). THE SERIES 2022A BONDS MAY NOT BE OFFERED, REMARKETED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED, REMARKETED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF SOUTH KOREA AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FETL")) WITHIN ONE YEAR OF THE ISSUANCE OF THE SERIES 2022A BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE SOUTH KOREAN LAWS AND REGULATIONS, INCLUDING THE FSCMA AND THE FETL.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

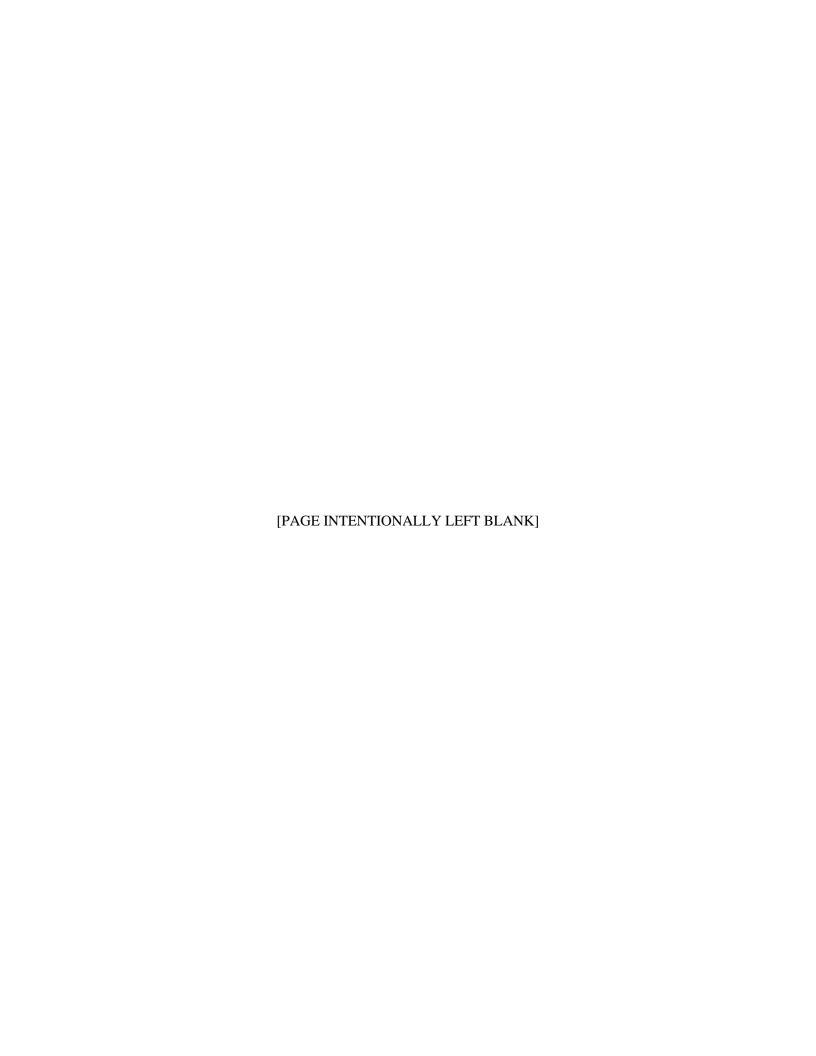
THE SERIES 2022A BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA ("TAIWAN") AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND MAY NOT BE ISSUED, OFFERED, OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN OR RELEVANT LAWS AND REGULATIONS THAT REQUIRES A REGISTRATION, FILING OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN. THE SERIES 2022A BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE OUTSIDE TAIWAN BY INVESTORS RESIDING IN TAIWAN DIRECTLY, BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY TO THE EXTENT PERMITTED BY APPLICABLE LAWS OR REGULATIONS.

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OFFICIAL STATEMENT

\$546,015,000 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

Los Angeles International Airport Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable)

(Green Bonds)

INTRODUCTION

This introduction contains a summary of the offering and certain documents. Investors must read this Official Statement, including the appendices hereto, in its entirety.

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices, is to provide certain information concerning the issuance by the Department of Airports of the City of Los Angeles (the "Department"), acting through the Board of Airport Commissioners of the City of Los Angeles (the "Board"), of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) (the "Series 2022A Bonds"). Capitalized terms used but not defined herein have the meanings ascribed to them in APPENDIX B – "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE – CERTAIN DEFINITIONS."

Investment Considerations

The purchase and ownership of the Series 2022A Bonds involve investment risks. Prospective purchasers of the Series 2022A Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2022A Bonds, see "– Impact of COVID-19 on LAX and the Rental Car Market at LAX," "IMPACT OF COVID-19 ON LAX AND THE RENTAL CAR MARKET AT LAX" and "CERTAIN INVESTMENT CONSIDERATIONS" herein.

The City, the Department and the Airport System

The Department is designated a proprietary department of the City of Los Angeles (the "City"). The City is a municipal corporation and chartered city duly organized and existing under and pursuant to the provisions of the Constitution of the State of California (the "State") and the Charter of the City. The City, acting through the Department, operates and maintains Los Angeles International Airport ("LAX" or the "Airport") and Van Nuys Airport ("VNY"). In addition, the Department maintains LA/Palmdale Regional Airport ("LA/PMD" and, collectively with LAX and VNY, the "Airport System"), although LA/PMD is not currently certificated by the Federal Aviation Administration (the "FAA"). The Department's fiscal year ("Fiscal Year") currently begins on July 1 and ends on June 30 of the immediately subsequent year. The City operates the Airport System as a financially self-sufficient enterprise, without support from the City's General Fund, through the Department under the supervision of the Board. The Department is governed by the seven-member Board, which is in possession, management and control of the Airport System.

Plan of Finance

Proceeds of the Series 2022A Bonds will be used to (a) pay, and reimburse the Department for, a portion of the costs of the development and construction of the ConRAC Project (as defined below), (b) fund interest accruing on the Series 2022A Bonds through June 30, 2023, (c) fund deposits to the Senior Reserve Fund (as defined herein), the Rolling Coverage Fund (as defined herein) and the CTS Payment Account (as defined herein), (d) refund a portion of the Department's outstanding commercial paper notes, the proceeds of which were previously used to finance a portion of the costs of the ConRAC Project, (e) pay the premium for the Series 2022A Bond Insurance Policy (as defined herein), and (f) pay the costs of issuance of the Series 2022A Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

As part of the Department's LAX Landside Access Modernization Program ("LAMP"), which is a component of the Department's capital program at LAX, the Department is constructing the ConRAC Project and the APM System (as defined below). The "ConRAC Project" will generally consist of (i) a consolidated rental car facility (the "ConRAC") to be located east of LAX, which will include a customer service building, ready/return area, a vehicle storage area, quick turnaround facilities and a station for rental car and other customers to use the APM System to travel between the ConRAC and the Central Terminal Area at LAX (as described under "LOS ANGELES INTERNATIONAL AIRPORT – Facilities"), (ii) roadway improvements, and (iii) utility infrastructure improvements that will serve the ConRAC. The majority of the ConRAC Project is being designed, built, financed, operated and maintained under a 28-year Design-Build-Finance-Operate-Maintain Agreement, dated as of November 6, 2018 ("ConRAC DBFOM Agreement"), entered into between the Department and LA Gateway Partners, LLC (the "ConRAC Developer"). As of the date of this Official Statement, the Department anticipates the ConRAC will be operational in early Fiscal Year 2024. Certain exclusive use areas of the ConRAC that are specific to the Rental Car Companies will be designed, constructed and operated by the Rental Car Companies. See "PLAN OF FINANCE" and "THE CONRAC PROJECT."

The other main component of LAMP is the APM System. The Department is constructing a new common-use transportation system consisting of an approximately 2.25-mile elevated, grade-separated automated people mover system ("APM System") that will generally run from the ConRAC to the Central Terminal Area. As of the date of this Official Statement, the Department anticipates the APM System will be operational in Fiscal Year 2024. See "LOS ANGELES INTERNATIONAL AIRPORT – Capital Program – Automated People Mover System" for additional information on the APM System. Until the APM System is operational, the Department is currently evaluating various options to transport rental car customers and other people between the Central Terminal Area and the ConRAC, including, among other options, the use of a common transportation shuttle bus system.

Impact of COVID-19 on LAX and the Rental Car Market at LAX

The worldwide outbreak of novel coronavirus SARS-CoV-2 (together with all variants thereof "COVID-19") has caused significant disruption to domestic and international air travel, including passenger operations, and has had significant negative and adverse effects on the economies of the nation and the world. The information in this Official Statement that describes the collection of Customer Facility Charges (as defined herein), revenues, financial affairs, operations and general economic conditions of the Department, LAX and the rental car market at LAX for Fiscal Years 2020, 2021 and 2022 should be considered in light of the negative and adverse impacts from COVID-19 subsequent to the dates of such data. The effects of COVID-19 and actions taken at the state and national levels to halt its spread have had, and may continue to have, a significant adverse effect on the collection of Customer Facility Charges, revenues, financial condition and operations of the Department and the rental car market at LAX. COVID-19 developments, and associated governmental and regulatory responses, are rapidly changing and cannot

be predicted with any assurance. For a more detailed discussion of the current and projected impacts of COVID-19 on the collection of Customer Facility Charges, the Department's revenues, financial condition and operations and the rental car market at LAX, see "IMPACT OF COVID-19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Series 2022A Bonds and Pledge of Trust Estate

The Series 2022A Bonds are being issued pursuant to the Trust Indenture, to be dated as of March 1, 2022 (the "Indenture"), by and between the Department and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), and under and in accordance with Section 609 of the Charter of the City of Los Angeles, relevant ordinances of the City and the Los Angeles Administrative Code (collectively, the "Charter"). Issuance of the Series 2022A Bonds has been authorized by (a) Resolution No. 27386 adopted by the Board on November 18, 2021 and approved by the City Council of the City (the "City Council") on January 11, 2022 and the Mayor of the City on January 13, 2022, and (b) Resolution No. 27426 adopted by the Board on February 3, 2022.

The Series 2022A Bonds are special limited obligations of the Department, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges required to be collected by the rental car companies operating at LAX that have entered into a Rental Car Concession Agreement (as defined herein) (which are currently in effect but will terminate on the earlier of (i) the operational date of the ConRAC and (ii) January 31, 2024), and/or a Rental Car CLA (as defined herein) (which will become effective on the operational date of the ConRAC), and remitted to the Department, and certain funds and accounts held by the Trustee under the Indenture. No revenues of the Department, other than the Customer Facility Charges, are pledged to the payment of the Series 2022A Bonds. The Series 2022A Bonds do not constitute or evidence an indebtedness of the City or a lien or charge on any property or the general revenues of the City. Neither the faith and the credit nor the taxing power of the City, the State or any public agency, other than the Department, to the extent described herein, is pledged to the payment of the principal of or interest on the Series 2022A Bonds. The Department has no power of taxation. The Series 2022A Bonds constitute and evidence an obligation of the Department payable only in accordance with Section 609(b) of the City Charter and any other applicable provisions thereof. Neither the ConRAC Project nor any other properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2022A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS."

Among the funds and accounts that will be pledged to and will secure the Series 2022A Bonds are the Senior Reserve Fund and the Rolling Coverage Fund. Pursuant to the Indenture, the Senior Reserve Fund will be required to be funded at all times in an amount equal to the Senior Reserve Fund Requirement (Maximum Aggregate Annual Debt Service for all Outstanding Senior Bonds), and the Rolling Coverage Fund will be required to be funded at all times in an amount equal to the Rolling Coverage Fund Requirement (25% of Maximum Aggregate Annual Debt Service for all Outstanding Senior Bonds). On the date of delivery of the Series 2022A Bonds, a portion of the proceeds of the Series 2022A Bonds will be deposited to the Senior Reserve Fund and the Rolling Coverage Fund to meet the respective funding requirements for each fund. See "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS – Senior Reserve Fund" and "– Rolling Coverage Fund."

Pursuant to the Indenture, the Department will covenant to, among other things, (i) comply with all provisions of the CFC Laws (as defined herein) applicable to the Department and the CFC Resolutions (as defined under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS –

Customer Facility Charges – CFCs Imposed by the Department") with respect to imposing and collecting a Customer Facility Charge (also referred to in this Official Statement as a "CFC") at LAX; (ii) impose and collect a CFC at LAX in accordance with the CFC Laws at sufficient levels to make the deposits required to be made pursuant to the Indenture (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS – Flow of Funds") and use the CFCs as contemplated by the CFC Resolutions and the Indenture and in accordance with the provisions of the CFC Laws; (iii) not take any action or omit to take any action with respect to the CFCs, the ConRAC (except as otherwise provided in the Indenture), the common transportation system (including the APM), LAX or otherwise if such action or omission would, pursuant to the CFC Laws, cause the termination or reduction (below the levels required to make the deposits required to be made pursuant to the Indenture (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS – Flow of Funds")) of the Department's authority to impose a CFC at LAX or prevent the collection and use of the CFCs as contemplated by the CFC Resolutions and the Indenture; and (iv) contest any attempt by any Person to terminate, reduce (below the levels required to make the deposits required to be made pursuant to the Indenture (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS – Flow of Funds")) or suspend the Department's authority to impose and collect a CFC at LAX and/or use collected CFCs in the manner contemplated by the CFC Resolutions and the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS" and APPENDIX B - "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE - THE INDENTURE - Representations, Warranties, Covenants and Agreements of the Department."

Customer Facility Charges and Agreements with Rental Car Companies

Section 1939.01 et seq. of the California Civil Code, as amended from time to time, and Section 50474.1 et seq. of the California Government Code, as amended from time to time (collectively, with any other applicable State law the provisions of which address the imposition of Customer Facility Charges, the "CFC Laws") authorize the Department to require rental car companies operating at LAX to collect a customer facility charge from customers renting cars from such rental car companies. Pursuant to the CFC Laws and the CFC Resolutions, the Board authorized the collection of a Customer Facility Charge, which is currently \$9.00 per transaction day, limited to five transaction days per rental car contract entered into by a Rental Car Company (as defined herein) and a rental car customer. The CFC of \$9.00 per transaction day (limited to 5 transaction days per rental car contract) currently imposed by the Department is the maximum amount allowed under the CFC Laws. The Customer Facility Charge is collected by the rental car companies from their customers and subsequently remitted to the Department.

"Customer Facility Charges" and "CFCs" is generally defined in the Indenture to mean the "customer facility charge" as defined in Section 50474.22(a) of the California Government Code that is imposed by the Department pursuant to the CFC Resolutions, and that is required to be collected by the Rental Car Companies pursuant to the Rental Car CLAs (and prior to the ConRAC DBO (as defined herein), pursuant to the Rental Car Concession Agreements), the Rental Car License Agreements (as defined herein), if applicable, and any other agreement entered into by the Department that requires the collection of a CFC, and remitted to the Department, as further described and provided in the Rental Car CLAs, the Rental Car Concession Agreements, the Rental Car License Agreements and such other agreements, as the case may be.

As of January 1, 2022, the Department had entered into non-exclusive rental car concession agreements (the "Rental Car Concession Agreements") with ten rental car companies, operating twelve rental car brands (the "Concessionaire Rental Car Companies"), that allow the rental car companies to a operate a rental car concession at LAX. The rental car brands that are subject to a Rental Car Concession Agreement include: Avis, Budget, Zip Car, Enterprise, Alamo, National, Hertz, Dollar, Thrifty, Fox, Europear, and Sixt. Pursuant to the Rental Car Concession Agreements, the Concession Rental Car

Companies are required to collect a Customer Facility Charge from their customers and remit the Customer Facility Charge to the Department. The Rental Car Concession Agreements are scheduled to expire on the earlier of (a) the operational date of the ConRAC (expected to occur in early Fiscal Year 2024 (the "ConRAC DBO")) or (b) January 31, 2024.

In Fiscal Year 2019, the Department entered into a series of substantially similar concession and lease agreements (the "Rental Car CLAs") with various rental car companies serving LAX (the "Rental Car CLAs") which provide for, among other things, the use and occupancy of the ConRAC. As of the date of this Official Statement, the rental car brands that will be subject to a Rental Car CLA include: Avis, Budget, Payless (the only rental car company that does not currently operate at LAX that will begin operating from LAX pursuant to a Rental Car CLA on the ConRAC DBO), Zip Car, Enterprise, Alamo, National, Hertz, Dollar, Thrifty, Fox, Europear, and Sixt. The Rental Car Companies will begin operating pursuant to the provisions of the Rental Car CLAs on the ConRAC DBO. Pursuant to the Rental Car CLAs, the Rental Car Companies will be required to collect a Customer Facility Charge from their customers and remit the Customer Facility Charge to the Department. The Rental Car CLAs have an initial term that expires on the 20th anniversary of the ConRAC DBO, but can be extended for an additional five years either at the option of the Department or automatically if certain conditions are met under the Rental Car CLAs. See "THE CONRAC PROJECT" and APPENDIX C – "SUMMARY OF THE RENTAL CAR CONCESSION AND LEASE AGREEMENTS."

"Rental Car Companies" are defined in the Indenture to mean those rental car companies that operate a rent-a-car business serving LAX under the terms of (a) prior to ConRAC DBO, a Rental Car Concession Agreement, (b) on and after ConRAC DBO, a Rental Car CLA, or (c) such other agreements entered into by the Department and a rental car company, from time to time, that requires, among other things, the collection of the CFC and the remittance of such CFC to the Department.

In addition to the Rental Car Companies that operate at LAX pursuant to a Rental Car Concession Agreement or a Rental Car CLA (beginning on the ConRAC DBO), there are currently nine rental car companies (the "Non-Concessionaire Rental Car Companies") that operate pursuant to non-exclusive license agreements (the "Rental Car License Agreements"). As of the date of this Official Statement, the Non-Concessionaire Rental Car Companies are not required to collect a Customer Facility Charge from their customers and remit it to the Department. Once the ConRAC becomes operational, the Non-Concessionaire Rental Car Companies will be required to pick-up and drop-off their customers at the ConRAC and their customers will be required to use the APM System (or, prior to the operational date of the APM System, such other common transportation system, including, among other transportation options, a shuttle bus system to transport them to the Central Terminal Area. As of the date of this Official Statement, the Department has not decided whether it will require the Non-Concessionaire Rental Car Companies to collect a Customer Facility Charge from their customers upon the ConRAC DBO.

Aviation Activity and Rental Car Transactions

According to the United States Department of Transportation ("U.S. DOT"), LAX was the 2nd and 5th busiest airport in the U.S. as measured by revenue enplaned passengers in calendar years 2019 and 2020, respectively. According to the Airports Council International ("ACI") statistics, in calendar years 2019 and 2020, LAX ranked as the 3rd and 15th busiest airport in the world, respectively, and the 2nd and 5th busiest airport in North America, respectively, in terms of total number of enplaned passengers. Global travel restrictions due to the COVID-19 pandemic and LAX's share of international passengers relative to other large hub airports contributed to its change in rankings since 2019. According to the U.S. DOT Origins and Destinations Survey of Airline Passenger Traffic for calendar year 2020, LAX ranked 1st nationally in number of domestic originating and destination ("O&D") passengers. O&D passengers begin and end their journeys at LAX, while connecting passengers transfer to other flights at LAX. Between Fiscal Years 2017

and 2021, on average, an estimated 81.5% of passengers at LAX represented O&D passengers each Fiscal Year. The number of rental car transactions at LAX is directly related to the number of passengers arriving at LAX and ending their journey at LAX.

For Fiscal Years 2019, 2020 and 2021, total enplaned and deplaned passengers at LAX were 87.9 million, 62.7 million and 29.1 million, respectively. Historically, the number of enplaned and deplaned passengers have been generally equal, meaning that for one enplaned passenger there is one deplaned passenger. See "IMPACT OF COVID-19 PANDEMIC ON LAX AND THE RENTAL CAR MARKETS AT LAX" for a discussion of the impact the COVID-19 pandemic has had on aviation activity at LAX. Also see "LOS ANGELES INTERNATIONAL AIRPORT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

For Fiscal Years 2019, 2020 and 2021, there were approximately 3.1 million, 2.2 million and 1.1 million, respectively, rental car transactions (i.e. the number of contracts between a Rental Car Company and a customer), for approximately 10.7 million, 7.6 million and 3.6 million, respectively, transaction days (each 24-hour period during which a car is rented). For Fiscal Years 2019, 2020 and 2021, the Rental Car Companies collected from their customers and remitted to the Department approximately \$80.2 million, \$65.6 million and \$32.2 million, respectively, of Customer Facility Charges. See "IMPACT OF COVID-19 PANDEMIC ON LAX AND THE RENTAL CAR MARKETS AT LAX" for a discussion of the impact the COVID-19 pandemic has had on the rental car market at LAX. Also see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS," "LOS ANGELES INTERNATIONAL AIRPORT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT" herein.

Report of the Airport Consultant

Included as APPENDIX A to this Official Statement is the Report of the Airport Consultant dated February 16, 2022 (the "Report of the Airport Consultant"), prepared by WJ Advisors LLC (the "Airport Consultant"), in connection with the issuance of the Series 2022A Bonds. See "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

The Report of the Airport Consultant includes, among other things: a description of the ConRAC Project; a description of the underlying economic base of LAX's air service area; a description of historical passenger traffic at LAX; the Airport Consultant's forecast of passenger traffic at LAX through Fiscal Year 2030 and a description of the assumptions on which such forecast was based; a description of car rental activity at LAX; the Airport Consultant's forecast of car rental activity at LAX through Fiscal Year 2030 and a description of the assumptions on which such forecast was based; and the Airport Consultant's forecast of debt service coverage through Fiscal Year 2030 and a description of the assumptions upon which such forecast was based.

No assurance can be given that the forecasts discussed in the Report of the Airport Consultant will occur or that the other assumptions for hypothetical ranges of passenger traffic and car rental activity and financial results which the forecasts are based will be realized. The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an explanation of the assumptions and forecasts used therein. The financial forecasts in the Report of the Airport Consultant are based upon certain information and assumptions that were provided or reviewed and agreed to by the Department. Additionally, the forecast of debt service in the Report of the Airport Consultant are estimates made by Frasca & Associates, LLC based on the expected final sale and issuance of the Series 2022A Bonds. As of the date of this Official Statement, in the opinion of the Airport Consultant, the assumptions made in the Report of the Airport Consultant provide a reasonable basis for the forecasts therein. See " – Forward-Looking Statements," "CERTAIN INVESTMENT CONSIDERATIONS – Assumptions in the Report of the Airport Consultant; Actual Results May Differ from Forecasts and Assumptions," "REPORT

OF THE AIRPORT CONSULTANT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Bond Insurance

The scheduled payment of principal of and interest on the Series 2022A Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2022A Bonds (the "Series 2022A Bond Insurance Policy") by Assured Guaranty Municipal Corp. ("AGM" or the "Series 2022A Bond Insurer"). See "BOND INSURANCE" and APPENDIX I – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY." In addition, provisions have been added to the Indenture as conditions to the delivery of the Series 2022A Bond Insurance Policy by AGM. Certain of those provisions are summarized in Appendix B under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

Continuing Disclosure

In connection with the issuance of the Series 2022A Bonds, the Department will covenant for the benefit of the owners of the Series 2022A Bonds to provide annually certain financial information and operating data concerning the Department, including rental car activity at LAX, to the Municipal Securities Rulemaking Board ("MSRB") and notice of certain enumerated events, pursuant to the requirements of Rule 15c2-12 adopted by the SEC ("Rule 15c2-12"). See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Forward-Looking Statements

The statements contained in this Official Statement, including the appendices that are not purely historical, are forward-looking statements, including statements regarding the Department's or the Board's expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "maintain," "achieve," "forecast," "will likely result," "are expected to," "will continue," "is anticipated," "intend" or other similar words. Statements contained in this Official Statement which involve estimates, forecasts, or other matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Department and the Board and the Airport Consultant on the date hereof, are subject to change without notice and the Department and the Board and the Airport Consultant assume no obligation to update any such forward-looking statements with new forward-looking statements. All forward-looking statements are expressly qualified in their entirety by the cautionary statements in this section and elsewhere in the Official Statement. It is important to note that the Department's actual results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, rental car companies, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Department and the Board.

Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate, and actual results, performance or achievements may differ materially from the expectations and forecasts described in this Official Statement.

Additional Information

Brief descriptions of the Series 2022A Bonds, the Indenture, the Rental Car Concession Agreements, the Rental Car CLAs, the ConRAC DBFOM Agreement and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to such documents and any other documents, statutes, laws, reports or other instruments described in this Official Statement are qualified in their entirety by reference to each such document, statute, law, report or other instrument. Information contained in this Official Statement has been obtained from officers, employees and records of the Department and from other sources believed to be reliable. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Department or LAX since the date of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the Department and purchasers or owners of any of the Series 2022A Bonds. The Department maintains certain websites (including an investor relations website) and social media accounts, the information on which is not part of this Official Statement, is not incorporated by reference in this Official Statement and should not be relied upon in deciding whether to invest in the Series 2022A Bonds.

IMPACT OF COVID-19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX

Introduction and Impact to the Airport System

The COVID-19 pandemic and the related restrictions and measures adopted to contain the spread of the virus, have had a negative impact on both international and domestic travel and travel-related industries, including airlines serving LAX, the Rental Car Companies and the other concessionaires at LAX, and have caused unemployment, labor shortages, supply chain issues, reductions in tourism, business travel, and travel-related industries, and a contraction of global and national economies, among other issues.

Since the outbreak of COVID-19, which was first reported in Wuhan, China in December 2019, airlines have reported an unprecedented decrease in domestic and international air traffic, causing the cancellation of numerous flights. Likewise, the Rental Car Companies have experienced a significant reduction in the number of rental car transactions, which in turn has resulted in a signification decrease in the amount of CFCs collected and remitted to the Department. Additionally, many of LAX's retail concessionaires either temporarily or permanently closed or reported substantial declines in sales. In addition to the impact on concessionaires, the reduction in air travel has had an adverse effect on parking, transportation network companies, such as Uber and Lyft (each a "TNC") and ground transportation (such as taxi and limousine) revenues throughout LAX.

While several vaccines against COVID-19 have been approved and are being administered, and there are various indications of economic recovery, the COVID-19 pandemic is ongoing, with new variants of the disease emerging, and the duration, severity and ultimate economic effects of COVID-19 remain uncertain. Despite widespread distribution of vaccines and vaccine boosters against COVID-19 in many parts of the United States and for an expanding set of eligible partakers, there are still geographic regions locally and in other parts of the world where vaccination levels remain low. Ongoing concerns about the

continued spread or effects of the virus have and may result in some governments re-imposing travel restrictions, in particular as it relates to international air travel.

The actual impact and length of the COVID-19 pandemic on the rental car market at LAX, the collection of CFCs, the Department, its operations and its finances will depend on future events, including future events outside of its control, and actions by governments at all levels, domestic and abroad. The Department cannot predict the duration or extent of the COVID-19 pandemic or any additional adverse impacts it may have on the rental car market at LAX, the collection of CFCs, the Department or its financial condition or operations. Any financial information, including projections, forecasts and budgets presented herein, do not and cannot account for all of the potential effects of COVID-19.

Government Regulations and Guidelines

The United States and many other countries adopted a number of restrictions, guidelines and other orders including, but not limited to, stay-at-home orders, restrictions on travel and requirements relating to masks and vaccinations in response to COVID-19. These restrictions, guidelines and other orders have been implemented at the state and local levels throughout the United States and abroad. Governments have relaxed and intensified these measures at various points throughout the COVID-19 pandemic in response to changes in circumstance, including, but not limited to, the status of infection rates, the percentage of the population vaccinated and other various factors relating to public health and other public policy concerns with localized and global geographic considerations.

The Transportation Security Administration ("TSA") is authorized to fine individuals who refuse to wear masks. As of September 10, 2021, the penalties were increased and the TSA may issue fines between \$500 to \$1,000 for first offenders and \$1,000 to \$3,000 for second offenders. The order also requires that foreign nationals produce proof of a recent negative COVID-19 test prior to entry and comply with guidelines from the Center for Disease Control and Prevention (the "CDC"), including self-quarantine, after entry into the United States. As of November 8, 2021, the United States eased restrictions on international travel for certain vaccinated foreign national travelers to the United States and has since reintroduced some restrictions in response to the emergence of new COVID-19 variants.

Through a series of legislative actions, the City Council passed an ordinance on August 18, 2021 requiring all City employees, with very limited exceptions, to be fully vaccinated by October 19, 2021 as a condition of employment. On October 14, 2021, the City Council extended the deadline for full vaccination to December 18, 2021. Similar vaccination mandates have been implemented by other employers in both the public and private sector throughout the United States and in some places abroad. It is not clear what effect such mandates may have on the workforce.

Decrease in Travel through LAX; Certain Indications of Domestic Flight Recovery

Airports in the United States (and the related rental car markets) have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic activity reductions resulting from the COVID-19 pandemic. Airlines serving LAX have reduced or cancelled flights and curtailed their overall capacity due to the drop in demand for both domestic and international air travel in an attempt to match capacity to the modified demand for air travel.

From March 2020 to September 2021, all passenger airlines serving LAX reported a downturn in traffic as well as expectations for continued reduced levels of traffic compared to 2019. The lowest month for travel was April 2020, where total enplanements and deplanements at LAX decreased approximately 95.9% as compared to April 2019.

Although total enplanements and deplanements for international travel remain down through December 2021, total domestic enplanement and deplanements have increased from January 2021 to December 2021. From January 2021 to December 2021, total domestic enplanements and deplanements increased an average of 8.33% per month. Total domestic enplanements and deplanements and international enplanements and deplanements increased 156.8% and 189.6%, respectively, in December 2021 as compared to December 2020. For a month by month comparison of air traffic data at LAX see "LOS ANGELES INTERNATIONAL AIRPORT – Aviation Activity."

Since the beginning of the COVID-19 pandemic, airlines have reported unprecedented reductions in passenger volumes. As reported by the Bureau of Transportation Statistics, U.S. scheduled passenger airlines suffered net losses of \$11.0 and \$11.8 billion, respectively, for the second and third quarters of calendar year 2020. Losses for the fourth quarter of calendar year 2020 and the first quarter of 2021 were less severe, although still substantial at \$7.0 billion and 4.2 billion, respectively. In January 2021, ACI calculated that the global airport industry experienced a reduction of more than six billion passengers by the end of 2020, representing a decline of 64.2% of global passenger traffic, with a reduction in revenue of \$111.8 billion, when compared to pre-pandemic ACI forecasts. Since the first quarter of 2021, U.S. scheduled passenger airlines have reported two consecutive quarters of profit at \$1.0 billion and \$2.7 billion, for the second and third quarter of 2021, respectively. As of November 1, 2021, ACI projected global passenger traffic in 2021 is expected to reach only half of the total passenger traffic in 2019, and would recover to 2019 levels by early 2024, driven by the recovery of domestic passenger traffic but dampened by a slower recovery of international travel.

The Department anticipates that airlines will continue to increase capacity on existing routes and continue to restart additional destinations in the coming months, but it cannot predict precisely when these actions will occur or if levels may fluctuate if COVID-19 infection case rates increase.

On November 8, 2021, the United States eased travel restrictions in 33 countries. Airlines serving LAX have announced increased expectations in international bookings following the announcement of these eased travel restrictions. Despite expectations of increased passenger capacity and additional routes, it is not clear how the airlines will respond to any continued or renewed travel restrictions, domestic quarantine requirements, federal aid measures, and other impacts to air travel normalization.

As a result of the foregoing and other factors, the Rental Car Companies have experienced significant decreases in the number of rental car transactions (i.e. the number of contracts between a Rental Car Company and a customer) and the collection of CFCs. For Fiscal Year 2021, there were approximately 1.1 million rental car transactions, for approximately 3.6 million transaction days (each 24-hour period during which a car is rented), as compared to approximately 3.1 million rental car transactions, for approximately 10.6 million transaction days for Fiscal Year 2019. Additionally, CFCs collected and remitted to the Department were approximately \$32.6 million in Fiscal Year 2021, as compared to approximately \$80.2 million for Fiscal Year 2019.

While the Department cannot predict future passenger activity levels, the Department has assumed for planning purposes, based on the recent increases in the number of enplaned passengers at LAX and publicly available statements by many of the busiest airlines that serve LAX regarding increases in domestic service, that the number of enplaned passengers using LAX in Fiscal Year 2022 would increase by approximately 83.3% compared to Fiscal Year 2021, which represents a decrease of approximately 39.5% compared to Fiscal Year 2019. The assumed increase from Fiscal Year 2021 takes into account certain potential factors affecting the number of enplaned passengers using LAX, including, but not limited to, domestic and international travel restrictions, continued health and other concerns related to the COVID-19 pandemic that affect the propensity to travel, and the widespread use of vaccines. There can be no

assurance that any of the Department's assumptions will prove to be accurate. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

The continuing impact of the COVID-19 pandemic on air travel through LAX and on the rental car market at LAX, the collection of CFCs and the Department's operations, budget and finances will heavily depend on future events outside of the control of the Department. As a result of these uncertainties, the Department expects to regularly review revenue projections and make adjustments throughout Fiscal Year 2022.

Government Stimulus and Relief Measures in Response to the COVID-19 Pandemic

As a direct result of the COVID-19 pandemic, several bills were adopted by the U.S. Congress that provided or continue to provide financial aid to the airports around the country, the airlines and other concessionaires. The Department was allocated approximately \$323.6 million of federal grant assistance for LAX under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which became law on March 27, 2020. As of June 30, 2021, the Department had drawn all \$323.6 million CARES Act grant funds for LAX to pay maintenance and operation expenses at LAX ("LAX Maintenance and Operation Expenses") and debt service on its general airport revenue bonds that are secured by the revenues collected by the Department at LAX (other than CFCs) ("LAX GARBs").

The Coronavirus Response and Relief Supplemental Appropriations Act (the "CRRSAA"), which became law on December 27, 2020, provides additional direct aid for airports. On February 12, 2021, the FAA announced that LAX was eligible to receive up to \$72.3 million in Airport Coronavirus Response Grant Program funds pursuant to CRRSAA. The Airport Coronavirus Response Grant Program funds may be drawn from the FAA on a reimbursement basis for eligible expenditures as described above. The Airport Coronavirus Response Grant Program funds may also be used to reimburse airports for rent and minimum annual guarantee relief programs for concessions as described above, and the Department may retain up to two percent of the allocation amount for relief program administration costs. Of the total \$72.3 million in CRRSAA grant funding for which LAX is eligible, \$63.1 million must be used for operational relief and \$9.2 million for concessions relief. As of the date of this Official Statement, the Department has not drawn any of its eligible CRRSAA Airport Coronavirus Response Grant Program funds from the FAA. The Department has complied with all requirements of the Airport Coronavirus Response Grant Program, including continued employment of at least 90.0% of the Department's workforce from March 27, 2020 to February 15, 2021.

The American Rescue Plan Act ("ARPA"), which became law on March 11, 2021, provides additional direct aid for airports. The FAA announced that LAX is eligible to receive \$303.8 million in American Rescue Grants pursuant to ARPA. Closely paralleling the structure and requirements of the Airport Coronavirus Response Grant Program, American Rescue Grants may be drawn from the FAA on a reimbursement basis for eligible expenditures, such as costs for operations, personnel, cleaning, sanitization, combating the spread of pathogens at airports (including capital projects related to combating the spread of pathogens) and debt service payments. The American Rescue Grants also allow for the reimbursement to airports of rent relief programs targeted to in-terminal airport concessions. Unlike CRRSAA, on-airport car rental and parking concessionaires are not eligible for rent relief under ARPA; provided that, per the FAA, an on-airport car rental concessionaire may be eligible for rent relief under ARPA if it has a service desk located within the terminal. Furthermore, ARPA does not provide for the reimbursement of administrative expenses for providing relief to airport concessionaires, though such expenses are eligible for reimbursement under CRRSAA. Of the total \$303.8 million in American Rescue Grant funding for which LAX is eligible, \$267 million must be used for operational relief and \$36.8 million for concessions relief. As of the date of this Official Statement, the Department has not drawn any of its eligible American Rescue Grants from the FAA. The Department has complied with all requirements of

the American Rescue Grant Program to date, including retaining at least 90.0% of the Department's workforce from March 27, 2020 to September 30, 2021.

The Department must draw down and spend its Airport Coronavirus Response Grant Program funds awarded pursuant to CRRSAA and its American Rescue Grants awarded pursuant to ARPA within four years of the execution date of the grant agreements. As noted above, the Department has already drawn all of its CARES Act grant funds to pay LAX Maintenance and Operation Expenses and debt service on LAX GARBs.

The Department has received, and may receive, additional aid at the federal and State levels. For example, the Department may seek aid from the Federal Emergency Management Agency ("FEMA") Public Assistance program, which provides federal assistance on a cost-sharing basis for emergency protective measures taken in response to major disasters and emergencies. The FEMA Public Assistance program is provided to the City, and the Department may be eligible for further aid as a sub-grantee under that program.

Passenger Airline Temporary Relief Program and Concessionaires and Services Temporary Relief Program

The Department provided temporary relief to airlines and concessionaires and service providers at LAX. A temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (the "Passenger Airline Temporary Relief Program") permitted eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff (as defined herein) to apply for relief, which relief included deferral of terminal and airfield fees payable from April through May 2020. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program.

The Department also implemented a fee relief program for LAX concessionaires and service providers at LAX (the "Concessionaires and Services Temporary Relief Program"), which provided for lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. In October 2021, the Board approved an extension of the Concessionaires and Services Temporary Relief Program through June 30, 2022 and such extension was approved by the City Council. All concessionaires were approved for relief, with the exception of one concessionaire that was denied relief pending an investigation of living wage ordinance violations. That concessionaire may reapply for relief in the future. The Concessionaires and Services Temporary Relief Program did not apply to the collection of CFCs by the Rental Car Companies. Throughout the COVID-19 pandemic, the Rental Car Companies have been required to continue to collect a CFC (at the full authorized amount of \$9.00 per transaction day, limited to five transaction days per rental car contract entered into by a Rental Car Company) from their customers and remit those CFCs to the Department.

The Department may provide additional relief in the future as it deems reasonably necessary to address the impacts of the COVID-19 pandemic on the Department and its operations and its airlines, concessionaires and service providers.

Airline Cost Stabilization and Recovery Plan

The Department developed a multi-year plan (the "Airline Cost Stabilization and Recovery Plan") to enhance the competitive position of LAX during and after the COVID-19 pandemic by lowering annual fixed costs at LAX through, among other things, a restructuring of certain debt service costs and managing rates and charges at LAX from calendar year 2020 through Fiscal Year 2023. The key objectives of the Airline Cost Stabilization and Recovery Plan are to: (i) mitigate the increase in rates and charges for airlines

due to reduced activity; (ii) harmonize common use costs across LAX; and (iii) achieve stability in LAX financial operations. Specifically, the proposed annual fixed cost reductions and corresponding reductions in airline rates and charges would be achieved by: (i) using a portion of U.S. government stimulus funds to pay certain LAX Maintenance and Operation Expenses and other eligible costs such as debt service on the LAX GARBs, (ii) refunding and restructuring outstanding principal and interest on certain of the LAX GARBs, and (iii) deferring and restructuring annual amortization charges of Department cash that has been spent on capital projects in airline cost centers.

Other Cost Management Measures.

On June 3, 2021, following the Department's receipt of the requisite consents from the Signatory Airlines (as defined herein), the Board approved, among other things, an amended "Methodology for Establishing Rates and Charges for the use of Passenger Terminal Facilities at LAX" pursuant to the Airport Terminal Tariff as part of the Airline Cost Stabilization and Recovery Plan. The purpose of these changes is to make LAX rates and charges competitive to enable the reinstatement of lost air service due to the COVID-19 pandemic and attract new routes, avoid triggering increases in rates and charges tied to reduced activity, and equalize rates and charges throughout LAX for common use facilities. To accomplish the desired rate reductions, the Board approved amendments to the rate making methodology, changes to the Airport Terminal Tariff effective July 1, 2021 through June 30, 2022, and a corresponding amendment to the Rate Agreement (as defined herein). The term of the newly amended Rate Agreement (incorporating the new rate making methodology) was extended from December 31, 2032 to June 30, 2033. Among other changes, the amended Rate Agreement provides for a transition from calendar year to fiscal year terminal rates and charges for ease of administration, both in establishing the rates and in reconciling at fiscal yearend; in the terminal rate calculations, the use of the budgeted LAX Maintenance and Operation Expenses for the same Fiscal Year that the rates are set for rather than the actual LAX Maintenance and Operation Expenses for the preceding Fiscal Year (a change that is consistent with the existing calculations of the landing and apron fee rates); and a revised common-use hold room charge cap to ensure consistency and equity in charging for use of common-use facilities. All of the airlines accepted the terms of the amended Rate Agreement. See "LOS ANGELES INTERNATIONAL AIRPORT - Permits and Agreements for Use of Airport Facilities."

Impact of the COVID-19 Pandemic on Capital Improvement Projects

The Department is currently undertaking an estimated \$11.5 billion Capital Program (as defined herein) at LAX (including the ConRAC Project), initiated in Fiscal Year 2016 with planned completion in Fiscal Year 2026. Approximately \$6.1 billion of the projects included in the Capital Program were completed through the end of Fiscal Year 2021. The remaining \$5.4 billion of projects in the Capital Program are ongoing or are expected to be started and completed by the end of Fiscal Year 2026.

Contractors and development counterparties (including the ConRAC Developer) have made, and may make additional, COVID-19 pandemic-related claims, including possibly for additional compensation or schedule relief, in connection with individual projects that are part of the Capital Program. Certain COVID-19 pandemic related factors, such as social distancing measures and other job safety protocols, have interfered and may interfere with sequencing on certain of the projects. The Department cannot predict the timing or scope of any contractor or other claims or the impact to the timing or cost of its ongoing projects as a result of the COVID-19 pandemic. While the Department continues to review the Capital Program and may in the future adjust the timing and cost of individual projects, no adjustments in timing or cost of Capital Program projects have currently been implemented. See "THE CONRAC PROJECT – ConRAC DBFOM Agreement – Relief Events."

Other Impacts of the COVID-19 Pandemic on the Rental Car Market at LAX

Two of the rental car companies operating at LAX, Advantage/Holdco ("Advantage") and Hertz Corporation (which includes Thrifty Car Rental and Dollar Rent-A-Car; collectively, "Hertz") filed for Chapter 11 bankruptcy protection. Advantage rejected its Rental Car License Agreement and its Rental Car CLA as part of its Chapter 11 bankruptcy proceedings and ceased operating at the Airport in February 2020. The Hertz Corporation filed for bankruptcy in May 2020 but continued to operate and has, among other things, assumed its Rental Car Concession Agreement and Rental Car CLA. The Hertz Corporation emerged from bankruptcy in July 2021. Hertz represented approximately 28.4% of the rental car market share at LAX for Fiscal Year 2021.

Department's Mitigation Measures in Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic, the Department has implemented measures intended to mitigate operational and financial impacts and reduce certain operating expenses, including: hiring limits, except for specific critical positions; deferring non-essential discretionary spending; limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks; limiting overtime to those activities that are necessary for safety, critical operations or emergency management; encouraging voluntary furloughs or reduced work schedules for certain hourly employees; collaborating with the CDC on enhanced screening and increasing sanitation procedures at LAX. The Department was the first U.S. airport to implement austerity measures in response to the COVID-19 pandemic. The Department also implemented a Separation Incentive Program for its employees eligible for retirement, which resulted in the retirement of 333 employees.

In May 2020, the Department created a COVID-19 Recovery Task Force that includes seven work streams to address the Department's operations and communications during the pandemic. The work streams include: (1) improving the Department's fiscal position, (2) engaging and communicating with stakeholders, (3) completing construction and repairs faster, (4) making the airports safer, (5) setting up the Department for success, (6) bringing employees back to work, and (7) preparing the airports for the resumption of travel. The COVID-19 Recovery Task Force was convened and is led by the Chief Executive Officer of the Department. Each work stream is led by an executive team member, and work stream teams are comprised of staff throughout the Department.

The Department will continue to review its efforts and measures to best deal with and mitigate any lasting effects of the COVID-19 pandemic on the Airport System's operations and financial condition as well as the continuing recovery efforts.

PLAN OF FINANCE

Proceeds of the Series 2022A Bonds will be used to (a) pay, and reimburse the Department for, a portion of the costs of the development and construction of the ConRAC Project, (b) fund the interest accruing on the Series 2022A Bonds through June 30, 2023, (c) fund deposits to the Senior Reserve Fund, the Rolling Coverage Fund and the CTS Payment Account (the CTS Payment Account is not included in the Trust Estate and the Series 2022A Bonds are not payable from any moneys in the CTS Payment Account and the CTS Payment Account has not been pledged to the payment of the Series 2022A Bonds), (d) refund a portion of the Department's outstanding commercial paper notes, the proceeds of which were previously used to finance a portion of the costs of the ConRAC Project, (e) pay the premium for the Series 2022A Bond Insurance Policy and (f) pay the costs of issuance of the Series 2022A Bonds.

Currently, each of the Rental Car Companies have company specific locations and shuttle buses that transport customers to and from the Central Terminal Area at the LAX. There are approximately 17

rental car facilities northeast of LAX, both on and off Airport property, resulting in inefficient operations with minimal opportunities to expand existing facilities to accommodate future growth. From 2014 through 2018, the Department and representatives of the Rental Car Companies met to negotiate the development, financing and operation of a new consolidated rental car facility at LAX that would provide a centralized rental car location adjacent to Interstate 405 with connections to the new APM System and the nearby freeways. In 2018, the Department and the Rental Car Companies executed the Rental Car CLAs pursuant to which the Department agreed to construct (or cause to be constructed) the ConRAC, and the Rental Car Companies agreed to use and occupy the ConRAC. The new ConRAC will include ready/return parking spaces, a quick turnaround area (the "QTA") building that will include areas for vehicle queuing, fueling, wash bays, and light maintenance, and a customer service building that will include customer service counters, office space, restrooms, and retail areas. Additionally, the ConRAC will include overflow rental car vehicle space to meet peak demands, rental car employee parking spaces, and QTA areas.

The majority of the ConRAC and the related capital improvements are being designed and constructed by the ConRAC Developer pursuant to the ConRAC DBFOM Agreement. Certain exclusive use areas of the ConRAC that are specific to the Rental Car Companies will be designed and constructed by the Rental Car Companies. The cost of designing, constructing and equipping the ConRAC Project is currently estimated to be approximately \$1.3 billion (not including the exclusive use spaces that are the responsibility of the Rental Car Companies), which cost is expected to be paid with (i) approximately \$434.6 million of proceeds of the Series 2022A Bonds, (ii) approximately \$408.6 million of funds provided by the ConRAC Developer, and (iii) approximately \$445.2 million of pay-as-you-go Customer Facility Charges. For additional information on the development, construction, equipping and improvement of the ConRAC Project see "THE CONRAC PROJECT."

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ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2022A Bonds.

SOURCES:

Principal Amount	\$ <u>546,015,000.00</u>
TOTAL SOURCES	\$ <u>546,015,000.00</u>
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USES:	
Deposit to Series 2022A Construction Account ⁽¹⁾	\$291,148,000.00
Refund Commercial Paper Notes	143,468,674.00
Deposit to Senior Reserve Fund	40,733,578.10
Deposit to Series 2022A Interest Subaccount ⁽²⁾	28,323,940.41
Deposit to CTS Payment Account ⁽³⁾	25,000,000.00
Deposit to Rolling Coverage Fund	10,183,394.53
Costs of Issuance ⁽⁴⁾	7,157,412.96
TOTAL USES	\$ <u>546,015,000.00</u>

⁽¹⁾ To be used to (i) pay the final two milestone payments to the ConRAC Developer as described under "THE CONRAC PROJECT – ConRAC DBFOM Agreement – Payments to the ConRAC Developer – Payments During Design and Construction of the ConRAC Project," and (ii) pay, and reimburse the Department, for "soft costs" incurred by the Department, including costs for project and construction management, project support, project controls, planning and environmental and inspection services related to the ConRAC Project.

DESCRIPTION OF THE SERIES 2022A BONDS

General

The Series 2022A Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2022A Bonds will be dated their date of delivery, and will bear interest from that date, payable semi-annually on May 15 and November 15 of each year (each an "Interest Payment Date"), commencing on May15, 2022. Interest due and payable on the Series 2022A Bonds on any Interest Payment Date will be paid to the registered owner as of the Record Date (Cede & Co., so long as the book-entry system with The Depository Trust Company ("DTC") is in effect). Each Series 2022A Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication, or unless such date of authentication

⁽²⁾ To be used to pay interest due and payable on the Series 2022A Bonds through and including June 30,

⁽³⁾ Pursuant to the Rental Car CLAs, the Department is required to make an initial deposit of \$50 million to the CTS Payment Account by the ConRAC DBO. The Department will use a portion of the Series 2022A Bonds to make a deposit of \$25 million. The Department expects to use excess Customer Facility Charges to make the remaining \$25 million deposit. Amounts on deposit in the CTS Payment Account will be used to pay a portion of the costs of operating and maintaining the common-use transportation system (including the APM). The CTS Payment Account is not included in the Trust Estate. The Series 2022A Bonds are not payable from any moneys in the CTS Payment Account and the CTS Payment Account has not been pledged to the payment of the Series 2022A Bonds.

⁽⁴⁾ Includes legal fees, underwriters' discount, trustee fees, municipal advisory fees, consultant fees, rating agency fees, the premium for the Series 2022A Bond Insurance Policy, printing costs and other costs of issuance.

is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2022A Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before May 1, 2022, in which event such Series 2022A Bond will bear interest from its date of delivery. If interest on the Series 2022A Bonds is in default, Series 2022A Bonds issued in exchange for Series 2022A Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2022A Bonds surrendered.

The Series 2022A Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Series 2022A Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2022A Bonds. Individual purchases may be made in book-entry-form only. Purchasers will not receive certificates representing their interest in the Series 2022A Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Series 2022A Bonds, references herein to the Owners or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Series 2022A Bonds.

So long as Cede & Co. is the registered owner of the Series 2022A Bonds, principal and redemption price of and interest on the Series 2022A Bonds will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants, for subsequent disbursement to the Beneficial Owners. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

Redemption Provisions

Optional Redemption.

Series 2022A Bonds at Par Call (On and After May 15, 2032). On and after May 15, 2032, the Series 2022A Bonds maturing on and after May 15, 2033 are subject to redemption prior to maturity, at the option of the Department, from any moneys that may be provided for such purpose, in whole or in part, on any date, at a redemption price equal to 100% of the principal amount of the Series 2022A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Series 2022A Bonds at Series 2022A Make-Whole Redemption Price (Prior to May 15, 2032). Prior to May 15, 2032, the Series 2022A Bonds are redeemable at the option of the Department, in whole or in part at any time, from any moneys that may be provided for such purpose and, at a redemption price equal to the Series 2022A Make-Whole Redemption Price (as defined below).

"Series 2022A Make-Whole Redemption Price" means the greater of (a) the issue price as shown on the inside front cover page of this Official Statement relating to the Series 2022A Bonds to be redeemed (but not less than 100% of the principal amount of the Series 2022A Bonds to be redeemed); or (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2022A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2022A Bonds are to be redeemed, discounted to the date on which the Series 2022A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 30 basis points, plus, in each case, accrued and unpaid interest on the Series 2022A Bonds to be redeemed on the redemption date.

"Comparable Treasury Issue" means, with respect to any redemption date for the Series 2022A Bonds, the United States Treasury security or securities (excluding inflation indexed securities) selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series 2022A Bonds to be redeemed, and that would be utilized in accordance with

customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2022A Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for the Series 2022A Bonds, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (as defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the Department.

"Reference Treasury Dealer" means each of the four firms, specified by the Department from time to time, any or all of which may also be an Underwriter for the Series 2022A Bonds, that are primary United States government securities dealers in The City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Department will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the Series 2022A Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on a date selected by the Department that is no less than three Business Days and no more than 45 Business Days preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date for the Series 2022A Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (as defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (as defined below), as calculated by the Designated Investment Banker (as defined below).

[Remainder of page intentionally left blank]

Mandatory Sinking Fund Redemption. The Series 2022A Bonds maturing on May 15, 2048 (the "Series 2022A Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part (on a pro-rata pass-through distribution of principal basis in accordance with the procedures described under "Selection of Series 2022A Bonds for Redemption; Series 2022A Bonds Redeemed in Part" below), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Redemption Date (May 15)	Principal Amount	
2038	\$25,790,000	
2039	26,885,000	
2040	28,025,000	
2041	29,215,000	
2042	30,455,000	
2043	31,745,000	
2044	33,090,000	
2045	34,495,000	
2046	35,960,000	
2047	37,485,000	
2048^{\dagger}	39,075,000	

[†] Final Maturity.

At the option of the Department, to be exercised by delivery of a written certificate to the Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2022A Term Bonds, it may (a) deliver to the Trustee for cancellation Series 2022A Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Department or (b) specify a principal amount of Series 2022A Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Trustee at the request of the Department and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2022A Term Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Trustee for cancellation will be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Department to pay the principal of such Series 2022A Term Bond on such mandatory sinking fund redemption date. In the event that a portion, but not all of the Series 2022A Term Bonds, are so purchased, acquired or optionally redeemed and delivered to the Trustee for cancellation, then the principal amount of any remaining mandatory sinking fund redemptions applicable to the Series 2022A Term Bonds shall be proportionally reduced (subject to the Trustee making such adjustments as it deems necessary to be able to affect future redemptions of the Series 2022A Term Bonds in Authorized Denominations).

Notices of Redemption to Holders; Conditional Notice of Optional Redemption. The Trustee will give notice of redemption, in the name of the Department, to Holders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Series 2022A Bonds held by DTC via electronic means or by an express delivery service for delivery on the next following Business Day or by such other means as permitted or required by DTC's procedures) to each Holder of a Series 2022A Bond to be redeemed; each such notice will be sent to the Holder's registered address.

Each notice of redemption will specify the issue date, the maturity date, the interest rate and the CUSIP number of each Series 2022A Bond to be redeemed, if less than all Series 2022A Bonds of maturity

date are called for redemption the numbers assigned to the Series 2022A Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price (or the formula that will be used to calculate the redemption price on the redemption date, provided a supplemental notice of redemption is delivered prior to the redemption date setting forth the actual redemption price), the place or places of payment, the Trustee's name, that payment will be made upon presentation and surrender of the Series 2022A Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

The Department may provide that, if at the time of mailing of notice of an optional redemption there has not been deposited with the Trustee moneys sufficient to redeem all the Series 2022A Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and on such cancellation date notice will be mailed to the Holders of such Series 2022A Bonds called for redemption.

Failure to give any required notice of redemption as to any particular Series 2022A Bonds will not affect the validity of the call for redemption of any Series 2022A Bonds in respect of which no failure occurs. Any notice sent as provided in the Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2022A Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Trustee sufficient for redemption, interest on the Series 2022A Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2022A Bonds called for redemption will become and be due and payable on the redemption date, interest on such Series 2022A Bonds will cease to accrue from and after such redemption date, such Series 2022A Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2022A Bonds which have been duly called for redemption and for which moneys for the payment of the redemption price are held in trust for the Holders thereof, all as provided in the Indenture, will not be deemed to be Outstanding under the provisions of the Indenture.

Selection of Series 2022A Bonds for Redemption; Series 2022A Bonds Redeemed in Part. Redemption of the Series 2022A Bonds will only be in Authorized Denominations. The Series 2022A Bonds are subject to redemption in such order of maturity as the Department may direct (except mandatory sinking fund payments on the Series 2022A Term Bonds). If less than all of the Series 2022A Bonds of a maturity are redeemed prior to their stated maturity date, the particular Series 2022A Bonds to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with the rules and procedures of DTC. It is the Department's intent that redemption allocations made by DTC, the Participants or such other intermediaries that may exist between the Department and the beneficial owners of the Series 2022A Bonds will be made on a pro-rata pass-through distribution of principal basis. However, so long as the Series 2022A Bonds are Book-Entry Bonds, the selection for redemption of such Series 2022A Bonds shall be made in accordance with the operational arrangements of DTC then in effect. Neither the Department nor the Trustee will provide any assurance or shall have any responsibility or obligation to ensure that DTC, the Participants or any other intermediaries allocate redemptions of the Series 2022A Bonds among beneficial owners on a pro-rata pass-through distribution of principal basis. If the DTC

operational arrangements do not allow for the redemption of the Series 2022A Bonds on a pro-rata pass-through distribution of principal basis, the Series 2022A Bonds shall be selected for redemption, in accordance with DTC procedures, by lot.

If the Series 2022A Bonds are not Book-Entry Bonds and less than all of the Series 2022A Bonds of a maturity are to be redeemed, the Series 2022A Bonds to be redeemed will be selected by the Trustee on a pro-rata pass-through distribution of principal basis among all of the Bondholders of the Series 2022A Bonds of that maturity based on the principal amount of Series 2022A Bonds of that maturity owned by such Bondholders.

DESIGNATION OF SERIES 2022A BONDS AS GREEN BONDS

Green Bonds Designation

Per the International Capital Market Association ("ICMA"), Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles. The four core components are: (1) Use of Proceeds; (2) Process for Project Evaluation and Selection; (3) Management of Proceeds; and (4) Reporting.

Kestrel Verifiers has determined that the Series 2022A Bonds are in conformance with the four core components of the ICMA Green Bond Principles, as described in Kestrel Verifiers' "Second Party Opinion," which is attached hereto as APPENDIX E – "SECOND PARTY OPINION REGARDING GREEN BONDS."

See also "THE CONRAC PROJECT – The ConRAC Project" and "THE DEPARTMENT OF AIRPORTS – Sustainability Initiatives."

The term "Green Bonds" is neither defined in nor related to any provisions of the Indenture. The term "Green Bond" is solely for identification purposes and is not intended to provide or imply that the owners of the Series 2022A Bonds are entitled to any security other than that described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS." No party, including the Department, the Board, the City and the Underwriters, has any obligation to ensure that the Series 2022A Bonds comply with any legal or other standards or principles that may be related to "Green Bonds," whether now existing or as may be developed in the future.

Independent Second Party Opinion on Green Bonds Designation and Disclaimer

For over 20 years, Kestrel Verifiers has been consulting in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is an Approved Verifier accredited by the Climate Bonds Initiative ("CBI") and an Observer for the ICMA Green Bond Principles and Social Bond Principles. Kestrel Verifiers reviews transactions in all asset classes worldwide for alignment with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and criteria.

The Second Party Opinion issued by Kestrel Verifiers does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Series 2022A Bonds. Designations by Kestrel Verifiers are not a recommendation to any person to purchase, hold, or sell the Series 2022A Bonds and such labeling does not address the market price or suitability of the Series 2022A Bonds for a particular investor and does not and is not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the Second Party Opinion, Kestrel Verifiers has assumed and relied upon the accuracy and completeness of the information made publicly available by the Department or that was otherwise made available to Kestrel Verifiers.

DEBT SERVICE REQUIREMENTS OF SERIES 2022A BONDS

The following table sets forth the debt service funding requirements for the Series 2022A Bonds.

TABLE 1
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
SERIES 2022A DEBT SERVICE FUNDING REQUIREMENTS⁽¹⁾⁽²⁾

Fiscal Year Ended June 30	Principal Requirements	Interest Requirements ³	Total
2022	_	\$ 3,601,536	\$ 3,601,536
2023	_	21,975,471	21,975,471
2024	_	21,975,471	21,975,471
2025	_	21,975,471	21,975,471
2026	_	21,975,471	21,975,471
2027	_	21,975,471	21,975,471
2028	_	21,975,471	21,975,471
2029	\$ 18,755,000	21,975,471	40,730,471
2030	19,350,000	21,383,188	40,733,188
2031	19,980,000	20,752,765	40,732,765
2032	20,650,000	20,081,837	40,731,837
2033	21,355,000	19,378,085	40,733,085
2034	22,125,000	18,607,596	40,732,596
2035	22,955,000	17,776,139	40,731,139
2036	23,840,000	16,890,535	40,730,535
2037	24,785,000	15,946,948	40,731,948
2038	25,790,000	14,941,172	40,731,172
2039	26,885,000	13,847,161	40,732,161
2040	28,025,000	12,706,699	40,731,699
2041	29,215,000	11,517,878	40,732,878
2042	30,455,000	10,278,578	40,733,578
2043	31,745,000	8,986,677	40,731,677
2044	33,090,000	7,640,054	40,730,054
2045	34,495,000	6,236,376	40,731,376
2046	35,960,000	4,773,098	40,733,098
2047	37,485,000	3,247,675	40,732,675
2048	39,075,000	1,657,562	40,732,562
Total	\$546,015,000	\$404,079,856	\$950,094,856

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

⁽²⁾ Represents the Department's debt service funding requirements for each Fiscal Year.

⁽³⁾ Includes interest on the Series 2022A Bonds through June 30, 2023, to be paid from a portion of the proceeds of the Series 2022A Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS

General

The Series 2022A Bonds will be issued under the Indenture. Under the Indenture the Department may issue additional bonds on a parity with the Series 2022A Bonds ("Additional Senior Bonds") upon the satisfaction of certain conditions. See " – Additional Senior Bonds" below. The Series 2022A Bonds and any Additional Senior Bonds (collectively, the "Senior Bonds") will be equally and ratably secured by a first lien on and pledge of the Trust Estate. See " – Pledge of Trust Estate" below. The Indenture also permits the issuance of Subordinate Bonds; none of which have been issued. Subordinate Bonds, if issued, will have a subordinate lien on and pledge of the Trust Estate, subject to the prior lien and pledge of the Senior Bonds. Subject to the provisions of the Indenture, neither the Charter nor the Indenture limits the total amount of Senior Bonds or Subordinate Bonds that may be issued and Outstanding at any one time.

The summary of the security and sources of payment for the Series 2022A Bonds set forth herein is qualified in its entirety by and reference is hereby made to APPENDIX B hereto and the Indenture, which set forth in further detail provisions relating to the security for the Series 2022A Bonds.

Special Limited Obligations

The Series 2022A Bonds are special limited obligations of the Department, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, (a) Customer Facility Charges collected by the Rental Car Companies and remitted to the Department, and (b) certain funds and accounts held by the Trustee under the Indenture.

No revenues of the Department, other than the Customer Facility Charges, are pledged to the payment of the Series 2022A Bonds. The Series 2022A Bonds do not constitute or evidence an indebtedness of the City or a lien or charge on any property or the general revenues of the City. Neither the faith and the credit nor the taxing power of the City, the State or any public agency, other than the Department, to the extent described herein, is pledged to the payment of the principal of or interest on the Series 2022A Bonds. The Department has no power of taxation. The Series 2022A Bonds constitute and evidence an obligation of the Department payable only in accordance with Section 609(b) of the City Charter and any other applicable provisions thereof. Neither the ConRAC Project nor any other properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2022A Bonds.

Pledge of Trust Estate

Pursuant to the Indenture, the principal of and interest on the Series 2022A Bonds will be secured by a pledge of, and first lien on all rights, title and interest of the Department in the Trust Estate. "Trust Estate" is defined under the Indenture as (a) all Customer Facility Charges (also referred to herein as "CFCs") received or receivable by the Department, (b) all casualty insurance proceeds (not otherwise applied pursuant to the ConRAC DBFOM Agreement (see "THE CONRAC PROJECT – ConRAC DBFOM Agreement – Insurance Requirements")) and condemnation awards required to be applied pursuant to the provisions of the Indenture; (c) with respect to the Senior Bonds, all moneys, investments and proceeds of Senior Bonds on deposit in the Construction Fund (subject to any restrictions set forth in any tax compliance certificate entered into by the Department in connection with the issuance of Senior Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in the Subordinate Debt Service Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Department in

connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), and any Subordinate Reserve Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in any Subordinate Reserve Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Department in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys that may have been set aside for the benefit of the holders of a particular Series of Senior Bonds (see APPENDIX B - "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE - THE INDENTURE -Moneys Held in Trust for Matured Bonds; Unclaimed Moneys"), (d) with respect to the Subordinate Bonds, subject to the prior lien granted to the Owners of the Senior Bonds, all moneys, investments and proceeds of Subordinate Bonds on deposit in the Construction Fund (subject to any restrictions set forth in a tax compliance certificate entered into by the Department in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Subordinate Debt Service Fund and any Subordinate Reserve Fund and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys that may have been set aside for the benefit of the holders of a particular Series of Subordinate Bonds (see APPENDIX B - "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE - THE INDENTURE - Moneys Held in Trust for Matured Bonds; Unclaimed Moneys"), and (e) all other rights granted, pledged or assigned by the Department to the Trustee hereunder. The Trust Estate shall not include moneys, investments and proceeds in a Rebate Fund.

Additionally, the Series 2022A Bond Insurance Policy, any amounts paid to the Trustee by the Series 2022A Bond Insurer in connection with any claim made by the Trustee on the Series 2022A Bond Insurance Policy and any moneys on deposit in the Policy Payments Account will be included in the Trust Estate with respect to the Series 2022A Bonds. The payment of the principal of and interest on any other Senior Bonds or any Subordinate Bonds will not be guaranteed by the Series 2022A Bond Insurance Policy, and no other Senior Bonds or any Subordinate Bonds will be secured by or have a lien on the Series 2022A Bond Insurance Policy or any amounts paid to the Trustee by the Series 2022A Bond Insurer in connection with any claim made by the Trustee on the Series 2022A Bond Insurance Policy.

Customer Facility Charges

California Statutory Authority. Section 1939.01 et seq. of the California Civil Code, as amended from time to time and Section 50474.1 et seq. of the California Government Code, as amended from time to time (collectively, with any other applicable State law the provisions of which address the imposition of CFCs, the "CFC Laws") authorize the Department and other California airports operated by a city, a county, a city and county, a joint powers authority or a special district to require rental car companies operating at the applicable airport to collect a customer facility charge from customers renting cars from such rental car companies. The customer facility charges collected from rental car customers cannot exceed the reasonable costs of financing, designing and constructing a consolidated rental car facility located at the airport and financing, designing, constructing, operating and maintaining a common-use transportation system or acquiring vehicles for use in the common-use transportation system. Customer facility charges used to finance, design and construct a consolidated rental car facility can only be collected from customers of onairport rental car companies. Customer facility charges used to finance, design, construct, operate and maintain a common-use transportation system at an airport can be collected from customers of on-airport rental car companies and customers of off-airport rental car companies that use the common-use transportation system to transport their customers. Under the CFC Laws, "on-airport rental car companies" are those rental car companies that operate under an airport property lease or an airport concession or license agreement whose customers use or will use the consolidated rental car facility. See "CERTAIN INVESTMENT CONSIDERATIONS - Certain Rental Car Industry Investment Considerations - Only On-Airport Rental Car Companies Collect CFCs."

CFCs Imposed by the Department. Pursuant to the CFC Laws and Resolution No. 21579 adopted by the Board on November 13, 2001 ("Resolution No. 21579"), the Board initially authorized the collection of a \$10.00 per transaction CFC on rental cars rented from Rental Car Companies operating at LAX. Subsequently, pursuant to the CFC Laws and Resolution No. 26357 adopted by the Board on October 5, 2017 ("Resolution No. 26357"), the Board authorized the collection of an alternative CFC of \$7.50 per transaction day (limited to 5 transaction days per rental car contract) effective January 1, 2018, and pursuant to the CFC Laws and Resolution No. 26798 adopted by the Board on June 20, 2019 ("Resolution No. 26798," and collectively with Resolution No. 21579 and Resolution No. 26357, the "CFC Resolutions"), the Board authorized the collection of an alternative CFC of \$9.00 per transaction day (limited to 5 transaction days per rental car contract), effective September 1, 2019. The CFC of \$9.00 per transaction day (limited to 5 transaction days per rental car contract) currently imposed by the Department is the maximum amount allowed under the CFC Laws. The CFC is collected by the Rental Car Companies from their customers and subsequently transferred to the Department. Prior to increasing the CFC to \$7.50 per transaction day on January 1, 2018 and \$9.00 per transaction day on September 1, 2019, the Department was required to hold a public hearing to review the costs of financing the design and construction of a consolidated rental vehicle facility and the design, construction and operation of any common-use transportation system. Additionally, pursuant to the CFC Laws, the Department is required to report on an annual basis the amount of CFCs collected, how the CFCs were used and certain other information.

The Department and each of Enterprise Rent-A-Car Company of Los Angeles, LLC (which operates the brands Alamo, Enterprise, and National), Avis Budget Car Rental, LLC (which operates the brands Avis, Budget, Zip Car and Payless (the only rental car company that does not currently operate at LAX that will begin operating from LAX pursuant to a Rental Car CLA on the ConRAC DBO)), the Hertz Corporation (which operates the brands Dollar, Hertz and Thrifty), Fox Rent A Car, Inc. (which operates the Fox brand and the Europear Mobility Group brand), and Sixt Rent A Car, LLC (which operates the Sixt brand) have entered into a Rental Car CLA. Pursuant to the Rental Car CLAs, each of the Rental Car Companies has agreed to (a) collect a daily CFC on all vehicle rental transactions with ConRAC Customers (as defined in APPENDIX C – "SUMMARY OF THE RENTAL CAR CONCESSION AND LEASE AGREEMENTS – Definitions"), (b) collect the CFC at the time the first payment is made for each and every vehicle transaction, and (c) remit the full amount of the CFC to the Department regardless of whether or not the Rental Car Company is actually in receipt of the full amount of such CFC from the ConRAC Customer.

Pursuant to the Rental Car CLAs, each Rental Car Company has agreed that the CFCs are not income, revenue or any other asset of the Rental Car Company and that the Rental Car Company has no ownership or property interest in the CFCs collected from the ConRAC Customers. Each Rental Car Company has waived any claim of legal or equitable interest in the CFCs. In each of the Rental Car CLAs, each of the Rental Car Companies has agreed that they hold the CFCs in trust for the benefit of the Department, and that the Department shall have all right, title and interest in and to the CFCs. In each of the Rental Car CLAs, the Rental Car Companies have acknowledged that the CFCs collected and held by the Rental Car Companies are property in which the Rental Car Companies have agreed to remit the CFC proceeds to the Department on a monthly basis on or before the 20th day of each month following the month in which the CFCs were earned; provided, however, in the event that it is determined that the Rental Car Companies must, as a matter of law, remit the CFCs more frequently, the Rental Car Companies have agreed to remit such CFCs with such frequency as required by law.

Prior to the opening of the ConRAC, the Rental Car Companies operating at LAX will continue to operate pursuant to their respective Rental Car Concession Agreement. As of January 1, 2022, twelve Rental Car Companies, including Avis, Budget, Zip Car, Enterprise, Alamo, National, Hertz, Thrifty, Dollar, Fox, Europear, and Sixt had entered into a Rental Car Concession Agreement. The Rental Car

Concession Agreements are scheduled to expire on the earlier of (a) the ConRAC DBO (expected to occur in early Fiscal Year 2024) or (b) January 31, 2024. Pursuant to the Rental Car Concession Agreements, the Rental Car Companies are required to collect CFCs and to remit the CFCs to the Department. Upon the ConRAC DBO, the Rental Car Companies will be subject to the terms of the Rental Car CLAs, and the Rental Car Concession Agreements will terminate.

In addition to the Rental Car Companies that operate at LAX pursuant to a Rental Car Concession Agreement or a Rental Car CLA (beginning on the ConRAC DBO), there are currently nine Non-Concessionaire Rental Car Companies that operate pursuant to a Rental Car License Agreement. As of the date of this Official Statement, the Non-Concessionaire Rental Car Companies are not required to collect a CFC from their customers and remit it to the Department. As of the date of this Official Statement, the Department has not decided whether it will require the Non-Concessionaire Rental Car Companies to collect a Customer Facility Charge from their customers upon the ConRAC DBO.

The Series 2022A Bonds are not an indebtedness or other liability of the Rental Car Companies and the Rental Car Companies are not liable for any payments relating to the Series 2022A Bonds, other than the timely remittance of the CFC proceeds collected by the Rental Car Companies from their respective customers to the Department.

Flow of Funds

Pursuant to the Rental Car Concession Agreements and the Rental Car CLAs, the Rental Car Companies have agreed to remit the CFC proceeds to the Department on a monthly basis on or before the 20th day of each month following the month in which the CFCs were earned. Pursuant to the Indenture, the Trustee will establish and maintain the "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Customer Facility Charge Revenue Bonds CFC Revenue Fund" (the "CFC Revenue Fund"), and all CFCs received by the Trustee will be deposited upon receipt to the CFC Revenue Fund.

On the date of delivery of the Series 2022A Bonds, the Department will deposit with the Trustee, to the credit of the CFC Revenue Fund, approximately \$86 million of CFCs previously collected and currently held by the Department. From and after the date of delivery of the Series 2022A Bonds, the Department will make monthly deposits to the Trustee, to the credit of the CFC Revenue Fund, all CFCs (and interest thereon) collected and/or earned, as applicable, during the preceding month.

The Indenture requires that all CFCs and other amounts credited to the CFC Revenue Fund will be set aside for the payment of the following amounts, deposited or transferred to the following Funds, Accounts and Subaccounts or used for such other purposes permitted by the CFC Laws on the following dates and in the following order of priority:

FIRST, (i) on or prior to the first Business Day of each month, the Trustee will transfer to the Interest Subaccount of the Series 2022A Debt Service Account and any other Interest Account or Subaccount established for a Series of Senior Bonds in the Senior Debt Service Fund pursuant to a Supplemental Indenture, on a pro-rata basis, amounts sufficient to pay one-sixth of the interest due on the Senior Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a Fixed Rate, or an amount specified in the applicable Supplemental Indenture if such Series bears interest at a variable rate, as applicable, net of (A) the applicable portion of any proceeds of such Series of Senior Bonds that are on deposit in such Interest Account or Subaccount representing Capitalized Interest and that are to be used to pay interest on the next succeeding Interest Payment Date, (B) interest earnings on deposit in such Interest Account or Subaccount, and (C) any other amounts on deposit in such Interest Account or Subaccount that are to be used to

pay interest on such Series of Senior Bonds on the next succeeding Interest Payment Date; provided that transfers to the applicable Interest Account or Subaccount in the Senior Debt Service Fund prior to the first Interest Payment Date after the issuance of a Series of Senior Bonds will be adjusted to the extent necessary so that the total amount of interest due on such Senior Bonds on such first Interest Payment Date will have been paid into the applicable Interest Account or Subaccount in the Senior Debt Service Fund in equal installments prior to such first Interest Payment Date; and (ii) only after all required deposits are made pursuant to (i), on or prior to the first Business Day of each month, the Trustee will transfer to the Principal Subaccount of the Series 2022A Debt Service Account and any other Principal Account or Subaccount established for a Series of Senior Bonds in the Senior Debt Service Fund pursuant to a Supplemental Indenture, on a pro-rata basis, amounts sufficient to pay one-twelfth of the principal amount of the Senior Bonds of such Series coming due on the next succeeding Principal Payment Date (including mandatory sinking fund installments) or such other amounts as may be set forth in a Supplemental Indenture, net of interest earnings on deposit in such Principal Accounts or Subaccounts, provided that transfers to the applicable Principal Accounts or Subaccounts in the Senior Debt Service Fund prior to the first Principal Payment Date after the issuance of a Series of Senior Bonds will be adjusted to the extent necessary so that the total amount of principal due on such Senior Bonds on such first Principal Payment Date will have been paid into the applicable Principal Account or Subaccount in the Senior Debt Service Fund in equal installments prior to such first Principal Payment Date;

SECOND, on or prior to the first Business Day of each month, the Trustee will transfer to the Senior Reserve Fund, substantially equal monthly installments over a period of up to twelve months amounts necessary to cause the amount on deposit in the Senior Reserve Fund to equal the Senior Reserve Fund Requirement or to cause the repayment of draws on any Reserve Fund Surety Policy deposited to the Senior Reserve Fund, if any (repayments owed to the provider of a Reserve Fund Surety Policy will be paid prior to funding the unfunded cash portion of the Senior Reserve Fund Requirement);

THIRD, on or prior to the first Business Day of each month, the Trustee will transfer to the Rolling Coverage Fund, substantially equal monthly installments over a period of up to twelve months amounts necessary to cause the amount on deposit the Rolling Coverage Fund to equal the Rolling Coverage Fund Requirement;

FOURTH, if any Subordinate Bonds are Outstanding (i) on or prior to the first Business Day of each month, the Trustee will transfer to any Interest Account or Subaccount established for a Series of Subordinate Bonds in the Subordinate Debt Service Fund pursuant to a Supplemental Indenture, on a pro-rata basis, amounts sufficient to pay one-sixth of the interest due on the Subordinate Bonds of such Series on the next succeeding Interest Payment Date if such Series bears interest at a Fixed Rate, or an amount specified in the applicable Supplemental Indenture if such Series bears interest at a variable rate, as applicable, net of (A) any proceeds of Subordinate Bonds on deposit in such Interest Account or Subaccount representing Capitalized Interest that are to be used to pay interest on the next succeeding Interest Payment Date, (B) interest earnings on deposit in such Interest Account or Subaccount, and (C) any other amounts on deposit in such Interest Account or Subaccount that are to be used to pay interest on such Series of Subordinate Bonds on the next succeeding Interest Payment Date; provided that transfers to the applicable Interest Accounts or Subaccounts in the Subordinate Debt Service Fund prior to the first Interest Payment Date after the issuance of a Series of Subordinate Bonds will be adjusted to the extent necessary so that the total amount of interest due on such Subordinate Bonds on such first Interest Payment Date will have been paid into the applicable Interest Account or Subaccount in the Subordinate Debt Service Fund in equal installments prior to such first Interest Payment Date; and (ii) only after all required deposits are made pursuant to (i), on or prior to the first Business Day of each month, the Trustee will transfer to any Principal Account or Subaccount established for a Series of Subordinate Bonds in the Subordinate Debt Service Fund pursuant to a Supplemental Indenture, on a pro-rata basis, amounts sufficient to pay one-twelfth of the principal amount of the Subordinate Bonds of such Series coming due on the next succeeding Principal Payment Date (including mandatory sinking fund installments) or such other amounts as may be set forth in a Supplemental Indenture, net of interest earnings on deposit in such Principal Account or Subaccount, provided that transfers to the applicable Principal Account or Subaccount in the Subordinate Debt Service Fund prior to the first Principal Payment Date after the issuance of a Series of Subordinate Bonds will be adjusted to the extent necessary so that the total amount of principal due on such Subordinate Bonds on such first Principal Payment Date will have been paid into the applicable Principal Account or Subaccount in the Subordinate Debt Service Fund in equal installments prior to such first Principal Payment Date;

FIFTH, if and to the extent required by a Supplemental Indenture providing for the issuance of one or more Series of Subordinate Bonds, on or prior to the first Business Day of each month, the Trustee will transfer to the applicable Accounts within the Subordinate Reserve Fund, if any, substantially equal monthly installments over a period of up to 12 months necessary to cause the amount on deposit in the applicable Accounts within the Subordinate Reserve Fund to equal the required amount or amounts set forth in the applicable provisions of the Supplemental Indenture that provided for the issuance of such Subordinate Bonds or to cause the repayment of draws on any Reserve Fund Surety Policy deposited to the Subordinate Reserve Fund, if any (repayments owed to the provider of a Reserve Fund Surety Policy shall be paid prior to funding the unfunded cash portion of the required amounts to be on deposit in the applicable Accounts within the Subordinate Reserve Fund as set forth in the applicable provisions of the Supplemental Indenture that provided for the issuance of such Subordinate Bonds);;

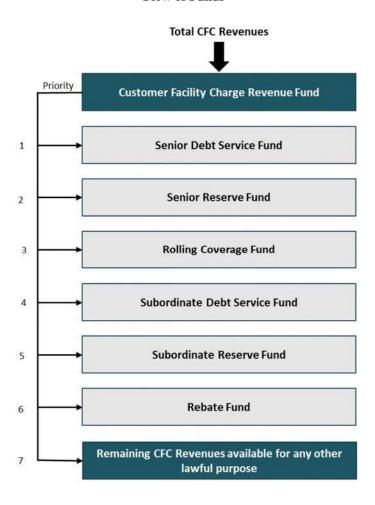
SIXTH, on or prior to the first Business Day of each month, the Trustee will transfer, on a pro-rata basis, to any Rebate Fund established pursuant to a Supplemental Indenture with respect to a Series of Tax-Exempt Bonds, the amounts calculated by the Department to be due to the United States Treasury, if any, as arbitrage rebate for such Series of Tax-Exempt Bonds in accordance with the Internal Revenue Code of 1986, as amended, and the applicable tax compliance certificate entered into with respect to such Series of Tax-Exempt Bonds, to the extent that funds are not already on deposit therein; and

SEVENTH, all amounts remaining in the CFC Revenue Fund after the deposits described in FIRST through SIXTH above have been made, may be used by the Department for any other purposes permitted under the CFC Laws.

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Following is a graphic description of the flow of funds described above:

Flow of Funds



Application of Senior Debt Service Fund; Additional Deposits to Senior Debt Service Fund

Application of Senior Debt Service Fund. On each Payment Date, funds on deposit in the Interest Subaccount of the Series 2022A Debt Service Account will be applied by the Trustee to pay the interest on the Series 2022A Bonds then due, and funds on deposit in the Principal Subaccount of the Series 2022A Debt Service Account will be applied by the Trustee to pay the principal of the Series 2022A Bonds then due, if any. Upon the issuance of any Series of Additional Senior Bonds, additional Accounts within the Senior Debt Service Fund may be established, and the funds within such Accounts applied, as may be provided in the Supplemental Indenture entered into in connection with the issuance of such Senior Bonds.

Notwithstanding any provision of the Indenture to the contrary, on the date that the funds on deposit in the Senior Reserve Fund and the Rolling Coverage Fund, plus the amounts if any, on deposit in the Senior Debt Service Fund, are sufficient to pay the remaining principal of, premium, if any, and interest on the Senior Bonds (including the Series 2022A Bonds) as and when due, the Department may direct the Trustee to transfer the funds on deposit in the Senior Reserve Fund and the Rolling Coverage Fund to the Senior Debt Service Fund and apply the same to the payment of the final maturities of principal of such Senior Bonds, premium, if any, and interest thereon as and when due on the remaining Payment Dates.

Additional Deposits to Senior Debt Service Fund. In addition to the deposits to the Senior Debt Service Fund described in the FIRST clause under "– Flow of Funds" above, if, two Business Days before any Payment Date, the amounts on deposit in any Account or Subaccount within the Senior Debt Service Fund are insufficient to pay the principal or redemption price or interest payable on the Senior Bonds of such Series as the same become due, moneys held in the following Funds and Accounts will be transferred by the Trustee from said Funds or Accounts in the following order to each such Account and Subaccount in the Senior Debt Service Fund in order to satisfy said deficiency therein:

FIRST, the Trustee will transfer to the applicable Accounts or Subaccounts within the Senior Debt Service Fund any and all moneys in the CFC Revenue Fund up to the amount of such shortfall;

SECOND, if moneys in the CFC Revenue Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts or Subaccounts within the Senior Debt Service Fund any and all moneys in any Subordinate Reserve Fund, provided that such moneys are not proceeds of Subordinate Bonds or any earnings on such proceeds, up to the amount of such shortfall:

THIRD, if moneys in the CFC Revenue Fund and any Subordinate Reserve Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts and Subaccounts within the Senior Debt Service Fund any and all moneys in any Subordinate Debt Service Fund, provided that such moneys are not proceeds of Subordinate Bonds or any earnings on such proceeds, up to the amount of such shortfall;

FOURTH, if moneys in the CFC Revenue Fund, any Subordinate Reserve Fund and any Subordinate Debt Service Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts and Subaccounts within the Senior Debt Service Fund any and all moneys in the Rolling Coverage Fund, up to the amount of such shortfall; and

FIFTH, if moneys in the CFC Revenue Fund, any Subordinate Reserve Fund, any Subordinate Debt Service Fund and the Rolling Coverage Fund are insufficient to satisfy the deficiency, the Trustee will transfer to the applicable Accounts and Subaccounts within the Senior Debt Service Fund any and all moneys in the Senior Reserve Fund (including any moneys received from the provider of any Reserve Fund Surety Policy on deposit in the Senior Reserve Fund), up to the amount of such shortfall.

If moneys are withdrawn and transferred from the CFC Revenue Fund, any Subordinate Reserve Fund, any Subordinate Debt Service Fund, the Rolling Coverage Fund and/or the Senior Reserve Fund to pay principal or redemption price of or interest on the Senior Bonds as described above, the Trustee will promptly notify the Department in writing of the amount of such withdrawals and transfers.

Senior Reserve Fund

Pursuant to the Indenture, the Trustee will establish the Senior Reserve Fund to secure the Series 2022A Bonds and any Additional Senior Bonds issued by the Department. The Senior Reserve Fund is required to be funded at all times in an amount equal to the Senior Reserve Fund Requirement. The Senior Reserve Fund Requirement is equal to Maximum Aggregate Annual Debt Service for all Outstanding Senior Bonds. At the time of issuance of the Series 2022A Bonds, the Senior Reserve Fund Requirement will be met by depositing a portion of the proceeds of the Series 2022A Bonds into the Senior Reserve Fund. At the time of issuance of the Series 2022A Bonds, the Senior Reserve Fund Requirement will be equal to \$40,733,578.10.

Funds on deposit in the Senior Reserve Fund and any amounts received pursuant to a draw on any Reserve Fund Surety Policy on deposit in the Senior Reserve Fund will be applied by the Trustee to pay the principal of and/or interest on the Senior Bonds (including the Series 2022A Bonds) in the event that the amount on deposit in the Senior Debt Service Fund and available amounts from the CFC Revenue Fund, any Subordinate Reserve Fund, any Subordinate Debt Service Fund and the Rolling Coverage Fund on any Payment Date are insufficient to pay the principal of and/or interest then due on the Senior Bonds.

Upon the issuance of any Series of Additional Senior Bonds, additional amounts will be deposited to the Senior Reserve Fund so that the amount on deposit therein is equal to the Senior Reserve Fund Requirement following the issuance of such Senior Bonds.

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

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

On each Principal Payment Date, following payment of principal of and interest on the Senior Bonds due on such Payment Date, if the amount on deposit in the Senior Reserve Fund is in excess of the Senior Reserve Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in the Senior Reserve Fund and the Senior Reserve Fund Requirement will be withdrawn from the Senior Reserve Fund and deposited, on a pro-rata basis, to the Accounts and Subaccounts in the Senior Debt Service Fund.

For purposes of determining the amount on deposit in the Senior Reserve Fund, any Reserve Fund Surety Policy held by, or the benefit of which is available to, the Trustee as security for the Senior Bonds will be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, except that, if the amount available under a Reserve Fund Surety Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Surety Policy and not reinstated or another Reserve Fund Surety Policy provided, then, in valuing the Senior Reserve Fund, the value of such Reserve Fund Surety Policy will be reduced accordingly.

Rolling Coverage Fund

Pursuant to the Indenture, the Trustee will establish the Rolling Coverage Fund to secure the Series 2022A Bonds and any Additional Senior Bonds issued by the Department. The Rolling Coverage Fund is required to be funded at all times in an amount equal to the Rolling Coverage Fund Requirement. The Rolling Coverage Fund Requirement is equal to 25% of the Maximum Aggregate Annual Debt Service for all Outstanding Senior Bonds. At the time of issuance of the Series 2022A Bonds, the Rolling Coverage Fund Requirement will be met by depositing a portion of the proceeds of the Series 2022A Bonds into the

Rolling Coverage Fund. At the time of issuance of the Series 2022A Bonds, the Rolling Coverage Fund Requirement will be equal to \$10,183,394.53.

Funds on deposit in the Rolling Coverage Fund will be applied by the Trustee to pay the principal of and interest on the Senior Bonds (including the Series 2022A Bonds) in the event that the amount on deposit in the Senior Debt Service Fund and available amounts from the LAX CFC Revenue Account, any Subordinate Reserve Fund and any Subordinate Debt Service Fund on any Payment Date are insufficient to pay the principal of and/or interest then due on any Senior Bonds (including the Series 2022A Bonds).

Upon the issuance of any Series of Additional Senior Bonds, additional amounts will be deposited to the Rolling Coverage Fund so that the amount on deposit therein is equal to the Rolling Coverage Fund Requirement following the issuance of such Senior Bonds.

On each Principal Payment Date, following the payment of the principal of and interest on the Senior Bonds due on such Payment Date, if the amount on deposit in the Rolling Coverage Fund is in excess of the Rolling Coverage Fund Requirement as calculated on such Payment Date, the difference between the amount on deposit in the Rolling Coverage Fund and the Rolling Coverage Fund Requirement will be withdrawn from the Rolling Coverage Fund and deposited, on a pro-rata basis, to the Accounts and Subaccounts in the Senior Debt Service Fund.

Certain Covenants of the Department

Following is a summary of certain covenants that the Department will make in the Indenture with respect to the Series 2022A Bonds, the imposition and collection of CFCs, the enforcement of the Rental Car CLAs and the construction, operation and maintenance of the ConRAC. The following is not a complete description of all of the covenants that the Department will make in the Indenture with respect to the Series 2022A Bonds, and therefore, the following summary is qualified by reference to the complete Indenture. The following summary should be read in conjunction with the section captioned "CERTAIN INVESTMENT CONSIDERATION" and APPENDIX B – "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE – THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department."

Covenants With Respect to Customer Facility Charges.

So long as any of the Series 2022A Bonds remain Outstanding, the Department will covenant that it: (i) will comply with all provisions of the CFC Laws applicable to the Department and the CFC Resolutions with respect to imposing and collecting a CFC at LAX; (ii) will impose and collect a CFC at LAX in accordance with the CFC Laws at sufficient levels (the CFC of \$9.00 per transaction day (limited to 5 transaction days per rental car contract) currently imposed by the Department is the maximum amount allowed under the CFC Laws) to make the deposits required to be made pursuant to the Indenture (see ' - Flow of Funds" above) and use such CFCs as contemplated by the CFC Resolutions and the Indenture and in accordance with the provisions of the CFC Laws; (iii) will not take any action or omit to take any action with respect to the CFCs, the ConRAC (except as otherwise provided in the Indenture), the common transportation system (the APM), LAX or otherwise if such action or omission would, pursuant to the CFC Laws, cause the termination or reduction (below the levels required to make the deposits required to be made pursuant to the Indenture (see "-Flow of Funds" above)) of the Department's authority to impose a CFC at LAX or prevent the collection and use of the CFCs as contemplated by the CFC Resolutions and the Indenture; and (iv) will contest any attempt by any Person to terminate, reduce (below the levels required to make the deposits required to be made pursuant to the Indenture (see "- Flow of Funds" above)) or suspend the Department's authority to impose and collect a CFC at LAX and/or use collected CFCs in the manner contemplated by the CFC Resolutions and the Indenture.

- (b) In accordance with the CFC Resolutions, the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), and such other agreements entered into by the Department and such Person or Persons, from time to time, that require, among other things, the collection of the CFC and the remittance of such CFC to the Department, as long as any Series 2022A Bonds remain Outstanding, the Department will covenant that it will require each Rental Car Company to charge, collect and remit to the Department, a CFC in accordance with the CFC Resolutions, the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), and such other agreements entered into by the Department and such Person or Persons, from time to time, that require, among other things, the collection of the CFC and the remittance of such CFC to the Department, and the Department will enforce the duty of the Rental Car Companies to segregate such CFCs as trust funds for the benefit of the Department, and not as revenues of the Rental Car Companies, as provided in the Rental Car CLAs.
- (c) The Department will covenant that it will, at all times while any Series 2022A Bonds are Outstanding, use its best efforts to grant sufficient rental car concessions to Rental Car Companies at LAX so that CFC collections in each Fiscal Year are sufficient to fund all deposits required to be made pursuant to the Indenture (see "– Flow of Funds" above).
- (d) The Department will covenant that it will use its best efforts, to the extent authorized by the CFC Laws, to amend and adjust CFC collection rates to reach and maintain a goal of having sufficient CFC collections in each Fiscal Year to fund all deposits required to be made pursuant to the Indenture (see "– Flow of Funds" above).

Enforcement of Agreements with Rental Car Companies. The Department will covenant that so long as any of the Series 2022A Bonds remain Outstanding, it will (i) require all Rental Car Companies to collect and remit CFCs to the Department, (ii) take all actions legally permitted to enforce compliance by the Rental Car Companies with the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), and such other agreements entered into by the Department and such Person or Persons, from time to time, that requires, among other things, the collection of the CFC and the remittance of such CFC to the Department, and of their obligations thereunder, including specifically seeking specific performance by each of the Rental Car Companies, to charge, collect and remit CFCs to the Department, (iii) in the event ConRAC DBO does not occur by January 30, 2024, extend the term of the Rental Car Concession Agreements to ConRAC DBO and require the Rental Car Companies to continue to collect and remit CFCs to the Department during the additional term of the Rental Car Concession Agreements, and (iv) enforce all remedies set forth in the Rental Car CLAs upon the occurrence and continuation of an event of default under a Rental Car CLA. The Department will further covenant that so long as any of the Series 2022A Bonds remain Outstanding it will not consent to any amendment to the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), or such other agreements entered into by the Department and such Person or Persons, from time to time, that requires, among other things, the collection of the CFC and the remittance of such CFC to the Department, that materially adversely affects the rights of Owners without the consent of the Owners of at least 51% in Principal Amount of the Senior Bonds (including the Series 2022A Bonds) then Outstanding.

Construction of the ConRAC. The Department will use diligent efforts to cause the ConRAC to be constructed, completed and made available for the essential operations of the Rental Car Companies that have entered into a Rental Car CLA in accordance with the schedule as set forth in the ConRAC DBFOM Agreement.

Operation and Maintenance of the ConRAC. Subject to the provisions of the Indenture, as long as any Series 2022A Bonds remains Outstanding, the Department will operate and maintain the ConRAC,

or cause the ConRAC to be operated and maintained, in good condition for the purposes for which it was constructed, reasonable wear and tear excepted.

Additional Senior Bonds

Purposes for Additional Senior Bonds. Pursuant to the provisions of the Indenture, Additional Senior Bonds may be issued for the following purposes:

- (a) to finance or refinance the permitting, financing, design, development, construction, equipping, furnishing and acquisition of any improvement or expansion of a Project (or any other facility related to a Project approved by the Department), provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Laws;
- (b) to finance or refinance repairs, including without limitation repairs due to casualty or condemnation to the extent insurance proceeds or condemnation awards are insufficient to effect such repairs, or extraordinary maintenance with respect to a Project, provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Laws;
 - (c) such Additional Senior Bonds are being issued as Refunding Senior Bonds;
 - (d) such Additional Senior Bonds are being issued as Completion Senior Bonds;
 - (e) to refund Subordinate Bonds;
 - (f) to finance or refinance such other purposes as permitted under the CFC Laws; and
- (g) in each case, to pay Capitalized Interest and costs of issuance of such Additional Senior Bonds and to provide for any contribution to the Senior Reserve Fund or the Rolling Coverage Fund, required with respect thereto.

Requirements for Issuing Additional Senior Bonds. Additional Senior Bonds may be issued under the Indenture on a parity with the Series 2022A Bonds, provided, among other things, that there is delivered to the Trustee, unless such Additional Senior Bonds are Completion Senior Bonds or Refunding Senior Bonds, either (a) a report of a Consultant to the effect that for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Additional Senior Bonds during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof through and including the later of: (i) the fifth full Fiscal Year following the issuance of such Series of Additional Senior Bonds, or (ii) the third full Fiscal Year during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof, the projected CFCs to be remitted to the Trustee for each such Fiscal Year, will be, as of the end of each such Fiscal Year, at least equal to 1.25 times the Maximum Aggregate Annual Debt Service on all Senior Bonds Outstanding (including such Additional Senior Bonds) during such Fiscal Year, and also will be sufficient, in each such Fiscal Year, after the funding of Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding and any other amounts required to be deposited from CFCs to the Senior Reserve Fund, the Rolling Coverage Fund and any Subordinate Reserve Fund as described as described in the SECOND, THIRD and FIFTH clauses under "- Flow of Funds" above; or (b) a certificate of the Department to the effect that the CFCs remitted to the Trustee for any consecutive twelve months out of the immediately preceding eighteen months prior to the date of issuance of such Additional Senior Bonds were at least equal to 1.25 times the Maximum Aggregate Annual Debt Service due on all Senior Bonds Outstanding (including such Additional Senior Bonds), and were also sufficient, after the funding of such Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding for such 12-month period and any other amounts required to be deposited from CFCs during such 12-month period to the Senior Reserve Fund, the Rolling Coverage Fund and any Subordinate Reserve Fund as described in the SECOND, THIRD and FIFTH clauses under " – Flow of Funds" above.

Neither the report of a Consultant nor the certificate of the Department described in the previous paragraph will be required to be delivered at the time of the issuance of Additional Senior Bonds if:

- (a) such Additional Senior Bonds are being issued as Refunding Senior Bonds and the Department delivers to the Trustee a certificate substantially to the effect that either (i) after the issuance of the proposed Refunding Senior Bonds, the Aggregate Annual Debt Service on all Outstanding Senior Bonds (including the proposed Refunding Senior Bonds) will be less than or equal to that for each Fiscal Year within which any of the refunded Senior Bonds would have been Outstanding but for their having been refunded; or (ii) that the refunding will reduce or not increase the total debt service payments on the refunded Senior Bonds on a net present value basis; or
- (b) such Additional Senior Bonds are being issued as Completion Senior Bonds (Additional Senior Bonds issued by the Department in an aggregate principal amount not to exceed 10% of the original principal amount of the Series 2022A Bonds or Additional Senior Bonds for the purposes of completing the acquisition, construction, equipping and furnishing of a Project).

Permitted Investments

Moneys and funds held by the Trustee under the Indenture, including moneys in the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, any Subordinate Debt Service Fund and any Subordinate Reserve Fund may be invested as directed by the Department in Permitted Investments, subject to the restrictions set forth in the Indenture, and subject to restrictions imposed upon the Department by the Charter and the laws of the State.

Events of Default and Remedies

Events of Default under the Indenture and related remedies are described in APPENDIX B – "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE – THE INDENTURE – Events of Default and Remedies." The Trustee is authorized to take certain actions upon the occurrence of an Event of Default under the Indenture, including proceedings to enforce the obligations of the Department under the Indenture. See "CERTAIN INVESTMENT CONSIDERATIONS – Enforceability of Remedies; Limitation on Remedies; Effect of City Bankruptcy" and " – Limitation on Amounts Available Upon the Occurrence of an Event of Default."

BOND INSURANCE

The information under this caption has been prepared by the Series 2022A Bond Insurer for inclusion in this Official Statement. None of the Board, the Department or the Underwriters have reviewed this information, nor do any of the Board, the Department or the Underwriters make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Series 2022A Bond Insurance Policy being delivered by the Series 2022A Bond Insurer and reference is made to Appendix I for a specimen of the Series 2022A Bond Insurance Policy.

Bond Insurance Policy

Concurrently with the issuance of the Series 2022A Bonds, AGM will issue the Series 2022A Bond Insurance Policy. The Series 2022A Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2022A Bonds when due as set forth in the form of the Series 2022A Bond Insurance Policy included in Appendix I of this Official Statement.

The Series 2022A Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

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 international public finance (including infrastructure) and structured finance markets and asset management services. 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 S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("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 October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had 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 August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). 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, 2021.

Capitalization of AGM. At December 31, 2021:

- The policyholders' surplus of AGM was approximately \$3,053 million.
- The contingency reserve of AGM was approximately \$877 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,127 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

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, 2021 (filed by AGL with the SEC on February 25, 2022).

All 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 Series 2022A 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 website http://www.sec.gov, the SEC's at at AGL's http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, 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 the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." 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 makes no representation regarding the Series 2022A Bonds or the advisability of investing in the Series 2022A 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 under the heading "BOND INSURANCE."

THE CONRAC PROJECT

The ConRAC Project

To continue the extensive upgrading and modernization of LAX and to address increasing levels of traffic congestion at and around LAX, the Department is redeveloping the ground access system to LAX. The Department is implementing components of LAMP to, among other things, improve access options and the travel experience for passengers, shift the location of different modes of transportation within the Central Terminal Area and at facilities being built outside of the CTA, and provide direct connections to the regional rail and transit systems. By implementing LAMP, the Department is seeking to provide more travel time certainty, reduce traffic congestion and improve air quality in and around LAX. LAMP includes several individual components, including, among others, the ConRAC Project, the APM System, intermodal transportation facilities, pedestrian walkway connections to the passenger terminals within the Central Terminal Area, and roadway improvements.

Currently, each of the Rental Car Companies have company specific locations and shuttle buses that transport customers to and from the Central Terminal Area at LAX. There are approximately 17 rental car facilities northeast of LAX, both on and off Airport property, resulting in inefficient operations with minimal opportunities to expand existing facilities to accommodate future growth. From 2014 through 2018, the Department and representatives of the Rental Car Companies met to negotiate the development, financing and operation of a new consolidated rental car facility at LAX that would provide a centralized rental car location adjacent to Interstate 405 with connections to the new APM System and the nearby freeways. In 2018, the Department and the Rental Car Companies executed the Rental Car CLAs pursuant to which the Department agreed to construct (or cause to be constructed) the ConRAC, and the Rental Car Companies agreed to use and occupy the ConRAC, among other things.

The main component of the ConRAC Project is the ConRAC. The ConRAC will be located on an approximately 67 acre parcel of land located approximately 2.3 miles east of the Central Terminal Area (the "ConRAC Site"). At approximately 6.4 million square feet, the ConRAC will consist of (i) a five-level structure that will be able to house over 18,000 rental cars, (ii) a QTA building that will include areas for vehicle queuing, fueling, wash bays, and light maintenance, and (iii) a customer service building that will include customer service counters, office space, restrooms, and retail areas. Additionally, the ConRAC will include overflow rental car vehicle space to meet peak demands, rental car employee parking spaces, and airport employee or public parking. The ConRAC also is expected to have the following features: 224 electric vehicle chargers (with the ability to expand the number of chargers by an additional 149), light emitting diodes (LED) interior and exterior lighting, drought-resistant landscaping, and employee conveniences, such as bike racks. The Department expects portions of the ConRAC will receive the United States Green Building Council ("USGBC")'s Leadership in Energy and Environmental Design ("LEED") Silver certification. In addition to the ConRAC, the ConRAC Project includes certain roadway improvements and utility infrastructure improvements that will serve the ConRAC.

The majority of the ConRAC and the related capital improvements are being designed and constructed by the ConRAC Developer pursuant to the ConRAC DBFOM Agreement. Certain exclusive use areas of the ConRAC that will be used specifically by the Rental Car Companies will be designed and constructed by each individual Rental Car Company. The cost of designing, constructing and equipping the ConRAC Project is currently estimated to be approximately \$1.3 billion (not including the exclusive use space that is the responsibility of the Rental Car Companies), which cost is expected to be paid with (i) approximately \$434.6 million of the proceeds of the Series 2022A Bonds, (ii) approximately \$408.5 million of funds provided by the ConRAC Developer, and (iii) approximately \$445.2 million of pay-asyou-go Customer Facility Charges. In December 2018, the ConRAC Developer secured several sources of financing for its share of the design and construction of the ConRAC, including, among other sources,

approximately \$450 million of proceeds from the issuance of private placement bonds and a construction loan. As of December 31, 2021, according to the ConRAC Developer, the design of the portions of the ConRAC Project that are the responsibility of the ConRAC Developer was approximately 96% complete (the remaining design work is nearly all related to roadway design) and the construction of the portions of the ConRAC Project that are the responsibility of the ConRAC Developer was approximately 83% complete (87% of the ConRAC buildings are complete and approximately 35% of the roadway and utility work is complete).

Pursuant to the provisions of the Rental Car CLAs, each of the Rental Car Companies will be responsible for designing and constructing all improvements to their exclusive use space within the ConRAC that they deem necessary or desirable in connection with their rental car operations at the ConRAC. According to the ConRAC Developer, it expects to turn over the exclusive use spaces of the ConRAC to the Rental Car Companies in early Fiscal Year 2023, at which time the Rental Car Companies will begin constructing the improvements to these exclusive use spaces. The Rental Car Companies are responsible for paying for the improvements to their exclusive use spaces.

Pursuant to the Rental Car CLAs and the ConRAC DBFOM Agreement, the day-to-day operations and maintenance of the ConRAC and the ConRAC Site will be the responsibility of the Rental Car Companies and the ConRAC Developer.

See APPENDIX A - "REPORT OF THE AIRPORT CONSULTANT" for additional information on the ConRAC Project.

Procurement of Shuttle Buses for Common Transportation System

Once the ConRAC becomes operational, all rental car customers will be required to use the APM System (or, prior to the operational date of the APM System, such other common transportation system employed by the Department, including, among other transportation options, a shuttle bus system) to travel between the ConRAC and the Central Terminal Area. The APM System is not expected to be operational until Fiscal Year 2024 (which is after the date the ConRAC is expected to be operational (expected in early Fiscal Year 2024)). The Department is currently evaluating various options to transport rental car customers and other people between the Central Terminal Area and the ConRAC prior to the operational date of the APM, including, among others, the use of a common transportation shuttle bus system. As of the date of this Official Statement, the Department has not made a final decision as to how it will provide for transportation between the ConRAC and the Central Terminal Area prior to the APM system becoming operational. The Department expects that any temporary common transportation system would be financed with CFCs remaining after the payment of debt service on the Series 2022A Bonds.

Other Improvements to ConRAC

In addition to the \$1.3 billion of costs to design and construct the ConRAC Project described above, the Department expects to make certain other improvements to the ConRAC (including cellular infrastructure improvements and employee parking improvements) that are expected to cost approximately \$114.7 million. These improvements are not eligible to be financed with CFCs, and the Department expects to finance these improvements with proceeds of the Department's general airport revenue bonds that are secured by the revenues of the Department. Opening and operating the ConRAC are not dependent upon completion of these other improvements. The Department expects these other improvements will be completed after the ConRAC DBO.

ConRAC DBFOM Agreement

Following is a brief description of certain provisions of the ConRAC DBFOM Agreement. Such description does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the full ConRAC DBFOM Agreement.

General. On November 6, 2018, the Department and the ConRAC Developer entered into the ConRAC DBFOM Agreement. The ConRAC Developer is comprised of Fengate Capital Management Ltd., PCL Investments USA, LLC and MVI Finance LLC. Under the ConRAC DBFOM Agreement, subject to certain limitations, the Department granted to the ConRAC Developer the exclusive right, during the term of the ConRAC DBFOM Agreement, to design, build, finance, operate and maintain the ConRAC Project.

Term. The ConRAC DBFOM Agreement became effective on November 6, 2018 and will remain in effect until 28 years after December 8, 2018, subject to the right of the Department and the ConRAC Developer to terminate the agreement earlier in accordance with the terms of the ConRAC DBFOM Agreement.

Principal Rights and Responsibilities of the ConRAC Developer and the Enterprises. Pursuant to the ConRAC DBFOM Agreement, the Department has granted to the ConRAC Developer the exclusive right, and the ConRAC Developer has accepted the obligation and has agreed, during the term of the ConRAC DBFOM Agreement, to design, build, finance, operate and maintain the ConRAC Project and to perform all work related to the capital replacement, reconstruction, overhaul, refurbishment and reinstatement of the ConRAC Project and the handback of the ConRAC Project at the end of the term of the agreement.

Planning and Engineering Activities and Design and Construction of the ConRAC Project. The ConRAC Developer, through appropriately qualified and licensed design professionals, shall furnish or cause to be furnished all planning and engineering activities appropriate for design and development of the ConRAC Project in accordance with the provisions of the ConRAC DBFOM Agreement. The ConRAC Developer shall construct and equip the ConRAC Project in accordance with the provisions of the ConRAC DBFOM Agreement with the goal of achieving operational readiness by the operational readiness deadline (March 31, 2023, as such date may be extended pursuant to the terms of the ConRAC DBFOM Agreement). The Department currently expects the ConRAC DBO will occur in early Fiscal Year 2024.

<u>Operation and Maintenance of the ConRAC Project</u>. The ConRAC Developer is responsible for the performance of the operation, maintenance and administration of certain portions of the ConRAC Project during construction of the ConRAC Project and after construction of the ConRAC Project, the renewal work and the handback work with respect to the ConRAC Project. The ConRAC Developer will perform the operation and maintenance work throughout the term of the ConRAC DBFOM Agreement in accordance with the ConRAC DBFOM Agreement, including certain operation and maintenance standards provided therein, all applicable laws, governmental approvals and good industry practice. The Department expects to assign oversight of the ConRAC DBFOM Agreement to a specialized division within the Department's Operations and Maintenance Group.

Pursuant to the provisions of the Rental Car CLAs, each of the Rental Car Companies will be responsible for designing, constructing, operating, maintaining and repairing all improvements to their exclusive use space within the ConRAC.

Insurance Requirements.

ConRAC Developer-Provided Insurance During Construction of the ConRAC Project. Pursuant to the provisions of the ConRAC DBFOM Agreement, during construction of the ConRAC Project, the ConRAC Developer is required to obtain and maintain the following insurance: (i) builder's risk (in an amount not less than the completed value of the ConRAC Project); (ii) professional liability (in an amount not less than \$50,000,000); (iii) commercial general liability (shall have a limit for any one occurrence or claim of not less than \$2,000,000 per occurrence and a \$4,000,000 annual general aggregate and completed operations aggregate); (iv) commercial excess liability (with an annual limit of not less than \$200,000,000 per occurrence); (v) commercial automobile liability (in an amount not less than \$25 million per accident); (vi) worker's compensation and employer's liability (having coverage limits of \$1,000,000 for each accident, \$1,000,000 for disease (each employee), and \$1,000,000 for disease (policy limit)); and (vii) contractor's pollution liability (with a limit for any one occurrence or claim of not less than \$25,000,000 and a policy limit of \$50,000,000).

ConRAC Developer-Provided Insurance After Opening of the ConRAC Project. Pursuant to the provisions of the ConRAC DBFOM Agreement, upon completion of the ConRAC Project and during the operation and maintenance period of the ConRAC Project, the ConRAC Developer is required to obtain and keep in effect the following insurance: (i) commercial general liability (coverage for any one occurrence or claim of not less than \$200,000,000); (ii) commercial automobile liability (in an amount not less than \$25,000,000 per accident); (iii) worker's compensation and employer's liability (having coverage limits of \$1,000,000 for each accident, \$1,000,000 for disease (each employee), and \$1,000,000 for disease (policy limit)); and (iv) pollution legal liability (in an amount of at least \$50,000,000 per loss, with and annual aggregate of at least \$50 million).

<u>Department-Provided Insurance</u>. Pursuant to the provisions of the ConRAC DBFOM Agreement, upon completion of the ConRAC Project and during the operation and maintenance period of the ConRAC Project, the Department is required to obtain and keep in effect "all risk" property insurance (supplemented by other policies), on a replacement cost basis, or other such amount as may be agreed upon by the ConRAC Developer and the Department, insuring all buildings, fixtures, improvements (other than Rental Car Companies' improvements in the ConRAC Project) and equipment (other than Rental Car Company equipment) that are built or placed on the ConRAC Site. The ConRAC Developer shall be responsible for paying applicable deductibles which shall not exceed \$150,000 per occurrence. The Department and the ConRAC Developer shall cause an insurance trust account to be created and held by a depositary pursuant to the terms of an insurance trust agreement to which the Department, the ConRAC Developer and the ConRAC Developer's lenders are parties and which has been approved by the Department, acting reasonably. Any proceeds from the policy shall be placed in the trust account and distributed in accordance with the insurance trust agreement. The Department is not required to, and does not expect to, maintain earthquake insurance on the ConRAC Project.

Payments to the ConRAC Developer.

<u>Payments During Design and Construction of the ConRAC Project</u>. As partial compensation for the ConRAC Developer's performance of the work required to design and construct the ConRAC Project, the ConRAC DBFOM Agreement provides that, subject to certain conditions, the ConRAC Developer is entitled to receive a series of monthly periodic payments (the "ConRAC Periodic Payments") and three milestone payments (the "ConRAC Milestone Payments") from the Department upon its completion of the design and construction of the ConRAC Project in the aggregate amount of approximately \$729.7 million, subject to deductions provided in the ConRAC DBFOM Agreement. The Department has made and expects to make the ConRAC Periodic Payments and the ConRAC Milestone Payments from Customer Facility

Charge revenues (after any payment of debt service on the Series 2022A Bonds), proceeds of the Department's commercial paper notes and a portion of the proceeds of the Series 2022A Bonds.

Subject to certain conditions, the ConRAC DBFOM Agreement provides for the Department to make ConRAC Periodic Payments to the ConRAC Developer on a monthly basis beginning in Fiscal Year 2020. The ConRAC Periodic Payments are equal to 80% of the value of the design and construction work completed during the month. Total ConRAC Periodic Payments cannot exceed \$510.6 million. As of January 1, 2022, the Department had made all of the ConRAC Periodic Payments to the ConRAC Developer.

In addition to the ConRAC Periodic Payments, the Department is required to make the ConRAC Milestone Payments to the ConRAC Developer. The ConRAC Milestone Payments consist of:

- (1) upon completion of the APM station to be located in the ConRAC, the ConRAC Developer is entitled to a payment of \$109,466,559 (the Department made this ConRAC Milestone Payment to the ConRAC Developer in August 2021 with a portion of the proceeds of its commercial paper notes (which will be repaid with a portion of the proceeds of the Series 2022A Bonds));
- (2) on the date the ConRAC Developer turns over to the Rental Car Companies the areas of the ConRAC to be used by the Rental Car Companies, the ConRAC Developer is entitled to a payment of \$72,977,706 (the Department expects to make this ConRAC Milestone Payment in early Fiscal Year 2023 with a portion of the proceeds of the Series 2022A Bonds); and
- (3) upon the final completion date of the ConRAC Project, the ConRAC Developer is entitled to a payment of \$36,488,853 (the Department expects to make this ConRAC Milestone Payment by early Fiscal Year 2024 with a portion of the proceeds of the Series 2022A Bonds).

Payments During Operation and Maintenance Period of the ConRAC Project. The ConRAC DBFOM Agreement further provides that commencing on the ConRAC DBO (expected in early Fiscal Year 2024) monthly payments will be made to the ConRAC Developer to compensate the ConRAC Developer for the costs of designing, building and financing a portion of the ConRAC ("ConRAC Capital Availability Payments"), for the cost of operating and maintaining the ConRAC ("ConRAC O&M Availability Payments") and for the cost of renewing the ConRAC ("ConRAC Renewal Availability Payments," and collectively with the ConRAC Capital Availability Payments and the ConRAC O&M Availability Payments, the "ConRAC Availability Payments"). The monthly ConRAC Capital Availability Payments will be equal to approximately \$2.7 million; the monthly ConRAC O&M Availability Payments will be equal to approximately \$543,740 multiplied by an escalation factor based on the wages and salaries index for the western United States; and the monthly ConRAC Renewal O&M Availability Payments will be equal to approximately \$304,967 multiplied by an escalation factor based on the wages and salaries index for the western United States. The ConRAC Availability Payments are subject to additions and deductions in accordance with the provisions of the ConRAC DBFOM Agreement. The Department expects to make the ConRAC Capital Availability Payments and the ConRAC Renewal Availability Payments from Customer Facility Charge revenues, subject to the prior payment of the principal of and interest on the Series 2022A Bonds and the other deposits required to be made to the funds and accounts established and maintained pursuant to the Indenture (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS - Flow of Funds" above). The Department expects to make the ConRAC O&M Availability Payments from available revenues of the Department. Under the CFC Laws, Customer Facility Charge revenues cannot be used to pay for the operation and maintenance costs of the ConRAC. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2022A BONDS."

Relief Events. Pursuant to the provisions of the ConRAC DBFOM Agreement, if certain events occur that materially and adversely affect the ConRAC Developer's performance under the ConRAC DBFOM Agreement, subject to certain limitations and exclusions, the ConRAC Developer can seek additional compensation, time extensions and/or other relief.

The ConRAC Developer has asserted various claims, seeking schedule relief and additional compensation. The Department disputes these claims and is in preliminary discussions with the ConRAC Developer. The Department expects informal dispute resolution to continue for several months. Some of the claims are for anticipated delays which the Department does not expect to materialize. The ConRAC Developer has recently begun indicating that the opening of the ConRAC could be delayed until the second half of Fiscal Year 2024 if certain permits related to the roadway improvements are not received in a timely fashion. The Department does not agree with the ConRAC Developer's assertion regarding the roadway improvements and plans to dispute any attempt by the ConRAC Developer to delay the opening of the ConRAC. The Department cannot predict the ultimate outcome or impact of any of these claims. The ConRAC Developer also may assert additional claims in the future and no assurance can be given that the Department will settle any pending or future claims. The settlement of one or more claims may result in additional costs to the Department, which costs could be material and could exceed project contingencies and other project funding. The Department is unable to predict whether any pending or future claims by the ConRAC Developer, or other actions by the ConRAC Developer, will ultimately result in any completion delays of the ConRAC Project or additional costs.

Early Termination of the ConRAC DBFOM Agreement. Pursuant to the provisions of the ConRAC DBFOM Agreement, the ConRAC DBFOM Agreement will terminate if: (a) the Department determines it is in the best interest of the Department to terminate the agreement; (b) the ConRAC has been condemned or as a direct result of a City ordinance, the ConRAC Developer is unable to perform all or substantially all of its obligations under the ConRAC DBFOM Agreement; (c) a force majeure event occurs, a change in law occurs or certain other enumerated events occur; (d) the insurance required to be maintained pursuant to the ConRAC DBFOM Agreement is unavailable or not available at the levels required under the ConRAC DBFOM Agreement and the Department does not elect to allow an alternative insurance package; (e) the ConRAC Developer defaults under the ConRAC DBFOM Agreement; (f) the Department issues a suspension order that suspends work under the ConRAC DBFOM Agreement for a period of 270 days or more; or (g) a final order from a court of competent jurisdiction that makes it impossible for the ConRAC Developer to perform its obligations under the ConRAC DBFOM Agreement. Under each of the termination events set forth in the ConRAC DBFOM Agreement, the Department may be required to make certain payments to the ConRAC Developer.

In the event the ConRAC DBFOM Agreement were terminated prior to its stated expiration date, the Department would be obligated to use diligent efforts to cause the ConRAC to be constructed, completed and made available for the essential operations of the Rental Car Companies and to operate and maintain the ConRAC in good condition for the purposes for which it was constructed. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS – Certain Covenants of the Department – Construction of the ConRAC" and " – Operation and Maintenance of the ConRAC."

Rental Car CLAs

In Fiscal Year 2019, the Department entered into a series of substantially similar Rental Car CLAs with various rental car companies servicing LAX which provide for, among other things, the use and occupancy of the ConRAC. The following Rental Car Companies have entered into Rental Car CLAs: Enterprise Rent-A-Car Company of Los Angeles, LLC (which operates the brands Alamo, Enterprise, and National), Avis Budget Car Rental, LLC (which operates the brands Avis, Budget, Zip Car and Payless (the

only rental car company that does not currently operate at LAX that will begin operating from LAX pursuant to a Rental Car CLA on the ConRAC DBO)), the Hertz Corporation (which operates the brands Dollar, Hertz and Thrifty), Fox Rent A Car, Inc. (which operates the Fox brand and the Europear Mobility Group brand), and Sixt Rent A Car, LLC (which operates the Sixt brand). Pursuant to the Rental Car CLAs, the Department agreed to construct (or cause to be constructed) the ConRAC, and the Rental Car Companies agreed to use and occupy the ConRAC. The Rental Car Companies will begin operating pursuant to the provisions of the Rental Car CLAs on the ConRAC DBO (expected to occur in early Fiscal Year 2024). Pursuant to the Rental Car CLAs, the Rental Car Companies will be required to collect a Customer Facility Charge from their customers and remit the Customer Facility Charge to the Department.

The Rental Car CLAs have an initial term that expires on the 20th anniversary of the ConRAC DBO, with one Department option to extend the Rental Car CLAs by an additional five years. If the City does not exercise its option to extend the term of the Rental Car CLAs for an additional five years, the term of the Rental Car CLAs will be automatically extended by an additional five years if: (a) the applicable Rental Car Company is not then in default under their Rental Car CLA, and (b) as of the 15th anniversary of the ConRAC DBO, the Rental Car Companies' total number of transaction days over the immediately preceding 12 months collectively exceed 19.9 million transaction days, provided that such 15th anniversary of the ConRAC DBO occurs in the calendar year 2038. If the 15th anniversary of the ConRAC DBO occurs in the calendar year 2039 or later, the foregoing minimum transaction days, which will cause automatic extension of the Rental Car CLAs, will be increased by 3% each year. On or before the 17th anniversary of the ConRAC DBO, the Department will provide a written notice to each of the Rental Car Companies confirming whether the automatic extension to the term of the Rental Car CLAs has occurred.

See APPENDIX C – "SUMMARY OF THE RENTAL CAR CONCESSION AND LEASE AGREEMENTS" for additional provisions of the Rental Car CLAs.

CUSTOMER FACILITY CHARGES AND RENTAL CAR OPERATIONS

Rental Car Operations at the Airport

As of January 1, 2022, the following 12 rental car brands provided rental car services at LAX pursuant to a Rental Car Concession Agreement: Avis, Budget, Zip Car, Enterprise, Alamo, National, Hertz, Dollar, Thrifty, Fox, Europear, and Sixt. In Fiscal Year 2021, approximately 86.8% of the rental car market at the Airport was controlled by three rental car companies and their nine brands: Enterprise Rent-A-Car Company of Los Angeles, LLC (which operates the brands Alamo, Enterprise, and National), Avis Budget Car Rental, LLC (which operates the brands Avis, Budget and Zip Car), and the Hertz Corporation (which operates the brands Dollar, Hertz and Thrifty).

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The following table sets forth the market share of the rental car companies for Fiscal Year 2021.

TABLE 2 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES LOS ANGELES INTERNATIONAL AIRPORT MARKET SHARE OF RENTAL CAR BRANDS FISCAL YEAR 2021

Corporate Entity	Rental Car Brands	Fiscal Year 2021 Share by Gross Revenues
Enterprise Holdings, Inc.	Enterprise, Alamo and National	34.7%
Hertz Global Holdings, Inc.	Hertz, Dollar and Thrifty	28.4
Avis Budget Group, Inc.	Avis, Budget and Zipcar	23.7
Others	Fox, Europear, and Sixt	13.2

Source: Department of Airports of the City of Los Angeles

For a further description of current rental car operations at the airport, as well as a discussion of the rental car industry and market, both nationally and at the Airport, see APPENDIX A - "REPORT OF THE AIRPORT CONSULTANT."

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Historical Rental Car Demand and CFC Collections at LAX

The following table sets forth number of deplaned destination passengers, total rental car transactions, average transaction days, total rental car transaction days and total CFCs received by the Department in Fiscal Years 2012 through 2021.

TABLE 3 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES LOS ANGELES INTERNATIONAL AIRPORT HISTORICAL RENTAL CAR DEMAND AND CFC COLLECTIONS FISCAL YEARS 2012-2021

Fiscal Year	Deplaned Destination Passengers ⁽¹⁾	Total Rental Car Transactions ⁽¹⁾	Average Transaction Days ⁽²⁾	Total Rental Car Transaction Days ⁽²⁾	Total CFCs Received by the Department ⁽¹⁾⁽³⁾⁽⁴⁾
2012	23,983,065	2,609,868	N/A	N/A	\$26,002,000
2013	24,920,337	2,711,759	N/A	N/A	27,295,000
2014	26,304,744	2,865,907	N/A	N/A	28,675,000
2015	27,821,815	2,957,565	N/A	N/A	29,347,000
2016	30,815,580	3,174,475	N/A	N/A	31,996,000
2017	32,825,894	3,212,976	N/A	N/A	32,545,000
2018	34,722,695	3,205,116	3.437	11,016,027	55,759,000
2019	35,984,208	3,063,656	3.489	10,687,684	80,248,000
2020	25,766,147	2,203,752	3.467	7,639,327	65,621,000
2021	12,414,089	1,070,743	3.370	3,608,096	32,606,000

⁽¹⁾ Source: Department of Airports of the City of Los Angeles.

THE DEPARTMENT OF AIRPORTS

General Description

The City, acting through the Department, currently operates and maintains two airports, LAX and VNY, in the region served by LAX (the "Airport Service Region"). In addition, the Department maintains LA/PMD, although LA/PMD is not currently certificated by the FAA. The Department voluntarily returned the operating certificate relating to LA/PMD to the FAA, but may, upon compliance with certain requirements, request to have the LA/PMD certificate reissued. The Airport System, which includes LAX, VNY and LA/PMD, is operated as a financially self-sufficient enterprise, without support from the City's General Fund, through the Department under the supervision of the Board. The Department is governed by the seven-member Board, which is in possession, management and control of the Airport System.

⁽²⁾ Source: Department of Airports of the City of Los Angeles and rental car company records.

⁽³⁾ The Department began collecting CFCs at the Airport in July 2007. From July 1, 2007 until January 1, 2018, the Department collected a CFC of \$10.00 per transaction. Between January 1, 2018 and September 1, 2019, the Department collected a CFC at a rate equal to \$7.50 per rental car transaction day (limited to 5 transaction days per transaction). Beginning on September 1, 2019, the Department began collecting a CFC at a rate equal to \$9.00 per rental car transaction day (limited to 5 transaction days per transaction).

⁽⁴⁾ Does not include any interest earnings on the CFCs held by the Department.

For a description of LAX, see "LOS ANGELES INTERNATIONAL AIRPORT."

VNY is a general aviation airport located approximately 20 miles northwest of downtown Los Angeles, in the San Fernando Valley, and occupies approximately 730 acres. VNY is one of the busiest general aviation airports in the United States with 271,788 operating movements in Fiscal Year 2021 as reported by the Department. Approximately 200 businesses are located at VNY, including four fixed-base operators and numerous other aviation service companies. These businesses cater to a variety of private, government and corporate aviation needs. For Fiscal Year 2020, operating income before depreciation and amortization at VNY was approximately \$2.6 million, as compared with approximately \$3.2 million in Fiscal Year 2019. In Fiscal Year 2021, operating income before depreciation and amortization at VNY was approximately \$2.2 million.

LA/PMD is located in the Antelope Valley approximately 60 miles north of LAX. Currently, there is no scheduled service at LA/PMD. The Department owns approximately 17,500 acres of land at and around LA/PMD. The Department has transferred operation, management, and control of the LA/PMD terminal facility to the City of Palmdale, but has retained certain rights for future development of the adjoining 17,500 acres. For Fiscal Year 2020, operating losses before depreciation and amortization at LA/PMD were approximately \$98,000, as compared with approximately \$759,000 operating income before depreciation and amortization in Fiscal Year 2019. In Fiscal Year 2021, operating income before depreciation and amortization at LA/PMD was approximately \$726,000.

Board of Airport Commissioners

The Department is governed by the Board which is comprised of seven members and is in possession, management and control of the Airport System. Each Board member is appointed by the Mayor, subject to confirmation by the City Council, for staggered five-year terms. A Board member continues to hold office following the expiration of that person's term until a replacement has been appointed and confirmed by the City Council. One member is required to live near LAX and one is required to live near VNY. The President and Vice President of the Board are elected by the Board members for one-year terms. The current members of the Board are set forth below:

Member	Occupation	Date of First Appointment	Current Term Expires
Beatrice C. Hsu, President	Business Executive	August 2013	June 30, 2026
Valeria C. Velasco, Vice President	Attorney	September 2005	June 30, 2022
Sean O. Burton	Business Executive	August 2013	June 30, 2025
Gabriel L. Eshaghian	Real Estate Investor	August 2013	June 30, 2024
Nicholas P. Roxborough	Attorney	March 2019	June 30, 2025
Belinda M. Vega	Attorney	February 2022	June 30, 2023
Karim Webb	Entrepreneurial Activist	October 2019	June 30, 2024

The Charter provides that, in the event a Board member has reason to believe that such Board member might have a conflict of interest disqualifying such Board member from acting on a matter and the City Attorney decides that it is probable that a court would hold that a disqualification exists, the matter will be referred to the Board of Referred Powers. The Board of Referred Powers is a City Council committee consisting of five individuals designated by the City Council from time to time.

Oversight

The Charter allows the City Council to review all Board actions. The Charter states that actions of the Board become final at the expiration of five meeting days of the City Council unless the City Council acts within that time, by a two-thirds vote, to bring an action of the Board before the City Council for review or to waive review of the action. If the City Council chooses to assert jurisdiction over the action, the City Council may, by a two-thirds vote, veto the action of the Board within 21 calendar days of voting to bring the matter before it, or the action of the Board is final. An action vetoed by the City Council will be remanded to the Board which will have the authority it originally held to take action on the matter. In addition, the Charter provides that certain actions of the Board, including the issuance of debt, must also be approved by the City Council.

Additionally, the Department is subject to periodic audits, reviews, inspections and other inquiries by, among others, the City Controller, the FAA, the U.S. DOT, the Office of the Inspector General, the U.S. and California Environmental Protection Agencies, various water control boards and air quality management districts, the California Coastal Commission and the Department's own auditors. See "LOS ANGELES INTERNATIONAL AIRPORT – Airport System Environmental Matters."

Department Management

Responsibility for the implementation of the policies formulated by the Board and for the day-to-day operations of the Airport System rests with the senior management of the Department. The Chief Executive Officer is appointed by the Board, subject to confirmation by the Mayor and the City Council. Subject to civil service rules and regulations, the Chief Executive Officer is empowered to appoint and remove the senior managers. Within each of the various divisions in the Department, there are various sections that are assigned certain responsibilities for the efficient operation and development of the Airport System. The following report directly to the Chief Executive Officer: (i) the Chief Financial Officer, (ii) the Chief Airport Affairs Officer, (iii) the Chief Sustainability and Revenue Management Officer, (iv) the Chief Development Officer, (v) the Deputy Executive Director, Operations and Maintenance, and (vi) the Deputy Executive Director, Law Enforcement and Homeland Security. The current principal administrative officers and their positions are named below:

Justin Erbacci, Chief Executive Officer. Mr. Erbacci was appointed General Manager/Chief Executive Officer in January 2020. Mr. Erbacci previously served as the Department's Chief Operating Officer (and Interim Chief Executive Officer from January 2020), where he oversaw the implementation and delivery of the Department's \$14.9 billion ongoing modernization program and led the integration of the capital development, guest experience, innovation, commercial strategy, information technology, environmental and sustainability, and operations and facilities management functions at both LAX and VNY. Mr. Erbacci joined the Department in October 2016 as Chief Innovation and Technology Officer and Deputy Executive Director where he was responsible for implementing the Department's overall information technology vision and strategy, in addition to leveraging innovative technologies and processes to enhance operations at LAX and VNY. Mr. Erbacci's role was expanded to Chief Innovation and Commercial Strategy Officer where, in addition to his previous role, he also sponsored and led the terminal development and improvement program and shaped commercial and business strategies. Prior to his appointment with the Department, he served as Vice President of Customer Experience & Technology for Star Alliance. In this role, he was responsible for the development, implementation, architecting, operations, and maintenance of all global IT applications and infrastructure components, and led all Star Alliance product and service activities at the over 1,300 airports where its airlines operated. Additionally, Mr. Erbacci has served as the Director of Global Product Management for Credit Suisse, and as a Manager of Business Planning and Technology at United Airlines. Mr. Erbacci has also served as a senior IT consultant for firms including Reese McMahon LLC, Cambridge Management Consultants, and Deloitte

Touche Tohmatsu. Prior to consulting, he practiced law as a civil rights defense litigator. Mr. Erbacci earned a Master of Business Administration degree from the Vienna School of Economics/Moore School of Business at the University of South Carolina, and a Juris Doctor degree from Loyola University of Chicago's School of Law. He also earned a Bachelor of Arts in Political Science from Loyola University of Chicago.

Tatiana Starostina, Assistant General Manager, Chief Financial Officer. Ms. Starostina was appointed Chief Financial Officer in January 2020 and an Assistant General Manager in January 2022. Ms. Starostina has more than 18 years of experience in the aviation industry. Most recently, she served as the Assistant Director of Aviation – Business and Strategy at the Port of Oakland having previously served as Manager of Financial Planning. Prior to serving at the Port of Oakland, Ms. Starostina worked at the Port of Portland as the Senior Manager for Financial Analysis and Projects and at United Airlines as Regional Manager for Airport Affairs, Corporate Real Estate where her work included negotiation of airport-airline agreements at airports, which were undergoing substantial terminal development programs that required significant changes in airline operations and business arrangements. She helped develop new rate making methodologies and served on Airline-Airport Affairs Committees, overseeing capital improvement programs. Ms. Starostina was named the Medium Airport Finance Professional of the Year by ACI-NA in 2019. Ms. Starostina holds a Master of Business Administration degree from the Kellogg School of Management at Northwestern University in analytical finance, strategy, accounting and decision science.

Samantha Bricker, Assistant General Manager, Chief Sustainability and Revenue Management Officer. Ms. Bricker was named Chief Sustainability and Revenue Management Officer in September 2020 and an Assistant General Manager in January 2022. Ms. Bricker is responsible for overseeing all environmental and sustainability programs for the Department including, air quality and conservation initiatives, noise programs, regulatory compliance as well as rideshare, landside ground transportation and mobility strategy. Ms. Bricker is also responsible for overseeing the Commercial Development Division, which includes real estate management, acquisition and concessions agreements. She also oversees the Procurement Services Department. Ms. Bricker was appointed Deputy Executive Director for Project Coordination, working primarily on the Landside Access and Modernization Program, in July 2016 and became Deputy overseeing the Environmental Programs Group in November 2016. Before her appointment at the Department, Ms. Bricker was the Chief Operating Officer at the Exposition Metro Line Construction Authority for over 10 years where she oversaw the planning, procurement, real estate program, government and community outreach, finance and budget for the Exposition Light Rail transit project. She holds a Master's degree in Political Science from University of California Los Angeles and a Bachelor's degree in Political Science from Northwestern University.

Michael R. Christensen, Assistant General Manager, Operations and Maintenance. Mr. Christensen was appointed Assistant General Manager, Operations and Maintenance, effective January 31, 2022. Prior to his appointment as Assistant General Manager, he served as Deputy Executive Director, Operations and Maintenance since August 2019, and prior to that served as the Deputy Executive Director, Facilities Maintenance and Utilities Group beginning in May 2017. His responsibilities include overseeing both facilities maintenance and utilities along with operations and emergency management. Mr. Christensen has over 43 years of experience as a transportation professional. Prior to joining the Department, Mr. Christensen held senior executive positions at the Ports of Long Beach and Los Angeles. Before joining the Port of Los Angeles in 2006, Mr. Christensen served as Vice President at Parsons Transportation Group, where he was responsible for a broad range of local, regional, and national airport, port, planning, goods movement, and rail projects. Before his Parsons assignments, he served as Vice President and Managing Principal for Nolte and Associates and as President of Summit/Lynch Consulting Engineers, both transportation consulting firms in Walnut Creek, California. His career also included 16 years of service to the Southern Pacific Railroad where he held posts at eight different locations throughout the railroad's 13-state system engaged in maintenance, construction, and environmental remediation. Mr.

Christensen earned a bachelor's degree in civil engineering from Arizona State University and a certificate in Executive Education from the Harvard Kennedy School of Government. He is a professional civil engineer in California and nine other western states and is a member of the American Society of Civil Engineers. He is a Certified Member of the American Association of Airport Executives.

Becca Doten, Chief Airport Affairs Officer. Ms. Doten was named Chief Airport Affairs Officer (formerly known as the Chief Corporate Strategy and Affairs Officer) in January 2022. Prior to that, she served as Deputy Executive Director of Public and Government Affairs. Ms. Doten joined the Department in July of 2017 as the Director of Public Relations. She was promoted to Managing Director of Public Relations in November 2018. During her tenure with the Department, she has directed the communications and media response to a number of high profile events, including the launch of a Terminal Wellness Pilot program, the opening of LAX-it, and the Department's internal and external communications strategy in response to the COVID-19 pandemic. Ms. Doten has worked effectively with the Chief Executive Officer to create and implement a strategy to keep Department employees informed during the COVID-19 pandemic. She also produced two highly successful Department Employee Forums, which brought together staff from across LAX and VNY for an event designed to inform, inspire and connect. Ms. Doten brings with her more than a decade of experience in communications, community relations and public policy at the city, county and state level. Prior to joining the Department, Ms. Doten served as the Assistant Deputy Controller and statewide Director of External Affairs for the State Controller's office. Prior to that, she spent seven years working for the City of Los Angeles, serving as the Director of Mayor Garcetti's Crisis Response Team and as the Chief of Staff and Director of Communications for a Los Angeles City Councilmember. Ms. Doten earned a Bachelor of Arts degree in Film Production from the University of Southern California.

Louis Gutierrez, Chief Human Capital and Equity Officer. Mr. Gutierrez was appointed Chief Human Capital and Equity Officer in March 2022. He is an accomplished executive and attorney who has served in senior human resources, legal, and other administrative roles for a diverse group of prominent organizations such as Paramount Pictures, The Walt Disney Company, Time Warner Cable, Turner Broadcasting, the Port of Long Beach, and AltaMed Health Services. As the Chief Human Capital and Equity Officer, Mr. Gutierrez will oversee all aspects of the Department's Human Capital functions, as well as all the Department's diversity, equity and inclusivity programs and initiatives. He previously served as special advisor for employee relations at the University of Southern California. He has spent more than 20 years leading human capital and organizational effectiveness initiatives creating organizations with high employee performance and engagement levels. He also has served as an advisor and coach to business leaders across multiple industries. Mr. Gutierrez has successfully managed multiple business functions including employee compensation, employee benefits including retirement plans, human resources information systems, talent acquisition, employee learning and development, performance management, workforce planning including emerging talent pipelines, succession planning, labor relations, human resources legal, and diversity and inclusion. Mr. Gutierrez is a graduate of the UCLA School of Law.

Chief Development Officer. This position is currently vacant. The Department is in the process of searching for a Chief Development Officer.

Jacob Adams, Deputy Executive Director, Landside Access Modernization Program Executive. Mr. Adams was appointed Deputy Executive Director at the Department in September 2018 and is currently serving as the Program Executive for Landside Access Modernization Program ("LAMP"). Mr. Adams has over 25 years of experience in the development and delivery of airport and heavy civil infrastructure programs. He has led programs and projects from concept through planning, entitlement, procurement, design, construction, commissioning, activation and close-out. Mr. Adams joined the City in 1990 and served the Department from 1994 to 2011 in progressively responsible positions as part of the Airports Development Group. After providing remote consultation, he returned to the Department in 2016. Mr.

Adams holds a license as a registered Professional Engineer in California. He has a Bachelor of Science in Engineering from Virginia Polytechnic Institute and State University and an Associate Degree in Project Management from George Washington University.

Richard J. Connolly, Deputy Executive Director, Facilities Management. Mr. Connolly was appointed Deputy Executive Director, Facilities Management in January 2022. Mr. Connolly was originally appointed as lead of Facilities Management on January 6, 2020, where he employs his industry acumen to lead a 1,300-employee facility maintenance team, manage annual facilities budgets exceeding a quarter billion dollars, direct routine maintenance, respond to emergencies, and manage all of the Department's infrastructure, utilities, and fleet. Prior to his appointment as Deputy Executive Director, Mr. Connolly served as the Director of Maintenance Airports II of the Facilities and Technical Services Division, directed a staff of 245 with an annual budget of \$45 million, performing 24/7 facilities maintenance and operation of the electrical, conveyance, heating ventilation and air conditioning, construction, job order contracting, utility shutdown scheduling, and construction liaison sections. Previous experience in this position also includes managing the Central Utility Plant, Los Angeles Fire Department Regulation 4 compliance, and the Custodial Section. Mr. Connolly has been a Facility Management Professional, certified by the International Facility Management Association, since 2015, and has been a maintenance professional, with an emphasis on facilities operations and management, for over 30 years. He is an industry leader and reinforces his experience through education and professional memberships, including the International Facility Management Association Airports Council, National Fire Protection Association, American Association of Airport Executives; and, most recently, Mr. Connolly, completed the Leadership Development Program from the University of Southern California Marshall School of Business.

Martin Elam, Deputy Executive Director, Public Safety and Security. Mr. Elam was appointed Deputy Executive Director, Public Safety and Security in February 2022 (his first day at the Department will be March 14, 2022). He is an accomplished homeland security executive with more than 20 years of experience leading personnel and operations in highly complex environments. In his new position at the Department, Mr. Elam will oversee all local, state and federal law-enforcement partnerships, intelligence analysis, threat assessments, the Department's badging office and other critical safety and security initiatives. Mr. Elam will work collaboratively with the Chief of Airport Police, with both reporting to Chief Executive Officer. Prior to joining the Department Mr. Elam was a member of TSA's Security Executive Service for the last decade, most recently serving as an Executive Director for Domestic Aviation Operations at TSA Headquarters in Virginia, where he provided leadership, direction and support for approximately one third of the nation's airports, including 25 Federal Security Directors. He has provided executive leadership of transportation security operations in major cities including Los Angeles, Chicago and Houston. He previously served with the TSA at LAX as the Deputy Federal Security Director. Mr. Elam is a graduate of several executive education programs including University of Virginia's Darden Business School, Harvard University's Kennedy School of Government, Tel Aviv University's Homeland Security Studies Program, and the Federal Executive Institute.

Robert Falcon, Deputy Executive Director, The Development Group. Mr. Falcon was appointed permanent Deputy Executive Director of The Development Group in January 2020, previously holding the interim position since August 2019. In this role, he oversees the planning, design and construction of the Department's capital improvement program. The Development Group manages significant infrastructure projects such as the Midfield Satellite Concourse, Airport Police Facility, and numerous utility and airfield improvement projects. Previously, Mr. Falcon served as the Chief Airports Engineer overseeing the Airside, Landside and Utilities Infrastructure Planning Division responsible for airport planning and engineering. He has over 29 years of experience with the City. Prior to his assignment at the Department, Mr. Falcon worked as a civil engineer for road, bridge and fire station projects. He is a registered Professional Civil Engineer in California. Mr. Falcon holds a Bachelor of Science degree in Civil Engineering from the University of Maryland, and is a member of the American Society of Civil Engineers.

Dave Jones, Deputy Executive Director, Commercial Development. Mr. Jones was appointed Deputy Executive Director, Commercial Development in July 2021. Mr. Jones worked at the Department for 22-years, and with the Commercial Development division for the past 15 years. Prior to his appointment, he served as the Department's Director of Airline Property and Concession Services, and also served for fifteen months as Interim Deputy Executive Director of Commercial Development in 2017-2018. In these roles, he managed over \$700 million of the Department's annual revenue through concessions and real estate agreements. Throughout his career at the Department, he helped develop an award-winning concessions program, which increased concession options for guests, contributed to Department revenues and increased job opportunities at LAX. In addition, he also led the development of airline lease agreements that include over \$4 billion of tenant renovation programs that the Department is in the process of acquiring as part of the Capital Program. Mr. Jones has a Bachelor of Arts degree from the University of California, Los Angeles, and a Master of Business Administration degree from the Anderson School of Management at the University of California, Los Angeles.

David Reich, Deputy Executive Director, Mobility Planning and Strategy. Mr. Reich was appointed Deputy Executive Director to oversee the Department's new Mobility Unit in December 2020. The Mobility Unit is charged with taking a holistic approach to mobility policy, programs, and initiatives to reinforce landside access investments and enable a paradigm shift in mobility that ensures LAX can serve its passengers and employees – and support the surrounding community – in a sustainable manner. Prior to joining the Department, Mr. Reich served as Director of Economic Infrastructure for Mayor Eric Garcetti. In that role, Mr. Reich led Port and Airport policy and acted as a liaison to the executive teams at the Port of Los Angeles and the Department. Between 2013 and 2016, Mr. Reich was a Business Development Manager at Sylmar, CA-based Quallion, a manufacturer of lithium ion batteries for aerospace and medical applications. From 2010 to 2013, he worked for Mayor Antonio Villaraigosa, on port, airport, and other economic development issues. From 2002-2007, Mr. Reich served on active duty as an officer in the U.S. Navy. Mr. Reich holds a Bachelor of Arts in History from the University of California at Berkeley and a Master of Business Administration degree from the Anderson School of Management at University of California, Los Angeles.

Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program. Mr. Thilenius was appointed as Deputy Executive Director, Terminal Development and Improvement Program in April 2019. Mr. Thilenius will focus on terminal improvement/development projects and Department design and construction standards. Mr. Thilenius is a senior design and construction manager with more than 30 years of experience in leading strategy, finance and execution of construction projects in the aviation, commercial, institutional, industrial and public works industries. He has significant terminal construction management experience at LAX. Mr. Thilenius most recently worked with Delta Air Lines, where he was General Manager Corporate Real Estate and was a member of the Delta Air Lines team on the Terminal 2/3 improvement project. Prior to working at Delta Air Lines, Mr. Thilenius worked at United Airlines as Director Corporate Real Estate and was a team member for delivering the Terminal 7/8 improvement project. Prior to United Airlines, Mr. Thilenius worked in various executive and construction management roles at the W. E. O'Neil Construction Company, the James McHugh Construction Company and the Graycor Corporation. Mr. Thilenius earned a Bachelor of Science in Civil Engineering from the Michigan Technological University. He is a Licensed Professional Engineer, as well as a FAA licensed private pilot.

Douglas G. Webster, Deputy Executive Director, Operations. Mr. Webster was appointed as Deputy Executive Director, Operations in February 2022. Mr. Webster is responsible for all aspects of airport operations, including airside, terminals and landside operations. Before coming to the Department in 2022, Mr. Webster served as the Chief Operating Officer and Executive Vice President for Delhi International Airport. An accomplished aviation professional, Mr. Webster has three decades of rich experience in airports and aviation. His broad background encompasses airport operations, airlines

expertise, strategic planning, terminal transition planning, staffing, transformation, customer service automation and stakeholder management. Mr. Webster has previously served as a Deputy Director with Hollywood Airport in Florida and as a General Manager with Northwest Airlines. Mr. Webster has a Bachelor of Science degree in business administration from the University of North Dakota.

Cecil W. Rhambo Jr., Director, Law Enforcement and Homeland Security; Chief of Airport Police. Chief Rhambo was sworn-in as Chief of Airport Police on October 28, 2019. Chief Rhambo retired from the Los Angeles County Sheriff's Department in 2014 at the rank of Assistant Sheriff. In his 33 years with the Sheriff's Department, Chief Rhambo developed expertise in areas including municipal patrol, emergency management, community partnerships and employee union relations. As an Assistant Sheriff, his responsibilities included LA Metro's rail and bus lines. Chief Rhambo served as City Manager of the City of Compton from 2017 through July 2019 and Assistant City Manager of the City of Carson from 2014 to 2017. In those positions, he focused on budget discipline, relationships with internal and external stakeholders and economic development. He received his Bachelor's degree in Sociology from Humboldt State University and his Master's degree in Organizational Leadership from Woodbury University.

Aura Moore, Chief Information Officer. Ms. Moore was appointed Chief Information Officer in January 2016. She is responsible for development of information technology strategy to enhance security, operations and the guest experience. She oversees technology development and information technology day-to-day operations and serves as top technology infrastructure and systems leader at LAX and VNY. Moore draws from a public service career of over 25 years at agencies throughout the City. Her previous positions with the Department included Network Infrastructure Program Manager, IT Project Management Director and Deputy CIO. Ms. Moore strengthened the Department's security, business and airport operations through efficiently delivering large-scale airport technology projects. She has also worked on enhancing the guest experience through implementing self-service technologies and establishing partnerships designed to improve passenger processing. Ms. Moore is credited with modernizing technology infrastructure throughout the LAX campus, where she consolidated surveillance systems and expanded coverage for enhanced security and safety. She also worked to replace manual processes with new systems that have improved airport operational efficiencies. Ms. Moore holds a Master of Science degree in Electrical Engineering from the University of Southern California and a Bachelor of Science in Electrical Engineering from California State University, Long Beach.

Brian Ostler, General Counsel. Mr. Ostler is a Managing Senior Assistant City Attorney and serves as General Counsel to the Department. He advises the Board, the Department, the Department's Chief Executive Officer, the City Council and its subcommittees and the Mayor on legal matters relating to the operation and management of the Airport System. He is responsible for overseeing all cases and contracts relating to the Airport System and providing specialized legal counsel on federal regulatory matters governing airports. Prior to his appointment as General Counsel, Mr. Ostler served for over 15 years as lead attorney responsible for advising the Department on construction, planning, and development related legal issues. Prior to joining the Department Mr. Ostler spent eight years in private practice. Mr. Ostler served as the Chair of the Construction Law Subsection of the Los Angeles County Bar Association's Real Property Section in 2007-2009. In 2003, Mr. Ostler was elected by the residents of La Crescenta to serve as a member of the Crescenta Valley Town Council. Mr. Ostler holds a Juris Doctorate degree from Southwestern Law School and a Bachelor of Arts degree from Brigham Young University.

Employees and Labor Relations

The Department is a civil service organization, which, as of June 30, 2021, had 3,091 employees, as compared to 3,557 employees as of June 30, 2020. In Fiscal Year 2021, the Department implemented a Separation Incentive Program providing a retirement incentive to the employees, fully eligible for retirement as of July 1, 2020, which resulted in the retirement of 333 employees.

As a municipal organization, the Department's employee and labor relations are governed by applicable State and City civil service rules and regulations as well as 25 separate labor agreements between management and unions ("Memoranda of Understanding"). Most of the Department's employees are covered by the Memoranda of Understanding.

The Human Resources Division of the Department is responsible for hiring, providing recommendations to management on staffing needs; providing training to employees and supervisors; counseling employees and managers regarding proper personnel and civil service procedures and rules; representing management in contract negotiations with unions; maintaining a comprehensive strike plan for the Department's various divisions; acting as Skelly/hearing officer in disciplinary meetings; and representing management in grievance meetings and arbitration hearings.

Sustainability Initiatives

The Department has a longstanding commitment to advancing sustainability in its built environment and operations at LAX and VNY, and it is engaged in ongoing efforts to collaborate, deliver results and drive innovation. The Department categorizes and measures its sustainability performance at LAX and VNY on the basis of (i) economic viability, (ii) social responsibility, (iii) energy stewardship, (iv) water conservation, (v) air quality, (vi) material resources management, (vii) sustainable construction practices, and (viii) natural resources management. Building upon its 2007 Sustainability Vision and Principles, the Department progressed in these focus areas, and has a Chief Sustainability and Revenue Management Officer who is responsible for overseeing all environmental and sustainability programs for the Department.

In recognition of the Department's commitment to mitigating climate change impacts through a comprehensive inventory of greenhouse gas emissions, it has achieved Airport Carbon Accreditation, "Level 3 – Optimization" for the past three years, a program in which the Department voluntarily participates. The Board also approved a Sustainability Action Plan in November 2019, which sets specific goals for the Department to reduce water and energy use, as well as greenhouse gas emissions and waste. The LAMP is a cornerstone of the Department's sustainability efforts, and its transformation of ground transportation at LAX is projected to serve 30 million travelers annually and reduce vehicle miles traveled by 117,000 per day when both the APM System and the ConRAC open. The Department was selected as the "Public Agency of the Year" by the Los Angeles Sustainability Coalition in 2018, in recognition of the improvements in Los Angeles regional transportation system sustainability that are expected from the APM System.

In addition, the Department is taking steps toward establishing a more sustainable approach to its vehicle fleet, with alternative fuel technology first introduced in 1993 and an Electric Vehicle Purchasing Policy adopted in 2017 to progressively increase the percentage of light duty electric vehicles from 2017 to 2035, ultimately reaching a 100% all-electric sedan fleet and a commitment to an all-electric bus fleet at LAX by 2030. In 2018, the Department was named a winner of the "2018 Green Fleet Awards." The Department has also increased the number of publicly accessible electric vehicle chargers. The implementation of Smart Parking will add over 1,200 electric vehicle chargers in the public parking lots at LAX. In addition, the Department is taking steps toward all-electric gate operations, including the provision of electric power and pre-conditioned air at all passenger contact gates to allow aircraft to turn off their auxiliary power units that run on jet fuel to support aircraft operations while parked at the gate. Following adoption of the Department's Sustainable Design and Construction Policies in 2017, all eligible new buildings or major renovations must achieve the USGBC's LEED Silver certification. Exceeding the Department's requirements, the new West Gates at Tom Bradley International Terminal (formerly referred to as the Midfield Satellite Concourse, or MSC) recently received LEED Gold Certification from USGBC.

The Department recently adopted a food donation policy, which requires concessionaires and other businesses that provide food to participate in a food donation program to reduce food waste, and a single-use plastic water bottle ban, which will eliminate plastic water bottles at the Airport.

The Department annually issues a Sustainability Report which contains additional information regarding sustainability, as well as the Department's Corporate Social Responsibility and Environmental practices. The 2020 Sustainability Report, the most recent one issued, can be found on the Department's website. This reference to the Department's website is for informational purposes only, neither the website nor the information contained on the website shall be deemed incorporated herein by reference. The Department is not obligated to continue to provide information found on its website.

See "DESIGNATION OF SERIES 2022A BONDS AS GREEN BONDS" and APPENDIX E – "SECOND PARTY OPINION REGARDING GREEN BONDS" for a discussion of Kestrel Verifiers' determination that the Series 2022A Bonds are "Green Bonds."

Diversity, Equity and Inclusion Initiatives

On June 19, 2020, the Mayor issued Executive Directive No. 27 to further fairness, diversity, equal opportunity and transparency in City government. Pursuant to the Mayor's directive, the Board appointed the Director of Airports Administration as the Department's designated Racial Equity Officer. In that capacity, the Director of Airports Administration led the development of the Department's Racial Equity Action Plan and leads the department's internal Racial Equity Core Team, which among other responsibilities, identifies gaps in representation in the Department as comparted to the Los Angeles area's demography and formulates strategies to bridge those gaps. Part of the Mayor's directive involved the creation of the Anti-Bias Learning for Employees (ABLE) initiative, a mandatory implicit bias training program for all City employees that was completed in June 2021. The Department also has a Women's Association led by the Chief of Airport Affairs and the Chief Environmental and Sustainability Officer. The Women's Association identifies ways to encourage and support the career paths of women in the Department and recruits more women for employment with the Department.

The Department operates eight business inclusivity programs: (1) Airport Concessions Disadvantaged Business Enterprise; (2) Disabled Veteran Business Enterprise; (3) Disadvantaged Business Enterprise; (4) Local Business Enterprise /Local Small Business Enterprise; (5) Local Business Preference Program; (6) Minority, Women and Other Business Enterprises; (7) Small and Local Business; and (8) Small Business Enterprise. Each program has its own eligibility criteria, incentives and standards. The Department's overarching policy is to provide equal opportunities for historically disadvantaged, small, veteran-owned, locally-owned, minority-owned and women-owned businesses to win contracts with the Department for the provision goods and services.

Subsidization within the Airport System

Although the Charter, as currently in effect, does not require LAX revenues to be used to make up any deficiencies of any of the other airports in the Airport System, the Department anticipates that LAX revenues (not including CFCs) will continue to be used for subsidizing deficiencies incurred in the Airport System. No assurance can be given that major catastrophic liabilities or other unanticipated events will not occur within the Airport System which would require substantial unanticipated transfers of LAX revenues or that subsidies, if provided to the other airports in the Airport System, will not be substantially higher than they have been in the past.

VNY serves as a reliever airport for LAX. Any VNY subsidy, when provided, is recovered by the Department through an increase in landing fees at LAX. Landing fees at LAX are calculated based on

LAX's operating costs and amortization of debt as well as certain costs associated with VNY. In Fiscal Year 2021, LAX provided an approximately \$1.3 million subsidy to VNY.

In Fiscal Year 2020 and Fiscal Year 2021, LAX provided no subsidy to LA/PMD. See "THE DEPARTMENT OF AIRPORTS – General Description." Any subsidy for LA/PMD is not incorporated in LAX landing fees but rather would be paid from discretionary funds and may increase or decrease in the future.

LOS ANGELES INTERNATIONAL AIRPORT

Introduction

LAX is located approximately 15 miles from downtown Los Angeles on the western boundary of the City. LAX occupies approximately 3,800 acres in an area generally bounded on the north by Manchester Avenue, on the east by La Cienega Boulevard, on the south by Imperial Highway and on the west by Vista Del Mar. The LAX site, originally known as Mines Field, has been in use as an aviation field since 1928. During World War II it was used for military flights. Commercial airline service started in December 1946. In the early 1980s, LAX added domestic and international terminals, parking structures and a second level roadway. LAX offers commercial air service to every major city in the United States and to virtually every major international destination and is classified by the FAA as a large hub airport.

No airline dominates in shares of enplaned passengers or provides formal "hubbing" activity at LAX. Delta Air Lines and American Airlines accounted for 22.1% and 20.2%, respectively, of all enplaned passengers at LAX for Fiscal Year 2021. For Fiscal Year 2021, an estimated 85.9% of passengers at LAX represented O&D passengers. The remaining estimated 14.1% of passengers represented connections to or from regional markets as well as domestic connections to or from international markets. Historically, the level of connecting passengers at LAX is due primarily to: (i) LAX's role as a major gateway to numerous international markets; (ii) the geographical location of LAX in relation to numerous markets along the west coast of the United States; (iii) the significant number of nonstop flights to and from domestic markets; and (iv) the alliances among airlines serving LAX. As of December 2021, LAX provided scheduled service to 68 international destinations, as compared to 83 international destinations in December 2019. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSES."

Facilities

The Department maintains facilities occupying approximately 3,800 acres at LAX. The central terminal complex features a decentralized design concept with nine individual terminals constructed on two levels lining a U shaped two-level roadway (the "Central Terminal Area" or the "CTA"). The total terminal area is approximately 6.2 million square feet. Although many of the terminals are physically connected, they function largely as independent terminals with separate ticketing, baggage, security screening checkpoints and passenger processing systems.

Passenger terminal facilities include ticketing and baggage check-in on the upper departure level and baggage claim on the ground level, fronting on the lower-level roadway. Passenger terminal facilities provide access to and from aircraft arrival/departure areas. LAX currently has a total of 158 contact gates in the Central Terminal Area along with nine remote hard stand positions. Many of the terminal contact gates can accommodate regional jet operations.

The existing airfield consists of four parallel east-west runways configured in two pairs. The north airfield complex includes Runway 6L-24R (8,926 feet) and Runway 6R-24L (10,885 feet). The south

airfield complex includes Runway 7R-25L (11,095 feet) and Runway 7L-25R (12,923 feet). All runways are 150 feet wide, except for Runway 7R-25L, which is 200 feet wide. For approaches during Instrument Flight Rules conditions, instrument landing systems are installed on all eight runway ends. The current runway system at LAX can accommodate arrivals and departures of all commercial aircraft currently in service, including the Airbus A380.

Approximately 15,311 public parking spaces are available at LAX in parking lots owned by the Department, including approximately (i) 8,300 public parking spaces in eight parking garages in the Central Terminal Area of which approximately 1,130 are temporarily out of service due to construction of the APM, (ii) 2,690 public parking spaces in parking Lot E (closed indefinitely as of April 30, 2020), (iii) 21 public parking spaces in a cell phone waiting lot, and (iv) approximately 4,300 public parking spaces in LAX Economy Parking which opened in October 2021.

Cargo facilities at LAX provide approximately 2.2 million square feet of building space in 26 buildings on 166 acres of land devoted exclusively to cargo. Rental car company facilities, major commercial airline maintenance hangars and office buildings, a 12-story administration building, a control tower, a central utility plant, two flight kitchens, a fuel farm and FAA and TSA facilities are also located at LAX.

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Air Carriers Serving LAX

The following table sets forth the air carriers serving LAX as of December 31, 2021.

TABLE 4 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES LOS ANGELES INTERNATIONAL AIRPORT AIR CARRIERS SERVING LAX AS OF DECEMBER 31, 2021

U.S. – flag airlines (14)	Foreign Flag airlines (40)		Non-Scheduled Carriers (12)	All-Cargo Carriers (40)	
Network Airlines Alaska Airlines Alaska Airlines Delta Air Lines Hawaiian Airlines United Airlines Boutique Air Horizon Air ⁽¹⁾ SkyWest ⁽²⁾ Southern Airways Express Low-Cost Airlines Allegiant Air JetBlue Airways Southwest Airlines Spirit Airlines Spirit Airlines Sun Country	Asia Air China All Nippon Airways Asiana Airlines Cathay Pacific Airways China Airlines China Southern Airlines EVA Airways Japan Airlines Co. Korean Air Lines Philippine Airlines Singapore Airlines Xiamen Airlines ZIPAIR South Pacific Air New Zealand Air Tahiti Nui Fiji Airways Qantas Airways Latin America Avianca Airlines ⁽⁴⁾ Copa LATAM Airlines ⁽⁵⁾	Europe Aeroflot Air France British Airways Finnair Iberia KLM Lufthansa SAS SWISS Virgin Atlantic Airways Middle East/Africa El Al Israel Emirates Qatar Airways Saudi Arabia Airlines Turkish Airlines Mexico Aeroméxico VivaAerobus Volaris ⁽⁶⁾ Canada Air Canada WestJet	Clay Lacy Aviation Eastern Airlines LLC Estafeta Carga Aerea Hi Fly Transportes Aereos Jin Air Co. Longtail Aviation Lynden Air Omni Air Privilege Style S.A. Swift Air LLC Volga-Dnepr Wamos Air	ABX Air Inc. AeroLogic GmbH Aero Micronesia Aerotransporte De Carga Union Aerotransportes Mas De Carga Air Bridge Cargo Airlines Air China Cargo Air Transport International Ameriflight Asiana Cargo CargoJet Airways CargoLogicAir Cargolux Cathay Pacific Cargo China Airlines Cargo China Cargo Airlines China Eastern Airlines China Eastern Airlines China Southern Cargo Emirates SkyCargo Eva Airways Cargo FedEx Hainan Airlines Hi Fly Ltd. Kalitta Air LLC Kalitta Charters Korean Cargo Lufthansa Cargo Maleth Aero National Air Cargo Group Nippon Cargo Polar Air Cargo Qantas Airways Cargo Qatar Airways Cargo SF Airlines Co. Ltd. Singapore Airlines Cargo	
				Singapore Airlines Cargo Sky Lease United Parcel Service Western Global Airlines	

Note: Airlines providing scheduled service are shown.

(1) Horizon Airlines flies for Alaska Airlines.

Operating cargo only flights with passenger aircraft.

Source: Department of Airports of the City of Los Angeles

SkyWest Airlines flies for Alaska Airlines, American Airlines, Delta Air Lines, and United Airlines.

In February 2022, Frontier Airlines and Spirit Airlines announced plans to merge. Avianca Airlines includes Avianca Costa Rica and Avianca El Salvador. (3)

⁽⁴⁾

Includes LATAM Peru.

Includes Volaris Costa Rica.

Aviation Activity

LAX is classified by the FAA as a large hub airport. According to the U.S. DOT, LAX was the 5th busiest airport in the U.S. as measured by revenue enplaned passengers in calendar year 2020. According to ACI statistics, in calendar year 2020, LAX ranked as the 15th busiest airport in the world, approximately 1,697,004 passengers behind the 14th busiest airport in the world, and the 5th busiest airport in North America in terms of total number of enplaned passengers, and 8th busiest airport in the world and 4th busiest airport in North America in terms of total cargo. Global travel restrictions due to the COVID-19 pandemic and LAX's share of international passengers relative to other large hub airports contributed to the change in ranking. According to the U.S. DOT Origins and Destinations Survey of Airline Passenger Traffic for calendar year 2020, LAX ranked 1st nationally in number of domestic O&D passengers. O&D passengers begin and end their journeys at LAX, while connecting passengers transfer to other flights at LAX. Enplanements at LAX have fallen from approximately 44.2 million in Fiscal Year 2019 to approximately 14.6 million in Fiscal Year 2021, a decrease of approximately 67.0%. The COVID-19 pandemic has had a significant impact on enplanements at LAX and the finances and operations of the Department and the airlines, rental car companies, concessionaires and service providers at LAX. See APPENDIX A -"REPORT OF THE AIRPORT CONSULTANT - AIRLINE TRAFFIC AND ECONOMIC ANALYSES - OVERVIEW OF AIRPORT ROLE."

The following table presents historical total revenue operations (landings and takeoffs) and total domestic and international enplanements and deplanements at LAX for Fiscal Years 2012 through 2021. As shown in the table below, from Fiscal Year 2012 through Fiscal Year 2019, total enplaned and deplaned passengers at LAX increased at a compounded annual growth rate of approximately 4.9%. In Fiscal Year 2021, the total enplaned and deplaned passengers at LAX decreased by 53.7% from Fiscal Year 2020 and for Fiscal Year 2012 through Fiscal Year 2021, total enplaned and deplaned passengers at LAX decreased at a compounded annual rate of approximately 7.4%. From Fiscal Year 2012 through Fiscal Year 2019, revenue operations at LAX increased at a compound annual growth rate of approximately 2.0%. In Fiscal Year 2021, revenue operations at LAX decreased by 30.4% from Fiscal Year 2020, and for Fiscal Year 2012 through Fiscal Year 2021, revenue operations at LAX decreased at a compound annual rate of approximately 4.5%. See "IMPACT OF COVID-19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX." See also "CERTAIN INVESTMENT CONSIDERATIONS - COVID-19 Pandemic and Related Matters," " - Certain Rental Car Industry Investment Considerations." and " - Factors Affecting the Airline Industry." The decrease in revenue operations and total enplaned and deplaned passengers at LAX in Fiscal Years 2020 and 2021 are due to the COVID-19 pandemic. For a further breakdown of a month by month comparison for each month in calendar years 2019, 2020 and 2021 see Table 6 below.

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TABLE 5⁽¹⁾ DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES LOS ANGELES INTERNATIONAL AIRPORT AIR TRAFFIC DATA

	Revenue (Operations		Enplanements and Deplanements				
Fiscal Year	Total Operations	Operations Growth	Domestic ⁽²⁾	Domestic Growth	International ⁽²⁾	International Growth	Total ⁽²⁾	Total Passenger Growth
2012	578,876	4.2%	45,957,814	3.6%	16,967,262	4.4%	62,925,076	3.8%
2013	570,865	(1.4)	47,641,025	3.7	17,328,077	2.1	64,969,102	3.2
2014	597,734	4.7	50,153,104	5.3	18,629,078	7.5	68,782,182	5.9
2015	608,687	1.8	52,465,475	4.6	19,612,144	5.3	72,077,619	4.8
2016	627,529	3.1	56,133,548	7.0	21,675,592	10.5	77,809,140	8.0
2017	662,621	5.6	58,857,648	4.9	24,067,027	11.0	82,924,675	6.6
2018	668,911	0.9	60,902,492	3.5	25,729,359	6.9	86,631,851	4.5
2019	663,266	(0.8)	61,983,392	1.8	25,922,076	0.7	87,905,468	1.5
2020	526,921	(20.6)	44,801,765	(27.7)	17,913,305	(30.9)	62,715,070	(28.7)
2021	366,879	(30.4)	24,688,871	(44.9)	4,361,760	(75.7)	29,050,631	(53.7)

⁽¹⁾ Due to its date of publication, certain of the information contained in this table is more current than (i) certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2021 and June 30, 2020.

Source: Department of Airports of the City of Los Angeles

The following table presents the total revenue operations (landings and takeoffs) and total domestic and international enplanements and deplanements at LAX for each month of calendar years 2019, 2020 and 2021. As shown below, operations had declined in each month in 2021 as compared with the same months in 2019 by an average of 30.0% and total passengers decreased in 2021 by an average of 46.2% as compared with the 2019. Following the global outbreak of COVID-19, operations growth dropped by 19.7% and passengers dropped by 55.4% in March 2020 as compared with March 2019. The most significant declines in operations occurred in May 2020, with a 73.2% decrease as compared with May 2019. The most significant decline in total passengers occurred in April 2020 with a 95.9% decrease as compared with April 2019. Since January 2021, total monthly enplanements and deplanements at LAX have increased, although total international enplanements and deplanements at LAX are showing a slower recovery than domestic enplanement and deplanements. LAX experienced total declines greater than the U.S. average, but consistent with the average decline at the five busiest U.S. international gateways, due to its higher relative share of international enplanements and deplanements compared to U.S. averages. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

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⁽²⁾ Enplaned and deplaned passengers.

TABLE 6 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES LOS ANGELES INTERNATIONAL AIRPORT AIR TRAFFIC DATA BY MONTH

	Revenue C	Revenue Operations		Enplanements and Deplanements						
	Total	Operations		Domestic	•	International		Passenger		
Month	Operations	Growth ⁽¹⁾	Domestic ⁽²⁾	Growth	International ⁽²⁾	Growth	Total ⁽²⁾	Growth ⁽³⁾		
January 2019	53,589	_	4,668,196	_	2,079,878	_	6,748,074	_		
January 2020	52,827	(1.4%)	4,624,738	(0.9%)	2,053,736	(1.3%)	6,678,474	(1.0%)		
January 2021	29,557	(44.0)	1,378,414	(70.2)	339,198	(83.5)	1,717,612	(74.3)		
February 2019	47,950		4,318,611	_	1,731,392		6,050,003	_		
February 2020	48,363	0.9%	4,260,530	(1.3%)	1,560,949	(9.8%)	5,821,479	(3.8%)		
							1,620,270			
February 2021	25,814	(46.6%)	1,393,881	(67.3%)	226,389	(85.5%)	1,020,270	(72.2%)		
March 2019	55,615	_	5,322,333	_	2,046,465	-	7,368,798	_		
March 2020	44,673	(19.7%)	2,400,535	(54.9%)	886,884	(56.7%)	3,287,419	(55.4%)		
March 2021	32,636	(26.9%)	2,266,387	(5.6%)	346,498	(60.9%)	2,612,885	(20.5%)		
April 2019	53,589	_	5,116,096	_	2,117,274	_	7,233,370	_		
April 2020	14,895	(72.2%)	240,199	(95.3%)	59,167	(97.2%)	299,366	(95.9%)		
April 2021	33,556	125.3%	2,650,715	1,003.5%	424,221	617.0%	3,074,936	927.1%		
May 2019	55,235	_	5,413,760	_	2,199,726	_	7,613,486	_		
May 2020	14,815	(73.2%)	510,377	(90.6%)	65,379	(97.0%)	575,756	(92.4%)		
May 2020 May 2021	38,941	162.8%	3,457,046	577.4%	597,016	813.2%	4,054,062	604.1%		
Way 2021	36,741	102.870	3,437,040	377.470	377,010	013.270	4,034,002	004.170		
June 2019	56,226	_	5,672,492	_	2,363,075	_	8,035,567	_		
June 2020	17,564	(68.8%)	905,183	(84.0%)	128,678	(94.6%)	1,033,861	(87.1%)		
June 2021	43,114	145.5%	4,126,205	355.8%	761,489	491.8%	4,887,694	372.8%		
July 2019	59,401	_	5,933,926	_	2,535,889	_	8,469,815	_		
July 2020	25,239	(57.5%)	1,331,681	(77.6%)	191,781	(92.4%)	1,523,462	(82.0%)		
July 2021	46,667	84.9%	4,637,866	248.3%	923,873	381.7%	5,561,739	265.1%		
August 2010	50.052	_	5 709 920	_	2 428 040	_	0 126 070	_		
August 2019	59,052		5,708,830		2,428,040	(90.8%)	8,136,870			
August 2020	26,704	(54.8%)	1,485,013	(74.0%)	222,487	,	1,707,500	(79.0%)		
August 2021	46,686	74.8%	4,216,501	183.9%	918,710	313.0%	5,135,211	200.7%		
September 2019	52,987	_	4,900,376	_	2,106,825	_	7,007,201	_		
September 2020	24,568	(53.6%)	1,500,680	(69.4%)	248,682	(88.2%)	1,749,362	(75.0%)		
September 2021	43,769	78.2%	3,640,890	142.6%	731,187	194.0%	4,372,077	149.9%		
October 2019	54,518	_	5,111,199	_	2,083,673	_	7,194,872	_		
October 2020	27,203	(50.1%)	1,783,387	(65.1%)	305,051	(85.4%)	2,088,438	(71.0%)		
October 2021	45,079	65.7	4,081,995	128.9	765,618	151.0	4,847,613	132.1		
November 2019	51,872	_	4,846,915	_	1,884,624	_	6,731,539	_		
November 2020	28,665	(44.7%)	1,703,020	(64.9%)	335,106	(82.8%)	2,038,126	(69.7%)		
November 2021	44,032	53.6	4,051,018	137.9	877,281	161.8	4,928,299	141.8		
140 VCIIIUCI 2021	77,032	55.0	7,031,010	131.7	077,201	101.0	7,740,477	171.0		
December 2019	55,954	_	5,358,957	_	2,119,461	_	7,478,418	_		
December 2020	30,882	(44.8%)	1,612,442	(69.9%)	363,842	(82.8%)	1,976,284	(73.6%)		
December 2021	44,751	44.9	4,141,099	156.8	1,053,787	189.6	5,194,886	162.9		

⁽¹⁾ The operations growth is calculated based on the difference between the total operations in that month as compared with the same month for the prior calendar year.
(2) Enplaned and deplaned passengers.
(3) The passenger growth is calculated based on the difference between the total enplaned and deplaned passengers in that month as compared with the same month for the prior calendar year.

Source: Department of Airports of the City of Los Angeles

See "CERTAIN INVESTMENT CONSIDERATIONS" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSES – KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC for a discussion of some factors that may impact future aviation activity at LAX.

Competition

The Airport Service Region includes primary and secondary areas. The primary geographical area served by LAX consists of the Los Angeles CSA as designated by the United States Bureau of the Census and includes the five-county area of Los Angeles, Orange, Riverside, San Bernardino and Ventura counties. The Los Angeles CSA is the second largest Combined Statistical Area ("CSA") in the United States, with 2.3 million households having income in excess of \$100,000. There are six air carrier airports within the primary area. Historically and statistically, LAX is the dominant airport in the primary area, with approximately 72.3% of the total enplaned passengers in Fiscal Year 2021. Ontario International Airport (ONT), Hollywood Burbank Airport (BUR), John Wayne Airport (SNA), Long Beach Airport (LGB) and Palm Springs Airport (PSP) provide more limited air service to destinations outside of the Airport Service Region and accounted for approximately 27.7% of enplaned passengers in LAX's primary area in Fiscal Year 2021.

The secondary area served by LAX, which includes many of the counties surrounding the Los Angeles CSA, is defined by the location of (and the airline service offered at) other "nearby" air carrier airports. The secondary area comprises seven airports with scheduled air carrier service including Bakersfield's Meadows Field (BFL), Imperial County Airport (IPL), Carlsbad's McClellan-Palomar Airport (CRQ), San Diego International Airport (SAN), San Luis Obispo Regional Airport (SBP), Santa Barbara Municipal Airport (SBA), and Santa Maria Municipal Airport (SMX).

DesertXpress Enterprises, LLC is developing a privately-owned and operated high-speed rail service, Brightline West, that will connect Southern California and Las Vegas, Nevada, through multiple, intercity projects totaling 260 miles. The project, if and when completed, may provide the public with an attractive alternative to air travel between the Airport Service Region and the Las Vegas metropolitan area.

Emergency Management

The Department has four core groups that are responsible for emergency management: Fire, Law Enforcement, Airport Operations and Emergency Management Division. These core groups are responsible for the emergency planning for all phases of emergency management: mitigation, preparedness, response and recovery, which are coordinated and overseen by the Department's Emergency Management Division. The roles and responsibilities of each entity within these four groups are defined by Emergency Support Functions in the federal National Incident Management System ("NIMS"), the National Response Framework, the California Standardized Emergency Management System ("SEMS"), FAA Regulation Part 139 ("FAR 139"), the Charter, the Airport Rules and Regulations, and other statutes. The "Airport Rules and Regulations" are established pursuant to the Charter in order to, among other things, comply with FAA and TSA regulations which require the Department to establish operational and safety procedures and institute certain secondary measures for airport certification. Emergency management responsibilities for the core groups include: (1) hazard vulnerability analysis, (2) development and maintenance of emergency operations plans, (3) integration with the City's Emergency Management Department and the emergency processes of other City departments and agencies, (4) developing, conducting and coordinating training and exercises, (5) planning for continuity of operations/continuity of government for the Airport System, (6) oversight of implementation for new emergency guidelines, mandates, technology, emergency response and preparedness at local, state, federal and international levels concerning airport emergency operations

and (7) responding to the activation of the Department Operations Center, and sending Department representation to the City Emergency Operations Center for emergency activations.

The Department is required by certain federal, State, City and other directives to develop and maintain a number of airport emergency response plans to ensure protection of lives and property and mitigation measures to lessen the impact on the disruption of business. The Department is also subject to Homeland Security Presidential Directive 5, which requires compliance with the NIMS and the National Response Framework. The State requires compliance with SEMS. Under FAR 139 the Department is required to create, maintain and exercise specific emergency plan components that must be specific to LAX and contained in FAA-approved Airport Certification Manuals. These plans set forth emergency procedures to ensure prompt response to emergencies to save lives, minimize the possibility and extent of personal and property damage, and ensure recovery of the critical transportation infrastructure. The Department has included these emergency procedures in the Airport Rules and Regulations for LAX. The Department holds exercises to test the content in its airport emergency plan as required by the FAA, TSA regulations, security directives, FAR 139 mandates and City exercise programs. A yearly security exercise is held under the direction of Airport Police and through the collaborative efforts and participation of airport stakeholders. The Department conducts and participates in a number of additional scheduled exercises with federal, airline and City agencies to exercise and test mitigation, preparedness, response and recovery.

The Department also conducts cybersecurity training and exercises to encourage prompt response to cyber incidents and recovery of critical information and systems to operate the Airport.

Permits and Agreements for Use of Airport Facilities

General. The Department permits airlines and other parties to use Airport facilities, and receives payment for the use of Airport facilities, pursuant to a variety of arrangements, all of which are intended to fulfill the Department's goal of recovering all costs allocable to areas used from the users of such facilities (including, but not limited to, capital, debt service, maintenance and operations, certain airline equipment and infrastructure costs). Generally, these arrangements consist of:

- Air Carrier Operating Permits;
- The Airport Terminal Tariff and the Rate Agreement (as defined herein);
- Terminal leases;
- Facilities Use Terms and Conditions;
- Concession and parking agreements;
- Non-exclusive licensing agreements; and
- Various other building and miscellaneous leases including for cargo and hangar facilities.

Operating Permits – Landing and Apron Facilities and Landing Fees. The Department has entered into separate operating permits covering the use of landing and apron facilities with air carriers serving LAX. These operating permits grant operating rights to each airline typically for a ten-year term, and are commonly referred to as the "Air Carrier Operating Permits" or the "ACOPs." For new ACOPs, the Department is currently authorized to issue ACOPs that expire June 30, 2022, with an option to extend each ACOP for another 10-year term. The Department expects that the ACOPs will be renewed upon their expiration, though no assurance can be given that they will be renewed or that the terms of the new ACOPs

will be the same as the existing terms. The ACOPs are terminable by either party on 30 days' notice. The ACOPs require each airline to pay a landing and apron fee to the Department for each aircraft that uses the landing and apron facilities at LAX, generally equal to the product of (i) the units of maximum gross landed weight of the aircraft, with each unit being 1,000 pounds, multiplied by (ii) the applicable landing or apron fee rate currently in effect. Air carriers that are not a party to an ACOP must still comply with the Airport Rules and Regulations, which require the uninterrupted payment of landing and apron fees. Landing and apron fees are substantially higher for such air carriers than for air carriers that are party to an ACOP. The landing and apron fee rates to be charged during each Fiscal Year are based upon the Department's then-current budget and are adjusted at the end of each Fiscal Year to reflect the actual expenses incurred. All adjustments for deficiencies are billed when determined and overages are credited to the affected airlines.

Airport Terminal Tariff. The Airlines and businesses involved in aeronautical activities at LAX other than governmental activities or concessions (each, an "Aeronautical User") use terminal space under the terms of the LAX Passenger Terminal Tariff (the "Airport Terminal Tariff"). The Airport Terminal Tariff has no term or expiration date but is subject to change from time to time by the Board. After consultation with airline representatives regarding the Department's rates and charges, on June 3, 2021, the Board approved certain changes to the Airport Terminal Tariff, which became effective on July 1, 2021. See "IMPACT OF COVID19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX – Airline Cost Stabilization and Recovery Plan."

Terminal rates under the Airport Terminal Tariff are designed to recover all costs, including administrative and access costs, allocable to terminal space used by Aeronautical Users. Subject to the Airline Cost Stabilization and Recovery Plan, under the Airport Terminal Tariff, Aeronautical Users are required to pay to the Department the following:

- Terminal Buildings Charge A charge based on an equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to the passenger facilities at LAX by the total rentable areas in the terminals. For Fiscal Year 2022, the Terminal Building Charge decreased from \$236.34 to \$231.76 per square foot per year. The reduction is achieved through use of federal relief grants allocated to LAX and the deferral of certain debt service and capital costs.
- FIS Fee A fee based on an equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to Federal Inspection Services ("FIS") areas at LAX by the number of international passengers passing through the FIS facilities. For Fiscal Year 2022, the FIS Fee decreased from \$19.08 to \$17.79 per deplaned international passenger. The rate reduction is achieved through the deferral of capital costs.
- Common Use Area Fees and Charges Fees and charges based on rates calculated by the Department based on airlines' use of common areas in the terminals, such as hold rooms, baggage claim systems and ticket counters.
- Terminal Special Charges Fees based on rates calculated by the Department for use by the Aeronautical Users of certain equipment and services at LAX that are not otherwise billed to Aeronautical Users through the rates and charges described above, such as, in certain terminals, custodial services, outbound baggage system maintenance, terminal airline support systems and loading bridge capital and maintenance.

Aeronautical Users subject to the Airport Terminal Tariff are required to provide a performance guaranty which is at least three times the sum of the estimated monthly installments of the Terminal Buildings Charge and other amounts.

Rate Agreement. In connection with the negotiation of the terms of the Airport Terminal Tariff, to resolve certain litigation that was then pending and potential future litigation regarding the Department's rate setting methodology and to provide phase-in of the new rates and charges for airlines, the Department offered the airlines (including certain consortiums that have been formed to manage specified terminal facilities at LAX) a Rate Agreement (as amended from time to time, the "Rate Agreement"). All airlines serving LAX have executed Rate Agreements.

Pursuant to the Rate Agreements, each applicable airline (a "Signatory Airline") consented to and waived its right to challenge the application of the Airport Terminal Tariff rate methodology approved by the Board (originally in September 2012). The Terminal Building Rate and the FIS Rate are charged pursuant to the Airport Terminal Tariff.

The Rate Agreement permits the Department to charge the Signatory Airlines for, among other things, the recovery of certain types of capital costs or operations and maintenance expenses, including those costs related to ground access for vehicles and pedestrians, such as airside and landside access, and Airport access generally. Through annual updates to the rates and charges under the Rate Agreement the Department is entitled to collect from the Signatory Airlines a significant portion of the capital costs and operation and maintenance expenses related to the Capital Program.

Beginning in calendar year 2014, the Department provided Signatory Airlines a credit for a portion of the concession revenue generated in the terminals at LAX. These credits result in a reduced Terminal Building Rate (and a corresponding reduction in revenues derived from the Terminal Building Rate) and a reduced FIS Rate paid by the Signatory Airlines.

In December 2019, the Board authorized the Department to enter into an Amended and Restated Rate Agreement ("2019 Rate Agreement Amendment") with willing airlines. The 2019 Rate Agreement Amendment, among other things, (i) extended the term and terms of the Rate Agreement through December 2032; (ii) required airlines executing a Rate Agreement Amendment to pay an "extraordinary debt service coverage charge" to the Department designed to maintain a debt service coverage ratio (inclusive of all of the Department's senior revenue bonds, subordinate revenue obligations, APM Capital Availability Payments (as defined herein) and ConRAC Capital Availability Payments) equal to not less than 1.40x; and (iii) under certain circumstances, eliminated the requirement that a participating airline provide the performance guarantee otherwise required under the Airport Terminal Tariff or lease agreement, as the case may be, and instead pay to the Department a "bad debt surcharge," a pooled surcharge designed to compensate the Department for bad debt costs. The Department offered the terms of the 2019 Rate Agreement Amendment to any Signatory Airline that entered into the 2019 Rate Agreement Amendment on or before July 31, 2020. Any Signatory Airline that did not enter into the 2019 Rate Agreement Amendment by July 31, 2020 remained subject to its existing Rate Agreement, and at the expiration of such Rate Agreement such airline became subject to the Airport Terminal Tariff. All airlines servicing LAX have executed the 2019 Rate Agreement Amendment.

As part of the Airline Cost Stabilization and Recovery Plan, the Department took a number of measures to make LAX rates and charges more competitive to enable the reinstatement of lost air service due to the COVID-19 pandemic and attract new routes, avoid triggering increases in rates and charges tied to reduced activity, and equalize rates and charges throughout LAX for common use facilities. These measures included completing the Department's take-over of the operations, maintenance and rate setting responsibilities for the common use facilities of Terminal 5 and the Tom Bradley International Terminal

(including the West Gates at the Tom Bradley International Terminal, formerly referred to as the Midfield Satellite Concourse) from Tom Bradley International Terminal Equipment Company, an airline consortium ("TBITEC"). Furthermore, the Department (i) amended, effective July 1, 2021, the methodology for establishing rates and charges for the use of terminal facilities and equipment ("Amended Rate Methodology"), which Amended Rate Methodology is to continue through June 30, 2033; (ii) provided for an amended and restated rate agreement (the "2021 Rate Agreement Amendment") with a term that extends through June 30, 2033; (iii) revised terminal rates and charges to include certain costs and implemented cost reduction and deferral measures; and (iv) revised landing and apron fees to include cost deferrals. On May 17, 2021, the Department obtained written consent from a majority of Signatory Airlines, approving the Amended Rate Methodology, and on June 3, 2021 the Board authorized the Chief Executive Officer to enter into the 2021 Rate Agreement Amendment with each respective passenger air carrier or airline consortium. The Department provided the air carriers and the airline consortiums until September 30, 2021 the opportunity to sign and deliver the 2021 Rate Agreement Amendment. After that date, Signatory Airlines operating currently under the existing the Rate Agreement (including as previously amended) will continue to operate under that agreement until its expiration on December 31, 2032.

Land and Other Non-Terminal Building Rentals. In addition to terminal leases, under a variety of leases, permits and other use agreements, the Department rents certain cargo, maintenance and other building facilities ("Other Building Rentals") and ancillary land facilities at LAX ("Land Rentals"). The rental rates and other terms for Land Rentals and Other Building Rentals vary. See "Facilities Use Terms and Conditions" below.

Department Acquisition of Certain Terminal Improvements; Credits. In connection with certain terminal leases, certain Aeronautical Users have agreed to undertake renovations to their leased Terminals. These renovations may include (i) proprietary renovations, which generally include branded improvements to the terminal and other improvements unique to the Aeronautical User's operational needs; (ii) Aeronautical User renovations, which generally include non-proprietary improvements to the terminal usable by any Aeronautical User operating in the terminal ("Aeronautical User Improvements"); and (iii) terminal renovations, which generally include improvements to the terminal that are allocated to the public areas ("Terminal Improvements"). Terminal renovations may also include provision for certain relocations of terminal users to enable the terminal renovations.

Under the Department's terminal leases, subject to certain conditions, the Department has agreed to purchase from Aeronautical Users certain Aeronautical User Improvements in the aggregate amount of approximately \$3.04 billion (of which as of December 1, 2021, approximately \$1.93 billion have not been purchased) and the Department has the option to purchase from Aeronautical Users certain Terminal Improvements in the aggregate principal amount of approximately \$1.30 billion (of which as of December 31, 2021, approximately \$765 million have not been purchased). If the Department does not exercise the option to purchase the Terminal Improvements, it is required under the applicable terminal lease to issue to the applicable Aeronautical User a credit in an amount to reimburse the applicable Aeronautical User for costs related to such Terminal Improvements and imputed interest. If such credits are issued, the credits will be issued and amortized on a straight-line basis over the period from the date on which the Department could exercise the option to purchase the Terminal Improvements through the end of the terminal lease or such date as the Department extinguishes the credit through cash payment. The Department has exercised all options to purchase Terminal Improvements with funds that have been appropriated as of the date of this Official Statement.

The Department, pursuant to the Department's terminal leases, also may be required to issue credits to certain Aeronautical Users responsible for the cost of relocating other terminal users to facilitate the terminal renovations, for the cost of such relocations. The amounts of these credits may vary depending on the scope of the required relocations. As of July 1, 2020, the Department had agreed to issue approximately

\$60 million of relocation rental credits to Delta Air Lines in equal installments of approximately \$15 million per year over a four-year period commencing in 2020. As of July 1, 2021, approximately \$30 million remain outstanding. Credits are applied as an offset against amounts otherwise due to the Department by such Aeronautical Users as charges for use of LAX facilities, including amounts owed pursuant to the Airport Terminal Tariff and landing fees. Because these credits are applied as an offset to amounts owed to the Department by such Aeronautical Users, the Department receives less money from these Aeronautical Users than such Aeronautical Users would otherwise provide absent the credit.

Facilities Use Terms and Conditions. Facilities Use Terms and Conditions apply to users of certain Department owned space at LAX that are not subject to a lease or the Airport Terminal Tariff, principally certain buildings in the airfield and off-Airport facilities. Facilities Use Terms and Conditions have no term or expiration date but are subject to change from time to time by the Board and include a basic per square foot charge, subject to periodic adjustment to fair market rental value. If the Department determines that any portion of the facilities to which the Facilities Use Terms and Conditions apply are being underutilized, the Department may, upon the satisfaction of certain requirements, accommodate other users in such space. Facilities Use Terms and Conditions require users to provide a performance guaranty which is at least three times the sum of the amount of the initial estimated monthly installments of base charges and other additional amounts.

Concession and Parking Agreements. The Department has entered into numerous agreements with office management companies, parking operators, terminal commercial managers, duty free concessionaires, food and beverage concessionaries, retail concessionaires and others. Certain of these agreements are described below.

<u>Facility Management</u>. The Department has entered into various operation and management agreements with ABM Aviation, Inc., LAZ Parking California, LLC ("LAZ") and Colliers International Real Estate Management Services (CA) (together, the "Facility Management Companies"), whereby the Facility Management Companies will provide facility management and operational services with respect to Department-owned office buildings, parking structures and parking lots. Under these agreements the Facility Management Companies are compensated for the provision of services through various monthly management and service fees and, where applicable, are required to remit the gross revenues from the parking facilities, on a daily basis, to the Department. These agreements may be terminated by the Department upon 90 days' notice.

Transportation Network Companies. In August 2015, the Department approved non-exclusive license agreements ("TNC Agreements") with various TNCs which connect passengers with approved drivers who provide transportation using their own vehicles and pay for the service through a mobile application. TNCs include Uber and Lyft, and other similar companies. The Department's TNC Agreements allow each company's approved drivers' access to designated Airport property in connection with the provision of transportation services for airport customers, employees, and passengers with their personal baggage. Subject to the terms of the TNC Agreements, TNCs are required (except in limited circumstances) to drop-off passengers only on the Central Terminal Area upper departure level, pick-up passengers only in the designated "LAX-it" zone, and are otherwise only allowed to use Airport property within the designated TNC airport assignment area and designated TNC staging areas at LAX. The TNC Agreements are subject to termination by the Department upon seven days' notice by the Department or upon 30 days' written notice by the TNC. Under the TNC Agreements, TNCs are required to pay the Department a monthly license fee equal to the greater of \$25,000 or the product of (i) the number of trips conducted by the TNC's vehicles in one calendar month and (ii) the trip fee then in effect. The current trip fee approved by the Board is \$4.00 for each drop-off or pick-up at LAX. The Department cannot predict the impact of TNCs on the collection of CFCs at LAX.

For the nine-month period ended September 30, 2021, TNCs recorded approximately 3.1 million pick-ups/drop-offs at LAX, a decrease of approximately 64,000 pick-ups/drop-offs as compared with the same period in calendar year 2020. See "CERTAIN INVESTMENT CONSIDERATIONS – Certain Rental Car Industry Investment Considerations – Factors Affecting Rental Car Activity – Competition and Alternative Modes of Ground Transportation."

Certain Financial and Operating Information Concerning the Department and LAX

Department Financial Statements. The audited financial statements of the Department for Fiscal Years 2021 and 2020 are included in APPENDIX G – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020." No revenues of the Department, other than the Customer Facility Charges, are pledged to the payment of the Series 2022A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS."

Budgeting Process. Department management annually submits the Department's proposed budget to the Board for adoption. Department management and staff develop each operating budget after considering a number of factors, including recent years' operating revenue and expense trends, LAX passenger traffic projections, the Department's capital projects (including the issuance of additional debt to finance capital projects), and other Departmental goals and strategic plans. Staff from each of LAX's divisions prepared and submitted their preliminary budgets to Department management within the constraints defined by budget staff and submitted additional requests for review. Budget hearings are conducted with operating budget staff and the Department's deputy executive directors to discuss past trends and changes in future needs. The Department's executive management team reviews the resulting budget, and additional requests and adjustments are made based on expenditure priority and operational need. The final budget is adopted by the Board prior to the beginning of the Fiscal Year. For informational purposes only, the Chief Executive Officer of the Department submits the Department's proposed budget to the Mayor, and for information purposes only, the Mayor includes the Department's proposed budget as a part of the overall City budget. Neither the Mayor nor the City Council may amend or otherwise change the Department's adopted budget; however, see "THE DEPARTMENT OF AIRPORTS - Oversight." Certain of the Department's payment obligations under the ConRAC DBFOM Agreement, like the Department's other contractual obligations, are subject to the Board approving an appropriation of funds as part of the annual budgeting process described herein.

Risk Management and Insurance. The various bond indentures that the Department has entered into (including the Indenture) and certain other agreements (including the ConRAC DBFOM Agreement) require that the Department maintain insurance or qualified self-insurance against such risks at LAX as are usually insured at other major airports, to the extent available at reasonable rates and upon reasonable terms and conditions. The Department is not required to carry insurance against losses due to seismic activity and has obtained a waiver of insurance from FEMA and the State Department of Insurance, which means that the Department would be eligible for reimbursement as and if available from FEMA in the event of earthquake losses. The Department has purchased insurance to cover catastrophic property, flood, wind and earthquake losses up to \$25 million. The deductible for this coverage is 5% per insured structure. The Department is self-insured for these catastrophic losses in excess of \$25 million.

See "THE CONRAC PROJECT – ConRAC DBFOM Agreement – Insurance Requirements" for a discussion of the various insurance policies required to be obtained and maintained by the ConRAC Developer and the Department during the construction of the ConRAC and during the operation and maintenance period of the ConRAC.

The Department carries commercial aviation general liability insurance with coverage limits of \$1.3 billion for losses arising out of liability for airport operations. The deductible on the commercial aviation liability coverage is \$10,000 per occurrence for bodily injury and property damage, and \$25,000 for general liability and terrorism, no aggregate. This aviation liability coverage incorporates a foundation of comprehensive in-house claims management program, incremental claims analysts and adjustors and both outside and inside defense counsel. The liability coverage has endorsements of coverage for all third-party claims and suits, on premises automobile coverage, personal and advertising injury coverage, errors and omissions coverage and hangar and aircraft owner's liability coverage. Additionally, the Department carries employment practices liability insurance with coverage limits of \$10 million for protection against employment-related losses, including coverage for defense costs and damages, with a self-insured retention of \$2.5 million.

The Department carries general all-risk property insurance with coverage limits of \$2.5 billion for all Department properties. The deductible on this coverage is \$100,000 per occurrence, no aggregate. The Department's insurance also incorporates a property insurance special endorsement that provides coverage for property losses resulting from acts of terrorism for declared foreign acts of terrorism. Coverage under this endorsement parallels the general all-risk limits of \$2.5 billion. The Department's insurance coverage also incorporates a property insurance special endorsement that provides for coverage for "boiler and machinery" losses up to a covered limit of \$250 million and property insurance special endorsement that provides coverage for "business interruption" losses to the Airport System resulting from a covered property peril. Coverage for business interruption is included with full policy limits of \$525 million and the deductible is 6 hours from initial declared interruption.

The Department carries cyber liability insurance with coverage limits of \$15 million for protection against cyber liability risks as well as critical financial protection from loss, disclosure, or theft of data in any form, including but not limited to, media and content rights infringement and liability, network security failure, denial of service attacks and transmission of malicious code. The Department has a self-insured retention of \$250,000 for cyber liability coverage.

The Department has also purchased a war and allied perils (also referred to as terrorism insurance) endorsement with coverage of up to \$1.0 billion with a deductible of \$10,000 per occurrence and an annual \$500,000 aggregate deductible. War and allied perils coverage extends to both foreign acts of terrorism and domestic acts of terrorism. Coverage under the war and allied perils endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force.

The Department maintains an insurance reserve fund, pursuant to Board policy. This fund has been established to fund uninsured or under-insured losses or where insurance capacity is unavailable or excessive in cost relative to coverage. This reserve fund would provide primary funding for catastrophic losses with respect to all three airports in the Airport System. As of June 30, 2021, there was approximately \$123.9 million in this fund.

Pursuant to the State Labor Code, the State Department of Industrial Relations has provided the City a Certificate of Consent to Self-Insure in connection with its workers' compensation liability. See Note 15 to APPENDIX G – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020." Additionally, the Department annually conducts a comprehensive review of its active loss prevention

program and risk profile for both general liability and property/casualty perils. This on-going program seeks to identify, eliminate or mitigate the loss or peril before it becomes a loss or claim. This review of its program may include benchmarking surveys with other similar domestic U.S. airports as well as examination of probable loss expectancy, exposure studies that incorporate past losses and statistical probabilities of future losses. The results of such reviews are used to establish insurance for coverage perils and limits of coverage.

Capital Program

Overview. The Department is undertaking a multi-billion dollar capital development program at LAX. Projects include various terminal, airfield and apron, access and other projects designed to, among other things, modernize terminals, make long-term improvements to passenger access and accommodate existing and future aircraft designs, all to address growth in passenger activity levels that is projected to occur with or without these projects. The Department is employing various strategies to design, build and finance multiple facilities concurrently, including, among others, the design-build-finance-operatemaintain arrangements entered into with respect to the ConRAC Project and the APM; design-bid-build arrangements; design-build arrangements; and terminal improvement acquisitions described under the caption "— Permits and Agreements for Use of Airport Facilities — Department Acquisition of Certain Terminal Improvements; Credits."

The Department manages its capital development planning with a variety of tools, including a multi-year comprehensive planning tool (the "Capital Program"). The Capital Program is a list of capital development projects compiled based on prioritized needs and resulting financial metrics, is used to inform decision makers and stakeholders of proposed capital expenditures and opportunity costs, and is designed to assist with the development of long term funding plans while managing financial risk to the Department. The Capital Program is updated periodically as projects are programmed for implementation.

The current Capital Program for LAX, which is estimated to cost approximately \$11.5 billion, commenced in Fiscal Year 2016 and is expected to be completed by the end of Fiscal Year 2026. Projects in the Capital Program include various terminal projects (estimated to cost approximately \$6.1 billion), airfield and apron projects (estimated to cost approximately \$400 million), the projects included in LAMP, including the ConRAC Project and the APM System (estimated to cost approximately \$3.8 billion) and various other projects (estimated to cost approximately \$1.0 billion). Approximately \$6.1 billion of the Capital Program was completed through the end of Fiscal Year 2021.

The Department regularly reviews and assesses capital needs, taking into account improved information regarding the condition and/or requirements of new and existing facilities, updated cost estimates for contemplated projects, new opportunities for investments or acquisitions that arise from time to time, current and forecast traffic levels, and changes within the industry that may influence the cost of the Department's capital development projects.

Financing of Capital Program. Overall, the Capital Program is expected to be financed with a combination of CFCs, proceeds of the Series 2022A Bonds, grants, passenger facility charge ("PFCs") revenues, proceeds of LAX GARBs (as of February 16, 2022, the Department had approximately \$9.96 billion in aggregate principal amount of LAX GARBs outstanding, and the Department expects to issue additional LAX GARBs in the future to provide additional funding for the Capital Program) and other available moneys of the Department. The estimated costs of, and the projected schedule for, the Capital Program are subject to various uncertainties. In addition, it is possible that the Department will pursue projects not currently incorporated in the Capital Program.

Automated People Mover System. In addition to the ConRAC Project, the other major component of LAMP is the APM System. The APM System will consist of an approximately 2.25-mile elevated, grade-separated automated people mover system that will generally run from the ConRAC to the Central Terminal Area. The APM System will include six stations: (i) one in the ConRAC; (ii) one to be located at the multi-modal/transit facility located at 96th Street and Aviation Boulevard, which facility also contain a connection to the Los Angeles County Metropolitan Transportation Authority's light rail system; (iii) one to be located at the multi-modal/transit facility located north of 96th Avenue between Jetway Boulevard and Airport Boulevard; and (iv) three stations to be located in the Central Terminal Area. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – RENTAL CAR INDUSTRY OVERVIEW AND AIRPORT TRENDS AND ANALYSIS – AIRPORT RENTAL CAR AND GROUND TRANSPORTATION FACILITIES – Common Transportation System."

On April 11, 2018, the Department and LAX Integrated Express Solutions, LLC (the "APM Developer") entered into a design-build-finance-operate-maintain agreement, as amended (the "APM Agreement"), for the purposes of developing, financing, operating and maintaining the APM. The APM Developer is comprised of Fluor Enterprises, Inc., Balfour Beatty Investments, Inc., ACS Infrastructure Development, Inc., HOCHTIEF PPP Solutions GmbH, and Bombardier Transportation (Holdings) USA Inc., among others. Under the APM Agreement, the Department has granted the APM Developer the exclusive right, during a 30-year term, to design, build, finance, operate and maintain the APM system. Construction of the APM System has commenced.

The APM Developer has indicated that it expects to incur costs for the planning, development, design, construction and financing of the APM System of approximately \$2.72 billion. Under the terms of the APM Agreement, the APM Developer is solely responsible for obtaining and repaying, at its own cost and risk and without recourse to the City or the Department, all financing necessary for its share of the costs of the design and construction of the APM System. In June 2018, the APM Developer secured several sources of financing for its share of the design and construction of the APM System, including, among other sources, approximately \$1.30 billion of proceeds from senior lien revenue bonds issued by the California Municipal Finance Authority.

In addition to the financing required to be obtained by the APM Developer, the APM Agreement provides that the APM Developer will be entitled to receive a series of six milestone payments from the Department upon its completion of certain design and construction milestones in the aggregate principal amount of approximately \$1.01 billion, subject to deductions provided in the APM Agreement, as partial compensation for the APM Developer's performance of the work required to design and construct the APM System (each such payment, an "APM Milestone Payment"). Subject to certain conditions being met by the APM Developer, the APM Agreement provides for the Department to make APM Milestone Payments to the APM Developer of approximately \$168.3 million in each case not earlier than March 31, 2019, December 31, 2019, September 30, 2020, June 30, 2021, March 31, 2022 and 60 days after final completion of the APM Project. As of the date of this Official Statement, the Department has timely made four scheduled APM Milestone Payments to the APM Developer.

The APM Agreement further provides that once passenger service is available on the APM System, which the Department currently estimates will occur during the first quarter of calendar year 2024, the Department must make monthly payments to the APM Developer to compensate the APM Developer for its share of the costs of designing, building and financing the APM System ("APM Capital Availability Payments") and for the cost of operating and maintaining the APM System ("APM Operations and Maintenance Payments" and, together with APM Capital Availability Payments, "APM Availability Payments"). Under the APM Agreement, the Department's obligation to make APM Availability Payments would be subject to certain structured caps and increases based on agreed upon indices. Subject to the prior use to pay the principal of and interest on the Series 2022A Bonds, the Department expects to use available

CFCs to make certain of the APM Availability Payments to the APM Developer. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS."

To date, the APM Developer has asserted various relief event claims under the APM Agreement seeking schedule relief and additional compensation. As part of an attempt to resolve two of these relief event claims, each of the disputes were submitted, in separate proceedings, to a project neutral (the "Project Neutral") for a non-binding recommendations addressing the merits of the claims, as provided for in the APM Agreement. The Project Neutral issued non-binding recommendations in connection with these two relief events, indicating that the APM Developer should be entitled to significant schedule relief and associated compensation. The Project Neutral's recommendations also identified some categories of claimed costs as being non-recoverable. Both parties rejected the Project Neutral's recommendations, but nevertheless entered into negotiations aimed at resolving the two claims. These negotiations resulted in the settlement of certain claims, subsequently approved by the Board in March 2021 and documented in a formal change order. The change order was fully executed and effective as of April 14, 2021. Under the terms of the Board-approved change order, the Department granted the APM Developer additional compensation in the amount of \$97.0 million, together with a 157-day extension to the APM Project completion deadline, resulting in a revised completion deadline. The parties mutually reserved rights with respect to certain ancillary claims as part of the change order, which may or may not result in further negotiations and settlements.

In addition to those relief event claims covered by the above-referenced change order, the APM Developer has asserted various additional claims, seeking further schedule relief and additional compensation. While the Department disputes both the validity and the financial/schedule impact of such claims, potential resolution of material components of these claims is currently under negotiation following the informal dispute resolution process set forth in the APM Agreement. The Department expects informal negotiation of these claims to continue for the next several months. The Department has included project contingencies in the APM Project budget and continues to work with the APM Developer to mitigate project delays to the greatest extent practicable.

The APM Developer may assert additional claims for schedule and/or financial relief under the APM Agreement in the future. The Department intends to vigorously defend against all claims based on its assessment of their merits. No assurance can be provided that the Department will settle any pending or future claims by the APM Developer. The Department also is unable to predict whether any future relief event claims, or other actions by the APM Developer, will ultimately result in additional material project completion delays.

Airport System Environmental Matters

Several significant environmental matters have direct and indirect impacts on the Department and LAX, some of which are described below. These include mitigation of aircraft noise impacts and wildlife hazards, hazardous substance cleanup and clean air requirements. In accordance with Department policy, generally the Department's tenant leases and/or applicable laws provide that tenants are responsible for the costs of remediation of hazardous or other regulated material from Department property and for compliance with applicable laws. However, if a tenant does not comply with these lease requirements and/or applicable laws, and under certain circumstances, the Department could ultimately become responsible for the costs of compliance and/or required environmental cleanup. The timing and aggregate costs of such cleanups cannot be determined at this time, but could be material.

Aircraft Noise Impacts. In the State, commercial airports operate under permits issued by the California Department of Transportation ("Caltrans"). Airports within the State are regulated under the State of California Aeronautics Act. The Department maintains a Noise Management Section within the

Environmental Programs Division which operates the Department's noise monitoring system and prepares and submits periodic reports to Caltrans as required under applicable law.

The State does not regulate noise generation from aircraft. However, State regulations, commonly known as Title 21, require an airport proprietor that operates an airport with a noise impact area that exceeds specified airport noise standards to apply for and receive a variance. In order to obtain a variance, among other requirements, the airport proprietor must submit a plan showing how the airport expects to work toward compliance with the noise standards.

Compliance measures include sound insulation of certain incompatible structures to reduce the interior noise to acceptable levels, acquisition of incompatible properties located within the noise impact areas and the purchase of noise easements from affected property owners. LAX was granted a three-year noise variance effective August 14, 2020.

In support of a Noise Mitigation Program, the Department provides funding for land acquisition, residential sound insulation programs, and school sound insulation programs. The goal of these programs is to reduce the number of residences in areas impacted by noise from airport operations through voluntary acquisition of properties and relocation assistance for certain residential neighbors near LAX and acoustic treatment of certain residential dwelling units and targeted school districts. Acoustic treatment generally includes replacing doors and windows, caulking, and additional weather-stripping.

The Cities of Los Angeles and Culver City have initiated a judicial petition for review of certain actions taken by the FAA in connection with recent changes to procedures that affect incoming aircraft flying over certain portions of the City on their way to LAX. The challenges relate to the environmental review and public comment process. The Department is not a participant in the case, which is pending in the United States Court of Appeals for the Ninth Circuit as Case No. 19-71581. The Department cannot predict the outcome of this proceeding.

Hazardous Substances. Airport operations involve the storage and use of a number of materials that are defined, or may in the future be defined, as hazardous under various federal, state, and local regulations. Petroleum products, predominantly jet fuel, comprise the majority of hazardous materials used at Department facilities. The majority of these materials are used by the Department's tenants in the normal course of their operations. However, the Department's own operations also include the storage and use of certain hazardous substances. Federal, State and local agencies also exercise responsibility related to the accidental discharge of hazardous materials.

The Department has an Environmental Programs Division tasked with performing soil and groundwater investigations, site remediation monitoring, storm water pollution prevention, Endangered Species Act compliance, air quality compliance and managing other environmental compliance programs and projects. The Department's Airport Operations group manages the wildlife hazard mitigation program. The Environmental Programs Division also monitors underground and above-ground storage tanks and hazardous substances, and performs the mandated regulatory reporting on these programs. In the course of such investigations and monitoring, the Department may discover previously unknown contamination. No assurance can be given that the remediation costs for any such contamination will not be material.

The Department conducts annual inspections of tenant and Department operations, regarding compliance with the Department's National Pollutant Discharge Elimination System Storm Water Permit for Industrial Facilities (the "Storm Water Discharge Permit"), issued by the State Water Resources Control Board ("SWRCB"), Los Angeles Regional Water Quality Control Board ("LARWQCB") at LAX. These inspections seek to confirm compliance with the Storm Water Discharge Permit. The Department is also subject to regulation under the Construction Storm Water Permit, the General Industrial Storm Water

Permit, the City's Municipal Separate Storm Sewer System (MS4) Permit, storm water City ordinances, the City's Municipal Wastewater Permit, and Industrial Waste Permits for certain sewer discharges. The Department maintains records of all known areas where hazardous materials have been accidentally discharged. The Department works cooperatively with the relevant regulatory agencies to confirm that the responsible tenants are remediating contamination caused by their operations. There are, currently, two major remediation programs in place at LAX. One program involves the release of jet fuel to ground water underlying LAX. The tenant at the time of the release, Continental Airlines (now merged with and into United Airlines), has accepted responsibility for the remediation and active remediation systems are in place at the direction of the LARWQCB.

The Park One Property is also environmentally impacted and the subject of the second major remediation project. From approximately 1941 to 1988, the Park One Property was used for aerospace manufacturing, and included the use of chlorinated solvents. As a result, the soil and groundwater were impacted, including with volatile organic compounds and 1,4-dioxane. The LARWQCB is currently providing regulatory oversight of investigation and remediation of this contamination. In or about 1991, soil remediation activities were conducted on most of the Park One Property. In 1993, the LARWQCB issued a letter stating that contaminated soils in all areas covered by site investigations except the northwest quadrant had been adequately addressed. Currently, the remediation plan for the remaining portion, approximately the northwest quadrant, is being reconsidered by the LARWOCB. As part of the acquisition transaction for the Park One Property, the Department became the assignee under an Indemnity Agreement entered into by Allied-Signal, Inc., now known as Honeywell International, Inc. ("Honeywell") which covers, among other things, certain indemnification for soil and groundwater contamination. Honeywell has been investigating the groundwater contamination beneath and offsite from the Park One Property. The Department expects Honeywell to continue its remediation of the soil contamination and investigation of the groundwater contamination and to design and implement requisite groundwater clean-up work. Currently, and from time to time, there are smaller remediation projects in place at LAX.

The Department owns and operates underground storage tanks ("USTs") at LAX (both at LAX and off site at Skyview) and VNY to provide for the Department owned vehicle, emergency generator fueling, waste oil storage, and fuel for the LAX aircraft fire drill site. Other ongoing investigations and assessments are being performed by the Department related to, among other things, fueling assets acquired from bankruptcy of tenants or other means where petroleum may have been released. Smaller scale clean-ups are conducted when hazardous substances are released.

The group of chemicals known as Per- and Polyflouroalkyl Substances ("PFAS"), which includes PFOA, PFOS, GenX and others, are found in numerous products, used in many manufacturing processes, and also in aqueous fire-fighting foam ("AFFF") at airports and military bases across the country. AFFF is effective in smothering fuel fires and the FAA specifies that AFFF must contain PFAS. The Los Angeles Fire Department uses AFFF at LAX and VNY in their firefighting apparatus. There is no regulatory guidance at this time as to acceptable levels of PFAS in soil or groundwater. However, there are notification levels for water suppliers for certain PFAS detected in drinking water. A Public Health Goal for PFAS in drinking water is being pursued by the California Department of Public Health. LAX was directed by the LARWQCB to sample at two locations for PFAS in groundwater at existing fuel investigation sites. Levels in groundwater at these sites ranged in 2017 from approximately 200 parts per trillion ("PPT") to 1,700 PPT with no discernible plume pattern or gradient. The EPA recommends lifelong exposure in drinking water at 70 PPT. In March 2019, the Department received a Water Code Section 13267 Order from the SWRCB and the LARWQCB for investigation of the presence of PFAS at LAX. The order was part of a statewide phased investigation plan regarding PFAS, with orders initially issued to all Part 139 airports in California that use AFFF fire-fighting foam for training or response which is required by the FAA. The investigation was completed in October 2019 showing the presence of PFAS chemicals in soil and groundwater at 4 locations where borings and groundwater well work was performed. A follow up investigation order was issued in August 2020 to the Department to further define and delineate the vertical and horizontal extent of PFAS at LAX.

In August 2019, the California Water Boards' Division of Drinking Water revised the notification levels to 6.5 PPT for PFOS and 5.1 PPT for PFOA (both types of PFAS), and in March 2021 issued a drinking water notification level and response level of 0.5 parts per billion (PPB) and 5 PPB, respectively for perfluorobutane sulfonic acid (PFBS). No assurance can be given that any future investigation and/or remediation costs for any such contamination will not be material.

No assurance can be given that future environmental legislation, regulations, restrictions or limitations will not adversely impact operations at LAX, anticipated federal funding or PFC collections for capital projects for LAX or the revenues of the Department.

Emission Standards. Air emissions associated with airport activities are governed by a number of federal, State and local regulations. Most notable of these are the federal Clean Air Act (the "FCAA"), the California Clean Air Act (the "CCAA"), California Assembly Bill 32, the California Global Warming Solutions Act of 2006 ("AB 32"), and various rules and regulations of the South Coast Air Quality Management District ("SCAQMD"). LAX-owned stationary equipment that produces or controls emissions currently operate under a Title V operating permit issued by SCAQMD.

The Department is subject to various mitigation measures designed to reduce emissions from airport operations at LAX, including, among other measures: provisions for all airline and tenant ground service equipment to meet low emission goals; providing ground power and preconditioned air at all passenger loading gates, allowing aircraft to shut off their auxiliary power units; installing ground power at all cargo operations and hangar areas, allowing aircraft at cargo and maintenance operations areas to shut off their auxiliary power units; provisions for medium and heavy-duty vehicles in operation at LAX to meet low emission goals; and reducing construction emissions through the use of low polluting construction equipment and exhaust emission controls.

On November 7, 2019, the Board approved an air quality improvement plan (the "AQIM") developed in consultation with SCAQMD. The AQIM outlines measures the Department plans to take to reduce emissions of NOx from Airport operations and includes a Memorandum of Understanding with SCAQMD (the "SCAQMD MOU") for the Department to implement specific air quality improvement measures (i.e., the Ground Support Equipment Emissions Reduction Program, the LAX Alternative Fuel Vehicle Incentive Program, and the conversion of Department-owned buses to zero—emission vehicles) and quantify emissions reductions from those measures to assist SCAQMD in obtaining reductions for such measures to meet SCAQMD's obligations under the FCAA and CCAA. The Department is implementing the SCAQMD MOU, the AQIM and related air quality improvement measures at LAX.

The Department has conducted an extensive air quality analysis and adopted numerous mitigation measures designed to reduce the air quality impacts associated with implementation of the Department's Capital Program. For each project undertaken, the Department must disclose project level air quality environmental impacts under a project specific California Environmental Quality Act ("CEQA") study.

AB 32 and related California legislative action specifically regulates the release of certain greenhouse gas ("GHG") emissions from stationary sources within the State. The Mandatory Reporting requirement under AB 32 requires facilities that generate greater than 10,000 MtCO2e per year to report their GHG emissions. The Department owns and operates a cogeneration plant at LAX along with other stationary sources in the facility (e.g., natural gas boilers and heaters). The Department complies in all material respects with all requirements under AB 32. In addition to the AB 32 Mandatory Reporting requirement, the Department must also report its GHG emissions to the U.S. Environmental Protection

Agency (the "EPA"). Since 2011, the Department has reported its GHG emissions from these sources in substantial compliance with applicable requirements. The State Attorney General's Office has been using CEQA aggressively to apply the provisions of AB 32 to local and regional plans as well as to projects. Project level CEQA analysis prepared for projects at LAX must include an analysis of the project's potential GHG emissions and impacts. Since January 2013, facilities such as LAX that are subject to the Mandatory Reporting requirement under AB 32 are required to comply with the California Cap-and-Trade Program applicable to certain sources of GHG emissions in the State such as refineries, power plants, industrial facilities and transportation fuels. The California Cap-and-Trade Program includes an enforceable GHG cap that will decline over time. Under the California Cap-and-Trade Program, CARB distributes GHG allowances, which are tradable permits, equal to the emission allowed under the cap. The Department is required to obtain emission allowances for annual emissions at LAX. These emission allowances can be obtained by way of free allocation from CARB, through purchase from the secondary market and CARB auction, and reserve sale. The cost to the Department of obtaining required emissions allowances is dependent on the actual emissions generated at LAX and the price fluctuations in the market for emissions credits. The Department expects to recoup the cost of purchasing emission credits through landing fees at LAX and or LAX terminal rates and charges, as applicable. The consequences of not meeting an annual compliance obligation can include enforcement actions and penalties equivalent to four times the facilities' excess emissions. Various industries throughout the State may seek to purchase emission allowances to comply with the Cap-and-Trade Program, which may cause the price of allowances to increase. The emission allowance price has increased to approximately \$22 per MtCO2e since July 2021. LAX emits on average approximately 35,000 MtCO2e annually when fully operational. The Department's purchase of allowances may vary and no assurance can be given that such costs will not be material.

SCAQMD imposes rules and regulations specifically targeted at various air pollutants and types of operations such as hydrant fueling, private vehicle fueling, power generators, boilers and the use of various volatile organic chemical containing materials. The LAX Central Utilities Plant is a co-generation plant providing electricity and cooling/heating to the Central Terminal Area. As the Department has the Central Utilities Plant (a power generating plant), SCAQMD requires continuous emissions monitoring and stringent environmental oversight. The Department's Environmental Programs Division includes an Air Quality Section with four full-time professional staff assigned to maintain compliance with the various rules and regulations.

REPORT OF THE AIRPORT CONSULTANT

General

The Department has retained WJ Advisors LLC, which is recognized as an expert in its field, to prepare a report in connection with the issuance of the Series 2022A Bonds. The Report of the Airport Consultant is included as APPENDIX A hereto, with the Airport Consultant's consent. The information regarding the analyses and conclusions contained in the Report of the Airport Consultant is included in the Official Statement in reliance upon the expertise of the Airport Consultant.

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

The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Report of the Airport Consultant will occur. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and

circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. See also "INTRODUCTION – Forward-Looking Statements," and "CERTAIN INVESTMENT CONSIDERATIONS – Assumptions in the Report of the Airport Consultant; Actual Results May Differ from Forecasts and Assumptions."

Forecasted CFC Collections and Debt Service Coverage

The following table sets forth the forecasted CFC collections, interest earnings on the CFC Revenue Fund, balances in the Rolling Coverage Fund, debt service requirements for the Series 2022A Bonds and the debt service coverage of the Series 2022A Bonds, as forecast by the Airport Consultant, for the Fiscal Years 2024 through 2030 (interest on the Series 2022A Bonds will be paid with a portion of the proceeds of the Series 2022A Bonds in Fiscal Years 2022 and 2023).

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Department's management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the rental car business at LAX. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information. Additionally, the forecasted financial information in the following table has not been updated to reflect the sale, issuance or final terms of the Series 2022A Bonds.

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

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

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TABLE 8 DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES LOS ANGELES INTERNATIONAL AIRPORT FORECASTED DEBT SERVICE COVERAGE ON THE SERIES 2022A BONDS (\$ in thousands)

Fiscal Year	CFCs Collected	Interest Earnings ⁽¹⁾	Total CFCs Collected and Interest Earnings	Balance in Rolling Coverage Fund	Annual Debt Service Requirements for Series 2022A Bonds ⁽²⁾	Annual Debt Service Coverage for Series 2022A Bonds ⁽³⁾	Maximum Annual Debt Service Requirement of Series 2022A Bonds ⁽⁴⁾	Debt Service Coverage (Maximum Annual Debt Service of Series 2022A Bonds) ⁽⁵⁾
2024	\$ 95,976	\$305	\$ 96,281	\$10,474	\$20,851	5.12x	\$41,896	2.55x
2025	103,167	238	103,405	10,474	23,829	4.78	41,896	2.72
2026	104,958	238	105,196	10,474	23,829	4.85	41,896	2.76
2027	106,785	238	107,023	10,474	23,829	4.93	41,896	2.80
2028	108,666	238	108,904	10,474	23,829	5.01	41,896	2.85
2029	110,547	329	110,876	10,474	41,894	2.90	41,896	2.90
2030	112,491	419	112,910	10,474	41,894	2.95	41,896	2.95

⁽¹⁾ Includes earnings on investments in the CFC Revenue Fund.

Source: WJ Advisors LLC

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2022A Bonds involve investment risk and may not be suitable for all investors. Prospective investors are urged to read this Official Statement, including its appendices, in its entirety. The factors set forth in this Official Statement, among others, may affect the security for and/or trading value of the Series 2022A Bonds. The information contained in this Official Statement relates solely to the Series 2022A Bonds and speaks only as of the date of this Official Statement. The information in this Official Statement does not purport to be a comprehensive or complete discussion of all risks or other considerations that may be relevant to an investment in the Series 2022A Bonds. Other factors may exist which may be material to investors based on their respective individual characteristics. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. Additional risk factors relating to the purchase of Series 2022A Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. Additional risks and uncertainties not presently known, or currently believed to be immaterial, may also materially and adversely affect, among other things, the rental car markets at LAX and the collection of CFCs. In addition, although the various risks discussed in this Official Statement are generally described separately, prospective investors of the Series 2022A Bonds should consider the potential effects of the interplay of multiple risk factors which could occur concurrently. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. There can be no assurance that other risks or considerations not discussed in this Official Statement are or will not become material in the future.

⁽²⁾ Includes the annual debt service requirements on the Series 2022A Bonds. For purposes of the table only, the Series 2022A Bonds were assumed to be issued in an aggregate principal amount of \$545,705,000, with an all-in true interest cost of 4.48%.

⁽³⁾ Calculated by dividing (a) the sum of Total CFCs Collected and Interest Earnings and Balance in Rolling Coverage fund, by (b) Annual Debt Service Requirements for Series 2022A Bonds.

⁽⁴⁾ Includes the maximum annual debt service requirement on the Series 2022A Bonds. The maximum annual debt service requirement on the Series 2022A Bonds is forecasted to occur after Fiscal Year 2030.

⁽⁵⁾ Calculated by dividing (a) the sum of Total CFCs Collected and Interest Earnings and Balance in Rolling Coverage fund, by (b) Maximum Annual Debt Service Requirements of Series 2022A Bonds.

Series 2022A Bonds Are Special Limited Obligations

The Series 2022A Bonds are special limited obligations of the Department, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges collected by the Rental Car Companies operating at LAX and remitted to the Department, and certain funds and accounts held by the Trustee under the Indenture. *No revenues of the Department, other than the Customer Facility Charges, are pledged to the payment of the Series 2022A Bonds.* The Series 2022A Bonds do not constitute or evidence an indebtedness of the City or a lien or charge on any property or the general revenues of the City. Neither the faith and the credit nor the taxing power of the City, the State or any public agency, other than the Department, to the extent described herein, is pledged to the payment of the principal of or interest on the Series 2022A Bonds. The Department has no power of taxation. The Series 2022A Bonds constitute and evidence an obligation of the Department payable only in accordance with Section 609(b) of the City Charter and any other applicable provisions thereof. Neither the ConRAC Project nor any other properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2022A Bonds.

Factors Affecting Collection of CFCs

The payment of the Series 2022A Bonds is dependent on the generation of sufficient CFCs in each Fiscal Year. CFCs are contingent upon, and the amount generated will be impacted by, a variety of factors, including: completion of the construction of and the opening of the ConRAC; aviation activity and the rental of motor vehicles at LAX; the airlines' service and route networks; the financial health and viability of the airline and rental car industries; levels of disposable income; national and international economic and political conditions, including disruptions caused by airline incidents, acts of war and terrorism; the availability and price of aviation fuel and gasoline; levels of air fares and car rental rates at the Airport: public health risks, such as COVID-19, the capacity of the national air traffic control system; the capacity at LAX and the ConRAC; the population growth and the economic health of the region and the nation; alternative modes of travel and transportation substitutes (i.e., TNCs); the cost and availability of employees; labor relations within the airline industry and the availability of labor generally; regulation by the federal government; evolving federal restrictions on travel to the United States from certain countries; environmental risks and regulations, noise abatement concerns and regulations, emissions standards and regulations and the effects of climate change; bankruptcy and insolvency laws; and aviation safety and security concerns, cybersecurity and other safety concerns arising from international conflicts, the possibility of terrorist or other attacks and other risks (including the impact of such attacks on other airports that have flights to or from LAX, as well as the possibility of the closure of those airports for a period of time). See also the discussion of factors affecting the rental car market at the LAX under "- Certain Rental Car Industry Investment Considerations" below, and the discussion of factors affecting aviation demand at the LAX under "- Factors Affecting the Airline Industry" below.

COVID-19 Pandemic and Related Matters

The COVID-19 pandemic and resulting restrictions on human activities have severely disrupted, and continue to disrupt, the economies of the United States and other countries. The COVID-19 pandemic has and may continue to have a material adverse effect on the demand for passenger air travel and rental cars, although some recovery in air travel volume has occurred over the last several months. The length of the COVID-19 pandemic itself will likely depend on the speed and effectiveness of the various COVID-19 Vaccine roll-outs in the United States and abroad and their ability to protect against new variants of the virus, a number of which have emerged. An additional consideration is the general public's perception of the efficacy of the COVID-19 Vaccines and the public's willingness to receive a COVID-19 Vaccine, including prior to full FDA approval. The longer the COVID-19 pandemic persists, the greater the ultimate

effect is likely to be on the airline industry, the rental car industry, the collection of CFCs and the Department's operations and financial condition.

In addition, the continuing impacts of the COVID-19 pandemic have resulted in operational difficulties for certain airlines as they increase capacity to meet demand. In some cases, this has resulted in higher flight cancellation rates and reductions in previously planned additions of scheduled capacity. These difficulties have resulted from a variety of factors, including, but not limited to, delays in re-hiring or hiring sufficient personnel as a result of generally prevailing labor shortages, increased customer service demands due to ongoing changes in ticketing rules and information technology disruptions.

The Department cannot predict the outcome of many factors that can materially adversely affect the rental car market at LAX, the collection of CFCs and the Department's finances or operations, including but not limited to: (i) the duration or extent of the COVID-19 pandemic or another outbreak or pandemic or force majeure event; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the extent to which airlines will continue reduced services at LAX, or whether airlines will cease operations at LAX or shut down in response to such restrictions or warnings; (iii) what effect any COVID-19 pandemic-related or another outbreak- or pandemic-related restrictions or warning may have on air travel, including to and from LAX, the rental car market at LAX, retail and services provided by LAX concessionaires, LAX costs, LAX revenues or the collection of CFCs; (iv) whether and to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact LAX-related construction (including the ConRAC and the APM), the cost, source of funds, schedule or implementation of the capital improvement program, or other Department operations; (v) the extent to which the COVID-19 pandemic or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economies, may result in changes in demand for air travel, including long-term changes in consumer behavior and the operations of other businesses, or may have an impact on the airlines, the rental car companies or other concessionaires serving LAX or the airline, travel industry or rental car market, generally; (vi) whether or to what extent the Department may provide additional deferrals, forbearances, adjustments or other changes to the Department's arrangements with airline tenants, rental car companies and other LAX concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Department or the collection of CFCs. Prospective purchasers should assume that certain restrictions and limitations related to the COVID-19 pandemic may be continued and that full recovery of air travel and the rental car market may be prolonged, causing an adverse impact on the collection of CFCs. Future outbreaks, pandemics or events outside the Department's control may further reduce demand for air travel and rental cars, which in turn could cause a decrease in passenger activity at LAX and declines in CFCs. See "IMPACT OF COVID19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX" regarding additional COVID-19 pandemic-related risks.

Construction and Operation of the ConRAC Project

Construction Risks. The ConRAC Developer's ability to complete the construction of the ConRAC Project within budget and on schedule may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) material and/or labor shortages; (d) unforeseen site conditions; (e) adverse weather conditions and other force majeure events; (f) contractor defaults and litigation; (g) labor disputes; (h) environmental issues; (i) difficulties in obtaining or renewing permits or other federal, state or local government approvals; and (j) unavailability of other funding sources.

Damage and Destruction. Pursuant to the ConRAC DBFOM Agreement, during construction of the ConRAC, the ConRAC Developer is required to obtain and maintain various insurance policies with respect to the ConRAC, and upon completion of the ConRAC, the Department and the ConRAC Developer are required to obtain and maintain certain insurance policies with respect to the ConRAC. See "THE

CONRAC PROJECT – ConRAC DBFOM Agreement – Insurance Requirements" for a discussion of the various insurance policies required to be obtained and maintained by the ConRAC Developer and the Department during the construction of the ConRAC and during the operating and maintenance period of the ConRAC. Pursuant to the Indenture, the Department will covenant to comply with the insurance requirements of the ConRAC DBFOM Agreement, as long as the ConRAC DBFOM Agreement is in full force and effect. While the ConRAC DBFOM Agreement is in effect, any insurance proceeds received by either the ConRAC Developer or the Department with respect to the ConRAC will be applied to the purposes set forth in the ConRAC DBFOM Agreement (including repairing and/or rebuilding the ConRAC), which purposes shall not include the payment of any of the Series 2022A Bonds. While the ConRAC DBFOM Agreement is in effect any insurance proceeds received by either the ConRAC Developer or the Department with respect to the ConRAC will not be part of the Trust Estate and the holders of the Series 2022A Bonds shall have no rights to such insurance proceeds.

Pursuant to the Indenture, in the event the ConRAC DBFOM Agreement is no longer in effect, the Department will covenant to procure and maintain commercial insurance on a replacement cost basis (without deduction for depreciation), or alternatively, Qualified Self-Insurance, if applicable, with respect to the ConRAC. However, there can be no assurance that the ConRAC will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the ConRAC is not available for use will not exceed the coverage of such insurance policies. As described under APPENDIX B – "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE – THE INDENTURE – Casualty and Condemnation of ConRAC," if insurance proceeds are not sufficient to restore the ConRAC to its pre-existing condition, the Department is required to issue Additional Bonds, use amounts on deposit in the CFC Revenue Fund, and, to the extent permitted under the CFC Laws, continue to collect and use CFCs (collectively, together with any available insurance proceeds, "Available Amounts"), to restore the ConRAC to its pre-existing condition.

Pursuant to the Indenture, if Available Amounts are not sufficient to restore and repair the ConRAC to its pre-existing condition and the Department is prohibited by the CFC Laws from requiring the Rental Car Companies to collect CFCs and remitting them to the Department, all Available Amounts and such other amounts on deposit in the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund (if any) and any Subordinate Reserve Fund will be used first, to optionally redeem the Series 2022A Bonds (see "DESCRIPTION OF THE SERIES 2022A BONDS – Redemption Provisions – Optional Redemption") and any Additional Senior Bonds pursuant to the terms of the applicable Supplemental Indenture or create an escrow fund(s) pledged to pay the Series 2022A Bonds and any Additional Senior Bonds and thereby cause the Series 2022A Bonds and any Additional Senior Bonds to be deemed to be paid as provided in the Indenture. Sufficient moneys may not be available to optionally redeem and/or pay all of the Outstanding Series 2022A Bonds and any Additional Senior Bonds.

Neither the ConRAC DBFOM Agreement nor the Indenture will require the Department to maintain earthquake insurance on the ConRAC. If the Department determines in its sole discretion that earthquake insurance is not commercially reasonable, the Department need not maintain such earthquake coverage.

Seismic Risks; Other Force Majeure Events

The City is located in a seismically active region of the State. During the past 150 years, the Los Angeles area has experienced several major and minor earthquakes. The most recent major earthquake that occurred in the Los Angeles area occurred on January 17, 1994. That earthquake measured 6.7 on the Richter Scale. LAX experienced no disruption of service following that earthquake. Damage in excess of

\$11 million was sustained at VNY and LAX. The Department received funds from FEMA and from its insurance carrier as a result of the earthquake damage at VNY.

In March 2015, the Uniform California Earthquake Rupture Forecast (the "2015 Earthquake Forecast") was issued by the Working Group on California Earthquake Probabilities. Organizations sponsoring the Working Group on California Earthquake Probabilities include the U.S. Geological Survey, the California Geological Survey, the Southern California Earthquake Center and the California Earthquake Authority. According to the 2015 Earthquake Forecast, the probability of the Southern California region experiencing an earthquake measuring 6 or larger on the Richter Scale by 2044 is approximately 100%, measuring 6.7 or larger on the Richter Scale by 2044 is approximately 95%, measuring 7 or larger on the Richter Scale by 2044 is approximately 76%, measuring 7.5 or larger on the Richter Scale by 2044 is approximately 36%, and measuring 8 or larger on the Richter Scale by 2044 is approximately 7%, and the likelihood of the Los Angeles region experiencing an earthquake measuring 6 or larger on the Richter Scale by 2044 is approximately 96%, measuring 6.7 or larger on the Richter Scale by 2044 is approximately 60%, measuring 7 or larger on the Richter Scale by 2044 is approximately 46%, measuring 7.5 or larger on the Richter Scale by 2044 is approximately 31%, and measuring 8 or larger on the Richter Scale by 2044 is approximately 7%. LAX's facilities (including the ConRAC) and the infrastructure surrounding LAX could sustain extensive damage in a major seismic event, including total destruction of LAX, the ConRAC or the surrounding infrastructure and destabilization or liquefaction of the soils.

The Department's ability to generate CFCs is also at risk from other force majeure events, such as extreme weather events, droughts, and other natural occurrences, fires, explosions, spills of hazardous substances, strikes and lockouts, pandemics, terrorist or other attacks, sabotage, or wars, blockades or riots. No assurance can be given that such events will not occur while the Series 2022A Bonds are outstanding. The Department has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance and limited earthquake insurance as described under "LOS ANGELES INTERNATIONAL AIRPORT – Certain Financial and Operating Information Concerning the Department and LAX – Risk Management and Insurance." Any damage to the ConRAC or the Department's other facilities could adversely affect the collection of CFCs and its revenues or require substantial new capital spending by the Department or others to replace or improve facilities and surrounding infrastructure. The proceeds available under such property and casualty insurance may not be sufficient to replace the entire ConRAC and the other damaged portions of LAX after the occurrence of such an event. Moreover, no assurance can be given that such insurance will always be available in sufficient amounts at a reasonable cost or available at all or that insurers will pay claims in a timely manner or at all. The Department is unable to predict when another earthquake or other force majeure event may occur and what impact, if any, it may have on the Rental Car Companies or the Department's operations or finances or whether the Department or others will have sufficient resources to rebuild or repair damaged facilities and surrounding infrastructure following a major earthquake or other force majeure event.

Assumptions in the Report of the Airport Consultant; Actual Results May Differ from Forecasts and Assumptions

The Report of the Airport Consultant included in APPENDIX A to this Official Statement incorporates numerous assumptions and states that the forecasts in the Report of the Airport Consultant are subject to uncertainties. The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts made therein. No assurance can be given that the forecasts discussed in the Report of the Airport Consultant will be achieved or that the assumptions upon which the forecasts are based will be realized. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances will occur. Therefore, actual results achieved during the forecast period (Fiscal Year 2022 through Fiscal Year 2030) may vary from those set forth in APPENDIX A and the variations may be

material and adverse. Additionally, the debt service forecasts in the Report of the Airport Consultant have not been updated to reflect the sale, issuance or final terms of the Series 2022A Bonds. Further, the Report of the Airport Consultant does not cover the entire period through maturity of the Series 2022A Bonds. See "INTRODUCTION – Forward-Looking Statements," "REPORT OF THE AIRPORT CONSULTANT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

CFC Laws Set Maximum Allowable CFC

Pursuant to the CFC Laws and the CFC Resolutions, the Board authorized the collection of a Customer Facility Charge, which is currently \$9.00 per transaction day, limited to five transaction days per rental car contract entered into by a Rental Car Company and a rental car customer. The CFC of \$9.00 per transaction day (limited to 5 transaction days per rental car contract) currently imposed by the Department is the maximum amount allowed under the CFC Laws. Without future legislative changes, the Department is prohibited from imposing a CFC greater than \$9.00 per transaction day, up to five transaction days. The Department will covenant under the Indenture to impose and collect a CFC at LAX in accordance with the CFC Laws at sufficient levels to make the deposits required to be made pursuant to the Indenture (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS – Flow of Funds"). However, this covenant will be subject to the CFC Laws and the maximum CFC allowed to be imposed under the CFC Laws.

Future Legislative Changes That Could Restrict Imposition of CFCs

No assurance can be given that the Department's ability to impose CFCs will not be affected by future legislation or by future legal challenges so as to reduce CFC revenues available to the Department. See "– Certain Rental Car Industry Investment Considerations" below. For example, the CFC Laws currently allow the Department to impose a CFC of \$9.00 per transaction day (limited to 5 transaction days per rental car contract), which is currently the maximum amount allowed under the CFC Laws. No assurance can be given that the CFC Laws will be amended in the future that could reduce the maximum CFC allowed to be imposed below the current \$9.00 per transaction day (up to 5 transaction days per rental car contract).

Other Expected Uses of CFCs

In addition to using the CFCs to pay debt service on the Series 2022A Bonds, the Department expects to use excess CFCs remaining after the payment of debt service on the Series 2022A Bonds and the funding of any funds and accounts established under the Indenture to pay the ConRAC Capital Availability Payments to the ConRAC Developer, up to 41% of the debt service on bonds issued by the Department to pay its portion of the costs of the APM, and a portion of the APM Availability Payments to the APM Developer.

Enforceability of Remedies; Limitation on Remedies; Effect of City Bankruptcy

The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the Department under the Indenture.

The rights and remedies available to the Trustee and the owners of the Senior Bonds (including the Series 2022A Bonds) and the Subordinate Bonds, and the obligations incurred by the Department, may become subject to, including through a City bankruptcy, among other things: (i) the United States Bankruptcy Code (the "Bankruptcy Code"), including a determination that CFCs may not be afforded the protections of "special revenues" under the Bankruptcy Code; (ii) other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally, now or

hereinafter in effect; (iii) equity principles; (iv) limitations on the specific enforcement of certain remedies; (v) the exercise by the United States of America of the powers delegated to it by the Constitution; (vi) the reasonable and necessary exercise, in certain circumstances, of the police powers inherent in the sovereignty of the State and its governmental bodies having an interest in serving a significant and legitimate public purpose; and (vii) regulatory and judicial actions that are subject to discretion and delay.

The results of the foregoing, including but not limited to matters that may arise in proceedings under the Bankruptcy Code, are difficult to predict. The foregoing could subject the owners of the Senior Bonds (including the Series 2022A Bonds) and Subordinate Bonds to, among other things: (i) judicial discretion and interpretation of rights; (ii) the automatic stay provisions of the Bankruptcy Code, which among other things, could operate to cause a delay or prohibition in debt service payments to the owners of Senior Bonds and Subordinate Bonds; (iii) rejection of significant agreements; (iv) avoidance of certain payments to the owners of the Senior Bonds and Subordinate Bonds as preferential payments; (v) assignments of certain obligations, including those in favor of the owners of the Senior Bonds and Subordinate Bonds; (vi) significant delays, reductions in payments and other losses to the owners of the Senior Bonds and Subordinate Bonds; (vii) an adverse effect on the liquidity and/or market values of the Senior Bonds and Subordinate Bonds; (viii) additional borrowing, which borrowing may have priority over the lien of the Indenture; (ix) alterations to the priority, interest rate, payment terms, collateral, maturity dates, payment sources and terms, covenants (including tax-related covenants) and other terms or provisions of the Indenture or the Senior Bonds or Subordinate Bonds, and other obligations, including treating the owners of the Senior Bonds and Subordinate Bonds as general unsecured creditors of the City; and (x) the release of all or a portion of the CFCs, free and clear of lien of the Indenture, as the case may be.

Legal opinions to be delivered concurrently with the delivery of the Series 2022A Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2022A Bonds may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, as well as limitations on legal remedies against cities in the State.

See APPENDIX B – "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE – THE INDENTURE – Default and Remedies – Application of Moneys."

Limitation on Amounts Available Upon the Occurrence of an Event of Default

Other than the pledge of the Trust Estate granted under the Indenture, no mortgage or security interest has been granted or lien created in the ConRAC or the other components of the ConRAC Project or any properties of the Rental Car Companies or the Department to secure the remittance of CFCs or payment of the Series 2022A Bonds. *No revenues of the Department, other than the Customer Facility Charges, are pledged to the payment of the Series 2022A Bonds.*

Upon the occurrence of an Event of Default, the Bondholders will have several remedies that they will be allowed to pursue, including declaring all of the principal of and interest on the Series 2022A Bonds to be due and payable immediately. See APPENDIX B – "CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE – THE INDENTURE – Default and Remedies – Remedies." However, any remedies, including the acceleration of the payment of the principal of and interest on the Series 2022A Bonds, will be limited to any moneys held by the Trustee under the Indenture. See "– Certain Rental Car Industry Investment Considerations – Effect of Rental Car Company Bankruptcy or Financial Difficulty" below.

Certain Rental Car Industry Investment Considerations

Effect of Rental Car Company Bankruptcy or Financial Difficulty. In the event a bankruptcy case is filed with respect to a Rental Car Company, a bankruptcy trustee or the Rental Car Company as debtor-in-possession could reject its Rental Car CLA, in which event such agreement would be terminated and such Rental Car Company would be required to vacate the ConRAC. In such circumstances, while rental car demand would not be affected, CFC collections could be affected until other Rental Car Companies are able to increase their capacity to accommodate additional customers.

Additionally, in the event a bankruptcy case is filed with respect to a Rental Car Company, notwithstanding the fact that CFCs collected by a Rental Car Company are not income, revenue or any other asset of the Rental Car Company, but rather are subject at all times to a first lien for the repayment of the Series 2022A Bonds and are being held in trust by the Rental Car Companies for the benefit of the Department, CFCs collected by a Rental Car Company, but not yet remitted to the Department prior to the filing of the bankruptcy petition, may be included in the bankruptcy estate, resulting in the Department having a general creditor claim for payment of such amounts or otherwise render them uncollectible by the Department. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Department cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the rental car companies operating at LAX. Additionally, the Department cannot predict whether a rental car company operating at LAX that files for bankruptcy protection would have properly accounted for the CFC revenues owed to the Department or whether the bankruptcy estate would have sufficient moneys to pay the Department in full for the CFC revenues owed by such rental car company. Regardless of any specific adverse determinations in a Rental Car Company bankruptcy proceeding, the fact of a Rental Car Company bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2022A Bonds.

In 2020, two of the rental car companies then operating at LAX, Advantage and Hertz filed for Chapter 11 bankruptcy protection. Advantage changed from an on-airport rental concessionaire to an off-airport rental car licensee in February 2020 and then ceased all operations at LAX in June 2020. Advantage remitted all CFCs it had collected to the Department. In July 2021, Hertz assumed its Rental Car CLA and exited from bankruptcy. Hertz remitted all CFCs it collected before and during its bankruptcy proceedings to the Department. See "IMPACT OF COVID-19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX – Other Impacts of the COVID-19 Pandemic on the Rental Car Market at LAX." Additional Rental Car Companies could file for bankruptcy protection while the Series 2022A Bonds are outstanding.

Concentration of Rental Car Companies Operating at LAX. Rental Car CLAs have been entered into by five Rental Car Companies representing thirteen rental car brands. Three of these Rental Car Companies represent nine brands that controlled approximately 86.8% of the rental car market at LAX in Fiscal Year 2021. The concentration of the actual and projected rental car activity at the Airport in a small number of corporate entities increases the risk of factors that may impact the operations and activities of the Rental Car Companies. The termination of a Rental Car CLA, bankruptcy or financial difficulty, or cessation of operations of a Rental Car Company could have an adverse impact on the amounts of CFCs available to pay the principal of and interest on the Series 2022A Bonds.

Factors Affecting Rental Car Activity

<u>Rental Car Activity</u>. As described in the Report of the Airport Consultant, rental car demand at the Airport, and therefore the number of rental car transaction days to which the CFC applies, is highly correlated to passenger demand. The Airport Consultant also concludes, based on historical rental car data and based on the assumptions set forth in the Report of the Airport Consultant, that the number of rental

car transaction days at the Airport is primarily a function of the number of visiting O&D deplaned passengers. Other factors found by the Airport Consultant to affect rental car demand at the Airport include: the price of renting a car, as measured by the average daily rental rate; market segmentation (business/leisure); convenience; the availability of alternative forms of ground transportation (i.e., TNCs); and certain extraordinary events, such as the terrorist attacks of September 11, 2001 and the COVID-19 pandemic. For a full discussion of these and other factors affecting rental car activity, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

A significant component of renting a car at most major U.S. airports is the growing list of add-on fees and taxes, including CFCs, and unbundled rental car operating costs such as tire recycling fees and facility maintenance costs. To the extent add-on fees and taxes, including CFCs, increase, rental car demand could decrease as potential customers opt for alternative modes of transportation that they perceive to be more cost effective than renting a car, thus reducing the total amount of CFCs collected. The Department is unable to predict what impact, if any, the imposition or increase of such add-on fees and taxes, including CFCs, could have on rental car demand at the Airport. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

<u>Competition and Alternative Modes of Ground Transportation</u>. There are alternative forms of ground transportation available at and near the Airport, which could reduce the demand for renting motor vehicles at the ConRAC. These alternate forms that compete with on-airport rental cars include TNCs, taxis, buses, shuttle services, public transportation and limousines. For a further description of these alternate modes of transportation and their impact on rental car demand, see of APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Only On-Airport Rental Car Companies Collect CFCs. Currently, the Department only requires on-Airport Rental Car Companies (Rental Car Companies that have entered into a Rental Car Concession Agreement and/or a Rental Car CLA), to collect and remit CFCs to the Department. The off-Airport rental car companies (those rental car companies that have entered into a Rental Car License Agreements) are not required to collect CFCs from their customers and remit them to the Department. Once the ConRAC becomes operational, the off-Airport rental car companies will be required to pick-up and drop-off their customers at the ConRAC and their customers will be required to use the APM System (or, prior to the operational date of the APM System, such other common transportation system employed by the Department to transport people between the ConRAC and the Central Terminal Area) to transport them to the Central Terminal Area. As of the date of this Official Statement, the Department has not decided whether it will require the off-Airport rental car companies to collect a CFC from their customers upon the ConRAC DBO. It is not anticipated that any off-Airport rental car service that may be provided will be significant.

Factors Affecting the Airline Industry

General. The Series 2022A Bonds will be payable solely from CFCs and certain funds and accounts held by the Trustee under the Indenture. The ability to pay debt service on the Series 2022A Bonds will depend on the receipt of sufficient CFCs. The Department's ability to generate CFCs depends upon many factors which may be affected by airline operations at the Airport, many of which are not subject to the control of the Department.

Air travel demand has historically correlated to the national economy, generally, and consumer income and business profits in particular. The long-term implications of recent economic, public health and political conditions are unclear. A lack of sustainable economic growth or unexpected events could negatively affect, among other things, financial markets, commercial activity and consumer spending.

The economic slowdown throughout the world and in the United States, the State, and the Los Angeles-Long Beach-Riverside Combined Statistical Area ("Los Angeles CSA"), which includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties, influences the demand for passenger and cargo services at LAX. Consequently, economic assumptions that underlie the forecast of enplaned passengers in this Official Statement and the Report of the Airport Consultant are based on a review of global, national, State and regional economic forecasts, as well as analyses of historical socioeconomic trends and airline traffic and rental car trends. See "IMPACT OF COVID19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

The current United States GDP growth is positive, though may be contingent on the economy's continued reopening and abatement of the COVID-19 pandemic. However, concerns about future higher inflation and lower employment growth are reflected in declining business confidence. Decreases in face-to-face meetings and conferences with suppliers, customers and partners of many employers across a variety of sectors have also decreased the demand for airline business travel within the Los Angeles CSA.

The level of aviation activity and enplaned passenger traffic at LAX depend upon and are subject to a number of factors, including those discussed above and other economic and political conditions; international hostilities; world health concerns; aviation security concerns including criminal and terrorist incidents; federal government mandated security measures that may result in additional taxes and fees, longer passenger processing and wait times and other inconveniences as discussed in more detail under "Aviation Safety and Security Concerns" and " - Cyber Security"; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices, aging aircraft fleets and other factors discussed in more detail under "—Financial Condition of the Airlines"; capacity of and changes to (including any privatization of) the national air traffic control and airport systems; competition from other airports and from alternative modes of transport from the Los Angeles CSA to certain destinations; reliability of air service; business travel substitutes, including teleconferencing, videoconferencing and web-casting; consumer price sensitivity; environmental consciousness; changes in law and the application thereof and other factors discussed in more detail under "-Changes in Law and the Application Thereof" and the capacity, availability and convenience of service at LAX, among others. An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the airline industry and result in substantial reductions in and/or cancellations of, bookings and flights, such as is being experienced as a consequence of the COVID-19 pandemic. See "IMPACT OF COVID19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX."

Many of these factors are outside the Department's control. Changes in demand, decreases in aviation activity, changes in passenger consumer behavior and developments in vehicle use and mobility and their potential effects on enplaned passenger traffic may result in reduced CFCs. A number of these factors are discussed in APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSES – KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC."

Aviation Fuel Costs. Fuel is a significant cost component of airline operations and continues to be an important and uncertain determinant of an air carrier's operating economics. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Continued or new hostilities in petroleum producing regions or affecting key shipping lanes or other supply chain disruptions could dramatically increase the price and adversely affect the availability of aviation fuel. Economic expansion in emerging markets also contributes to higher aviation fuel prices. Natural disasters affecting refineries may also result in higher aviation fuel prices. Significant and prolonged increases in the cost of aviation

fuel have had and are likely in the future to have an adverse effect on the air transportation industry by increasing airline operating costs and reducing airline profitability. In addition, there have been recent concerns about possible fuel shortages that were raised following the cyberattack on the Colonial Pipeline in May 2021, which impacted delivery of fuel to airports in the eastern United States. A future cyberattack could adversely impact fuel distribution for any airport, including LAX.

Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Counterparty Bankruptcies

Financial Condition of the Airlines. The economic condition of the airline industry has historically been volatile, and the aviation industry has undergone significant changes, including mergers, acquisitions, bankruptcies and closures in recent years. Furthermore, the aviation industry is sensitive to a variety of factors, including the cost and availability of labor, fuel, aircraft, supplies and insurance; general economic conditions; international trade; currency values; competitive considerations, including the effects of airline ticket pricing; traffic and airport capacity constraints; governmental regulation, including security and climate change-related regulations; taxes imposed on airlines and passengers; maintenance and environmental requirements; passenger demand for air travel; strikes and other union activities; availability of financing; and disruptions caused by airline accidents, criminal incidents, public health concerns and acts of war or terrorism.

Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are influenced by the state of the national economy, other regional and world economies, business profitability, security concerns and other factors. Significant structural changes to the airline industry have occurred in recent months and years, including reducing or eliminating service on unprofitable routes, reducing airline work forces, implementing pay cuts, streamlining operations and airline mergers. Airfares have become easier to compare, which has made pricing and marketing among airlines more competitive. The price of fuel has been a significant cost factor for the airline industry and affects airline earnings. Fuel prices are particularly sensitive to worldwide political instability, economic uncertainties and increased demand from developing economies, production disruption, regulations and weather. Changes in the costs of aviation fuel may have an adverse impact on air transportation industry profitability. Decreased passenger service by a specific airline or a decreased demand for air travel more generally could also adversely affect CFCs, which are sensitive to passenger traffic levels. The Department does not make any representation concerning the financial health of any airline, and no assurance can be given regarding the impact, if any, that future unfavorable events affecting airline users or the airline industry generally might have upon CFCs or the Department.

The aviation industry is cyclical and subject to intense competition and variable demand. Traffic volumes are responsive to a number of factors described in this Official Statement and other factors. Airline debt levels fluctuate. The airlines are vulnerable, and have experienced reduced demand, increased costs and other negative effects due to fuel price spikes, labor activity, shortages of skilled labor, strikes by employees or union members, recession and other external changes (such as change in laws or the application thereof, terrorism, pandemics, military conflicts and natural disasters). As a result, aviation industry related financial performance, including those concessionaires that rely upon airline passenger traffic and revenues for profitability, can fluctuate dramatically. A reduction in the demand for air travel due to unfavorable economic conditions also limits airlines' ability to raise fares to counteract increased fuel, labor and other costs. Deterioration in either the domestic and/or global economy may therefore have a material impact on revenue in the industry. Future increases in passenger traffic will depend largely on the ability of the United States and other countries to sustain growth in economic output and income. There can be no assurance that weak economic conditions or other national and international fiscal concerns would not have an adverse effect on the air transportation industry while the Series 2022A Bonds remain outstanding. Finally, volatility in the financial and credit markets may have a material adverse effect on

the financial condition of airline companies, because such economic conditions could make it difficult for certain airlines to obtain financing on acceptable terms to refinance certain maturing debt and to meet future capital commitments.

Total full-time employees of U.S. airlines decreased from 632,574 employees in January 2020 to 599,040 employees in June 2021, as reported by the U.S. Bureau of Transportation Statistics. As a part of the federal aid received from the CARES Act airlines were restricted from mass layoffs through September 30, 2020. Cumulatively, United Airlines and American Airlines reported that they furloughed more than 32,000 of their employees after the CARES Act employment requirements expired on September 30, 2020, only to commence a process of recalling thousands of former workers with the passage of CRRSAA, which extended additional aid with a requirement of no layoffs until March 31, 2021. Delta Air Lines reported that it avoided any furloughs entirely by reducing its expenses from salaries and benefits by approximately 32% through employee buyouts, early retirements and voluntary unpaid leaves. Delta Air Lines also reported that more than 18,000 of its employees elected to participate in the buyout and early retirements, and thousands of additional employees elected for voluntary leaves of absence and work hour reductions. ARPA provided further direct aid to airline payrolls subject to a layoff restriction through September 30, 2021, among other requirements.

The COVID-19 pandemic has exacerbated many of the issues described above.

For a further discussion of the related effects of the COVID-19 pandemic on the aviation industry, see "IMPACT OF COVID19 PANDEMIC ON LAX AND THE RENTAL CAR MARKET AT LAX."

<u>Consolidation of Airline Industry</u>. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible that the airlines serving LAX could further consolidate operations through acquisition, merger, alliances, and code share sales strategies.

Airlines consolidation has also occurred through the creation of global alliances and joint ventures. Airlines worldwide have increasingly sought to increase revenues, share costs and expand the reach of their route networks by developing international partnerships through multilateral alliances or joint ventures. Three major global alliances were created between 1997 and 2000: Star Alliance, SkyTeam, and oneworld. The three airline alliances accounted for more than 67.3% of total enplaned passengers at LAX in Fiscal Year 2019. In July 2020, American Airlines and JetBlue Airways Corp. ("JetBlue") announced a strategic partnership which provides new and expanded routes. Additionally, JetBlue and American Airlines have integrated their networks to provide customers with improved flight schedules and more competitive fares. On February 7, 2022, Frontier Airlines and Spirit Airlines agreed to merge. In recent years, antitrust immunity has been granted to a number of joint ventures within the global alliances, allowing airlines to more closely coordinate operations, including pricing, and increase cost savings in certain markets.

Additionally, seat capacity has become more concentrated among fewer airlines. The three largest United States network airlines, as measured by the number of enplaned passengers (American Airlines, Delta Air Lines, and United Airlines), currently have a strong presence at LAX, and as indicated in each airlines share of enplaned passengers for Fiscal Year 2021: American Airlines (20.2%), Delta Air Lines (22.1%) and United Airlines (14.9%).

It is not clear what impact the economic downturn from the COVID-19 pandemic may have on trends towards further airline consolidation. It is possible that some airline bankruptcies may result in further mergers and acquisitions within the industry.

Depending on which airlines serving LAX, if any, merge or join alliances, the result may be fewer flights by one or more airlines, which decrease could be significant.

Aviation Safety and Security Concerns. Concerns about the safety of airline travel and the effectiveness of security precautions may influence, and in some instances have influenced, passenger travel behavior and air travel demand, particularly in light of fatal crashes of aircraft, existing international hostilities, potential terrorist attacks and world health concerns, including epidemics and pandemics.

Aviation Safety. The Boeing 737 MAX aircraft (the "MAX") was grounded in March 2019 after fatal crashes of that aircraft that were suspected to have been caused by malfunctions of the automated flight control system. In November 2020, the FAA issued an order enabling MAX aircrafts to resume operations upon receipt of FAA airworthiness certificates and export certificates of airworthiness. The FAA also published an Airworthiness Directive, which specifies design changes that must be made before the MAX may return to service. The MAX has since returned to service in the United States without further incident. The U.S. DOT inspector general issued a report in February 2021 with 14 recommendations for the FAA to implement to improve the certification process for future new planes. While the grounding has not caused significant flight cancellations at the Airports, safety concerns of travelers and future aircraft grounding could, in the future, impact airlines serving the Airports.

On April 9, 2021, Boeing warned airlines of a new possible electrical insulation fault in the recent production of some MAX planes. The top three U.S. MAX operators - Southwest Airlines, American Airlines and United Airlines - removed a total of 63 jets from service following the notice from Boeing. At the FAA's request, Boeing supplied analysis and documentation showing that numerous MAX subsystems would not be affected by electrical grounding issues. The FAA reviewed Boeing's analysis and approved the service bulletins sent to airlines on May 13, 2021.

<u>Security Concerns</u>. As a result of terrorist activities, certain international hostilities and risk of violent crime, the Department has implemented enhanced security measures mandated by the FAA, the TSA, the Department of Homeland Security and Airport management. Current and future security measures may create significantly increased inconvenience, costs and delays at LAX which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect the Department's operations, expenditures and revenues.

LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target and has been the scene of a shooting where a TSA officer was killed and several other people were injured in 2013. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. The Department cannot predict whether LAX or any of the Department's other airports will be actual targets of terrorists or other violent acts in the future.

Capacity of the National Air Traffic Control System; Capacity of LAX. Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. Flight delays and restrictions may be expected in the future. In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at LAX will depend on the capacity at LAX itself. In the recently updated Southern California Association of Governments Regional Transportation Plan 2020-2045, known as Connect SoCal, the allocated portion of the overall Los Angeles region passenger forecast to LAX, results in an anticipated passenger demand of 127 million annual passengers for LAX by 2045.

The forecasts of the Airport Consultant take into account the current decreases in passenger traffic due to the COVID-19 Pandemic and are conditioned on the assumption that, during the Forecast Period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at LAX.

Unmanned Aerial Vehicles. With the proliferation of inexpensive, commercially available, unmanned aerial vehicles ("UAVs"), or drones, the threat that unauthorized and unsafe UAV operations near airports could adversely affect the safety or security of U.S. airports and arriving or departing aircraft has increased significantly in recent years. Recent incursions of airport space by UAVs have disrupted airport operations by causing flights to be halted or diverted. London's Gatwick Airport was closed for 27 hours, impacting some 140,000 passengers and causing roughly 1,000 flights to be delayed or cancelled between December 19- 21, 2018 due to drone incursions. An unauthorized UAV incursion at LAX could result in the temporary delay or cancellation of flights to or from LAX as well as harm the Department's reputation and its relationships with LAX customers, airlines and government partners. Although UAVs are regulated by the FAA and federal law prohibits LAX from disrupting UAV operations or undertaking counter UAV measures, the Department is working closely with the FAA to develop measures to prevent unauthorized UAV activity from adversely affecting LAX. There can be no assurance, however, that in the future, unauthorized UAV activity will not adversely affect LAX operations.

Technological Innovations. New technologies are being developed and are likely to continue to be developed in the future. The impact of these new technologies on current operations or practices is not known and may have an effect on airlines and operations at LAX. Recently, certain wireless carriers have begun wireless broadband operations in the 3.7-3.98 GHz C-Band ("5G service"). Such 5G services use frequencies in a radio spectrum that the FAA has determined may interfere with those used by radar altimeters, which are an important piece of equipment in certain aircraft. On January 7, 2022, the FAA released a list of 50 airports, including LAX, that will have buffer zones when wireless carriers begin 5G service. On January 13, 2022, the FAA issued multiple Notice to Air Missions (NOTAMs) to restrict the use of specific radar altimeter-dependent instrument landing procedures, at LAX among other U.S. airports, under certain low visibility conditions. These conditions could occur occasionally at LAX. During such weather conditions, it is possible that some flight cancellations and/or diversions may occur. The FAA is working with wireless carriers on a permanent solution that would allow 5G service and radar altimeters to coexist at airports long-term. The FAA is also working with aircraft equipment manufacturers and airlines to develop short-term Alternate Methods of Compliance (AMOCs) that have, to date, cleared most aircraft models and versions to operate at LAX in low visibility conditions. Nevertheless, no assurance can be given whether and to what extent the presence of 5G service may reduce the availability of certain aircraft or disrupt airline or Department operations.

Regulations and Restrictions Affecting LAX; Climate Change

The operations of LAX are affected by a variety of contractual, statutory and regulatory restrictions and limitations including extensive federal legislation and regulations, including, without limitation, the provisions of the Airport Terminal Tariff, terminal leases, the Rate Agreement, various grant assurances, the federal acts authorizing the imposition, collection and use of CFC and PFC revenues and extensive federal legislation and regulations applicable to airports in the United States, all of which are subject to change at times and in manners that the Department is unable to predict and which could have adverse consequences on the Department and/or the Rental Car Companies, the airlines and the other concessionaires operating at LAX.

Changes in the earth's average atmospheric temperature, generally referred to as "climate change," and related concerns have led to new laws and regulations at the federal and State levels that could have a material adverse effect on the Department's operations and on airlines operating at LAX. The EPA has taken steps towards the regulation of GHG emissions under existing federal law. On January 11, 2021, the EPA issued a final rule entitled Control of Air Pollution from Airplanes and Airplane Engines: GHG Emission Standards and Test Procedures, 86 Fed. Reg. 2136 (Jan. 11, 2021). The rule adopts GHG standards equivalent to those adopted by the International Civil Aviation Organization (ICAO) in 2017 for certain civil subsonic jet airplanes and larger subsonic propeller-driven airplanes with turboprop engines.

The standards generally apply to new type design airplanes with certification applications submitted on or after January 11, 2021 (January 1, 2023 for certain, smaller new designs) and in-production airplanes starting on January 1, 2028 – but not to existing airplanes already in service. In its analysis of costs and benefits in the preamble to the rule, the EPA explained that many airplanes manufactured in the United States "already met the ICAO standards at the time of their adoption" or would be expected to do so by 2028. The impact to the Airports System is not expected to be significant, and the rule does not require modifications to airports.

In January 2021, a coalition of states including California filed a petition to review, challenging the final rule as unlawful and requesting remand to the EPA. The petitioners argued that the rule will not reduce aircraft emissions and cause no action by aircraft manufacturers. The case remains in abeyance in the United States Court of Appeals for the District of Columbia pending review of the final rule pursuant to President Biden's Executive Order 13990. Executive Order 13990 directs agency review of regulations promulgated, issued, or adopted between January 20, 2017 and January 20, 2021.

According to an October 28, 2020 report issued by Moody's Investors Service, Inc. ("Moody's"), extreme climate weather conditions caused by climate change will increase and disrupt airport operations, damage facilities, and potentially decrease demand for travel for the upcoming decades. Over the 2004-2019 period, weather related events caused an average of 37% of flight delays annually according to a citation to the U.S. DOT's Bureau of Transportation Statistics within the Moody's report. In 2019, there were approximately 510,000 delays in flights caused by extreme weather. The report further states that the frequency and severity of climate-related weather events are expected to increase over the next two decades, and that airports will likely experience more disruptions to flights or may see fundamental damage to key physical assets like runways or terminals as a result.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. AB 32 requires the statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of AB 32: the California cap-and-trade program (the "California Cap and Trade Program"). In August 2016, Senate Bill 32 was enacted and extends the California Cap-and-Trade Program and CARB to ensure that California-wide GHG emissions are reduced by at least 40% below the California wide emissions limit not later than December 31, 2030. CARB is in the process of preparing a 2022 Scoping Plan Update to assess progress toward the 2030 target and to prepare a plan to achieve carbon neutrality by 2045. The Department's annual metric tons of carbon dioxide equivalent ("MtCO2e") emissions exceed 25,000 metric tons and therefore the Department is required to participate in the California Cap-and-Trade Program. California Cap and Trade Program credits are market based, thus, the annual costs for participation in the program may vary. The California Cap-and-Trade Program may result in rising electricity and fuel costs, which may adversely affect the airlines serving LAX and the Department's operations.

SCAQMD also imposes rules and regulations specifically targeted to various air pollutants and types of operations such as hydrant fueling, private vehicle fueling, power generators, boilers and the use of various volatile organic chemical containing materials.

It is not possible to predict whether future restrictions or limitations on operations at or affecting LAX will be imposed, whether future legislation or regulations will affect anticipated federal funding or CFC collections for capital projects for LAX or whether such restrictions or legislation or regulations would adversely affect the Trust Estate.

Industry Workforce and Labor Shortages

Workforce and labor shortages has been an aviation industry-wide issue. For example, a shortage in pilots have especially affected smaller regional airlines. There are several causes for such shortage. Congress changed duty time rules in 2010 to mitigate pilot fatigue, which required airlines to increase pilot staff. Beginning in 2013, first officers flying for commercial airlines were required to have at least 1,500 hours of flight time, instead of the 250 hours previously required. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases as air traffic demand returns, the major air carriers are anticipated to need additional pilots, and are generally able to hire pilots away from regional airlines. As a result, small regional airlines have a particularly difficult time hiring qualified new pilots, despite increased incentives. The shortage of pilots available to regional airlines may result in reduced service to some smaller U.S. markets. An additional concern regarding the pilot workforce has recently come to light due to the COVID-19 pandemic. Pilots have self-reported increased errors to NASA's Aviation Safety Reporting System and attributed their errors to the reduction in flights, which has meant less time for pilots in the cockpit. Such reports raise the possible need for retraining opportunities as the airline industry recovers.

In addition to the pilot shortage, over the next decade there could be a shortage of qualified mechanics to maintain the airlines' fleet of planes. This potential shortage is a result of an aging pool of mechanics, a large portion of which are expected to retire in the next decade, and a lack of younger people joining the ranks of the mechanics. A shortage of mechanics could raise the cost of maintenance, require airlines to maintain more spare planes and/or result in increased flight cancellations and delays.

General labor staffing shortages have also affected the airline industry. Over the last several months, numerous airlines have cancelled thousands of flights attributed to bad weather, staffing shortages, and air traffic control issues, among other things.

There are some high profile labor strikes in the United States which may be part of a growing trend in the labor market. On October 5, 2021, about 1,400 workers for food manufacturer Kellogg's, unionized as members of the Bakery, Confectionery, Tobacco Workers and Grain Millers' International Union (BCTGM) and began a strike which is ongoing over disagreements concerning the terms of a new labor contract, with particular points of contention concerning health care, holidays, retirement benefits, and vacation time. On October 14, 2021, employees of John Deere that are members of the United Auto Workers (UAW) labor union began a strike that is ongoing and involves about 10,000 employees for John Deere.

On October 21, 2021, the members of Piedmont Airlines' flight attendant union, The Association of Flight Attendants-CWA, unanimously voted to authorize a strike in protest of flight attendant pay and benefits offered by management. On November 20, 2021, over 350 janitors representing the airport custodian service Flagship Facility Services went on a day-long strike at the Denver International Airport after months of negotiations between Service Employees International Union ("SEIU") Local 105 and management. The strike ended after a tentative agreement was reached. The SEIU also called protests at the Tampa International Airport and the Orlando International Airport.

On December 22, 2021, members of Unite Here Local 11 picketed at Terminal 4 at LAX against the airport concessionaire HMSHost over wage disputes. In November 2021, HMSHost workers represented by Unite Here at Phoenix Sky Harbor Airport went on strike for 10 days over issues related to pensions, affordable health care and wages.

Labor shortages or discord among labor, including strikes, within the Department or the Airport System, or other industries affecting or relating to the Department's operations and finances, including the

rental car market, could adversely impact the collection of CFCs and the Department's operations or finances.

Cyber Security

Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including airlines, the FAA, the TSA, the Department, the Rental Car Companies, the concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel and rental car industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Breaches and disruptions have occurred in the airline and rental car industries generally. Any such disruption, access, disclosure or other loss of information could result and have resulted in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and could cause a loss of confidence in the air travel industry, which could ultimately adversely affect the rental car market at LAX and the collection of CFCs.

Changes in Law and Application Thereof

The airline industry is heavily regulated, especially by the federal government, and there are a significant number of governmental agencies and legislative bodies, including the U.S. DOT, FAA, TSA, EPA and others that have the ability to directly or indirectly affect the Department and the airline industry financially and operationally.

From time to time, governmental agencies, executives and legislative bodies, have proposed, issued or enacted and may continue to propose, issue and enact, legislation, rules, orders and other laws and guidance that have the effect of law, particularly in with respect to Federal aviation regulation, funding, security, immigration, tariffs and trade. The proposal, issuance or enactment of such legislation, rules, orders and other laws and guidance that have the effect of law may have a material effect on the airline industry and the Department. As of the date of this Official Statement, there is insufficient information available about the potential governmental action to estimate the impacts, if any, on direct or indirect Federal funding that may impact the aviation industry, airports or local governments or their respective operations, including law enforcement, transportation or other activities. Moreover, while enforcement of potential executive orders, laws or regulations could impose additional financial burdens upon the aviation industry, the Department or the City, as of the date of this Official Statement, insufficient information available regarding potential governmental action to estimate the magnitude, if any, of such potential impacts.

Income Taxation Risk Upon Defeasance of the Series 2022A Bonds

In the event the Department were to defease all or a portion of the Series 2022A Bonds, for federal income tax purposes, the Series 2022A Bonds that are the subject of such a defeasance may be deemed to be retired and "reissued" as a result of the defeasance. In such an event, a Holder who owns such a Series 2022A Bond would recognize gain or loss on the Series 2022A Bond at the time of defeasance. Holders who own Series 2022A Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Series 2022A Bonds. See "TAX MATTERS – Defeasance."

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2022A Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2022A Bonds should be prepared, if necessary, to hold their Series 2022A Bonds until their respective maturity dates.

Forward-Looking Statements

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

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

RENTAL CAR COMPANY INFORMATION

Certain of the Rental Car Companies or their parent corporations are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the Securities and Exchange Commission (the "SEC"). All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

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

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the financial condition of the Rental Car Companies and the effects of bankruptcies of the Rental Car Companies on the ability of the Department to pay principal of and interest on the Series 2022A Bonds.

LITIGATION AND EXAMINATIONS REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT

General

From time to time, the Department is a party to litigation and is subject to claims arising out of its normal course of business and operations. At this time, there is no pending litigation relating to the Airport

System or the Department's operations or business pertaining thereto that would reasonably be expected to have a material impact on collection of CFCs or the operation of LAX.

Internal Revenue Service Examination of the Department's Series 2012 LAX GARBs

The Department received a letter, dated November 17, 2021, from the Internal Revenue Service ("IRS"), stating that its Los Angeles International Airport Senior Airport Revenue Bonds, 2012 Series A and 2012 Series B (collectively, the "Series 2012 LAX GARBs") have been selected for examination by the IRS and requesting that certain information relating to the issuance of the Series 2012 LAX GARBs be supplied to the IRS. The letter indicated that the IRS is reviewing the Series 2012 LAX GARBs for compliance with federal tax law requirements, and, during discussions with the IRS, the Department was informed that the Series 2012 LAX GARBs were randomly selected as part of the IRS' ongoing program of routinely examining municipal debt issues for compliance with federal tax law requirements. The Department has supplied the requested information with respect to the Series 2012 LAX GARBs to the IRS. The Department has no reason to believe that the IRS' review will result in any adverse finding with respect to the tax-exempt status of the Series 2012 LAX GARBs, however, the Department cannot predict the ultimate outcome of the examination.

LITIGATION REGARDING THE SERIES 2022A BONDS

There is no litigation now pending or, to the best of the Department's knowledge, threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2022A Bonds or in any way contests the validity of the Series 2022A Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Series 2022A Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2022A Bonds.

TAX MATTERS

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of Series 2022A Bonds under the Code and the United States Treasury Regulations (the "Treasury Regulations"), and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws.

Potential purchasers of the Series 2022A Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2022A Bonds.

General Matters (Federally Taxable)

Interest on the Series 2022A Bonds is included in gross income for federal income tax purposes. Kutak Rock LLP, Bond Counsel to the Department ("Bond Counsel") has expressed no opinion regarding any federal tax consequences arising with respect to the purchase, holding, accrual or receipt of interest on or disposition of the Series 2022A Bonds.

In general, interest paid on the Series 2022A Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2022A Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Exemption Under California State Law

Bond Counsel is of the opinion that interest on the Series 2022A Bonds is exempt from present State of California personal income taxes.

Bond Premium

An investor that acquires a Series 2022A Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Series 2022A Bonds purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Original Issue Discount

If the Series 2022A Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. Owners of Series 2022A Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income (notwithstanding the general rule described above in this paragraph) and with respect to the state and local tax consequences of owning such Series 2022A Bonds.

Recognition of Income Generally

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Series 2022A Bonds under the Code.

Market Discount

An investor that acquires a Series 2022A Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Treasury Regulations, "market discount" means (a) in the case of a Series 2022A Bond originally issued at a discount, the amount by which the issue price of such bond,

increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Series 2022A Bonds not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2022A Bonds will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the United States Treasury Department (the "Treasury Department") to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2022A Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2022A Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2022A Bonds for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2022A Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions

If an owner of a Series 2022A Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2022A Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2022A Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance

The legal defeasance of the Series 2022A Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Series 2022A Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Unearned Income Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Series 2022A Bonds should consult their tax advisors regarding the application of this tax to interest earned on the Series 2022A Bonds and to the gain on the sale of a Series 2022A Bond.

Backup Withholding

An owner of a Series 2022A Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2022A Bonds, if such owner, upon issuance of the Series 2022A Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors

An owner of a Series 2022A Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2022A Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2022A Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Series 2022A Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2022A Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2022A Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2022A Bond.

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any

trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2022A Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2022A Bond is urged to consult its own tax advisor regarding the application of these provisions.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2022A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2022A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2022A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2022A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2022A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2022A Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2022A Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Department or any dealer of the Series 2022A Bonds might be considered or might become a "party in interest" within

the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2022A Bonds are acquired by such plans or arrangements with respect to which the Department or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2022A Bonds. The sale of the Series 2022A Bonds to a plan is in no respect a representation by the Department or the underwriter or underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2022A Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

RATINGS

Moody's and Fitch Ratings ("Fitch") have assigned underlying ratings of "A3" (with a stable outlook) and "A" (with a stable outlook), respectively, to the Series 2022A Bonds, without taking into account the Series 2022A Bond Insurance Policy.

Moody's and S&P have assigned insured ratings of "A2" (with a stable outlook) and "AA" (with a stable outlook), respectively, to the Series 2022A Bonds based upon the issuance of the Series 2022A Bond Insurance Policy by AGM at the time of delivery of the Series 2022A Bonds. See "BOND INSURANCE" and APPENDIX I – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings, including any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Fitch, 33 Whitehall Street, New York, New York 10004; and S&P Global Ratings, 55 Water Street, 38th Floor, New York, New York 10041. The Department and AGM furnished the rating agencies with certain information and materials concerning the Series 2022A Bonds, the Department and AGM, as applicable, some of which is not 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 assigned to the Series 2022A Bonds will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by one or more of the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market prices of the Series 2022A Bonds.

LEGAL MATTERS

The validity of the Series 2022A Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Department. A complete copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX D to this Official Statement. Kutak Rock LLP serves as Disclosure Counsel to the Department with respect to the Series 2022A Bonds. Bond Counsel and Disclosure Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Department and the City by Michael N. Feuer, Esq., City Attorney. Certain matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

MUNICIPAL ADVISOR

The Department has retained the services of Frasca & Associates, LLC, as Municipal Advisor in connection with the Series 2022A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor performs other services for the Department.

AIRPORT CONSULTANT

The Report of the Airport Consultant prepared by WJ Advisors LLC has been included as APPENDIX A to this Official Statement with the consent of such consultant. The Report of the Airport Consultant was prepared in connection with the issuance of the Series 2022A Bonds. The Department has relied upon the analyses and conclusions contained in the Report of the Airport Consultant, as of its date, in preparing this Official Statement. The financial forecasts in the Report of the Airport Consultant are based upon certain information and assumptions that were provided by, or reviewed and agreed to by the Department. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the financial forecasts set forth in the Report of the Airport Consultant. WJ Advisors LLC performs other services for the Department, including with respect to the calculation of rates and charges.

FINANCIAL STATEMENTS

The audited financial statements of the Department for Fiscal Years 2021 and 2020 are included as part of APPENDIX G attached hereto. The financial statements have been audited by Moss Adams LLP, independent auditors, as stated in its Los Angeles World Airports (Los Angeles International Airport) Annual Financial Report for the Fiscal Years ended June 30, 2021 and June 30, 2020 included in APPENDIX G. Moss Adams LLP was not requested to consent to the inclusion of its report on the financial statements or any of its reports included in APPENDIX G and it has not undertaken to update any of these reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement (including the Report of the Airport Consultant), and no opinion is expressed by Moss Adams LLP with respect to any event subsequent to the date of its reports.

CONTINUING DISCLOSURE

In connection with the issuance of the Series 2022A Bonds, the Department will covenant to provide, or cause to be provided, to the MSRB certain annual financial information and operating data relating to the Department, including rental car activity at LAX, and, in a timely manner, notice of certain listed events for purposes of Rule 15c2-12 adopted by the SEC. See APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Department has agreed to provide the foregoing information to the MSRB through the Electronic Municipal Market Access (EMMA) website.

UNDERWRITING

The Series 2022A Bonds are being purchased from the Department by BofA Securities, Inc., Siebert Williams Shank & Co., LLC, and Samuel A. Ramirez & Co., Inc., the underwriters of the Series 2022A Bonds (collectively, the "Underwriters"). The Underwriters will purchase the Series 2022A Bonds at a price of \$544,553,150.82 (consisting of the aggregate principal amount of the Series 2022A Bonds of \$546,015,000.00, less an underwriters' discount of \$1,461,849.18), subject to the terms of the Bond Purchase Agreement (the "Bond Purchase Agreement"), between BofA Securities, Inc., as representative of the Underwriters, and the Department.

The Bond Purchase Agreement provides that the Underwriters shall purchase all of the Series 2022A Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The Underwriters may change the initial public offering prices set forth on the inside front cover page of this Official Statement. The Underwriters may offer and sell the Series 2022A Bonds to certain dealers (including dealers depositing the applicable Series 2022A Bonds into investment trusts) at prices lower than the public offering prices or at yields higher than the yields stated on the inside front cover page of this Official Statement.

The following two paragraphs have been provided by the Underwriters for inclusion in this Official Statement and the Department does not make any representation as to their accuracy or completeness.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Department. The market activities of the Underwriters and other market participants may impact the value of the Series 2022A Bonds. The Underwriters have indicated that their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The following paragraph was provided by BofA Securities, Inc. for inclusion in this Official Statement and the Department does not make any representation as to its accuracy or completeness.

BofA Securities, Inc., one of the Underwriters of the Series 2022A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"). As part of this arrangement, BofA Securities, Inc. may distribute securities to Merrill, which may in turn distribute such securities to investors through the financial advisor network of Merrill. As part of this arrangement, BofA Securities, Inc. may compensate Merrill as a dealer for their selling efforts with respect to the Series 2022A Bonds.

RELATIONSHIP OF CERTAIN PARTIES

BofA Securities, Inc., one of the Underwriters of the Series 2022A Bonds and one of the dealers for the Department's commercial paper programs, and Bank of America, N.A., which is the provider of a direct pay letter of credit that supports a portion of the Department's commercial paper program, are both wholly-owned, indirect subsidiaries of Bank of America Corporation. A portion of the proceeds of the Series 2022A Bonds will be used to refund outstanding commercial paper notes of the Department, previously issued to finance a portion of the ConRAC Project.

MISCELLANEOUS

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

All references to the Charter, the Indenture, the Rental Car CLAs, the Rental Car Concession Agreements, the ConRAC DBFOM Agreement, the agreements with any other parties and laws and regulations herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Department which are located at One World Way, Los Angeles, California. This Official Statement is not to be construed as a contract or agreement between the City or the Department and the owners of any of the Series 2022A Bonds

AUTHORIZATION

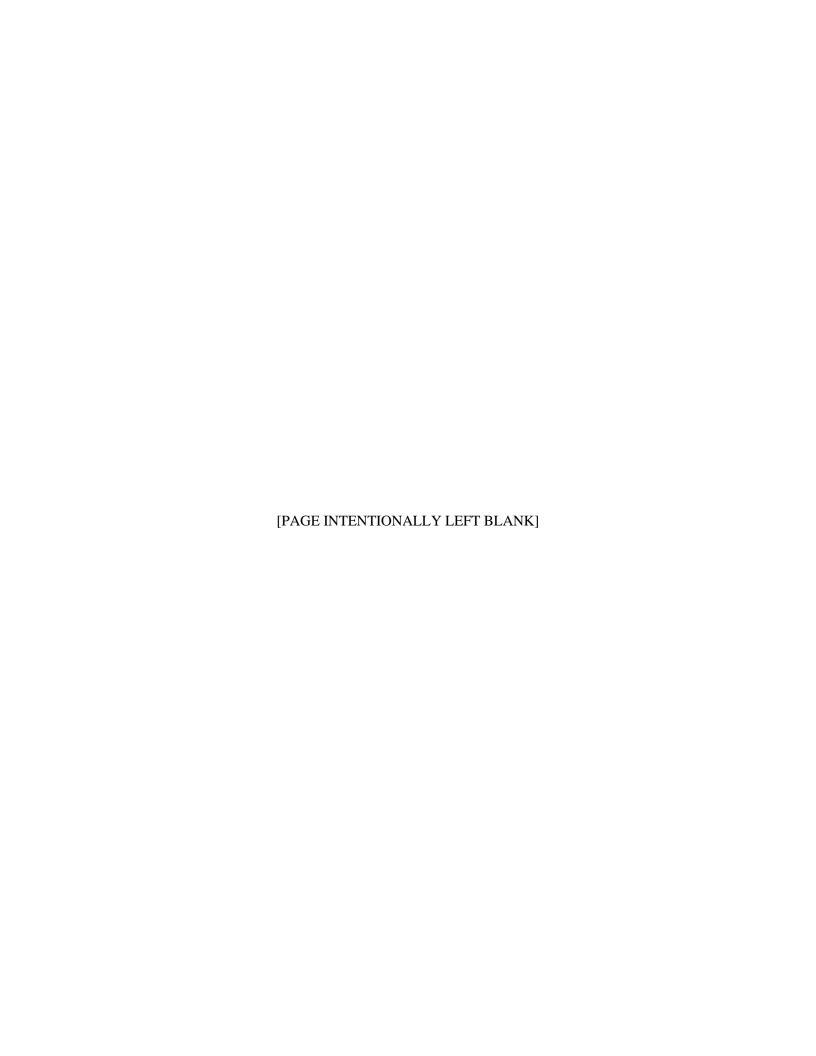
The Board has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the Chief Executive Officer on behalf of the Department.

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES

By /s/ Justin Erbacci
Chief Executive Officer

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT







Appendix A

Report of the Airport Consultant



on the proposed issuance of

Los Angeles International Airport Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project), 2022 Series A (Federally Taxable) (Green Bonds)



February 17, 2022

Prepared for

Department of Airports of the City of Los Angeles | Los Angeles, California

Prepared by

WJ Advisors LLC | Denver, Colorado



February 17, 2022

Ms. Beatrice Hsu, President Board of Airport Commissioners Los Angeles World Airports 1 World Way Los Angeles, California 90045

Re: Report of the Airport Consultant on the Proposed Issuance of Los Angeles International Airport Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project), 2022 Series A (Federally Taxable) (Green Bonds)

Dear Ms. Hsu:

WJ Advisors LLC is pleased to submit this Report of the Airport Consultant (the 2022 Customer Facility Charge Report) related to the proposed issuance of Los Angeles International Airport Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project), 2022 Series A (Federally Taxable) (Green Bonds) (the Series 2022 Bonds) by the Department of Airports (the Department) of the City of Los Angeles (the City) to fund certain costs associated with construction of a new consolidated rent-a-car facility (the ConRAC) at Los Angeles International Airport (the Airport or LAX). The City owns and, through the Department, operates the Airport. The proposed Series 2022 Bonds are to be issued pursuant to a Trust Indenture providing for the issuance of Customer Facility Charge Revenue Bonds (the CFC Trust Indenture).

This 2022 CFC Report was prepared to determine if forecast customer facility charge (the CFC) revenues (the CFC Revenues) and interest income earned on CFC Revenues (together, Total CFC Revenues) are sufficient to pay debt service on the proposed Series 2022 Bonds and to make the required deposits to the funds and accounts under the CFC Trust Indenture for Fiscal Year¹ (FY) 2022 through FY 2030 (the Forecast Period) when taking into account the proposed issuance of the Series 2022 Bonds.

In preparing this 2022 CFC Report, we assisted Department management in identifying key factors affecting the forecast of Total CFC Revenues and in formulating assumptions about those factors. The results and key findings of our analyses are summarized in this letter and described more fully in the following sections: "Airline Traffic and Economic Analyses," "Rental Car Industry Overview and Airport Trends and Analysis," and "Financial Forecasts." This 2022 CFC Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

Capitalized terms in this 2022 CFC Report are used as defined in the CFC Trust Indenture, the Existing Rental Car Agreements (as defined later) between the Department and certain on-

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 $^{^{1}}$ The Fiscal Year of the City and the Department ends June 30. In this 2022 CFC Report, Fiscal Year data are shown unless otherwise indicated.

Airport rental car companies, and the Concession and Lease Agreements (the CLA) between the Department and the rental car companies using the ConRAC at the Airport.

RENTAL CAR ACTIVITY AT THE AIRPORT

In FY 2019, the year prior to the worldwide outbreak of novel coronavirus SARS-CoV-2 (COVID-19), the Airport was the second busiest passenger origin and destination (O&D) airport in the world, the second busiest airport in the United States in terms of total passengers (enplaned and deplaned), and the second largest airport rental car market in the United States, as measured by rental car gross revenues.²

The Airport is served by all of the major rental car companies in the United States. Each rental car brand and its total gross revenue market share at the Airport in FY 2019 (the Fiscal Year prior to the COVID-19 pandemic) and FY 2021 (the latest available full-year data are provided on Figure 1 below:

Los Angeles International Airport FY 2021 FY 2019 **Enterprise Enterprise Rent-**Rent-A-Car **A-Car Company** Company of Hertz Hertz of Los Angeles, Corporation Los Angeles, <u>Natio</u>nal National Corporation LLC 34.7% 28.4% LLC 33.9% 8.2% 8.1% 31.6% Enterprise 10.9% Enterprise 18.3% Alamo 14.9% Alamo Avis Other Other Avis Budget Car companies **Avis Budget Car** companies Rental, LLC 7.1% Rental, LLC Zipcar 6.9% Sixt Rent A Zipcar 23.7% Sixt Rent A Car, 21.1% <0.1% Car, LLC <0.1% LLC 6.3% 6.3%

Figure 1
ON-AIRPORT RENTAL CAR COMPANY GROSS REVENUE MARKET SHARE

Sources: Department records.

Note: Totals may not add to the amounts shown due to rounding.

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² Source: Auto Rental News, July 12, 2021.

As of the date of this 2022 CFC Report, nine off-Airport rental car companies serving the Airport have not entered into rental car concession agreements with the Department but have entered into non-exclusive license agreements (NELAs) with the Department. Off-Airport rental car company gross revenues are not included in the results shown on Figure 1. The off-Airport rental car companies are estimated to represent less than 4.5% of the total rental car market serving the Airport. In this 2022 CFC Report, any reference to rental car activity (e.g., Transactions, gross revenues) excludes the rental car companies operating at the Airport under NELAs.

In 2019³, the largest rental car companies in the United States as measured by revenue were as follows: Enterprise Holdings (including Enterprise, Alamo, and National brands) with \$17.8 billion in total revenue, the Hertz Corporation (including Hertz, Dollar, and Thrifty) with \$6.8 billion, Avis Budget Group (including Avis, Budget and Zip Car) with \$5.5 billion, and Sixt with \$450.0 million.

Each rental car company serving the Airport currently has company-specific locations and operates shuttle buses that transport customers to and from the central terminal area (the CTA) at the Airport. Approximately 17 rental car facilities are located northeast of the Airport, both on- and off-Airport property, resulting in inefficient operations with minimal opportunities to expand existing facilities to accommodate future growth.

Rental car activity at the Airport has historically been measured by the number of on-Airport rental car transactions or contracts between a rental car company and a customer/passenger (the Transactions) and the number of Transactions per total deplaned destination passengers at the Airport, the latter of which provides an indication of the propensity of passengers to rent a car at the Airport relative to using other modes of transportation, including, but not limited to, transportation network companies (TNCs) such as Uber and Lyft. Recent trends in rental car activity at the Airport, which are described more fully in the section of this 2022 CFC Report titled "Rental Car Industry Overview and Airport Trends and Analysis" are summarized below.

- From FY 2012 through FY 2015, the number of rental car Transactions increased approximately 4.3% per year, while the number of deplaned destination passengers at the Airport increased approximately 5.1% per year. In November 2015, TNCs were permitted by the Department to pick up and drop off passengers in the CTA, resulting in a new transportation option for certain passengers with very short-term or limited transportation needs compared to renting a car. TNCs pay the Department \$4.00 per pick-up and drop-off.
- From FY 2017 (the first full year of on-Airport TNC trips) through FY 2019, the number of rental car Transactions decreased 2.4% per year, while the number of deplaned destination passengers at the Airport increased 4.7% per year, meaning that fewer

³ Source: Autorentalnews.com, accessed on October 19, 2021.

passengers rented cars at the Airport and likely used TNCs or other modes of ground transportation to reach their destination. In October 2019, all TNC operations were relocated to a central location at the Airport known as "LAXit," just east of Terminal 1, where all TNC passenger pick-ups occur, except for certain higher-cost TNCs, which are allowed to pick up passengers at each Terminal in the CTA. TNC passengers can use Department operated shuttle buses or walk between the CTA and LAXit.

- Around the same time as the TNCs were relocated to LAXit in late 2019, COVID-19 was
 first recognized in the United States and started to cause significant disruption to
 domestic and international passenger travel in March 2020, as well as the conduct of
 day-to-day business in the City of Los Angeles, the rest of the United States, and the
 world.
- In FY 2020, the number of rental car Transactions decreased 28.1% from FY 2019 data, consistent with the 28.4% decrease in the number of deplaned destination passengers at the Airport. In reaction to the negative effects of the COVID-19 pandemic on passenger travel, Hertz (and its brands Dollar and Thrifty) and Advantage (and its brand EZ Rent A Car) filed for Chapter 11 bankruptcy protection on May 22, 2020, and May 26, 2020, respectively. In FY 2021 (the latest available data), Hertz (including each of its brands) accounted for 28.4% of the rental car gross revenue market share at the Airport. Hertz emerged from bankruptcy protection on June 30, 2021, and assumed its concession agreements with the Department, while Advantage ceased all operations at the Airport.
- In FY 2021 (the first full year of the negative effects of the COVID-19 pandemic on passengers and Transactions) the number of rental car Transactions at the Airport decreased 51.4% compared with the numbers in FY 2020, consistent with the 51.8% decrease in deplaned destination passengers at the Airport, both resulting from travel restrictions implemented in response to the COVID-19 pandemic.
- Through the first 5 months of FY 2022 (July November 2021), the number of rental car Transactions at the Airport increased 101.3% compared with the number in the same months of FY 2021, while the number of deplaned destination passengers at the Airport increased 175.2%. In comparison to FY 2019 data, the number of rental car Transactions and deplaned destination passengers at the Airport through the first 5 months of FY 2022 were 39.3% and 33.4% lower, respectively.

The average number of days that a car was rented at the Airport (Average Transaction Days⁴) increased from 3.42 in FY 2017 to 3.49 in FY 2019 and then decreased to 3.37 in FY 2021 (the first full Fiscal Year of the COVID-19 pandemic), likely due to the result of shorter trips related to travel disruptions caused by the pandemic. The increase in Average Transaction Days at the

⁴ Pursuant to the CFC Laws, the number of days that a CFC can be charged per Transaction Day is capped at 5 days.

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Airport from FY 2017 to FY 2019 was the result of, but not limited to, fewer one-day car rentals as certain passengers used TNCs or other modes of transportation rather than renting a car.

NEW CONSOLIDATED RENT-A-CAR FACILITY

During 2014 through 2018, the Department and representatives of the on-Airport rental car companies met to negotiate the development, financing, and operation of a new ConRAC at the Airport that would provide a centralized rental car location adjacent to Interstate 405 with connections to a new automated people mover system (the APM System) and the nearby freeways. In FY 2019, the Department and each of the on-Airport rental car companies (defined as "Concessionaires" in the CLA) executed a CLA for the use and occupancy of the ConRAC. The Department currently expects that the ConRAC will be operational in early FY 2024 (the ConRAC Date of Beneficial Occupancy, or DBO).

The ConRAC will benefit Airport passengers and the car rental experience through, among other benefits, (1) improved passenger experience and safety with an easy-to-find consolidated location conveniently linked to the CTA by the APM System and (2) increased rental car operational efficiencies by consolidating operations into a single location rather than the existing individual locations for each rental car brand.

The new ConRAC will have five floors and approximately 6.4 million square feet of space that will include a consolidated location for the following rental car services and equipment: ready/return parking spaces, a quick turnaround area (QTA) building that would include areas for vehicle queuing, fueling, wash bays, and light maintenance; a customer service building (CSB) that will include customer service counters, office space, restrooms, and retail areas; and overflow rental car vehicle spaces to meet peak demands, rental car employee parking spaces, and QTA areas. When completed, all rental car companies serving the Airport, will be required to pick up and drop off their customers/passengers at the ConRAC and all rental car customers/passengers will be required to use the new APM System (discussed more fully below).

ConRAC Project Delivery and Role of Developer

The ConRAC project (the ConRAC Project) is being designed, built, financed, operated, and maintained under a 28-year contract (the ConRAC Contract) executed between the Department and LA Gateway Partners (the ConRAC Developer) in 2018.

As discussed more fully later in this 2022 CFC Report, the Department has made and is to continue making a series of periodic and milestone payments to the ConRAC Developer during construction of the ConRAC, which payments have been and are to be funded from Total CFC Revenues already collected by the Department, Total CFC Revenues forecast to be collected by the Department prior to ConRAC DBO, and a portion of the net proceeds from the sale of the proposed Series 2022 Bonds.

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On ConRAC DBO, the ConRAC Developer is responsible for operating and maintaining certain portions of the ConRAC on behalf of the Department through the remaining term of the ConRAC Contract.

Common Transportation System

As part of its capital program at the Airport (the Capital Program), the Department is constructing a new APM System to provide fast, convenient, and reliable access 24 hours per day between the ConRAC and the CTA. The APM System project date of beneficial occupancy (APM System DBO) is expected to occur in FY 2024 and be operational thereafter.

If ConRAC DBO occurs prior to APM System DBO, the Department currently expects to use a common shuttle bus transportation system to transport rental car customers between the CTA and the ConRAC and to pay for such costs from Total CFC Revenues. When operational, the APM System will transport rental car customers and other passengers between the ConRAC and the CTA.

The APM System is considered an "LAX Airport Facility" pursuant to the Master Senior Trust Indenture (GARB) of the Department, not the CFC Trust Indenture. As such, the cost of financing, operating, and maintaining the APM System is not included in the financial forecasts presented in this 2022 CFC Report.

On-Airport Rental Car Agreements

In connection with the new ConRAC, the Department executed CLAs with the following six Concessionaires: Enterprise Rent-A-Car Company of Los Angeles, LLC (brands: Alamo, Enterprise, and National), Avis Budget Car Rental, LLC (brands: Avis, Budget, Zip Car, and Payless), the Hertz Corporation (brands: Hertz, Dollar, Thrifty), Fox Rent A Car (brand: Fox), Fox Rent A Car (brand: Europear Mobility Group), and Sixt Rent a Car, LLC (brand: Sixt).

The CLA includes provisions for delivery of the ConRAC by the Department based on certain defined requirements and parameters contained in the CLA, and an initial term that expires on the 20-year anniversary of ConRAC DBO, with one option to extend the CLA for 5 years by the Department through written notice, or automatically if certain targets for Transaction Days (as defined below) are achieved pursuant to the CLA.

Among other provisions, the CLA requires:

- Concessionaires to collect a CFC at a rate established by the Department (the CFC Rate) and remit the CFC Revenues to the Department. The CFC at the Airport is currently set at the maximum allowable amount under California law as set forth in California Civil Code Section 1936 as amended by Assembly Bill (AB) 2051 and AB 2280 (the CFC Laws), of \$9.00 per rental car transaction day up to a maximum of 5 days (the Transaction Days). Total CFC Revenues are part of the "Trust Estate" pursuant to the CFC Trust Indenture and are pledged to the payment of Aggregate Annual Debt Service on the proposed Series 2022 Bonds.
- Concessionaires to use a common shuttle bus transportation system provided by the Department to transport customers/passengers to and from the ConRAC both prior to and after APM System DBO if the APM System is not operational.
- Concessionaires to pay to the Department an annual "CTS Contribution", which are not considered Trust Estate revenues pursuant to the CFC Trust Indenture and have not been included in the forecasts presented in this 2022 CFC Report. CTS Contributions, along with Remaining CFC Revenues (as defined later) are currently expected by the Department to be used to pay annual common transportation system (CTS) costs, which includes costs for the common shuttle bus transportation system serving the ConRAC and approximately 41%⁵ of annual APM System capital and operating costs.
- The Department to require off-Airport rental car companies to (1) pick up and drop off their customers at the ConRAC and require those customers/passengers to use the APM System, meaning that the off-Airport rental car companies will not be allowed to access the CTA and (2) pay a transportation fee to the Department (not a CFC), which would be established to cover their customers' prorated use of the APM System, which revenues are not considered part of the Trust Estate and have not been included in the forecasts presented in this 2022 CFC Report.

Each of the rental car companies (and their brands, except Payless) with a CLA currently provides on-Airport rental car services at the Airport pursuant to an on-Airport rental car concession agreement (the Existing Rental Car Agreements) that is separate and apart from the CLA. The Existing Rental Car Agreement serves as a "bridging" agreement between existing on-Airport rental car services and individual rental car facilities and achievement of the ConRAC DBO.

Among other things, the Existing Rental Car Agreements (1) require each rental car brand to collect a CFC at a rate established by the Department and to remit the CFC Revenues to the

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⁵ The Department's estimated share of Concessionaire passengers included in the total number of passengers using the APM System, pursuant to the CLA.

Department and (2) allow the Department to terminate the Existing Rental Car Agreements with a notice to on-Airport rental car companies when ConRAC DBO is known by the Department. Upon the ConRAC DBO, all on-Airport rental car operations in the ConRAC will be governed by the CLA.

CFC Rate at the Airport

Pursuant to the CFC Laws, an airport sponsor can require rental car companies to collect from a customer a CFC to:

- Finance, design, and construct a consolidated airport rental car facility.
- Finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated rental car facilities, and to acquire vehicles for use in that system.
- Finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems, including common shuttle buses and the APM System.

Prior to requiring the rental car companies to collect a CFC, the Department must fulfill certain requirements described in the CFC Laws, including, but not limited to, holding a public hearing on the proposed project and demonstrating the financial need for and the amount of CFC revenues and CFC interest income to be collected by the Department to fund all or a portion of the CFC-eligible costs described above.

In connection with the CFC approval process, the Department fulfilled the requirements listed directly above and estimated that Total CFC Revenues would be needed to pay the following major CFC-eligible costs (all approximations):

- Milestone payments to the ConRAC Developer, as described earlier.
- Aggregate Annual Debt Service payments, including those for the proposed Series 2022
 Bonds and any deposits to the funds and accounts of the CFC Trust Indenture.
- Annual availability payments (APs) to the ConRAC Developer for the cost of financing
 and building the ConRAC. Although the ConRAC Developer will operate and maintain
 portions of the ConRAC, those expenses are not CFC-eligible pursuant to the CFC Laws.
- A portion of the annual capital and operating costs associated with the APM System serving the ConRAC.

Effective July 1, 2007, the Department began collecting a CFC of \$10.00 per Transaction, which amount was increased to \$7.50 per Transaction Day (up to a 5-day maximum) on January 1, 2018, and then increased again by the Department to the maximum CFC Rate allowable under

the CFC Laws of \$9.00 per Transaction Day (up to a 5-day maximum) effective September 1, 2019.

Under the CFC Trust Indenture, Aggregate Annual Debt Service payments, including those for the proposed Series 2022 Bonds, and required deposits to the funds and accounts of the CFC Trust Indenture are to be paid only from Total CFC Revenues and are the only costs included in the financial forecasts presented in this 2022 CFC Report. All other CFC-eligible costs, including annual capital AP payments to the ConRAC Developer, common shuttle bus transportation system costs, if any, and up to 41% of annual APM System operating and capital costs (collectively, the Other CFC Eligible Costs) are currently expected to be paid by the Department from remaining Total CFC Revenues⁶ (the Remaining Total CFC Revenues), other available revenues of the Department not included under the CFC Trust Indenture, or a combination of both sources of revenues.

PROPOSED SERIES 2022 BONDS

The Department intends to issue the proposed Series 2022 Bonds to:

- Make the last two milestone payments to the ConRAC Developer.
- Refund \$143.6 million of outstanding commercial paper notes previously issued under the Master Subordinate Trust Indenture (GARB) to make periodic and milestone payments to the ConRAC Developer.
- Pay prior and future ConRAC Project soft costs of the Department.
- Pay capitalized interest on the proposed Series 2022 Bonds.
- Make a deposit to the Senior Debt Service Reserve Fund equal to Maximum Aggregate Annual Debt Service on outstanding Senior Bonds.
- Make a deposit to the Rolling Coverage Fund equal to 25% of Maximum Aggregate Annual Debt Service on outstanding Senior Bonds.
- Make a deposit to the CTS Payment Account required by the CLA.
- Pay issuance and financing costs associated with the proposed Series 2022 Bonds.

The proposed Series 2022 Bonds are assumed to be issued as fixed-rate bonds with a final maturity date of May 15, 2048, and an all-in true interest cost of approximately 4.48% based on input from Frasca & Associates, LLC (the Department's Municipal Advisor).

⁶ Total CFC Revenues less Aggregate Annual Debt Service payments and deposits to all other required deposits under the CFC Trust Indenture.

DEPARTMENT ACTIONS RELATED TO THE COVID-19 PANDEMIC

As the negative effects of the COVID-19 pandemic on airline travel at the Airport, in the nation, and internationally became more apparent, the Department quickly implemented a series of operational, commercial, and financial actions that included, but were not limited to (1) reducing LAX maintenance and operating (M&O) Expenses and (2) implementing a deferral and repayment program for airline payments of rentals, rates, fees, and charges as well as a concessionaire minimum annual guarantee (MAG) waiver program, but such waiver did not include waiving the requirement for on-Airport rental car companies to collect the CFC.

Department management also implemented a series of new multiyear strategic objectives to strengthen the competitive position of the Airport in the route network of the domestic and international airlines during and after the COVID-19 pandemic in connection with the recovery in passenger travel and rental car activity at the Airport. The multiyear plan, referred to as the "Airline Cost Stabilization and Recovery Plan" (the Plan), implemented by the Department in 2020, is focused on the continued stability of Airport financial operations during and after the negative effects of the COVID-19 pandemic and on strengthening the competitive position of the Airport by lowering annual fixed costs in the near term.

AIRLINE TRAFFIC

The Airport has an important role in the international, national, State of California, regional, and local air transportation systems given the number of domestic and international passengers that use the Airport in comparison to other airports in the United States as well as the number of domestic and foreign-flag airlines that serve the Airport.

The following discussion provides an overview of historical and recent trends in the number of enplaned passengers at the Airport given the negative effects on airline travel caused by the COVID-19 pandemic and how the recovery in the number of enplaned passengers at the Airport compares to that at other international gateway airports in the United States.

While the number of enplaned passengers is not typically used to analyze rental car trends and activity at an airport, it does provide a point of comparison between and among airports when understanding the negative effects of the COVID-19 pandemic on passenger travel. At the end of this section of the 2022 CFC Report, the ways in which historical and forecast numbers of enplaned passengers are used to determine the number of deplaned destination passengers at the Airport, are discussed. This information is used throughout this 2022 CFC Report to present historical and forecast trends in Transactions, Average Transaction Days, and Total CFC Revenues.

Enplaned Passengers

In FY 2019 (the year prior to the COVID-19 pandemic), the Airport was the second busiest passenger O&D airport in the world and the second busiest airport in the United States in terms of total passengers (enplaned plus deplaned). O&D passengers begin and end their journeys at the Airport, while connecting passengers transfer on flights at the Airport to other destinations. In FY 2019, approximately 44.2 million passengers enplaned at the Airport, including an estimated 36.4 million originating passengers (82.3%) and 7.8 million connecting passengers (17.7%).

From FY 2014 through FY 2019, the number of enplaned passengers at the Airport increased at an average annual rate of approximately 5.2% per year, reflecting above average rates of growth in numbers of domestic enplaned passengers (4.5% per year) and international enplaned passengers (7.0% per year). In comparison, the total number of enplaned passengers in the United States during the same period increased an average of 4.3% per year (reflecting 4.2% growth in the number of domestic enplaned passengers and 5.2% growth in the number of international enplaned passengers). ⁷

Over the 20-year period from FY 1999 through FY 2019, the average annual rate of growth in the numbers of enplaned passengers was 1.7% for the Airport and 1.9% for the nation. During this 20-year period, significant events occurred that resulted in large decreases and then rebounds in airline travel at the Airport, in the nation, and internationally, including, but not limited to, the terrorist attacks of September 11, 2001; the recession of 2008-2009; and rising and falling jet fuel costs.

The recovery in the number of enplaned passengers at the Airport to FY 2019 numbers has been related to increases in domestic passenger travel, which has been consistent with national recovery trends as shown on Figure 2. However, recovery in the total number of enplaned passengers (domestic and international) at the Airport has been slower than in the nation as a result of the large share of international passengers typically accommodated at the Airport. Restrictions imposed by governments around the world, including, but not limited to, mandatory 14-day quarantine periods, proof of vaccinations and a negative COVID-19 test, or bans on nonessential travel have more severely curtailed international travel than domestic travel.

In 2020, the Airport was the third busiest international gateway in the nation (it was the second busiest U.S. international gateway in 2019), with international enplaned passengers representing 22.4% of total enplaned passengers at the Airport compared with an average share of 11.7% of international enplaned passengers to total enplaned passengers at other large-hub U.S. airports. The lower ranking of the Airport in 2020 was largely attributable to the different international markets served from the Airport and the travel restrictions or border

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⁷ Source: U.S. Department of Transportation, Bureau of Transportation Statistics.

closures at those destinations compared with those served from other international gateway airports.

Figure 2

PERCENT DECREASES IN LAX ENPLANED PASSENGERS, NATIONAL SECURITY CHECKPOINT PASSENGER SCREENINGS, AND ENPLANED PASSENGERS AT THE FIVE BUSIEST U.S. INTERNATIONAL GATEWAY AIRPORTS IN THE UNITED STATES IN 2020 AND 2021

(compared with the same guarter in 2019)



Note: Data for the third quarter of 2021 are the latest available data for the Airport and Transportation Security Administration (TSA) passenger screenings. Data for the third quarter of 2021 are the latest available data for the five busiest international gateway airports.

Sources: Department records, airport websites, TSA: https://www.tsa.gov/coronavirus/passenger-throughput.

Figure 2 also shows the average quarterly decrease in the number of enplaned passengers at the five busiest U.S. international gateway airports⁸, which decreased 68.3% in 2020 compared with the number enplaned in 2019. At the Airport, the number of enplaned passengers decreased 67.4% in 2020 compared with the number enplaned in 2019. As shown on Figure 2, the recent growth in the number of enplaned passengers at the Airport, which is largely the

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⁸ Ranking based on 2019 international enplaned passengers, includes John F. Kennedy, Los Angeles, San Francisco, Miami, and Newark Liberty international airports.

result of growth in domestic traffic, has been consistent with that at other international gateway airports in the nation.

Prior to the COVID-19 pandemic, the largest single quarterly decrease in the number of enplaned passengers at the Airport was 24.7% in the fourth quarter of 2001, related to the terrorist attacks in the nation on September 11, 2001. The number of enplaned passengers almost recovered to pre-September 11, 2001, numbers approximately 7 years later, in FY 2008/FY 2009, but the recovery was delayed to FY 2014 (11 to 12 years later) as a result of the 2008-2009 recession. Similarly, the largest quarterly decrease in the national number of enplaned passengers was 18.2% in the fourth quarter of 2001, also related to the September 11, 2001, attacks. These comparisons are presented solely to provide an understanding of the magnitude of the quarterly decreases in passenger traffic at the Airport resulting from the COVID-19 pandemic relative to prior major events.

The events of September 11 and the COVID-19 pandemic are very different, but the recovery in traffic following September 11 and the near-term recovery in domestic traffic at the Airport and the nation following (1) the widespread availability of COVID-19 vaccines, (2) reduction in economic closures, and (3) other factors reflect the importance of airline travel for leisure and business purposes.

As described more fully in the section of this 2022 CFC Report titled "Airline Traffic Forecasts", which should be read in its entirety, it was assumed in the forecasts of enplaned passengers at the Airport that the Los Angeles Combined Statistical Area (CSA) would remain a major destination market for U.S. leisure and business travelers and a top global destination for tourism, meetings, and conventions. The forecasts were also based on the following specific assumptions related to domestic and international passenger traffic at the Airport:

- Domestic enplaned passengers. The number of domestic enplaned passengers at the
 Airport will reach FY 2019 levels in FY 2024, based, in part, on growth in domestic travel
 at the Airport and the nation through the first 6 months of 2021, the continued
 availability of vaccines to protect against the COVID-19 virus and its variants, and
 reduced domestic travel restrictions.
- International enplaned passengers. The number of international enplaned passengers
 at the Airport will be slower to recover than the number of domestic enplaned
 passengers and will reach FY 2019 levels in FY 2025 as a result of, but not limited to,
 continuing border closures and travel restrictions in the near-term, continued
 production and rollout of vaccines to protect against the COVID-19 virus and its variants,
 and the availability of vaccines internationally.

It was assumed in this 2022 CFC Report that the total number of enplaned passengers at the Airport will reach FY 2019 levels by FY 2025 and that, from FY 2026 through FY 2030 (the last year of the Forecast Period), the total number of enplaned passengers will increase at the 20-

year (FY 1999-FY 2019) average annual rate of growth in the number of enplaned passengers at the Airport of 1.7% per year.

Deplaned Destination Passengers

The process for transitioning from historical and forecast enplaned passengers to historical and forecast deplaned destination passengers at the Airport is described below for purposes of analyzing historical trends in rental car activity and in preparing the forecast of Transactions, Transaction Days, and Total CFC Revenues presented in this 2022 CFC Report. The number of deplaned destination passengers represents the number of deplaned passengers at the Airport that end their journeys at the Airport, which does not include deplaned passengers that connect from one flight to another.

Historically, the number of enplaned and deplaned passengers have generally been equal. From FY 2012 to FY 2021, the number of deplaned passengers at the Airport averaged approximately 99.5% of the number of enplaned passengers at the Airport. For purposes of preparing the financial forecasts presented in this 2022 CFC Report, it was assumed that the number of enplaned passengers and deplaned passengers would be equal.

To forecast the portion of deplaned passengers that end their journeys at the Airport, the percentage of originating passengers to enplaned passengers was applied to the forecast number of deplaned passengers at the Airport.

The percentage of originating passengers to enplaned passengers increased from 76.4% in FY 2012 to 82.3% in FY 2019, and then increased again in FY 2021 to 85.9%. For purposes of this 2022 CFC Report, it was assumed that the percentage of originating passengers to enplaned passengers would return to the pre-COVID-19 pandemic share of 82.3% in FY 2019 and that share was used during each year of the Forecast Period.

When analyzing historical trends in rental car activity at the Airport, the actual number of deplaned passengers and the actual percentage of originating passengers were used to calculate the actual number of deplaned destination passengers at the Airport.

As described more fully later in this 2022 CFC Report, the number of deplaned destination passengers at the Airport is forecast to increase from 12.4 million in FY 2021 to approximately 40.1 million in FY 2030, primarily as a result of the assumed recovery in the number of enplaned passengers at the Airport to FY 2019 numbers by FY 2025 and then the assumed growth in the number of enplaned passengers each year thereafter equal to 1.7% per year, all as described in the prior section.

TOTAL CFC REVENUES

The Department accounts for the Airport's financial performance according to generally accepted accounting principles for governmental entities and the requirements of its Master

Senior Trust Indenture for the issuance of general airport revenue bonds (GARB) and the CFC Trust Indenture.

Annual CFC Revenues collected by the Department are a function of the number of Transactions (or rental car contracts), Average Transaction Days (the average number of days a car is rented), and the CFC Rate imposed by the Department as well as the propensity of deplaned destination passengers to rent cars or use other modes of transportation, such as TNCs.

A brief overview of historical trends in annual CFC Revenues is provided below, but historical amounts of annual CFC interest income earned by the Department, which has represented approximately 7.5% of Total CFC Revenues on average between FY 2012 and FY 2021, are not discussed. Trends in historical and forecast CFC Revenues are shown on Figure 3.

From FY 2012 through FY 2019, annual CFC Revenues increased approximately 17.3% per year, higher than the 6.0% per year increase in deplaned destination passengers at the Airport, largely the result of changes in the CFC Rate from \$10.00 per Transaction to \$7.50 per Transaction Day (up to the maximum of 5 days) on January 1, 2018, and then to \$9.00 per Transaction Day (up to the maximum of 5 days) on September 1, 2019.

In FY 2020, which included only 3 months (April – June) of the negative effects on airline travel and rental car activity from the COVID-19 pandemic, CFC Revenues decreased 18.2% compared with FY 2019 data. FY 2020 was the first full Fiscal Year in which the \$9.00 CFC Rate was charged, resulting in a decrease in CFC Revenues that was not as severe as the 28.4% decrease in deplaned destination passengers at the Airport.

The entirety of FY 2021 included the negative effects of the COVID-19 pandemic on passenger travel and rental car use at the Airport. In FY 2021, CFC Revenues decreased by 50.9% compared with FY 2020 data, consistent with the 51.8% decrease in the numbers of deplaned destination passengers at the Airport during the same period.

During the first 5 months of FY 2022, CFC Revenues increased 109.1% relative to the same months in FY 2021 as the number of deplaned destination passengers increased 175.2% given widespread COVID-19 vaccinations as well as reductions in travel restrictions and border closures.

Forecast CFC Revenues during the Forecast Period are based on the following assumptions:

- The number of forecast deplaned destination passengers at the Airport, as discussed earlier and described in more detail in the section of this 2022 CFC Report titled "Airline Traffic and Economic Analysis."
- The average number of Transactions per deplaned destination passenger would reach the number of FY 2019 Transactions by FY 2022. Starting in FY 2024 (the year of expected APM System DBO), Transactions per deplaned destination passenger would

increase 5.0% as a result of the improved ease (i.e., convenience and speed) that passengers would experience in accessing the ConRAC and the CTA.

- Starting in FY 2025, the number of Transactions per deplaned destination passenger would be constant during the remaining years of the Forecast Period.
- The number of Average Transaction Days per Transaction would increase from FY 2021 to the number of Average Transaction Days in FY 2019 by FY 2025. Starting in FY 2026, the forecast number of Average Transaction Days would be constant during the remaining years of the Forecast Period.
- The CFC Rate would remain at \$9.00 per Transaction Day (up to a maximum of 5 days).

CFC Revenues at the Airport are forecast to increase from approximately \$80.2 million in FY 2019 to approximately \$112.5 million in FY 2030, representing an average annual growth rate of 3.1%.

\$120.0 \$110.5 \$112.5 \$108.7 \$106.8 \$105.0 \$103.2 \$96.0 \$100.0 CFC Revenues (in millions) \$80.2 \$80.0 \$72.0 \$65.6 \$57.4 \$60.0 \$40.0 \$32.2 \$20.0 \$-

FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030

Figure 3
HISTORICAL AND FORECAST CFC REVENUES
Los Angeles International Airport

Note: For Fiscal Years ending June 30.

Actual

⁹ Any delay in APM System DBO would also delay the assumed 5% increase in the number of Transactions per deplaned destination passengers, which would not result in a material change to the forecast financial results.

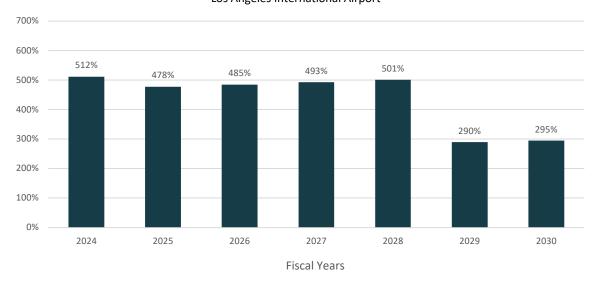
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DEBT SERVICE COVERAGE

Under the CFC Trust Indenture, Aggregate Annual Debt Service on the proposed Series 2022 Bonds (and any additional Senior and Subordinate Bonds) is secured by a pledge of the Trust Estate, which includes, but is not limited to, Total CFC Revenues.

To demonstrate the amount of Total CFC Revenues available to pay Aggregate Annual Debt Service on the proposed Series 2022 Bonds, debt service coverage was forecast by dividing the sum of Total Forecast CFC Revenues and balances available in the Rolling Coverage Fund by Aggregate Annual Debt Service during each year of the Forecast Period. The forecast results are shown on Figure 4 (and later on Exhibit E), with debt service coverage ranging from 290% to 512% during the Forecast Period.

Figure 4
FORECAST DEBT SERVICE COVERAGE
Los Angeles International Airport



Notes: Includes Aggregate Annual Debt Service on the issuance of the proposed Series 2022 Bonds only. Aggregate Annual Debt service is net of capitalized interest, if any.

Source of Aggregate Annual Debt Service: The Department's Municipal Advisor.

SENSITIVITY ANALYSIS

The forecast financial results presented in this 2022 CFC Report were analyzed to determine their sensitivity to changes in the number of Transactions and Transaction Days.

Specifically, it was assumed that, in FY 2024 (the first full year of ConRAC operations), the numbers of Transactions and Transaction Days will decrease by approximately 66.0% from forecast amounts, which percent decline equals the decrease in the numbers of Transactions

and Transaction Days at the Airport from FY 2019 to FY 2021. In preparing the sensitivity analysis, it was assumed that the numbers of Average Transaction Days will remain the same during the Forecast Period.

It was assumed that, starting in FY 2025, it would take approximately 5years (by FY 2029) for the numbers of Transactions and Transaction Days to recover to the base case forecast numbers of Transactions and Transaction Days in FY 2024. In FY 2030, it was assumed that the number of Transactions and Transaction Days would increase at the 20-year (FY 1999-FY 2019) average annual rate of growth in the number of enplaned passengers at the Airport of 1.7% per year. Under the sensitivity analysis, forecast debt service coverage ranges from 208% to 369% during the Forecast Period.

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The financial forecasts presented in this 2022 CFC Report are based on information and assumptions provided by, or reviewed with and agreed to by, Department management. The forecasts reflect management's expected course of action during the Forecast Period and, in management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, titled "Background." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts.

However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences could be material. Neither WJ Advisors LLC nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in this 2022 CFC Report. We have no responsibility to update this 2022 CFC Report for events and circumstances occurring after the date of this 2022 CFC Report.

We appreciate the opportunity to serve as the Department's Airport Consultant in connection with this proposed financing.

Respectfully submitted,

WIJ Advisus LLC

WJ Advisors LLC

BACKGROUND

City of Los Angeles, Department of Airports

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SECTION 1

AIRLINE TRAFFIC AND ECONOMIC ANALYSES

AIRLINE TRAFFIC AND ECONOMIC ANALYSES

OVERVIEW OF AIRPORT ROLE

The Airport has an important role in the international, national, State of California, and regional and local air transportation systems and was the fifth busiest airport in the United States in terms of total (enplaned and deplaned) passengers in 2020, according to statistics compiled by Airports Council International, North American (ACI-NA). In 2020, the Airport experienced a 67.4% decrease in total enplaned passengers compared to 2019 levels due to the economic and travel restrictions resulting from the COVID-19 pandemic. In 2020, the number of domestic and international enplaned passengers at the Airport decreased 64.3% and 75.0%, respectively.

The Airport is one of six commercial service airports in the greater Los Angeles area and has the most international airline service and the greatest number of connecting passengers of the other airports in the area. The role and size of the Airport (as measured by numbers of passengers), as well as the strength and diversity of the economy in the air service region, are important factors in understanding near and long-term trends in on-Airport rental car Transactions and Transaction Days since deplaned destination passengers rent cars and use other modes of ground transportation at the Airport.

Large Origin-Destination Passenger Base

The Airport's large O&D passenger base is related to the population of the area served by the Airport, the strength of the local economy, and the attractiveness of the Los Angeles Combined Statistical Area (CSA), the primary geographic area served by the Airport, as a tourist destination. In 2020, approximately 12.1 million originating passengers enplaned at the Airport, making the Airport the busiest O&D passenger airport in the U.S.

The Los Angeles CSA includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. As shown on Table 1, the population of the Los Angeles CSA was 18.8 million in 2020, accounting for approximately 78.4% of Southern California's total population in that year. Los Angeles County includes the City of Los Angeles and accounted for approximately 53.5% of the population of the Los Angeles CSA in 2020.

Because economic activity and growth in the Los Angeles CSA stimulate a significant portion of passenger demand at the Airport, statistics for the Los Angeles CSA were used to evaluate airline traffic trends at the Airport.

Primary Commercial Service Airport in the Los Angeles CSA

As shown on Figure 5, the Los Angeles CSA is served by six airports with scheduled passenger airline service, including the Airport, which is defined as a large-hub airport. The Airport accounts for the majority of short-haul domestic airline service in the CSA, dominates medium-and long-haul domestic service, and is the primary international air transportation gateway in Southern California. In FY 2021, the number of enplaned passengers at the Airport accounted for approximately 72.3% of all enplaned passengers at the six airports in the Los Angeles CSA. According to 2020 FAA data, the airports in Orange County, Ontario, and Burbank are medium-hub airports and the airports in Long Beach and Palm Springs are small-hub airports.

Table 1
POPULATION OF SOUTHERN CALIFORNIA IN 2020

		Percent of Southern	Percent of Los Angeles CSA
Area	Population	California population	or Surrounding Counties
Los Angeles CSA	ropalation	population	
Los Angeles County	10,057,518	41.9%	53.5%
Orange County	3,190,321	13.3	17.0
Riverside County	2,507,669	10.5	13.3
San Bernardino County	2,197,670	9.2	11.7
Ventura County	849,982	3.5	4.5
Subtotal—Los Angeles CSA	18,803,160	78.4%	100.0%
Surrounding Counties			
San Diego County	3,360,632	14.0%	64.8%
Kern County	909,302	3.8	17.5
Santa Barbara County	448,318	1.9	8.6
San Luis Obispo County	284,739	1.2	5.5
Imperial County	182,777	0.8	3.5
Subtotal—Surrounding Counties	5,185,768	21.6%	100.0%
Total Southern California	23,988,928	100.0%	_

Note: Columns may not add to totals shown due to rounding.

Source: Woods & Poole Economics, Inc., June 2021.

¹⁰ The FAA definition of large-, medium-, and small hub airports are available at the following link: https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/media/preliminary-cy20-allenplanements.pdf.

A-29

Figure 5
AIRPORT SERVICE REGION



Passenger Volumes at LAX

In 2019, the Airport was the second busiest airport in the United States (see Figure 6) and the busiest airport in terms of O&D passengers with approximately 44.3 million revenue enplaned passengers and 36.5 million O&D enplaned passengers.

As a result of the negative effects on air travel from the COVID-19 pandemic, the rankings of the top 10 U.S. airports (as measured by revenue enplaned passengers) in 2020 changed, including the ranking of the Airport which went from second busiest to fifth busiest (see Figure 7) in the United States. Global travel restrictions and the Airport's large share of international passengers were major drivers behind its change in ranking in 2020.

60.0 53.5 Revenue Enplaned Passengers (millions) 50.0 44.3 ■ Connecting Passengers 40.9 35.8 ■ O&D Passengers 40.0 7.8 33.6 32.7 31.2 27.7 16.6 30.0 25.0 24.6 24.5 11.7 19.4 20.0 36.5 26.8 24.3 22.3 23.2 21.9 21.4 20.8 10.0 16.4 0.0 ATL LAX ORD DFW SFO SEA MCO LAS JFK = John F. Kennedy International ATL = Hartsfield-Jackson Atlanta International LAX = Los Angeles International SFO = San Francisco International ORD = Chicago O'Hare International SEA= Seattle-Tacoma International DFW = Dallas/Fort Worth International MCO = Orlando International **DEN=** Denver International LAS = Harry Reid (Las Vegas) International

Figure 6

10 BUSIEST U.S. AIRPORTS IN 2019 AS MEASURED BY REVENUE ENPLANED PASSENGERS

Note: Totals may not add to 100% due to rounding.

Source: U.S. Department of Transportation, T100 database, 12-months ending December 2019, accessed July 2021 through AirlineData Inc., for all airports shown.

Hartsfield-Jackson Atlanta International Airport had 53.5 million revenue enplaned passengers in 2019 and was the busiest airport in the United States in 2020 with 20.8 million revenue enplaned passengers.

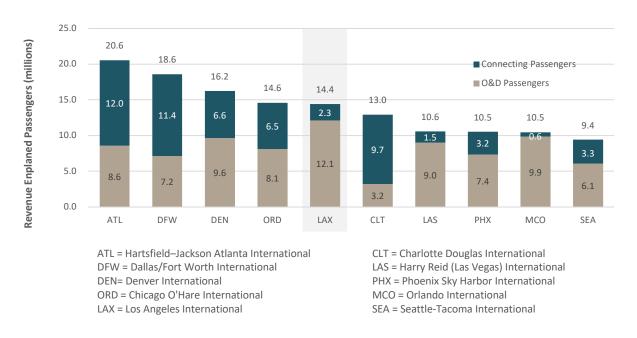
Dallas/Fort Worth International Airport, which is the busiest airport in the route system of American Airlines, saw its ranking increase from fourth in 2019 to second in 2020, largely as a result of American's decision to increase the number of flights to and from DFW relative to its other hub airports in reaction to the negative effects on air travel resulting from the COVID-19 pandemic.

The ranking of Denver International Airport increased from fifth in 2019 to third in 2020 as a result of the increasing domestic travel in the United States and the high proportion of domestic versus international passenger travel at the airport. Compared to Denver International Airport, Chicago O'Hare International Airport has a lower proportion of domestic to international passenger traffic, which, among other reasons, is why Chicago's ranking declined from third busiest in 2019 to fourth busiest in 2020.

Despite the change in ranking of Los Angeles International Airport from 2019 to 2020, the Airport was approximately 53.2% busier than the next largest international gateway airport (Seattle-Tacoma International Airport) on the West Coast in 2020.

Figure 7

10 BUSIEST U.S. AIRPORTS IN 2020 AS MEASURED BY REVENUE ENPLANED PASSENGERS



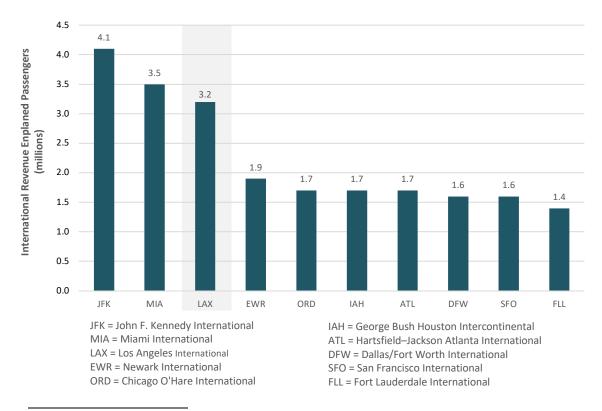
Note: Totals may not add to 100% due to rounding.

Source: U.S. Department of Transportation, T100 database, 12-months ending December 2020, accessed July 2021 through AirlineData Inc., for all airports shown.

For the 12-month period ended December 2020, the Airport was the third busiest international gateway in terms of international revenue enplaned passengers in the United States and the busiest international gateway on the West Coast, with approximately 3.2 million international revenue enplaned passengers (see Figure 8).

Figure 8

10 BUSIEST INTERNATIONAL GATEWAY U.S. AIRPORTS IN 2020
AS MEASURED BY INTERNATIONAL REVENUE ENPLANED PASSENGERS



Source: U.S. Department of Transportation, T100 database, 12-months ending December 2020, accessed July 2021 through AirlineData Inc., for all airports shown.

John F. Kennedy International Airport, which had 4.1 million international revenue enplaned passengers during the same period, was the busiest international gateway in the United States. San Francisco International Airport is the only other international gateway airport on the West Coast that is ranked among the 10 busiest international gateways, with approximately 1.6 million international revenue enplaned passengers during the same 12-month period.

The international markets for the Airport in 2020, as measured by the number of international revenue enplaned passengers, were as follows: Mexico (27.1%), Asia (25.8%), Europe (17.3%), Oceania (10.5%), Canada (7.8%), Latin America and the Caribbean (8.6%), and Africa/Middle East (2.8%). Of the 10 busiest international gateway U.S. airports in 2020, the Airport served the largest number of international revenue enplaned passengers to Asia-Pacific and the second largest to Mexico and Canada after Dallas/Fort Worth International Airport and Fort Lauderdale International Airport, respectively. The Airport served more international revenue enplaned passengers to each of the markets listed above than did San Francisco International Airport.

Many of the airlines serving the Airport have alliances with foreign-flag airlines that provide, among other benefits, seamless service for passengers to markets that may not otherwise have been served by the same domestic airline. Alliances also provide airlines with strategic, marketing, and operational benefits in terms of coordinated flight schedules, the transfer of baggage between airlines, and use of single Terminals and passenger ticketing check-in facilities.

The importance of the Airport as an international gateway can be measured by the number of domestic and foreign-flag airlines serving the Airport (which totaled 53 at the Airport in December 2021, as shown on Table 8), as well as the number and market shares of enplaned passengers of the airline alliances. A comparison of FY 2021 enplaned passenger market shares by individual airlines (including regional affiliates) and by airline alliance is shown on Table 2.

Table 2

COMPARISON OF ENPLANED PASSENGER MARKET SHARE IN FY 2021

Los Angeles International Airport

	Airline (including re	Airline,	Airline, regional affiliate, and				
	affiliates)		a	alliance partners			
				Number of			
	Number of enplaned	Percent	Alliance	enplaned	Percent		
	passengers	of total	Name	passengers	of total		
Delta Air Lines	3,220,176	22.1%	oneworld	4,313,068	29.6%		
American Airlines	2,947,247	20.2%	SkyTeam	3,510,957	24.1%		
United Airlines	2,170,164	14.9%	Star Alliance	2,569,236	17.6%		
Subtotal	8,337,587	57.1%		10,393,261	71.2%		
All other airlines	6,256,204	42.9%		4,200,530	28.8%		
Total	14,593,791	100.0%		14,593,791	100.0%		

Totals may not add to the amounts shown due to rounding.

Source: Department records.

American Airlines primarily operates from Terminal 4, and a passenger connector to Tom Bradley International Terminal (TBIT) provides a seamless experience for passengers connecting to or arriving on oneworld alliance partner flights. Delta Air Lines currently operates from Terminal 2. The approximately \$1.8 billion modernization of Terminals 2 and 3, referred to as the North Terminal Improvement Program, will also provide a secure connector to the north side of the TBIT, allowing Delta Air Lines and its alliance partners to operate seamlessly when the modernization program is completed.

ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of an airport service region is a major factor affecting long-term passenger traffic and rental car Transactions at the airport(s) serving the region. In general, regions with large populations, an extensive employment base, and increasing levels of per capita personal income will generate strong demand for airline travel. The demographics and economy of the region—as measured by changes in population, nonagricultural employment, and per capita

personal income—as well as airline service and airfares, are typically the most important factors affecting O&D passenger demand at the airport(s) serving the region.

COVID-19 in California and Los Angeles County

In response to the evolving situation of the COVID-19 pandemic, both the State of California Department of Public Health and the Los Angeles County Department of Public Health have adopted measures to allow the reopening of the economy while still requiring masking and other restrictions to reduce viral transmission. On October 1, 2021, California became the first state to require student vaccinations, adding the COVID-19 vaccine to other required immunizations for measles, mumps, and rubella. Students will be required to be vaccinated for in-person learning beginning in the school term following the FDA's approval of the vaccine for their age group. In August 2021, California required mandatory COVID-19 vaccinations for all State employees, health care workers, and workers in high-risk congregate settings. State officials also encouraged local governments and other employers to adopt a similar policy. In adoption of the vaccine for the policy.

California. On June 15, 2021, California fully reopened its economy. As of the date of this 2022 CFC Report, bars, restaurants, retail stores, shopping malls, movie theaters, salons, fitness centers, hotels, amusement parks, churches, and other venues are operating with no requirements for capacity limits or physical distancing, although local health jurisdictions may impose stricter criteria.

In late December 2021, the California Department of Public Health (the CDPH) requirements for attending mega events¹⁴ such as concerts and sporting events were updated. Prior to attending an event, attendees are now required to provide either proof of vaccination, a negative antigen COVID-19 test within one day of the event, or a negative PCR test within two days of the event.¹⁵

The Omicron variant is prevalent in California and spreads more easily than the original SARS-CoV-2 virus and the Delta variant. CDPH estimates that 95.0% of COVID-19 cases in California are caused by the Omicron variant. In early January 2022, CDPH extended the requirement that masks be worn in all indoor public settings irrespective of vaccine status. In addition,

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¹¹ "California Becomes First State in Nation to Announce COVID-19 Vaccine Requirements for Schools," 1 October 2021, https://www.gov.ca.gov/2021/10/01/california-becomes-first-state-in-nation-to-announce-covid-19-vaccine-requirements-for-schools, accessed October 2021.

¹² State employees have the option of weekly COVID-19 testing in lieu of vaccination.

¹³ "California Implements First-in-the-Nation Measures to Encourage State Employees and Health Care Workers to Get Vaccinated," 26 July 2021, https://www.gov.ca.gov/2021/07/26/california-implements-first-in-the-nation-measures-to-encourage-state-employees-and-health-care-workers-to-get-vaccinated, accessed October 2021.

¹⁴ Mega events are defined by CDPH as 500-plus indoor attendees and 5,000-plus outdoor attendees.

¹⁵ Beyond the Blueprint for Industry and Business Sectors (Including Mega Events), 31 December 2021, California Department of Public Health, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Beyond-Blueprint-Framework.aspx, accessed January 2022.

¹⁶ State Officials Announce Latest COVID-19 Facts, 11 January 2022, California Department of Public Health, https://www.cdph.ca.gov/Programs/OPA/Pages/NR22-008.aspx, accessed January 2022.

¹⁷ Guidance for the Use of Face Masks, 5 January 2022, California Department of Public Health, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/guidance-for-face-coverings.aspx, accessed January 2022.

CDPH extended the recommended isolation and quarantine timeframes for persons who test positive for COVID-19, or who have been exposed to someone with COVID-19. CDPH has added additional testing recommendations to exit isolation and quarantine, and recommends mask wearing for 10 days, including at home, especially for those who are immuno-compromised or at risk for severe disease.¹⁸

On June 14, 2021, prior to the reopening of California's economy, CDPH reported 2.2 new COVID-19 cases per 100,000 population (seven-day average case rate) with a seven-day test positivity rate of 0.9%. As of January 11, 2022, California had 192.7 new cases per 100,000 population (seven-day average case rate) with a seven-day test positivity rate of 23.1%¹⁹. Approximately 72.0% of California's population aged five years and above are fully vaccinated. While CDPH and local public health agencies are working toward the full vaccination of California's population,²⁰ the reinstatement of lockdown measures remains an option at both the state and local level if trends in COVID-19 case and test positivity rates worsen.

Los Angeles County. On June 14, 2021, Los Angeles County had 11.7 new COVID-19 cases per 100,000 population (seven-day average case rate), a seven-day test positivity rate of 0.5%, and community transmission was rated "moderate" by the CDC. As of January 11, 2022, Los Angeles County had 2,263.6²¹ new cases per 100,000 population (seven-day average case rate), a seven-day test positivity rate of 22.1%, and "high" community transmission.²²

Historical Population, Nonagricultural Employment, and Per Capita Personal Income

This section provides an overview of the Los Angeles regional economy, including current conditions and trends, and presents data that indicate that the Airport's service region has an economic base capable of supporting increased demand for airline travel at the Airport during the Forecast Period (through FY 2030).

As shown in Table 3, the Los Angeles CSA, with 18.8 million residents in 2020, is the second largest of the 172 CSAs in the United States. Only the New York-Newark CSA, with approximately 22.6 million residents, represents a larger market for airline travel. The third largest CSA is Washington-Baltimore-Arlington with approximately 53% of the population of the Los Angeles CSA.

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¹⁸ Guidance for Local Health Jurisdictions on Isolation and Quarantine of the General Public, 8 January 2022, California Department of Public Health, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Guidance-on-Isolation-and-Quarantine-for-COVID-19-Contact-Tracing.aspx, accessed January 2022.

¹⁹ Tracking COVID-19 in California, 21 October 2021, California Department of Public Health, https://covid19.ca.gov/state-dashboard/#county-statewide, accessed October 2021.

²⁰ Slow the Spread: Get Vaccinated, California Department of Public Health, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Covid19Vaccines.aspx, accessed October 2021.

²¹ COVID Data Tracker, Los Angeles County, 12 January 2022, Centers for Disease Control and Prevention, https://covid.cdc.gov/covid-data-tracker/#county-view?list_select_state=California&data-type=Risk&list_select_county=6037, accessed January 2022.

²² COVID Data Tracker, Los Angeles County, 12 January 2022, Centers for Disease Control and Prevention, https://covid.cdc.gov/covid-data-tracker/#county-view?list_select_state=California&data-type=Risk&list_select_county=6037, accessed January 2022.

Table 3

10 LARGEST COMBINED STATISTICAL AREAS IN THE UNITED STATES
2020

Rank	Combined Statistical Area	Estimated population
1	New York-Newark CSA	22,618,678
2	Los Angeles CSA	18,803,160
3	Washington-Baltimore-Arlington CSA	9,882,947
4	Chicago-Naperville CSA	9,836,042
5	San Jose-San Francisco-Oakland CSA	9,717,889
6	Boston-Worcester-Providence CSA	8,303,973
7	Dallas-Fort Worth CSA	8,150,176
8	Houston-The Woodlands CSA	7,342,005
9	Philadelphia-Reading-Camden CSA	7,225,009
10	Miami-Fort Lauderdale-Port St. Lucie CSA	6,948,384

Source: Woods & Poole Economics, Inc., June 2021.

Population. As shown in the following table and on Figure 9, the growth rate for the population in the Los Angeles CSA has historically been comparable to the population growth rates in California and the United States. Population in the Los Angeles CSA increased an average of 1.2% per year from 14.6 million in 1990 to 16.4 million in 2000. From 2000 to 2010, the population in the Los Angeles CSA increased from 16.4 million to 17.9 million, resulting in an average annual increase of 0.9% per year. From 2010 to 2020, the population in the Los Angeles CSA increased from 17.9 million to 18.8 million, resulting in an average annual increase of 0.5% per year.

	Population (in millions)						
	Los Angeles CSA	California	United States				
1990	14.6	30.0	249.6				
2000	16.4	34.0	282.2				
2010	17.9	37.3	309.3				
2020	18.8	39.7	329.9				
	Average annual p	Average annual percent increase (decrease)					
1990-2000	1.2%	1.3%	1.2%				
2000-2010	0.9%	0.9%	0.9%				
2010-2020	0.5%	0.6%	0.6%				

An average annual increase of 0.5% is projected for population growth in the Los Angeles CSA from 2020 through 2030, slightly lower than the projected increase in both California (0.7%) and the U.S. (0.7%)

Figure 9 **POPULATION RATE OF GROWTH**Los Angeles CSA, State of California, and United States



Note: The Los Angeles CSA consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. Source: Woods & Poole Economics, Inc., June 2021.

Between 2020 and 2030, a population increase of approximately 1,022,000 is projected in the Los Angeles CSA, or approximately 102,000 new residents per year.²³ These new residents are expected to generate additional demand for airline service and potentially rental car demand at the Airport.

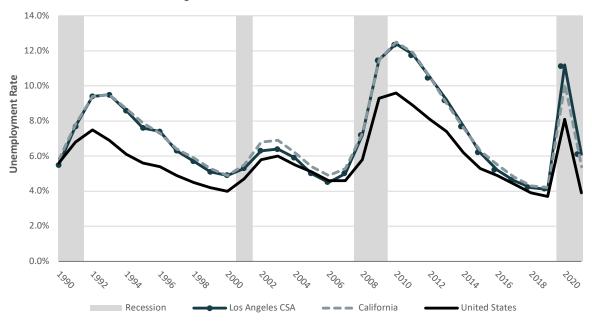
Unemployment Rate. The annual unemployment rate in the Los Angeles CSA exceeded that in the U.S. in each of the past 31 years, except 1990, 2005, and 2006, when the two unemployment rates were generally equal, as shown on Figure 10. Although the Los Angeles CSA unemployment rate has been higher than that in the United States since 2007, it fell by 8.3%, from 12.4% at its peak in 2010 to 4.1% in 2019. In contrast, the U.S. unemployment rate fell only 5.9% from its peak of 9.6% in 2010 to 3.7% in 2019.

²³ Woods & Poole Economics, Inc., June 2021.

Figure 10

UNEMPLOYMENT RATES

Los Angeles CSA, State of California, and United States



Note: Unemployment data for November 2021 are not seasonally adjusted. Sources: U.S. Department of Labor, Bureau of Labor Statistics, January 2022.

In November 2021, the unemployment rate in the Los Angeles CSA was 6.1% (not seasonally adjusted), higher than both the non-seasonally adjusted rate in California (5.4%) and the United States (3.9%).²⁴

November 2019-November 2021 Unemployment Rates. The substantial increase in the unemployment rate from March 2020 to June 2020, as shown on Figure 11 was a result of the COVID-19 pandemic and the economic shutdown that occurred across the United States.

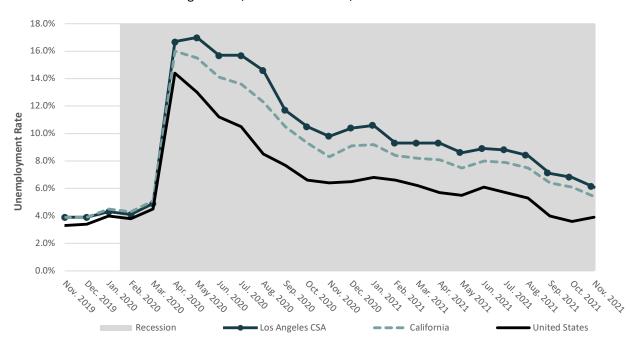
Figure 11 shows that as the economy adjusted to public health and social measures needed to reduce the risk of COVID-19 exposure, the unemployment rate in the Los Angeles CSA fell from a peak of 17.0% in May 2020 to 6.1% in November 2021 (not seasonally adjusted). California's non-seasonally adjusted unemployment rate of 5.4% in November 2021 was significantly below its peak non-seasonally adjusted unemployment rate of 16.0% in April 2020. U.S. unemployment declined from its peak of 14.4% in April 2020 to 3.9% in November 2021 (not seasonally adjusted).

²⁴ Because seasonally adjusted monthly unemployment data are not available for the Los Angeles CSA, non-seasonally adjusted November 2021 unemployment data are shown for California and the United States to provide an equivalent comparison.

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Figure 11

NOVEMBER 2019-NOVEMBER 2021 UNEMPLOYMENT RATES
Los Angeles CSA, State of California, and United States

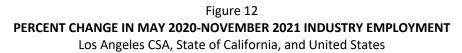


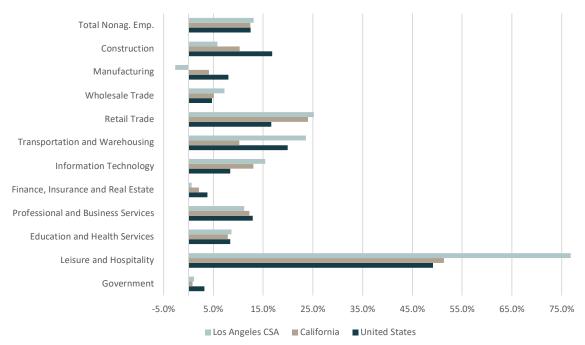
Note: Data are not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, January 2022.

May 2020-November 2021 Percent Change in Industry Employment. Figure 12 shows percent changes in employment in the Los Angeles CSA, California, and the United States in total nonagricultural employment and selected industry sectors from May 2020 to November 2021.

While total nonagricultural employment in the Los Angeles CSA increased by 10.0% over the 18-month period, several industries exceeded this rate including leisure/hospitality (76.8%), retail trade (25.2%), transportation/warehousing (23.6%), and information technology (15.4%). However, employment in manufacturing in the Los Angeles CSA fell 2.7% between May 2020 and November 2021.





Notes: Data not seasonally adjusted. Construction includes mining and forestry.

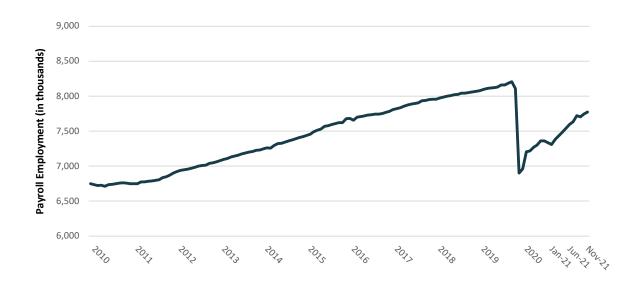
Source: U.S. Department of Labor, Bureau of Labor Statistics; California Employment Development Department, Labor Market Information Division, January 2022.

2021 Job Recovery. In spite of the rapid and severe job loss in the Los Angeles CSA caused by the pandemic in 2020, nonagricultural employment overall recovered considerably between May 2020 and August 2021. Figure 13 shows that total nonagricultural payroll employment in the Los Angeles CSA fell from a 10-year high in February 2020 to a record loss of approximately 1.25 million jobs by April 2020. However, between May 2020 and November 2021 the Los Angeles CSA recovered approximately 67.0% of this loss, regaining approximately 871,000 jobs.

Figure 13

TOTAL 2010-NOVEMBER 2021 NONAGRICULTURAL PAYROLL EMPLOYMENT

Los Angeles CSA



Note: Total nonagricultural employment of workers on payrolls, seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, State and Area Employment, January 2022.

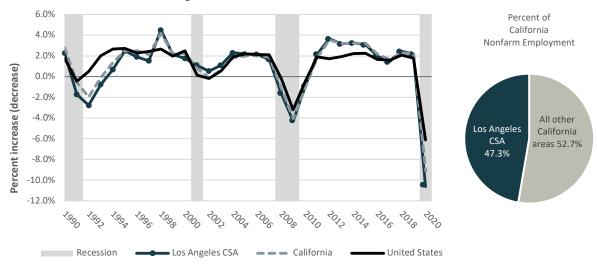
Nonagricultural Civilian Employment. As shown in the following table and on Figure 14, the Los Angeles CSA accounts for 47.3% of nonagricultural civilian employment in California. The annual rate of change for nonagricultural civilian employment in the Los Angeles CSA has historically been comparable to rates of change in California and the United States. Nonagricultural civilian employment in the Los Angeles CSA increased an average of 0.9% per year from 8.1 million in 1990 to 8.9 million in 2000. From 2000 to 2010, nonagricultural civilian employment in the Los Angeles CSA increased from 8.9 million to 9.2 million, resulting in an average annual increase of 0.3% per year. From 2010 to 2020, nonagricultural civilian employment in the Los Angeles CSA increased from 9.2 million to 10.4 million, resulting in an average annual increase of 1.2% per year.

	Nonagricultural civilian employment (in millions)					
	Los Angeles CSA	California	United States			
1990	8.1	16.2	132.5			
2000	8.9	18.7	160.2			
2010	9.2	19.2	168.2			
2020	10.4	22.0	187.1			
	Average annual percent increase (decrease)					
1990-2000	0.9%	1.4%	1.9%			
2000-2010	0.4%	0.3%	0.5%			
2010-2020	1.2%	1.4%	1.1%			

An average annual increase of 2.7% is projected for nonagricultural civilian employment growth in the Los Angeles CSA from 2020 through 2030, higher than the projected increase in both California (2.5%) and the United States (2.1%).

Figure 14

NONAGRICULTURAL CIVILIAN EMPLOYMENT ANNUAL RATES OF CHANGE
Los Angeles CSA, State of California, and United States

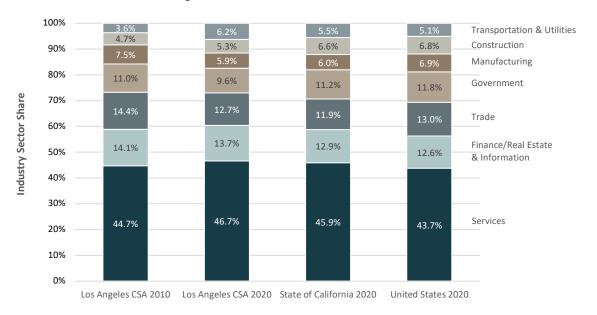


Note: The Los Angeles CSA consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. Source: Woods & Poole Economics, Inc., June 2021.

Figure 15 shows the comparative distribution of nonagricultural civilian employment by industry sector in the Los Angeles CSA in 2010 and 2020, and in California and the United States in 2020. Employment in services (46.7%) which includes health, education, professional, business, leisure, hospitality, and other services, combined with employment in finance, real estate, and information (13.7%), accounted for a combined 60.4% of total nonagricultural civilian employment in the Los Angeles CSA in 2020.

Figure 15
COMPARATIVE DISTRIBUTION OF NONAGRICULTURAL CIVILIAN EMPLOYMENT
BY INDUSTRY SECTOR

Los Angeles CSA, State of California, and United States



Notes: Construction employment includes mining and forestry. Totals may not add to 100% due to rounding. Source: Woods & Poole Economics, Inc., June 2021.

Major Employers. Table 4 lists the 25 largest private employers in the Los Angeles CSA in 2020. The table reflects the diversity of the companies and industries in the area.

The Los Angeles CSA is the headquarters location of 41 Fortune 1000 firms.²⁵ Employing a worldwide total of approximately 867,000 workers, and with combined annual revenue of approximately \$304 billion, these companies operate globally and their activities extend to a network of approximately 2,000 overseas offices, manufacturing plants, and other facilities.²⁶

Although business travel has been severely curtailed by the COVID-19 pandemic, there are indications of future improvement in the business travel sector. A worldwide survey of corporate Chief Financial Officers found that 52% of those surveyed expect company travel expenditures to reach 2019 levels in 2022. A recent forecast from the U.S. Travel association expects that domestic business travel spending will fully recover to 2019 levels in 2024.²⁷

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²⁵ Fortune 500, www.fortune.com, accessed July 2021.

²⁶ Uniworld Online, www.uniworldonline.com, accessed July 2021.

²⁷ "Global Business Travel Association: Business Travel Spend to Recover by 2024," 17 November 2021, *Business Travel News*, https://www.businesstravelnews.com/Procurement/GBTA-Business-Travel-Spend-to-Recover-by-2024; Travel Forecast, 15 November 2021, U.S. Travel Association, https://www.ustravel.org/research/travel-forecasts, accessed January 2022.

Table 4
25 LARGEST PRIVATE EMPLOYERS

Los Angeles CSA

Rank	Company	Industry	Location	Local Employees
1	Walt Disney (53) (a)	Entertainment	Anaheim/Burbank	40,200
2	Amazon	Online Retailer	Santa Monica/Riverside	36,700
3	Allied Universal	Security Services	Santa Ana	19,480
4	Northrop Grumman	Aerospace	Redondo Beach	18,000
5	Boeing	Aerospace	El Segundo/Seal Beach	13,000
6	United Parcel Service	Transportation	Anaheim/Los Angeles/Ontario	11,640
7	NBCUniversal	Entertainment	Burbank	11,000
8	AT&T	Telecommunications	El Segundo	10,500
9	Bank of America	Finance	Irvine/Los Angeles	10,200
10	Wells Fargo Bank	Finance	Los Angeles	9,680
11	Raytheon	Aerospace	El Segundo	8,130
12	ABM Industries	Facility Services	Commerce	7,400
13	FedEx	Transportation	Irvine/Los Angeles/Ontario	6,750
14	Space Exploration Technologies	Aerospace	Hawthorne	6,000
15	Amgen (112)	Pharmaceuticals	Thousand Oaks	5,580
16	Edwards Lifesciences (589)	Medical Equipment	Irvine	5,320
17	Pechanga Resort & Casino	Casino/Resort	Temecula	5,080
18	Warner Bros. Entertainment	Entertainment	Burbank	4,120
19	JP Morgan Chase	Finance	Irvine/Los Angeles	4,000
20	loanDepot	Finance	Foothill Ranch	4,000
21	Medtronic Diabetes	Medical Equipment	Northridge	4,000
22	Paramount Pictures	Entertainment	Hollywood	4,000
23	Lockheed Martin	Aerospace	Palmdale	3,750
24	Charter Communications Inc.	Telecommunications	El Segundo	3,650
25	City National Bank	Finance	Los Angeles	3,480

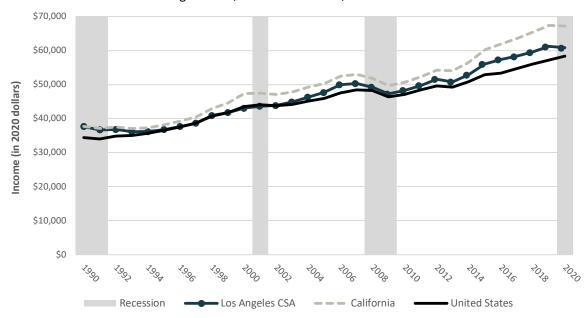
Note: Excludes retail companies, hospitals, utilities, nonprofits, and government organizations.

Sources: "Employers," Orange County Business Journal, 30 November 2020; "Private-Sector Employers," Los Angeles Business Journal, 11 October 2021; County of Ventura FY2020 Comprehensive Annual Financial Report, https://www.ventura.org/auditor-controllers-office/financial-reports; Riverside County FY2020 Comprehensive Annual Financial Report, https://www.auditorcontroller.org/ReportsPublications.aspx; San Bernardino County FY2019 Comprehensive Annual Financial Report, https://www.sbcounty.gov/ATC/Services/Documents; Fortune 500, https://fortune.com, accessed October 2021.

Per Capita Personal Income. Historically, per capita personal income (in 2020 dollars) has been consistently lower in the Los Angeles CSA than in California, as shown on Figure 16. However, per capita income in the Los Angeles CSA has been slightly higher than in the U.S. from 1990 through 2020. Real wage and salary income decreased in the Los Angeles CSA during the 2007-2009 recession, falling 2.4% between 2007 and 2008, and 5.9% between 2008 and 2009. In contrast, the population in the Los Angeles CSA increased nearly 1.0% per year during the 2007-2009 recession. Certain factors, including decreasing wage and salary income and increasing population, contributed to the decrease in per capita personal income growth in the Los Angeles CSA between 2007 and 2010.

⁽a) Indicates Fortune 1000 headquarters company ranking.

Figure 16
PER CAPITA PERSONAL INCOME (IN 2020 DOLLARS)
Los Angeles CSA, State of California, and United States



Note: The Los Angeles CSA consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. Source: Woods & Poole Economics, Inc., June 2021.

Forecasts of per capita personal income in the Los Angeles CSA in 2030 are based on an average annual growth rate of 1.8% between 2020 and 2030. The 2020-2030 growth in total personal income is projected to be partially driven by the growth in earnings for workers in education, professional and technical services, healthcare and social assistance, leisure and hospitality, and transportation and warehousing.

Household Income above \$100,000. The percentage of households with annual income of \$100,000 or more is an indicator of potential demand for air travel. Table 5 shows that in 2020, the Los Angeles CSA ranked second in the U.S. with approximately 2.3 million or 37.8% of households with income of \$100,000 or more. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, 55% of airline fare expenditures are made by households with annual income of \$100,000 or more.²⁸

²⁸ Source: *Who's Buying for Travel* 12th edition, New Strategist Publications, 2018. Data in *Who's Buying for Travel* are based on the U.S. Department of Labor, Bureau of Labor Statistics' "Consumer Expenditure Survey," an ongoing nationwide survey of household spending.

Table 5
2020 HOUSEHOLDS WITH INCOME OF \$100,000 AND ABOVE
BY METROPOLITAN REGION

			Percent of
		Households with	Households in the
		Income of \$100,000	CSA with Income of
Rank	Combined Statistical Area	and above	\$100,000 or above
1	New York-Newark CSA	3,518,773	42.0%
2	Los Angeles CSA	2,285,053	37.8
3	Washington-Baltimore-Arlington CSA	1,737,708	48.0
4	San Jose-San Francisco-Oakland CSA	1,673,480	49.6
5	Chicago-Naperville CSA	1,351,859	36.7

Note: Calculations of 2020 data are based on 2021 and 2026 forecasts from Esri.

Source: 2021 Esri Market Profiles, June 2021.

Visitor Activity

Table 6 summarizes visitor data for Los Angeles County in 2018, 2019, and 2020, as provided by the Los Angeles Tourism & Convention Board. In 2019, there were 50.7 million day and overnight visitors to Los Angeles County, 700,000 more than the record tourism in 2018 of 50.0 million visitors. Approximately 65.0% of visitors to Los Angeles County in 2018 and 2019 were overnight visitors.

Data on Table 6 show that Los Angeles County's approximately 25.8 million domestic overnight visitors in 2019 represented a 2.0% increase over 2018. The 7.4 million international overnight visitors in 2019 was 1.3% lower than the level in 2018.

In 2020, travel restrictions resulting from the COVID-19 pandemic had a significant impact on the number of visitors to Los Angeles County. Between 2019 and 2020, there was a -51.2% decrease in total overnight visitors. The decrease in international visitors was -78.4% between 2019 and 2020 while the number of domestic visitors fell by -43.4% during the same period.

The Los Angeles CSA offers both leisure and business travelers numerous entertainment attractions, cultural institutions, shopping districts, dining selections, recreational options, professional sporting events, and scenic parks and vistas. World-famous attractions in the Los Angeles CSA include Disneyland, Universal Studios, the Hollywood Walk of Fame, the Getty Center, and many others.

Table 6
VISITOR ACTIVITY IN LOS ANGELES COUNTY

					Percent			Percent
					increase/			increase/
		Percent		Percent	(decrease)		Percent	(decrease)
	2018	of total	2019	of total	2018-2019	2020	of total	2019-2020
Overnight visitors	32,800,000	65.6%	33,200,000	65.5%	1.2%	16,200,000	60.2%	(51.2%)
Day visitors	17,200,000	34.4	17,500,000	34.5	1.7	10,700,000	39.8	(38.9)
Total visitors	50,000,000	100.0%	50,700,000	100.0%	1.4%	26,900,000	100.0%	(46.9%)
Overnight visitors								
Domestic	25,300,000	77.1%	25,800,000	77.7%	2.0%	14,600,000	90.1%	(43.4%)
International	7,500,000	22.9	7,400,000	22.3	(1.3)	1,600,000	9.9	(78.4)
Total overnight visitors	32,800,000	100.0%	33,200,000	100.0%	1.2%	16,200,000	100.0%	(51.2%)
International visitors								
Mexico	1,776,000	23.7%	1,731,000	23.4%	(2.5)%	n.a.	n.a.	n.a.
China (ex. Hong Kong)	1,200,000	16.0	1,173,000	15.9	(2.3)	n.a.	n.a.	n.a.
Canada	780,000	10.4	773,000	10.4	(0.9)	n.a.	n.a.	n.a.
Australia	426,000	5.7	421,000	5.7	(1.2)	n.a.	n.a.	n.a.
United Kingdom (a)	382,000	5.1	383,000	5.2	0.3	n.a.	n.a.	n.a.
Japan	349,000	4.7	347,000	4.7	(0.6)	n.a.	n.a.	n.a.
South Korea	335,000	4.5	333,000	4.5	(0.6)	n.a.	n.a.	n.a.
France	307,000	4.1	326,000	4.4	6.2	n.a.	n.a.	n.a.
Germany	237,000	3.2	242,000	3.3	2.1	n.a.	n.a.	n.a.
Brazil	117,000	1.6	101,000	1.4	(13.7)	n.a.	n.a.	n.a.
Other overseas	1,591,000	21.2	1,570,000	21.2	(1.3)	n.a.	n.a.	n.a.
Total international visitors	7,500,000	100.0%	7,400,000	100.0%	(1.3)%			

Notes: Columns may not add to totals shown due to rounding. n.a. = not available.

(a) Includes England, Wales, Scotland, and Northern Ireland. Source: Los Angeles Tourism & Convention Board, August 2021.

Convention Business. Prior to the COVID-19 pandemic, many business travelers visited the Los Angeles CSA to attend conventions and other events. The Los Angeles Convention Center (LACC) is located in downtown Los Angeles and, prior to the pandemic, hosted an average of 350 events annually with approximately 2.5 million visitors. Covering a site of 54 acres, the LACC has 720,000 square feet of exhibit hall space, 147,000 square feet of meeting room space, a 299-seat theater, and parking for over 5,600 vehicles.²⁹

In March 2020, large public gatherings in Los Angeles County were suspended and events at the LACC were canceled due to the COVID-19 pandemic. Despite its closure, the LACC was awarded the Global Biorisk Advisory Council (GBAC) STAR accreditation on outbreak prevention, response, and recovery in July 2020. GBAC STAR is recognized as the gold standard of safe venues and provides third-party validation to ensure the adoption of best practices for systematically sanitizing facilities in the era of the COVID-19 pandemic. The LACC was the first convention center on the West Coast to receive the GBAC STAR accreditation. The facility also continues to adopt innovative cleaning equipment, heightened sanitation and disinfection

²⁹ Facility Quick Facts, Los Angeles Convention Center, https://www.lacclink.com/about/lacc-quick-facts, accessed October 2021.

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protocols, and ventilation mechanics that comply with CDC and California Division of Occupational Safety and Health (Cal/OSHA) standards. Guided by public health experts, ASM Global (LACC's operator) has also implemented VenueShield and the Blue Tower Program to collect and monitor data, adopt new technology and equipment, and update best practices for cleaning and safety for the facility's attendees, contractors, and staff.³⁰

A new State of California Public Health Order removed the majority of pandemic response restrictions on June 15, 2021 and replaced them with more limited provisions for large public gatherings and events. Since reopening in mid-June 2021, the LACC hosted numerous conventions and events in 2021 including the L.A. Auto Show, L.A. Art Show, Society for Brain Mapping & Therapeutics, American Academy of Otolaryngology-Head and Neck Surgery Annual Meeting, Los Angeles Comic Con, National Science Teachers Association 2021 Conference, and others.

LACC meetings and conventions announced for 2022 include L.A. Art Show, Super Bowl LVI Experience, United States & Canada Academy Pathology Annual Meeting, B2B Marketing Expo 2022, Black College Expo, Institute for Educational Leadership 2022, Anime Expo 2022, American Sociological Association Annual Meeting, 2022 International Myeloma Workshop, Western Foodservice & Coffee Fest 2022, Cine Gear Expo, Intelligent Transportation Society of America World Congress, National Council of Teachers of Mathematics, American Society of Human Genetics Annual Meeting and others.³¹

On July 29, 2021, LACC held its 50th Anniversary Celebration with Mayor Eric Garcetti in attendance along with 200 invited guests that included City and State officials, event organizers, Convention Center partners, and others. At the celebration, the LACC Hall of Fame was officially unveiled with three initial inductees including the L.A. Auto Show, Anime Expo, and Ski Dazzle. Future LACC Hall of Fame celebrations will be held annually.³²

In July 2021, the City of Los Angeles and ASM Global announced revisions to their LACC expansion plans. With an estimated cost of \$1.2 billion, LACC's expansion will include a 700,000 square-foot renovation including the construction of a New Hall that will connect the existing South and West Halls. When completed, the LACC will have approximately 1.5 million square feet of useable space. The expanded LACC facility will be able to attract larger conventions, accommodate multiple, large-scale events, and become the centerpiece of a 100-acre

³⁰ ASM Global Releases Complete VENUESHIELD Operational Plan for the Reopening of its Arenas, Stadia, Theaters and Convention Centers, 28 June 2020, https://www.lacclink.com/news/detail/asm-global-releases-complete-venueshield-operational-plans-for-the-reopening-of-its-arenas-stadia-theaters-and-convention-centers, accessed October 2021.

³¹ Calendar, Los Angeles Convention Center, https://www.lacclink.com/events/calendar, accessed January 2022.

³² The Los Angeles Convention Center Celebrates 50 Years of Event Excellence, 30 July 2021, https://www.lacclink.com/news/detail/the-los-angeles-convention-center-celebrates-50-years-of-event-excellence, accessed October 2021.

entertainment campus in downtown Los Angeles that includes Crypto.com Arena (formerly the Staples Center) and the L.A. Live event center.³³

Marriott will open AC and Moxy branded hotels at the Fig + Pico mixed-use project adjacent to the LACC. Developed by the Lightstone Group, the dual-branded 37-story hotel tower will include 727 guestrooms in the two hotels and 8,600 square feet of retail and restaurant space. Project completion is expected in 2022.³⁴

International Travel. In 2019, Los Angeles County attracted 7.4 million overnight international visitors, a decrease of 1.3% compared to the 2018 levels. The number of visitors from the United Kingdom, France, and Germany increased between 2018 and 2019, although visitors from all other countries shown on Table 6 decreased during the same period. The number of visitors from Brazil decreased by 16,000 between 2018 and 2019, a decrease of 13.7%. While the reduction in visitors from China (27,000) and Mexico (45,000) between 2018 and 2019 was large compared to Brazil, on a percentage basis the number of Chinese and Mexican visitors each decreased 2.5% or less.

Of Los Angeles County's 7.4 million international visitors in 2019, 33.8% were from Mexico and Canada, while the majority of international visitors (66.2%) were from other countries. China was home to the second highest number of visitors (nearly 1.2 million) from a single country. In 2016, Los Angeles became the first U.S. city to host over one million visitors from China, a milestone that was repeated in 2017 (1.1 million), 2018 (1.2 million), and 2019 (1.2 million). Viewed on a regional basis, visitors from Australia, Japan, and South Korea—the top three countries in the Asia-Pacific region (excluding China)—accounted for a total of 1.1 million visitors to Los Angeles County in 2019. Similarly, Europe was the second largest regional market in 2019, with the top three countries (United Kingdom, France, and Germany) generating 951,000 visitors to Los Angeles County.

Although the COVID-19 pandemic has had a negative effect on international travel at the Airport, the Los Angeles CSA's international links are underscored by the fact that, according to the U.S. Census Bureau, 30.0% of the population is foreign-born compared with 13.4% of the U.S. population.³⁵

³³ "Los Angeles Convention Center Unveils Expansion Plans," 20 July 2021, Los Angeles Business Journal, https://www.bizjournals.com/losangeles/news/2021/07/20/los-angeles-convention-center-expansion-plans.html, accessed October 2021.

³⁴ "Construction Activity in DTLA Remains Robust Amid Pandemic," 16 February 2021, Los Angeles Daily News, https://www.dailynews.com/2021/02/16/construction-activity-in-dtla-remains-robust-amid-pandemic, accessed October 2021.

³⁵ 2015-2019 American Community Survey 5-Year Estimates, U.S. Census Bureau, Table B05002 Place of Birth by Nativity and Citizenship Status, accessed October 2021.

Economic Outlook

Economic growth in the United States, the State of California, and the Los Angeles CSA influences the demand for passenger and cargo services at the Airport. In addition, growth in airline traffic at the Airport is influenced by global economies. Consequently, economic assumptions that underlie the forecasts of enplaned passengers prepared for this 2022 CFC Report were based on a review of global, national, State, and regional economic forecasts, as well as analyses of historical socioeconomic trends and airline traffic trends.

Global Economy. In advanced economies, the successful development and distribution of COVID-19 vaccines has allowed the reopening of face-to-face services as the rates of new cases and hospitalizations have decreased. Indicators of economic activity and employment have strengthened. Global trade is benefitting from the recovery in advanced economies, however it is simultaneously being constrained by supply bottlenecks and travel restrictions.

Global economic recovery is threatened by the spread of new coronavirus variants and poor access to vaccines in emerging markets and developing economies. Because the likelihood that COVID-19 will become endemic increases with the persistence of the pandemic, the International Monetary Fund (IMF) in partnership with the World Health Organization (WHO), World Trade Organization (WTO), and World Bank have proposed a \$50 billion plan to vaccinate 40% of the population in every country by the end of 2021, and 70% in 2022. The plan advocates widespread distribution of therapeutic drugs, as well as testing, tracing, and genomic surveillance for early detection of new variants. Pledges of vaccine donations by the Group of Seven, China, and other countries are in the process of being fulfilled, and the IMF and its partners urge the prioritization of vaccine deliveries to countries that still lack access.³⁶

Data on Table 7 show that from 2020 through 2030, the annual growth rate of real global GDP is projected to rise to 3.4%, higher than the rate of growth between 2010 and 2019. With continued progress on international vaccine distribution and recovery in global economic growth from 2021 through 2030, demand for business and leisure travel, including airline travel to the Los Angeles CSA, will likely increase.

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³⁶ Global Economic Prospects: A Strong but Uneven Recovery, June 2021, World Bank Group, https://www.worldbank.org/en/publication/global-economic-prospects; Recovery During a Pandemic: Health Concerns, Supply Disruptions, and Price Pressures, October 2021, International Monetary Fund, https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021, accessed October 2021.

Table 7
HISTORICAL AND PROJECTED GLOBAL REAL GROSS DOMESTIC PRODUCT GROWTH RATES

	Average annual real GDP growth			
	Historical	Projected		
Region/Country	2010-2019	2020-2030		
China (including Hong Kong and Macau)	7.2%	5.3%		
Asia (excluding China, Hong Kong, and Macau)	3.4	3.8		
Africa	3.3	3.7		
Middle East	3.1	3.6		
Latin America	1.7	3.2		
Former Soviet Union	2.1	2.8		
Canada	2.31	2.6		
United States	2.3	2.5		
Europe	1.6	2.3		
World	3.0	3.4		

Source for historical and projected: U.S Department of Agriculture, Economic Research Service, *International Macroeconomic Data, Projected Real GDP Values*, updated January 7, 2021.

National Economy. Prior to the COVID-19 pandemic, economic growth in the U.S., California, and the Los Angeles CSA was supported by low unemployment, low inflation, and modest gains in per capita personal income. The outbreak of COVID-19 in the U.S. in early 2020 caused significant and ongoing disruptions to the economy and the job market at the national, state, and local level.

Real GDP growth in the U.S. is expected to be positive for the foreseeable future, and the U.S. unemployment rate is expected to remain low as the economy continues to reopen during the COVID-19 pandemic. The ongoing recovery of virus-sensitive sectors such as leisure/hospitality, as well as increased employment in transportation/warehousing, professional/business services, and health care will contribute to economic growth. Higher pay and accumulated household savings will support consumer spending in the near term. However, supply chain challenges and low inventories are expected to result in upward pressure on core price inflation. In addition, concerns about higher inflation, labor shortages, and rising energy and oil prices could result in declining business confidence. In addition, more transmissible COVID-19 variants such as Omicron, retirements, and childcare or school disruption issues may result in downward pressure on labor force participation. This in turn may create labor market imbalances that could push wages and prices higher.³⁷

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³⁷ Beige Book, 1 December 2021, Board of Governors of the Federal Reserve System https://www.federalreserve.gov/monetarypolicy/beige book202112.htm; "Projections overview and highlights, 2020–30," October 2021, Monthly Labor Review, U.S. Bureau of Labor Statistics, https://www.bls.gov/opub/mlr/2021/article/projections-overview-and-highlights-2020-30.htm; Short-Term Energy Outlook, 11 January 2022, U.S. Energy Information Administration, U.S. Department of Energy, https://www.eia.gov/outlooks/steo; U.S. CEO Confidence, 9 December 2021, The Conference Board, https://www.conference-board.org/topics/CEO-Confidence/#, accessed January 2022.

Figure 17 presents trends in U.S. real GDP (in 2020 dollars) and numbers of enplaned passengers at the Airport and in the nation in 1989 through 2020 (using 1989 as the index year). Trends in passenger traffic in the United States and at the Airport since 1989 have closely correlated with trends in real GDP, including decreases during the 1990-1991 and 2007-2009 recessions. From 1989 through 2019, U.S. real GDP increased an average of 2.5% per year, while the number of enplaned passengers increased at averages of 2.2% per year in the nation and 3.1% per year at the Airport. In 2020, U.S. real GDP decreased 3.4%; the number of enplaned passengers fell approximately 60% in the U.S. and 67% at the Airport.

During the 2007-2009 recession, the number of passengers enplaned at the Airport decreased 7.3% while enplaned passengers in the United States decreased 5.1%. As growth resumed in the national economy, the number of enplaned passengers increased 49.6% at the Airport and 33.0% in the U.S. between 2010 and 2019.

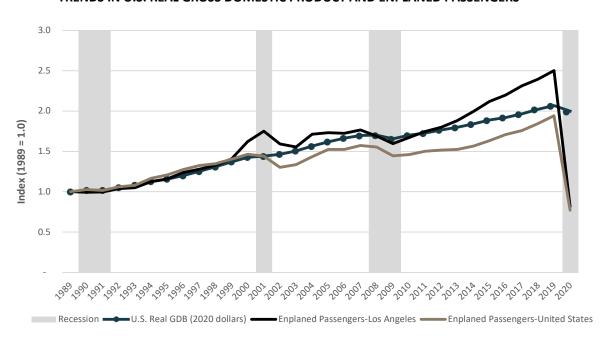


Figure 17
TRENDS IN U.S. REAL GROSS DOMESTIC PRODUCT AND ENPLANED PASSENGERS

Sources: U.S. Real GDP—U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed October 2021.

Los Angeles International Airport enplaned passengers—Department management records.

U.S. enplaned passengers—U.S. Department of Transportation, Federal Aviation Administration, Preliminary
CY 2020 Passenger Boarding Data, https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger, accessed October 2021.

2021-2031 Real GDP Growth Rate Forecasts. Figure 18 shows historical real U.S. gross domestic product (GDP) growth from the Bureau of Economic Analysis (BEA) and growth forecasts for the U.S. between 2021-2031 from the Congressional Budget Office (CBO), Federal Reserve Open Market Committee (FOMC), and Moody's Analytics. The decrease in real U.S.

GDP in 2020 (-3.4%) was a result of the lockdowns, business closures, and extensive unemployment caused by the COVID-19 pandemic.

The 2021 real GDP growth forecasts shown on Figure 18 range from 5.5% (Federal Open Market Committee) to 7.1% (Office of Management and Budget). The forecasts predict 2022 growth rates between 3.3% and 5.0%. All the forecasts project lower real GDP growth in 2023, 2024, and 2025 compared to 2022. From 2026-2030, the forecasts expect real GDP growth in the U.S. to average approximately 2.0%.

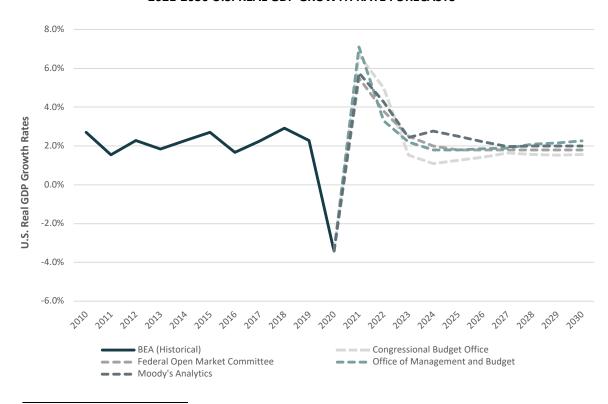


Figure 18
2021-2030 U.S. REAL GDP GROWTH RATE FORECASTS

Sources: Bureau of Economic Analysis, Annual Real Gross Domestic Product, Chained 2012 Dollars, October 2021; Congressional Budget Office, Budget and Economic Data, 10-Year Economic Projections, July 2021; Board of Governors of the Federal Reserve System, Federal Open Market Committee, Summary of Economic Projections, December 2021; Office of Management and Budget, Mid-Session Review, Budget of the U.S. Government Fiscal Year 2022, August 2021; Moody's Analytics, U.S. Real Gross Domestic Product Forecast, October 2021.

California Economy. With an estimated gross regional product of \$3.059 trillion in 2020, California has a diverse and vibrant economy that accounts for approximately 14.7% of U.S. GDP and ranks as the fifth largest economy globally (between Germany and the United Kingdom).³⁸ Real gross state product in California fell by less than one percent in 2020 (-0.6%)

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³⁸ World Development Indicators, The World Bank, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true, accessed July 2021; Woods & Poole Economics, Inc., October 2021.

indicating significant economic resiliency given that in 2020 California had the highest number of COVID-19 pandemic cases (2,507,176) and deaths (32,278) of any state. U.S. GDP growth in 2020 was -3.4%.³⁹

Employment in California rebounded between May 2020 and August 2021 with a 9.5% increase in total nonagricultural employment; employment growth in the U.S. overall was 10.1% during the same period.

However, comparisons between California's economic recovery and the U.S. overall must account for the state's higher level of pandemic restrictions, including mask mandates, business closures, and prohibitions of large gatherings. Full recovery in California's leisure and hospitality sector is not expected to occur until travel and tourism return to pre-pandemic levels. Nevertheless, job gains are anticipated in leisure/hospitality as well as professional and business services, information, education/health, transportation/warehousing, and construction. Combined, these six sectors are expected to account for approximately 94% of employment gains in California from 2021 through 2022.⁴⁰

Los Angeles CSA Economy. Data on Figure 19 shows that in 2020 the Los Angeles CSA economy ranked second among U.S. metro areas with a gross regional product of more than \$1.3 trillion. As in other metro regions throughout the U.S., economic activity in the Los Angeles CSA experienced a dramatic reduction in 2020 with the spread of COVID-19. Stay-athome orders, business closures, travel restrictions, prohibitions against large gatherings, and other safety measures resulted in a rapid decrease in employment and consumer spending.

The impact of the COVID-19 pandemic on the Los Angeles CSA's job market has varied considerably based on the industry. For example, some office and knowledge workers quickly transitioned to remote work. In some industries, working from home has proved both popular among employees and cost-effective for businesses with the result that the nature and place of work may be altered for the long term. Conversely, there have been numerous small business closures and consequent job losses by owners and workers. In addition, many women have left

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³⁹ U.S. Real GDP, U.S. Bureau of Economic Analysis, https://www.bea.gov; *2021 Economic Forecast*, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf; COVID Data Tracker, Centers for Disease Control and Prevention, https://covid.cdc.gov/covid-data-tracker/#compare-trends_totalcases, accessed October 2021.

⁴⁰ California Economic Outlook, 2 August 2021, Bank of the West, https://www.bankofthewest.com/alpha/ wealth-management/insights/economic-report/california-economic-outlook-august-2021.html; "UCLA Anderson Forecast: Solid but Unspectacular Growth for U.S. Economy as Delta Variant Spreads," 2 September 2021, UCLA Newsroom, https://newsroom.ucla.edu/releases/ucla-anderson-forecast-solid-growth-us-economy-delta-variant; *2021 Economic Forecast*, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf, accessed October 2021.

the labor force because of a lack of childcare options and stress and fatigue from working in service jobs that have been negatively affected by the pandemic.⁴¹

Regardless of these challenges, a recent report published by the Los Angeles Economic Development Corporation (LAEDC) Institute of Applied Economics shows employment gains in the Los Angeles CSA in leisure/hospitality, transportation/warehousing, information, professional and business services, and education/health. In total, these five sectors are anticipated to account for approximately 83% of job gains in the Los Angeles CSA from 2021 through 2022.⁴²

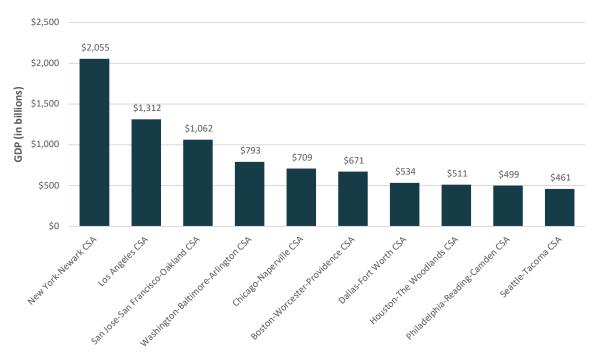


Figure 19
2020 GROSS REGIONAL PRODUCT FOR TOP 10 METRO REGIONS

Note: Amounts shown in 2020 dollars.

Source: Woods & Poole Economics, Inc., June 2021.

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⁴¹ California Economic Outlook, 2 August 2021, Bank of the West, https://www.bankofthewest.com/alpha/ wealth-management/insights/economic-report/california-economic-outlook-august-2021.html; "UCLA Anderson Forecast: Solid but Unspectacular Growth for U.S. Economy as Delta Variant Spreads," 2 September 2021, UCLA Newsroom, https://newsroom.ucla.edu/releases/ucla-anderson-forecast-solid-growth-us-economy-delta-variant; *2021 Economic Forecast*, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf; "Burnout Among Primary Care Healthcare Workers During the COVID-19 Pandemic," August 2021, *Journal of Occupational and Environmental Medicine*, https://pubmed.ncbi.nlm.nih.gov/33990531, accessed October 2021.

⁴² 2021 Economic Forecast, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf, accessed October 2021.

PASSENGER TRAFFIC AND AIRLINE SERVICE TRENDS

Trends in the number of enplaned passengers and airline service at the Airport are discussed in this section. The airlines serving the Airport, airline shares of enplaned passengers, top O&D markets for the Airport, airline fares and yields, and deplaned passengers are also discussed.

Airlines Serving the Airport

Table 8 lists the passenger airlines serving the Airport as of December 2021. A total of 14 U.S. flag airlines provided scheduled passenger service, including 5 network airlines, 4 regional airlines, and 5 low-cost airlines. Scheduled international passenger service was provided by 39 foreign-flag airlines, including 10 European airlines, 12 Asian airlines, 5 Middle Eastern airlines, 4 South Pacific airlines, 3 Latin American/Caribbean airlines, 3 Mexican airlines, and 2 Canadian airlines. In addition, 23 airlines provided scheduled all-cargo service as of December 2021.

Table 8

PASSENGER AIRLINES SERVING LOS ANGELES INTERNATIONAL AIRPORT

December 2021

U.S flag airlines		Foreign-flag airlines	
Network Airlines	Asia	Latin America	Middle East/Africa
Alaska Airlines	Air China	Avianca Airlines (d)	El Al Israel
American Airlines	All Nippon Airways	Сора	Emirates
Delta Air Lines	Asiana Airlines	LATAM Airlines <i>(e)</i>	Qatar Airways
Hawaiian Airlines	Cathay Pacific Airways		Saudi Arabian Airlines
United Airlines	China Airlines	Europe	Turkish Airlines
	China Southern Airlines	Aeroflot	
Regional Airlines	EVA Airways	Air France	Mexico
Boutique Air	Japan Airlines Co.	British Airways	Aeroméxico
Horizon Air <i>(a)</i>	Korean Air Lines	Finnair	VivaAerobus
SkyWest (b)	Philippine Airlines	Iberia	Volaris (f)
Southern Airways Express	Singapore Airlines	KLM	
	Xiamen Airlines	Lufthansa	Canada
Low-Cost Airlines		SAS	Air Canada
Allegiant Air	South Pacific	SWISS	WestJet
JetBlue Airways	Air New Zealand	Virgin Atlantic Airways	
Southwest Airlines	Air Tahiti Nui		
Spirit Airlines (c)	Fiji Airways		
Sun Country Airlines	Qantas Airways		

Note: Airlines providing scheduled service are shown.

Source: OAG schedules accessed November 2021.

⁽a) Horizon Airlines flies for Alaska Airlines.

⁽b) SkyWest Airlines flies for Alaska Airlines, American Airlines, Delta Air Lines, and United Airlines.

⁽c) In February 2022, Frontier and Spirit Airlines announced plans to merge.

⁽d) Avianca Airlines includes Avianca Costa Rica and Avianca El Salvador.

⁽e) Includes LATAM Peru.

⁽f) Includes Volaris Costa Rica.

Enplaned Passenger Trends

Table 9 shows domestic and international enplaned passengers as well as originating and connecting passengers at the Airport from FY 2000 through FY 2021. The table also includes the March – December period for 2019 and 2020 to demonstrate the impact of the COVID-19 pandemic on passenger travel at the Airport.

Growth in the number of enplaned passengers at the Airport has exceeded national averages. From FY 2014 through FY 2019, growth in the number of enplaned passengers at the Airport increased on average 5.2% per year. During the same period, the number of enplaned passengers in the U.S. increased an average of 4.3% per year.⁴³

During 2020, the Airport experienced a 75.2% decrease in the number of international enplaned passengers, falling from 12.9 million in 2019 to 3.2 million in 2020. By the end of FY 2020, domestic passengers accounted for 71.5% of total enplaned passengers at the Airport, while international passengers accounted for 28.5% of the total. Although passenger volumes decreased in 2020 like most other airports in the nation, the Airport continued to mark its seventh consecutive year of growth in originating passenger share, where it grew from 76.4% in FY 2014 to an estimated 85.9% by the end of FY 2021, enhancing its position as the busiest O&D airport in the U.S., which is supported by regional economic drivers discussed earlier.

Prior to the COVID-19 pandemic, the Airport's number of enplaned passengers increased an average of 5.2% per year between FY 2014 and FY 2019. The growth in the number of enplaned passengers in FY 2019 was partially the result of strong growth in new airline service and additional seat capacity introduced by airlines at the Airport in recent years. From FY 2014 through FY 2019, the number of scheduled seats at the Airport increased by an average of 2.0% per year, which is higher than the average for the U.S. (1.7% for the same period⁴⁴). Between FY 2018 and FY 2019, the number of scheduled seats at the Airport increased 1.2%. Factors contributing to the expansion of airline capacity at the Airport include growing competition among domestic airlines that have been competing for passenger market share at the Airport, as well as the entry of several new foreign-flag airlines and new service on several international routes.

⁴³ U.S. Department of Transportation, T100 Database; represents average annual growth in the total number of U.S. enplaned passengers from the 12-months ended June 2014 through the 12-months ended June 2019.

⁴⁴ Official Airline Guide schedules.

Table 9
HISTORICAL ENPLANED PASSENGERS AND ORIGINATING AND CONNECTING PASSENGERS

	Enp	laned Passeng	ers	Annu	al Percent Ch	hange	Enplaned I	Passengers	Percent	of Total
Fiscal Year	Domestic	Int'l	Total	Domestic	Int'l	Total	Originating	Connecting	Originating	Connecting
2000	24,880,727	8,350,995	33,231,722	-%	-%	-%	25,409,525	7,822,197	76.5%	23.5%
2005	22,143,442	8,404,809	30,548,251	4.2	7.2	5.0	24,339,886	6,208,365	79.7	20.3
2006	22,030,697	8,624,449	30,655,146	(0.5)	2.6	0.3	24,253,196	6,401,950	79.1	20.9
2007	22,374,333	8,429,137	30,803,470	1.6	(2.3)	0.5	24,149,520	6,653,950	78.4	21.6
2008	22,427,379	8,714,960	31,142,339	0.2	3.4	1.1	24,633,456	6,508,883	79.1	20.9
2009	20,662,591	7,666,428	28,329,019	(7.9)	(12.0)	(9.0)	22,530,522	5,798,497	79.5	20.5
2010	21,127,610	7,875,532	29,003,142	2.3	2.7	2.4	22,736,952	6,266,190	78.4	21.6
2011	22,151,724	8,128,847	30,280,571	4.8	3.2	4.4	23,304,564	6,976,007	77.0	23.0
2012	23,019,627	8,497,290	31,516,917	3.9	4.5	4.1	24,063,472	7,453,445	76.4	23.6
2013	23,855,876	8,668,302	32,524,178	3.6	2.0	3.2	24,983,829	7,540,349	76.8	23.2
2014	25,016,409	9,316,116	34,332,525	4.9	7.5	5.6	26,213,331	8,119,194	76.4	23.6
2015	26,237,839	9,883,929	36,121,768	4.9	6.1	5.2	27,957,630	8,164,138	77.4	22.6
2016	28,070,161	10,888,408	38,958,569	7.0	10.2	7.9	30,906,141	8,052,428	79.3	20.7
2017	29,510,834	12,091,290	41,602,124	5.1	11.2	6.8	33,045,970	8,556,154	79.4	20.6
2018	30,604,926	12,948,089	43,553,015	3.7	7.1	4.7	35,103,730	8,449,285	80.6	19.4
2019	31,170,044	13,037,420	44,207,464	1.8	0.7	1.5	36,396,546	7,810,918	82.3	17.7
2020	22,483,684	8,945,773	31,429,457	(27.9)	(31.4)	(28.9)	25,884,614	5,544,834	82.4	17.6
2021 (a)	12,385,980	2,207,811	14,593,791	(44.9)	(75.3)	(53.6)	12,531,875	2,061,916	85.9	14.1
				Eff	ect of the CC	VID-19 Pande	emic			
Mar-Dec 2019	26,849,095	11,033,776	37,882,871				31,359,315	6,523,556	82.8	17.2
Mar-Dec 2020	6,769,368	1,475,673	8,245,041	(74.8)	(86.6)	(78.2)	7,338,287	906,754	89.0	11.0
				Average	annual perce	ent increase (decrease)			
2000-2005	(2.3%)	0.1%	(1.7%)				(0.9%)	(4.5%)		
2005-2010	(0.9)	(1.3)	(1.0)				(1.4)	0.2		
2009-2019	4.2	5.5	4.6				4.9	3.0		

⁽a) O&D estimate for FY 2021 reflects the 12-months ending March 2021, due to the unavailability of international data for the last quarter of FY 2021. Sources: Department records; U.S. Department of Transportation O&D Survey Data accessed November 2021 via AirlineData, Inc.

The percentage of connecting passengers at the Airport has been slowly decreasing, as shown on Table 9. In FY 2018, the number of connecting passengers represented less than 20% of the number of enplaned passengers at the Airport for the first time. In FY 2020 and FY 2021, the percentage of connecting passengers at the Airport decreased further to an estimated 17.6% and 14.1% of the number of enplaned passengers, respectively, while originating passengers accounted for an estimated 82.4% and 85.9% of enplaned passengers, respectively. The reduction in the share of connecting passengers is largely a result of the decrease in international passengers due to the COVID-19 pandemic, that airlines at the Airport rely on for connecting traffic flows (international to domestic and domestic to international) along with a focus by the primary domestic airlines serving the Airport on connecting passengers at their main hub airports elsewhere in the U.S.

Enplaned passenger traffic at the Airport by airline type in FY 2008, FY 2014, FY 2019, FY 2020, and FY 2021 is shown on Figure 20. U.S. network airlines continue to account for the largest share of enplaned passengers at the Airport. In FY 2019, the U.S. network and regional airlines accounted for approximately 59.7% of total enplaned passengers, while the foreign-flag airlines and U.S. low-cost airlines (LCCs) accounted for 23.0% and 17.3% of total enplaned passengers at the Airport, respectively. However, the COVID-19 pandemic has shifted airline type shares in FY 2020 and FY 2021 given the lack of international nonstop services offered by foreign flag carriers. This resulted in U.S. LCCs increasing their share of enplaned passengers at the Airport in FY 2021 by 6.8%, compared to FY 2019. In FY 2021, U.S. Network carrier shares increased by 7.2% compared to FY 2019, while foreign flag carriers decreased the greatest from 23.0% to 9.0%, a reduction of 14.0% from FY 2019 and FY 2021.

In comparison, the U.S. network airlines, foreign-flag airlines, U.S. low-cost, and U.S. regional airlines accounted for 54.7%, 22.4%, 15.7%, and 7.2% of total enplaned passengers at the Airport, respectively, in FY 2008. Between FY 2008 and FY 2019, the U.S. regional airlines' share of enplaned passengers at the Airport decreased from approximately 7.2% to less than 0.1%. This decrease reflects a reduced reliance by the U.S. network airlines on their regional affiliates that provide service for the network airlines using smaller regional aircraft.

Figure 20
HISTORICAL ENPLANED PASSENGERS BY AIRLINE TYPE



Notes: Excludes nonscheduled airlines. Totals may not add to 100.0% due to rounding.

Sources: Department records.

Enplaned Passenger Market Shares

Airline service at the Airport is diverse and highly competitive, with no single airline accounting for more than 22.1% of total enplaned passengers in FY 2021. Table 10 presents a comparison of FY 2019 (the Fiscal Year prior to the COVID-19 pandemic) and FY 2021 enplaned passengers at the Airport by airline.

As shown on Figure 21 and Table 10, Delta Air Lines was the busiest airline at the Airport in terms of number of enplaned passengers in FY 2021, accounting for 22.1% of enplaned passengers at the Airport. American Airlines has the second largest market share of enplaned passengers at the Airport, accounting for 20.2% of enplaned passengers. Prior to FY 2021, American Airlines had been the busiest airline at the Airport in terms of number of enplaned passengers with approximately 19.0% of total enplaned passengers at the Airport since FY 2015. United Airlines has the third largest market share of enplaned passengers at the Airport, accounting for 14.9% of enplaned passengers in FY 2021. U.S. low-cost airline Southwest Airlines is the fourth busiest airline at the Airport, accounting for 10.4% of total enplaned passengers in FY 2021.

The majority of U.S. airlines at the Airport increased their market share of enplaned passengers between FY 2019 and FY 2021 as international airlines significantly reduced service as a result of the COVID-19 pandemic.

Table 10 ENPLANED PASSENGERS BY AIRLINE

Los Angeles International Airport

	Enplaned P	assengers	Percent of Airport Tota		
	FY 2019	FY 2021	FY 2019	FY 2021	
U.SFLAG AIRLINES					
Network and regional airlines					
Delta Air Lines	7,624,050	3,220,176	17.2%	22.1%	
American Airlines	8,470,061	2,947,247	19.2	20.2	
United Airlines	6,444,715	2,170,164	14.6	14.9	
Alaska Airlines	3,343,980	1,254,373	7.6	8.6	
Hawaiian Airlines	518,062	173,243	1.2	1.2	
All other	14,693	6,512	0.0	0.0	
Subtotal – network and regionals	26,415,561	9,771,715	59.8%	67.0%	
Low-cost airlines					
Southwest Airlines	4,955,873	1,523,531	11.2%	10.4	
Spirit Airlines (a)	1,257,930	935,538	2.8	6.4	
JetBlue Airways	920,655	675,008	2.1	4.6	
Frontier Airlines (a)	146,362	186,000	0.3	1.3	
All other	350,497	195,696	0.8	1.3	
Subtotal – low-cost carriers	7,631,317	3,515,773	17.3%	24.1%	
Total – U.Sflag airlines	34,046,878	13,287,488	77.0%	91.0%	
FOREIGN-FLAG AIRLINES (b)					
Volaris	421,391	234,033	1.0%	1.6%	
Aeroméxico	400,446	110,998	0.9	0.8	
Avianca	324,083	80,099	0.7	0.5	
VivaAerobus	57,729	73,849	0.1	0.5	
Turkish Airlines	114,626	67,351	0.3	0.5	
Qatar Airways	77,960	56,305	0.2	0.4	
Lufthansa	315,443	51,415	0.7	0.4	
Air France	309,134	45,401	0.7	0.3	
Korean Airlines	251,471	44,591	0.6	0.3	
Emirates	140,969	43,256	0.3	0.3	
China Southern	224,701	41,383	0.5	0.3	
Philippine Airlines	225,634	38,636	0.5	0.3	
All other	7,296,999	418,986	16.5	2.9	
Total – foreign-flag airlines	10,160,586	1,306,303	23.0%	9.0%	
Airport total	44,207,464	14,593,791	100.0%	100.0%	

Notes: The U.S. network airlines include regional affiliates. Columns may not add to totals shown due to rounding.

Source: Department records.

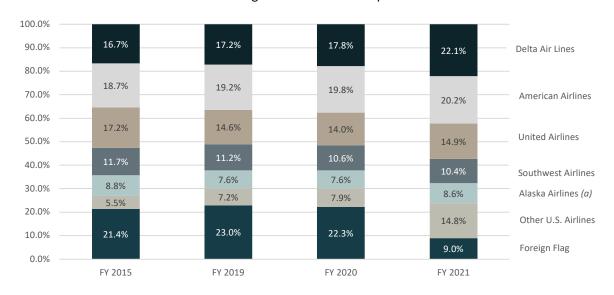
⁽a) In February 2022, Frontier and Spirit airlines announced plans to merge.

(b) In FY 2021, certain foreign airlines ceased or substantially reduced service to the Airport from the negative effects of the COVID-19 pandemic.

Figure 21

AIRLINE MARKET SHARES OF ENPLANED PASSENGERS

Los Angeles International Airport



Notes: U.S. network airlines include associated regional affiliates. Totals may not add to 100.0% due to rounding. Source: Department records.

As shown on Figure 22, during the 12-month period ending April 2021 (the most recent domestic and international traffic data available), the share of enplaned passengers carried by the largest airline at the Airport, Delta Air Lines (21.1% share of total enplaned passengers for the 12-month period ending April 2021), is less than the busiest airlines at the other top 10 U.S. airports. Among the Airport's top 10 large hub U.S. airport peers, the Airport offers the greatest diversity of air carriers and does not rely solely on a single carrier's hub strategy for growth, unlike Charlotte Douglas International, Dallas Fort Worth International, and Hartsfield-Jackson Atlanta International airports, which are major hub airports for American Airlines and Delta Air Lines that rely on high passenger connecting rates and account for greater than 70% of total enplanements in 2020.

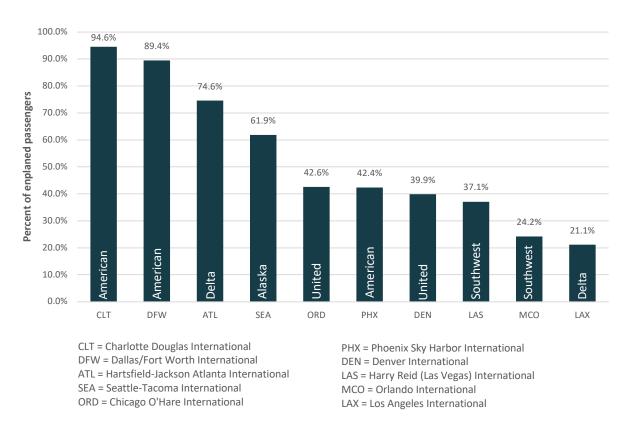
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⁽a) Reflects the consolidation of Virgin America and Alaska Airlines.

Figure 22

SHARE OF PASSENGERS CARRIED BY LARGEST AIRLINE AT TOP 10 U.S. AIRPORTS

12-Months Ending April 2021



Notes: Top 10 airports based on total enplaned passengers in 2021. Results on Figure 22 are different than

what is shown on Table 10 due to the use of different data sources and time period analyzed.

Source: U.S. Department of Transportation, T100 database, accessed November 2021 through AirlineData Inc., for the airports shown.

Domestic Origin-Destination Market

For the 12 months ended June 2021 (the latest available domestic O&D traffic data), the top 20 domestic passenger markets accounted for 70.2% of domestic O&D passengers at the Airport, as shown on Table 11. New York and Dallas/Ft. Worth were the top two destination markets for O&D passengers accounting for 7.8% and 5.5%, respectively, of domestic O&D passengers at the Airport. Other major markets at the Airport include Chicago, San Francisco, and Miami. Each of the top 20 domestic markets has nonstop service offered by at least two airlines, according to OAG forward December 2021 schedules.

Table 11

DOMESTIC ORIGIN-DESTINATION MARKETS AND AIRLINE SERVICE

Los Angeles International Airport

					schedule	ge daily d nonstop rtures	Number of airlines providing nonstop service		
Doub	Manhat	O&D passengers 12-months ending June	Percent of domestic O&D	Air miles from	2010	2024	2010	2024	
Rank	Market	2021 (000s)	passengers	LAX	2019	2021	2019	2021	
1	New York (a)	1,601.2	7.8%	2,469	50	38	6	6	
2	Dallas-Fort Worth (b)	1,133.3	5.5%	1,237	27	21	6	5	
3	Chicago (c)	1,105.9	5.4%	1,746	28	19	5	4	
4	San Francisco (d)	1,035.3	5.0%	329	41	27	6	7	
5	Miami (e)	967.8	4.7%	2,342	8	8	4	5	
6	Atlanta	825.8	4.0%	1,946	18	14	5	3	
7	Las Vegas	796.6	3.9%	236	33	25	8	7	
8	Houston <i>(f)</i>	781.3	3.8%	1,382	19	18	4	5	
9	Washington D.C. (g)	769.9	3.7%	2,305	14	10	6	6	
10	Denver	741.9	3.6%	862	22	21	5	5	
11	Seattle	625.1	3.0%	954	27	17	4	4	
12	Orlando	591.6	2.9%	2,217	9	9	4	4	
13	Honolulu/Oahu	527.5	2.6%	2,556	17	17	5	6	
14	Austin	487.1	2.4%	1,135	11	12	5	7	
15	Phoenix	482.6	2.4%	370	22	20	4	4	
16	Boston	428.2	2.1%	2,611	13	12	5	4	
17	Minneapolis/St. Paul	406.4	2.0%	1,536	10	8	3	3	
18	Detroit	399.4	1.9%	1,769	7	7	2	2	
19	Salt Lake City	358.6	1.7%	590	16	13	5	6	
20	Philadelphia	353.9	1.7%	2,401	7	6	2	2	
	Cities listed	14,419.2	70.2%		400	324			
	Other cities	6,113.4	29.8%		290	208			
	All cities	20,532.6	100.0%		690	533			

Notes: O&D passenger data for the 12 months ended June 2021. Columns may not add to totals shown due to rounding. Nonstop departure schedules reference the month of December.

- (a) Newark Liberty International, LaGuardia, and John F. Kennedy international airports.
- (b) Dallas-Fort Worth International Airport and Love Field.
- (c) Chicago O'Hare and Chicago Midway international airports.
- (d) San Francisco, Oakland, and Mineta San José international airports.
- (e) Miami and Fort Lauderdale Hollywood international airports.
- (f) Bush Intercontinental Airport/Houston and William P. Hobby Airport.
- (g) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles international airports.

Sources: U.S. Department of Transportation, O&D Survey; OAG schedules.

International Origin-Destination Market

For the 12 months ended August 2021 (the latest available international data), the busiest 20 international passenger markets accounted for 63.0% of total international O&D passengers at the Airport, as shown on Table 12.

Table 12

INTERNATIONAL ORIGIN-DESTINATION MARKETS AND AIRLINE SERVICE

Los Angeles International Airport

			Average daily scheduled nonstop					Number of airlines providing nonstop		
		O&D Pass	engers (000s)		Percent of	depar	•	service		
			12-months		int'l O&D			_		
			ending	Variance	passengers					
Rank	Market	2019	August 2021	(%)	(2021)	2019	2021	2019	2021	
1	Guadalajara	866.6	584.3	-33%	10.1%	9	8	5	4	
2	San Jose del Cabo	522.4	510.0	-2%	8.8%	6	10	5	6	
3	Cancun	531.1	493.1	-7%	8.5%	4	7	4	5	
4	Mexico City (a)	666.5	423.5	-36%	7.3%	10	9	5	5	
5	Puerto Vallarta	360.7	287.8	-20%	5.0%	5	7	5	5	
6	San Salvador	337.9	261.7	-23%	4.5%	4	6	2	4	
7	Guatemala City	268.3	165.2	-38%	2.8%	3	3	3	4	
8	Seoul (b)	734.5	117.9	-84%	2.0%	4	3	2	2	
9	San Jose	191.1	105.2	-45%	1.8%	2	3	2	5	
10	Manila	627.0	89.8	-86%	1.5%	2	1	1	1	
11	London (c)	1,233.4	84.9	-93%	1.5%	10	6	6	3	
12	Liberia	99.8	74.2	-26%	1.3%	1	1	2	4	
13	Tel Aviv	236.7	60.5	-74%	1.0%	0	1	1	1	
14	Lima	163.8	59.8	-64%	1.0%	2	1	1	1	
15	Tokyo (d)	873.0	59.5	-93%	1.0%	9	4	6	4	
16	Yerevan	91.7	59.2	-35%	1.0%	-	-	-	-	
17	Paris (e)	779.7	57.5	-93%	1.0%	4	3	4	2	
18	Toronto (f)	637.8	55.0	-91%	0.9%	5	2	2	2	
19	Dubai	96.7	54.1	-44%	0.9%	1	1	1	1	
20	Istanbul (g)	84.1	53.9	-36%	0.9%	1	1	1	1	
	Cities listed	9,402.9	3,656.9	-61%	63.0%	83	80			
	Other cities	14,028.4	2,147.4	-85%	37.0%	82	41			
	All cities	23,431.3	5,804.3	-75%	100.0%	165	120			

Notes: O&D passenger data for 2019 and 12 months ended August 2021. Data are for international O&D passengers. Columns may not add to totals shown due to rounding. Nonstop departure schedules reference the month of December.

⁽a) Mexico City (Benito Juarez) and Toluca international airports.

⁽b) Incheon and Gimpo international airports.

⁽c) Heathrow, Gatwick, Stansted, Luton, and London City airports.

⁽d) Tokyo International Airport/Haneda and Tokyo Narita International Airports.

⁽e) Charles de Gaulle and Orly international airports.

⁽f) Toronto Lester B. Pearson International Airport and Billy Bishop Toronto City Airport.

⁽g) New Istanbul Airport and Sabiha Gokcen Airport; Ataturk Airport closed for commercial service in April 2019. Sources: International Air Transport Association Airport; OAG schedules.

Eight of the top 10 international markets are located in nearby Mexico and Central America. Guadalajara was the busiest O&D market accounting for 10.1% of total international O&D passengers, followed by San Jose del Cabo (8.8%), Cancun (8.5%), Mexico City (7.3%), and Puerto Vallarta (5.0%). Many of the nearby Latin American markets are expected to return and even exceed the 2019 number of average daily nonstop service, given the relatively faster paced recovery evidenced in those markets. Most demand to Mexico has already recovered more than 60% of 2019 levels, especially among leisure destinations. International destinations outside of Mexico and Central America, including London, which was the busiest O&D market in CY 2019, is ranked eleventh as of the 12-months ending August 2021, where traffic demand continues to remain low at 93.1% below 2019 levels.

Airfares

Table 13 provides a comparison of average domestic one-way airfares⁴⁵ paid by passengers using the Airport and the four closest commercial service airports in the Los Angeles CSA, using data for the 12-months ended June 2021. While the Airport's overall domestic airfare for all cities on a weighted average basis is the highest among the Los Angeles CSA airports, this higher average fare is primarily driven by the high fares and large traffic volume in the premium Los Angeles—New York O&D passenger market, likely the result of business travel between those two markets. When comparing fares in other top domestic passenger markets, the Airport's airfares are competitive to airline service offered at other Los Angeles CSA airports.

The Airport accounted for approximately 89.0% of Los Angeles CSA domestic O&D passengers in all of its top long-haul markets (1,500 miles or more) through the 12 months ended June 2021 (the latest available data). This reflects the Airport's role in the Los Angeles CSA providing service on longer haul domestic trips. The Airport accounted for more than 64.1% of domestic O&D passengers in most of the top medium-haul markets in the Los Angeles CSA. In short-haul markets, the Airport accounted for approximately 61.1% share of Los Angeles CSA domestic O&D passengers.

Scheduled Airline Service

In December 2021, the airlines serving the Airport provided scheduled service to 98 domestic destinations and 68 international destinations. This compares to 101 domestic destinations and 83 international destinations in December 2019. On average, 653 daily departures were scheduled, which includes 533 daily domestic departures and 120 daily international departures.

International service was provided to seven international regions—Europe, the Middle East, Asia, the South Pacific, Canada, Mexico, and Latin America/the Caribbean—as shown on Figure 23.

⁴⁵ The airfares that airlines report to the U.S. Department of Transportation are exclusive of many ancillary charges (fees for checked baggage and preferred aircraft seating, for example) and may understate the passenger's actual cost of airline travel given the increased implementation of such fees beginning in 2008.

Table 13
COMPARISON OF AIRFARES IN LOS ANGELES' TOP 20 DOMESTIC O&D MARKETS

Los Angeles CSA Air Carrier Airports

		LAX O&D				Average one-way domestic airfare paid				
		passengers	Air miles from		LAX Share of Los		John	LA/		Long
Rank	Market	(000s)	LAX	Length of haul	Angeles CSA	LAX	Wayne	Ontario	Burbank	Beach
1	New York (a)	1,601.2	2,469 Long		94%	\$239	\$205	\$182	\$158	\$172
2	Dallas-Fort Worth (b)	1,133.3	1,237	Medium	72%	\$94	\$170	\$139	\$156	\$84
3	Chicago (c)	1,105.9	1,746	Long	85%	\$109	\$183	\$152	\$148	\$81
4	San Francisco (d)	1,035.3	329	Short	82%	\$82	\$101	\$103	\$76	\$89
5	Miami (e)	967.8	2,342	Long	97%	\$149	\$175	\$149	\$141	\$93
6	Atlanta	825.8	1,946	Long	85%	\$158	\$229	\$207	\$187	\$112
7	Las Vegas	796.6	236	Short	57%	\$52	\$66	\$70	\$71	\$51
8	Houston (f)	781.3	1,382	Medium	81%	\$96	\$168	\$155	\$130	\$85
9	Washington D.C. (g)	769.9	2,305	Long	ong 92%		\$183	\$171	\$161	\$114
10	Denver	741.9	862	Medium	55%	\$63	\$86	\$70	\$106	\$53
11	Seattle	625.1	954	Medium	51%	\$100	\$113	\$105	\$118	\$76
12	Orlando	591.6	2,217	Long	85%	\$115	\$172	\$108	\$139	\$80
13	Honolulu/Oahu	527.5	2,556	Long	83%	\$201	\$193	\$201	\$181	\$173
14	Austin	487.1	1,135	Medium	79%	\$83	\$138	\$128	\$123	\$72
15	Phoenix	482.6	370	Short	42%	\$66	\$81	\$80	\$74	\$63
16	Boston	428.2	2,611	Long	90%	\$222	\$202	\$204	\$119	\$154
17	Minneapolis/St. Paul	406.4	1,536	Long	84%	\$104	\$160	\$157	\$131	\$98
18	Detroit	399.4	1,769	Long	88%	\$150	\$197	\$186	\$154	\$140
19	Salt Lake City	358.6	590	Medium	50%	\$103	\$151	\$114	\$129	\$119
20	Philadelphia	353.9	2,401	Long	86%	\$158	\$193	\$186	\$182	\$105
	Cities listed	14,419.2		_	75%	\$129	\$126	\$119	\$102	\$88
	Other cities	6,113.4			58%	\$157	\$135	\$138	\$117	\$101
	All cities	20,532.6			69%	\$137	\$130	\$129	\$109	\$94

Note: Short-haul flights are 500 miles or less, medium-haul flights are 501 to 1,500 miles, and long-haul flights are more than 1,500 miles. Data reflects the 12 months ended June 2021.

⁽a) Newark Liberty International, LaGuardia, and John F. Kennedy International airports.

⁽b) Dallas-Fort Worth International Airport and Love Field'

⁽c) Chicago O'Hare and Chicago Midway international airports.

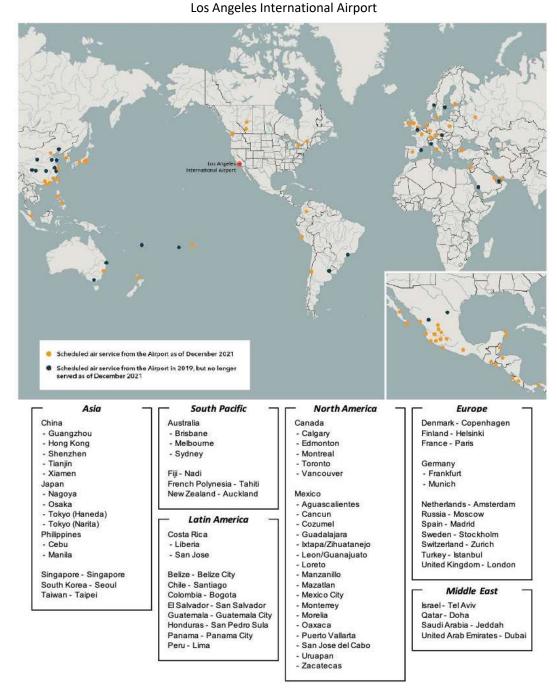
⁽d) San Francisco, Oakland, and Mineta San José international airports.

⁽e) Miami and Fort Lauderdale Hollywood international airports

⁽f) Bush Intercontinental Airport/Houston and William P. Hobby Airport.

⁽g) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports. Sources: U.S. Department of Transportation, O&D Survey via AirlineData, Inc.

Figure 23
SCHEDULED INTERNATIONAL AIRLINE SERVICE IN DECEMBER 2021



Source: OAG schedules accessed November 2021.

Deplaned Passengers

Deplaned passengers include both passengers who are ending their journey at the Airport and those passengers connecting to another domestic or international destination.

Historically, the number of enplaned and deplaned passengers have been generally equal, meaning that for one enplaned passenger there was one deplaned passenger. From FY 2012 to FY 2021, the number of deplaned passengers at the Airport averaged approximately 99.5% of the number of enplaned passengers at the Airport.

Because the number of deplaned passengers has historically mirrored the number of enplaned passengers at the Airport the same economic, passenger, and airline service trends that drive the number of enplaned passengers at the Airport also drive the number of deplaned passengers.

FARE REVENUE AT LARGE HUB AIRPORTS

The Airport is a highly desirable market for both domestic and international airlines. Table 14 shows that during the 12-month period ending June 2021, the airlines serving the Airport generated \$4.5 billion in fare revenue, which is 18.2% more fare revenue than the next largest airport (Hartsfield-Jackson Atlanta International Airport or ATL) and the most fare revenue of all the large hub U.S. airports.

Table 14

DOMESTIC AIRLINE FARE REVENUE AT LARGE HUB U.S. AIRPORTS

	O&D		Fare		O&D		Fare
Revenue	passengers		revenue	Revenue	passengers		revenue
rank	rank	Airport	(\$ millions)	rank	rank	Airport	(\$ millions)
1	4	Los Angeles - LAX	\$4,517	16	14	Minneapolis - MSP	\$2,046
2	5	Atlanta - ATL	3,820	17	12	Tampa - TPA	2,038
3	2	Denver - DEN	3,691	18	19	San Diego - SAN	2,005
4	6	Phoenix - PHX	3,597	19	16	Detroit - DTW	1,993
5	8	Dallas/Ft Worth - DFW	3,349	20	13	Miami - MIA	1,937
6	3	Las Vegas - LAS	3,286	21	23	New York - JFK	1,891
7	1	Orlando - MCO	3,274	22	18	Philadelphia - PHL	1,693
8	10	Seattle - SEA	2,953	23	25	Charlotte - CLT	1,627
9	7	Chicago - ORD	2,878	24	22	Baltimore - BWI	1,385
10	20	San Francisco - SFO	2,335	25	24	Nashville - BNA	1,376
11	11	New York - EWR	2,279	26	26	New York - LGA	1,262
12	21	Salt Lake City - SLC	2,168	27	27	Chicago - MDW	919
13	15	Boston - BOS	2,131	28	28	Washington - IAD	919
14	9	Fort Lauderdale - FLL	2,110				
15	17	Houston - IAH	2,089				

Source: U.S. Department of Transportation, O&D Survey, 12-months ending June 2021 through AirlineData Inc., for the airports shown.

Premium airline revenue, which includes fare revenue generated by passengers that traveled in business class or first class, is a desirable and profitable market to serve and is a very large segment of the market served at the Airport.

Figure 24 shows that the Airport ranks second among the busiest 10 U.S. large hub airport O&D markets in terms of the percent of total domestic fare revenues that each airport generated from domestic premium fare revenues. The combination of a large O&D passenger market and large percentage of premium fare passengers makes the Airport one of the most valuable airports to serve in the U.S.

Figure 24

DOMESTIC PREMIUM FARE REVENUES AS A PERCENT OF TOTAL DOMESTIC FARE REVENUE

AT THE BUSIEST 10 U.S. LARGE HUB AIRPORT O&D MARKETS



Source: U.S. Department of Transportation, O&D Survey, 12-months ending June 2021 through AirlineData Inc., for the airports shown, accessed November 2021.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As shown on Figure 25, recessions in the U.S. economy in 2001 and 2008-2009 contributed to a reduction in airline travel in those years, likely as a result of high unemployment and reduced discretionary income. However, the aviation industry has recovered from prior recessions and passenger traffic has increased. From 1970 through 2020, the total numbers of domestic and international enplaned passengers in the United States increased an average of 3.5% per year. From 2019 to 2020, the total number of passenger traffic in the United States decreased by 60.3% as the result of the negative effects on air travel from the COVID-19 pandemic, which was the largest single year decrease in passenger traffic from 1970 through 2020.

The Airport has consistently rebounded from external events and periods of weak demand in aviation activity. After the events of September 11, 2001, similar to other airports across the

nation, the Airport was affected by significant passenger and seat capacity reductions associated with airline bankruptcy reorganizations and sharply rising fuel prices. By FY 2008, approximately 7 years after the events of September 11, 2001, the number of enplaned passengers at the Airport were approximately 90.0% of the pre-September 11, 2001 number of enplaned passengers of 33.8 million in FY 2001. However, in FY 2009, the number of enplaned passengers at the Airport decreased to 28.3 million as the recession in 2008-2009 resulted in decreasing airline travel demand at the Airport, the nation and internationally. As a result of the 2008-2009 recession and the recovery from that event, the number of enplaned passengers at the Airport did not reach pre-September 11, 2001, numbers at the Airport until FY 2014.

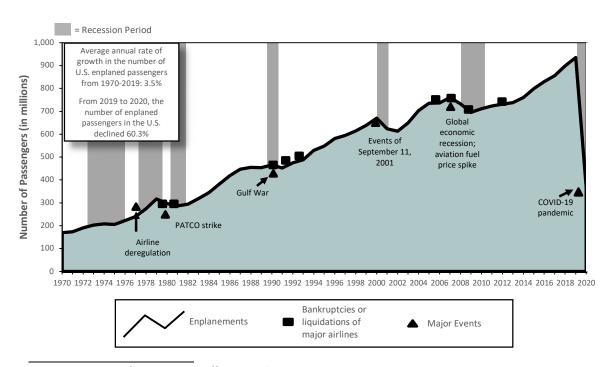


Figure 25
TOTAL U.S. ENPLANED PASSENGERS

Note: PATCO = Professional Air Traffic Controllers Organization.

Source: Airlines for America (formerly Air Transport Association of America) through 1997; thereafter, U.S. Department of Transportation Bureau of Transportation Statistics.

The number of enplaned passengers at the Airport in each year FY 2012 through FY 2020 exceeded the number of enplaned passengers at the Airport during the recession in 2008-2009, in part due to a strong O&D market and continued growth in the numbers of domestic and international passengers using the Airport.

As a result of the COVID-19 pandemic starting in or around March 2020, significant decreases in aviation activity and seat capacity occurred at the Airport, in the United States, and globally as a result of, among other reasons, widespread travel restrictions, border closures, quarantines, and concerns regarding the exposure to and transmission of COVID-19.

In December 2020, vaccines to protect against COVID-19 became available and vaccinations against COVID-19 started to occur. As of the date of this 2022 CFC Report, the rate of full vaccination⁴⁶ was approximately 60.0% in the United States and 42.7% worldwide. As a result of the availability of COVID-19 vaccines and loosening travel restrictions, domestic air travel at the Airport and the United States has increased during 2021 as compared to the same period of 2020.⁴⁷

The major factors that continue to affect the airline industry and that are expected to influence airline service and traffic levels at the Airport during the Forecast Period are discussed below.

Airline Bankruptcies and Consolidation, Alliances, and New Entrants

Since the terrorist attacks of September 11, 2001, American Airlines, Delta Air Lines, Southwest Airlines and United Airlines have transformed their business models through a combination of bankruptcy protection, mergers, and the formation of new or strengthening alliances with domestic and global airlines. The domestic airline industry, which includes the addition of two new airlines in 2021, will continue to evolve as it emerges from the negative effects of the COVID-19 pandemic through, potentially, higher airfares, limited domestic seat capacity growth, or by focusing on premium business and leisure passengers to generate more revenue.

U.S. Airline Bankruptcies and Consolidation. The events of September 11, 2001, and the difficult operating conditions caused by high fuel prices and a global recession led to a number of airline bankruptcies and mergers over the past two decades. Between 2002 and 2011, all of the major U.S. network airlines (US Airways, United Airlines, Northwest Airlines, Delta Air Lines, and American Airlines) filed for Chapter 11 bankruptcy protection to reorganize and lower operating costs.

The U.S. airline industry has been moving toward consolidation, with many high-profile mergers and acquisitions. Mergers among the U.S. network airlines have included: Delta Air Lines and Northwest Airlines in October 2008, United Airlines and Continental Airlines in August 2010, and American Airlines and US Airways in December 2013. Other mergers included low-cost airline Frontier Airlines and regional airline Midwest Airlines in April 2010, Southwest Airlines and AirTran Airways in April 2011, and Alaska Airlines and Virgin America in December 2016.

In February 2022, Frontier and Spirit airlines announced plans to merge. If the merger closes, the combined airline would be the fifth busiest in the United States as measured by the total number of passengers on each airline in 2019. At the Airport, the enplaned passenger market share of the combined airline would have been 3.1% in FY 2019 and 8.3% in FY 2021, making the combined airline the sixth busiest of all airlines and second busiest of the low-cost airlines serving the Airport in both years.

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⁴⁶ Data accessed on December 7, 2021, www.google.com.

⁴⁷ 2019 traffic levels were not used for purposes of this comparison since the first 3-months of 2019 did not experience substantial decreases in aviation activity due to the COVID-19 pandemic.

As a result of airline mergers, seat capacity has become more concentrated among fewer airlines. The three largest U.S. network airlines, as measured by numbers of enplaned passengers (American Airlines, Delta Air Lines, and United Airlines), currently have a strong presence at the Airport, as shown on Table 10, and as indicated in FY 2019 and FY 2021, respectively: American Airlines (19.2% and 20.2%), Delta Air Lines (17.2% and 22.1%), and United Airlines (14.6% and 14.9%).

Airline Alliances. Airlines worldwide have sought to increase revenues, share costs, and expand the reach of their route networks by developing international partnerships through multilateral alliances or joint ventures. The three busiest airline alliances accounted for approximately 67.3% of total enplaned passengers at the Airport in FY 2019 (prior to the COVID-19 pandemic), which amount increased to 71.2% in FY 2021. In recent years, antitrust immunity has been granted to a number of joint ventures within the global alliances, allowing airlines to more closely coordinate operations, including pricing, and increase cost savings in international markets.

In February 2021, American Airlines (the busiest airline at the Airport as measured by the number of enplaned passengers in FY 2020) and JetBlue Airways (the seventh busiest airline at the Airport as measured by the number of enplaned passengers in FY 2020) received regulatory approval for and started a new Northeast-focused alliance whereby JetBlue is flying certain domestic routes previously flown by American Airlines and each airline is providing passengers with reciprocal mileage earning benefits.

In March 2021, Alaska Airlines (the fifth busiest airline at the Airport as measured by the number of enplaned passengers in FY 2020) joined the oneworld alliance with American Airlines and, similar to the JetBlue Airways and American Airlines Northeast-focused alliance, passengers on Alaska Airlines will have reciprocal mileage earning benefits with American and oneworld partners.

New Entrants. In 2021, Avelo Airlines and Breeze Airways began service in markets that have been largely ignored or underserved by larger airlines (e.g., Southwest Airlines, United Airlines). In December 2021, Avelo had 127 total scheduled departures per week with Boeing 737-700/800 aircraft and Breeze had 192 total scheduled departures per week with Embraer E195 and E190 aircraft. Only Avelo Airlines provides service to an airport in the Los Angeles CSA other than Los Angeles International Airport.

A number of domestic and international airlines have filed for bankruptcy protection (e.g., Virgin Australia, Avianca Holdings, LATAM and others) or have ceased operations (Miami Air International, Trans State Airlines, Compass Airlines, and others) as a result of substantial decreases in air travel resulting from the COVID-19 pandemic.

Given the Airport's diverse air service market and large O&D market, any future U.S. airline consolidation caused by bankruptcies or mergers, or airlines ceasing operations is not anticipated to have a detrimental long-term effect on airline service at the Airport and any

introduction of new airline service at the Airport will strengthen an already diverse and competitive air service market.

Airline Capacity Discipline

A new focus on capacity discipline among U.S. airlines emerged from the 2008-2009 national recession and financial crises as the network airlines and the low-cost airlines substantially reduced seat capacity and withdrew service from less profitable and low passenger demand markets. Large-hub airports, such as the Airport, have experienced fewer decreases in seat capacity as compared to smaller regional markets across the United States, many of which have lost commercial service as a result. Airline emphasis has shifted from increasing market share to managing supply-and-demand on specific routes. Airlines are expected to maintain capacity discipline in the near term, emphasizing slower capacity growth and the use of right-sized aircraft to serve their markets.

Seat capacity reductions in the U.S. in 2008 and 2009, as well as the current airlines' emphasis on seat capacity control, have resulted in an all-time high in passenger load factors. Figure 26 shows the upward trend in U.S. domestic airline aircraft load factors since 2000. The average domestic airline aircraft load factor was approximately 71% in 2000. The decrease in the average load factor in 2001 occurred as passenger traffic decreased faster than the airlines could adjust to the effects of September 11, 2001 by reducing capacity. Following 2001, load factors in the United States rose steadily to approximately 85% in 2014 and have remained level through 2019. From FY 2014 through FY 2019, the average domestic load factors at the Airport were slightly higher than the national averages for the same years.

Seat capacity in the U.S. in 2020 decreased as a result of the economic closures, travel restrictions, border closures, and public health concerns associated with the COVID-19 pandemic. The load factor in 2020 was 59%, the lowest amount in the past 20 years. As demand for air travel at the Airport has returned in 2021 load factors have improved to 75% for the 7-months ending July 2021.

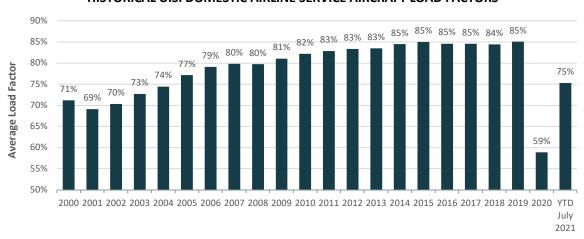


Figure 26
HISTORICAL U.S. DOMESTIC AIRLINE SERVICE AIRCRAFT LOAD FACTORS

Note: Includes scheduled airline service only.

Sources: U.S. Department of Transportation, T100 Onboard Data.

Low-Cost Airline Growth

In the early 2000s, U.S.-flag low-cost airlines expanded rapidly and increased their market shares of passenger traffic in the U.S. The low-cost airlines, including Allegiant Air, Frontier Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines popularized the no frills, low-cost business model in the United States. As shown on Figure 27, low-cost airlines provided approximately 13.0% of U.S. domestic seat capacity in 2000. By 2020, low-cost airlines accounted for approximately 36% of overall U.S. domestic seat capacity.

While rising fuel prices and the economic downturn forced network airlines to reduce domestic seat capacity and focus on more profitable international routes, the low-cost airlines increased their domestic market shares of passengers. Between 2003 and 2009, the low-cost airlines (including Allegiant Air, Frontier Airlines, JetBlue Airways, Southwest Airlines, and Spirit Airlines) added approximately 84 billion domestic seat miles to their route systems. In comparison, American Airlines, Delta Air Lines, and United Airlines experienced a 20% average reduction in mainline domestic seat capacity over the same period, for a combined reduction of 85 billion domestic seat miles.

A similar shift occurred since March 2020 when the negative effects of the COVID-19 pandemic started to occur where low-cost airlines such as Southwest Airlines, JetBlue Airways and Allegiant Air expanded service in their route systems while American Airlines, Delta Air Lines, and United Airlines reduced their overall seat capacity. From 2019 to 2020, low-cost airlines reduced total seat capacity by 31%, while network airlines such as American Airlines, Delta Air Lines, and United Airlines reduced total seat capacity by 41%.

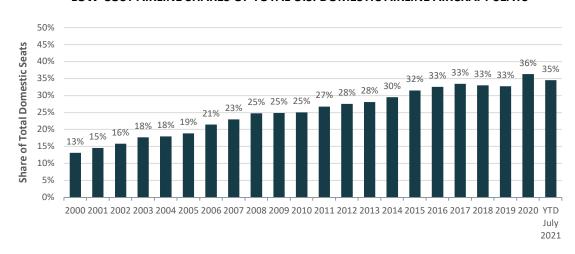


Figure 27
LOW-COST AIRLINE SHARES OF TOTAL U.S. DOMESTIC AIRLINE AIRCRAFT SEATS

Sources: Official Airline Guides schedules; Innovata schedules.

In recent years, there have been fewer distinctions between the low-cost airlines and the network airlines. The lowering of the network airline cost structures and consolidation of airline networks has allowed the network airlines to compete more effectively with the low-cost airlines. In addition, most of the network airlines have begun to offer fare classes that directly compete with the low-cost airlines. With these fare classes, the network airlines are able to offer a similar level of service to the low-cost airlines in their existing mainline aircraft and compete at a similar price point.

The low-cost airlines have also begun to expand into international markets once dominated by U.S. network airlines and foreign flag airlines. JetBlue Airways has built a strong presence in the Caribbean and Latin America, and recently started to serve London Heathrow Airport from John F. Kennedy International Airport in New York, where JetBlue Airways is based. With the acquisition of Air Tran Airways in 2011, Southwest Airlines started serving Caribbean and Mexican routes, and now serves certain destinations in Central America.

The market share of enplaned passengers on low-cost airlines at the Airport continued to increase during the COVID-19 pandemic from approximately 17.3% in FY 2019 to 24.1% in FY 2021 (see Table 10), due, in part, to increases in service by Spirit Airlines and JetBlue Airways.

In October 2020, JetBlue Airways moved its base of operations from Long Beach Airport to Los Angeles International Airport where it is looking to significantly increase the number of domestic destinations served from the Airport as well as to start international service. The market share of enplaned passengers on JetBlue at the Airport increased from 2.1% in FY 2019 to 4.6% in FY 2021 (after its relocation to the Airport), and the market share of Spirit Airlines (another low-cost airline) increased from 2.8% in FY 2019 to 6.4% in FY 2021. As mentioned previously, Frontier and Spirit airlines recently announced plans to merge, which would make

the combined airline the second busiest low-cost airline serving the Airport if the merger closes based on numbers of enplaned passengers in FY 2019 and FY 2021.

It is expected that the low-cost airlines will continue to increase domestic service at the Airport and expand service to international markets in the coming years.

Fuel Cost Impacts

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Figure 28 shows the historical fluctuation in fuel prices since 2000. Beginning in 2003, fuel prices rapidly increased from political unrest in Iraq and other oil-producing countries, as well as other factors influencing the demand for and supply of oil. In 2008, a spike in crude oil prices drove up jet fuel prices to an unprecedented high of \$3.82 per gallon, forcing many airlines to introduce fuel surcharges. Fuel prices fell sharply in the second half of 2008 but rose again in 2011. The price of fuel increased to such high levels that fuel represented the largest operating expense for airlines, accounting for between 30% and 40% of expenses for most airlines in 2011 through 2014.

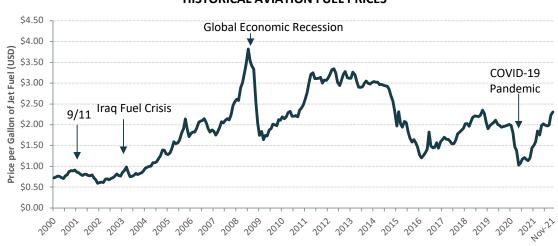


Figure 28
HISTORICAL AVIATION FUEL PRICES

Sources: U.S. Department of Transportation, Bureau of Transportation Statistics, Airline Fuel Cost and Consumption (U.S. Carriers Scheduled), – January 2000 – November 2021, www.transtats.bts.gov.

From June 2014 to June 2017, the average price of aviation fuel decreased by approximately 50%, reflecting continued growth in U.S. oil production, strong global supply, and weakening outlooks for growth in the global economy and oil demand. Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. Continued low fuel prices could result in dramatic changes in the aviation industry, such as lower airline

operating costs potentially resulting in lower passenger ticket prices, which would likely result in increased travel demand.

From August 2017 through the end of 2019 aviation fuel prices rose steadily but remained below the highs in 2008 and between 2011 and 2015. Beginning in January 2020, aviation fuel prices began to decrease as demand was reduced because of the economic slowdown caused by the COVID-19 pandemic. Aviation fuel prices reached a low point in May 2020 at \$1.03 per gallon and have been steadily rising since.

Fuel prices have been and will likely continue to be volatile and may increase over the long term as global energy demand increases in the face of finite oil supplies.

Aircraft Trends

Between 2001 and 2007, many airlines transferred a number of less profitable routes to their regional airline partners to reduce costs. Trends at the Airport mirrored the national trend, with an increase in the number of regional aircraft operations.

Beginning with the fuel price spike in 2008, airlines began to reduce the number of 50-seat regional jets in their fleets, which aircraft had been widely used as feeder aircraft for the network airlines. Airlines such as Delta Air Lines, United Airlines, and American Airlines have recently grounded or sold hundreds of these small regional jets and have transitioned towards larger, more fuel-efficient aircraft.

Aircraft such as the Boeing 777, the Boeing 787, and Airbus A350 with technology such as, but not limited to, new airframe, engine, and wing designs continue to improve aircraft range and fuel efficiency and will continue to result in new nonstop service around the world, providing service to markets that may lack significant feeder traffic from a hub carrier.

Trends in nonstop service continue to emerge in the narrow body aircraft segment as well, with improved economics of service on smaller routes. In early 2019, Airbus began delivering their small narrow body jet aircraft, the Airbus A220 (previously known as Bombardier's Cseries), providing fuel efficient and comfortable aircraft that serve the 100-135 seat market. The Airbus A321LR and A321XLR aircrafts provide fuel-efficient longer-range operations in the 180-220 seat market. JetBlue Airways uses the A321LR in its flights from John F. Kennedy International Airport to London Heathrow Airport, which started in August 2021.

After the accidents on foreign carriers Lion Air in 2018 and Ethiopian Airlines in 2019 involving the Boeing 737 MAX, the FAA and world aviation regulators grounded all Boeing 737 MAX aircraft, impacting U.S. carriers that rely on this aircraft, including Southwest Airlines, United Airlines, and American Airlines. This resulted in significant flight cancellations until the Boeing 737 MAX returned to service in late 2020. Although the Boeing 737 MAX flights were grounded, the Boeing 737 MAX only represented 1.0% of Southwest Airlines U.S. daily flights, 0.3% of American Airlines U.S. daily flights, and 0.2% of United Airlines U.S. daily flights in 2019. Other aircraft in the fleets of the affected airlines at the Airport replaced the grounded Boeing 737 MAX flights.

As an initial response to reduced demand for air travel caused by the COVID-19 pandemic, many airlines accelerated planned aircraft retirements. By the end of 2020, however, total commercial aircraft retirements were flat compared to 2019⁴⁸. Instead, many airlines focused on placing portions of their aircraft fleet in storage to reduce short-term operating costs while allowing for the aircraft to be re-introduced as air travel demand returns.⁴⁹

Throughout 2020, the growth in domestic air travel has exceeded the growth in international air travel. In response to the more rapid growth in demand for domestic air travel, airlines have responded by using widebody aircraft that would normally be used for international service, such as the Boeing 777 or the Airbus A330, to service domestic routes. As a result, the number of scheduled U.S. domestic flights during the second quarter of 2021 on widebody aircraft was 65% greater than during the second quarter of 2019. As demand for international travel returns, it is likely, although not certain, that many airlines will re-deploy their widebody fleets away from domestic service and back toward more profitable international routes.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at the Airport will also depend on the capacity of the Airport itself. The forecasts in this 2022 CFC Report are based on the assumptions that, during the Forecast Period, neither available airfield, terminal capacity, nor demand management initiatives will constrain traffic growth at the Airport.

AIRLINE TRAFFIC FORECASTS

Forecasts of enplaned passengers and deplaned passengers at the Airport are discussed in this section.

Historically, the forecast of aviation activity has been based on analyses of historical trends in airline service and traffic at the Airport, historical and forecast socioeconomic growth in the Los Angeles CSA, forecast GDP growth in the United States and other world regions, and expected future trends in airline traffic, as discussed in earlier sections.

The forecast of airline traffic at the Airport is based on (1) assumptions about when the numbers of enplaned passengers at the Airport are expected to reach FY 2019 levels, which is based, in part, on recent positive trends in passenger levels at the Airport and the U.S. and (2) an assumed rate of growth in the number of enplaned passengers at the Airport after FY 2019 numbers are reached and during the remaining years of the Forecast Period.

It was assumed that airline service at the Airport will not be constrained by the availability or cost of aviation fuel, long-term limitations in airline aircraft fleet capacity, limitations in the

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⁴⁸ Source: https://aviationweek.com/air-transport/aircraft-retirements-due-covid-19-not-prevalent-expected

 $^{^{49}\,}Source:\,https://www.wsj.com/articles/planes-grounded-by-covid-19-largely-avoid-the-junkyard for-now-11622799001$

capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth.

Underlying Assumptions

During the Forecast Period, it was assumed that:

General Assumptions

- The U.S. economy will experience sustained GDP growth averaging approximately 2.6% per year.⁵⁰
- COVID-19 vaccines to treat COVID-19 and its variants will continue to be produced and made available to the public, and the rate of vaccination in the U.S. and internationally will increase.
- Economic closures, travel restrictions or other similar actions will be less impactful on the propensity of people to use air travel as compared to the months following the widespread emergence of the COVID-19 pandemic.
- The use of video technology during and after the COVID-19 pandemic for business purposes will continue but will not have a material effect on business travel.
- Despite the emergence of the Delta and Omicron variants of COVID-19, there will be no major disruption of airline service or passenger travel behavior as a result of airline bankruptcies or liquidations, international hostilities, terrorist acts or threats, or public health crises such as, but not limited to, pandemics similar to COVID-19.

Airport-Specific Assumptions

- The Los Angeles CSA will continue to be a major destination market for U.S. leisure and business travelers and a top global destination for tourism, meetings, and conventions, despite economic closures, travel restrictions, and significant decreases in business and leisure travel at the Airport during most of the COVID-19 pandemic.
- Despite recent business closures and travel restrictions from the COVID-19
 pandemic, Los Angeles will remain a major economic center and the Airport will
 maintain its role as a leading O&D passenger airport and one of the largest
 international gateway airports in the U.S., which will attract additional domestic and
 international airline service and passenger traffic.
- International travel restrictions and border closures will be lessened or removed, and the busiest international markets (as measured by passenger numbers) served from the Airport will be similar to levels experienced in FY 2019.

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⁵⁰ U.S Department of Agriculture, Economic Research Service, International Macroeconomic Data, Projected Real GDP Values, updated January 7, 2021.

- Competition among the airlines serving the Airport will ensure the continued availability of competitive airfares, with no significant increase in airline concentration.
- The mix of airlines serving the Airport will continue to be diverse and sufficient to accommodate O&D passenger demand at the Airport and in the Los Angeles CSA.
- Average one-way airfares charged by airlines at the Airport on major routes will
 continue to be lower than or competitive to the fares at competing airports within
 the Los Angeles CSA.
- Deplaned passengers as a percentage of enplaned passengers will not change materially.
- The percentage of passengers connecting at the Airport will not change materially.
- Airlines providing scheduled service at the Airport will continue to add seat capacity to meet increasing passenger demand at the Airport and industry trends reflecting increased aircraft load factors and the use of larger aircraft will continue.

Enplaned Passengers

Total enplaned passengers at the Airport are forecast to reach FY 2019 levels by FY 2025 as a result of the forecast rate of recovery in domestic enplaned passengers, which are forecast to reach FY 2019 levels by FY 2024, and the forecast rate of recovery in international enplaned passengers, which are forecast to reach FY 2019 levels by FY 2025. After FY 2025, the number of enplaned passengers is assumed to increase at 1.7% per year through the remaining years of the Forecast Period, which rate of growth is equal to the actual 20-year (FY 1999 – FY 2019) average annual rate of growth in domestic and international passenger traffic at the Airport that includes the following economic and other major events:

- The events of September 11, 2001.
- The recession and financial crisis in 2008-2009.
- Economic growth prior to and after 2001 and 2008-2009.

In addition to the underlying assumptions described in the section above, the following other assumptions were made regarding the rate of growth in domestic and international enplaned passengers.

Domestic Enplaned Passengers. The forecast of domestic enplaned passengers was based on the following assumptions:

• FY 2022 was assumed to decrease 27.6% relative to FY 2019, the actual decrease in domestic enplaned passengers in June 2021 (the latest available data) relative to June 2019. The decrease in June 2021 relative to June 2019 was used because it reflects the most recent month when vaccination rates in the nation are at the

highest point since COVID-19 vaccines were made available and is representative of the propensity of people to travel as well as the widespread reduction or elimination of business and travel destination closures.

- FY 2023 was assumed to decrease 14.0% relative to FY 2019. The 14.0% decrease relative to FY 2019 is equal to even monthly increases in domestic enplaned passengers from the end of FY 2022 to the beginning of FY 2024.
- After FY 2024 (the year domestic enplaned passengers are equal to the number of domestic enplaned passengers in FY 2019), domestic enplaned passengers are assumed to increase at 1.4% per year, which is equal to the actual 20-year (FY 1999 FY 2019) average annual rate of growth in domestic enplaned passengers at the Airport that includes the major events described above.

International Enplaned Passengers. It was assumed that international enplaned passengers would reach FY 2019 levels by FY 2025 using the following assumptions:

- FY 2022 is assumed to decrease 67.9% relative to FY 2019, the actual decrease in international enplaned passengers in June 2021 relative to June 2019. The decrease in June 2021 relative to June 2019 was used because it has the highest rate of international vaccinations since vaccinations became available, it reflects the opening of certain countries and the lessening of travel restrictions resulting from the widespread availability of COVID-19 vaccines, but it also reflects the continued closure of other countries given concerns about the COVID-19 pandemic.
- FY 2023 and FY 2024 are assumed to decrease 50.5% and 17.9% respectively, relative to FY 2019. The 50.5% and 17.9% decreases relative to FY 2019 result from even monthly increases from the end of FY 2022 to the beginning of FY 2025 when it has been assumed in this 2022 CFC Report that the international rate of vaccination would increase and economic closures, travel restrictions and other barriers to international travel would be reduced or eliminated.
- After FY 2025 (the year international enplaned passengers are equal to the number
 of international enplaned passengers in FY 2019), the number of international
 enplaned passengers are assumed to increase at 2.6% per year, which is equal to the
 actual 20-year (FY 1999 FY 2019) average annual rate of growth in international
 enplaned passengers at the Airport that includes the major events described above.

From FY 2019 through FY 2030, the total number of enplaned passengers at the Airport is forecast to increase an average of 0.9% per year, from 44.2 million to approximately 48.7 million, as shown on Figure 29 and on Table 15.

Deplaned Destination Passengers

Deplaned destination passengers are forecast as a function of the share of deplaned passengers to the total number of enplaned passengers at the Airport multiplied by the share of originating passengers at the Airport.

Because the share of deplaned passengers to the total number of enplaned passengers and the share of originating passengers at the Airport are not expected to materially change during the Forecast Period the forecast rate of growth in deplaned destination passengers is generally equal to the forecast rate of growth for enplaned passengers.

Figure 29
HISTORICAL AND FORECAST ENPLANED PASSENGERS
Los Angeles International Airport



Note: For Fiscal Years ending June 30.

Sources: Los Angeles International Airport records; WJ Advisors LLC.

Table 15
AIRLINE TRAFFIC FORECASTS

Los Angeles International Airport

(in thousands, except for deplaned passengers as a percent of enplaned passengers, and O&D percent)

		Historical			Forecast							Average annual		
	Ref.	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	growth FY 2019-FY 2030
ENPLANED PASSENGERS														
Domestic		31,170	22,484	12,386	22,566	26,810	31,170	31,598	32,031	32,470	32,916	33,367	33,825	0.7%
International		13,037	8,946	2,208	4,181	6,459	10,710	13,037	13,381	13,734	14,096	14,467	14,848	1.2%
Total enplaned passengers	[A]	44,207	31,429	14,594	26,747	33,269	41,880	44,635	45,412	46,204	47,012	47,834	48,673	0.9%
Annual percent increase (decrease)		1.5%	(28.9%)	(53.6%)	83.3%	24.4%	25.9%	6.6%	1.7%	1.7%	1.7%	1.7%	1.7%	
DEPLANED DESTINATION PASSENGERS														
Deplaned passengers as a percent of		00.00/	00.5%	00.10/	100.00/	100.00/	100.00/	100.00/	100.00/	100.00/	100.00/	100.00/	100.00/	
enplaned passengers	[B]	98.8%	99.5%	99.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Deplaned passengers	[C=A*B]	43,698	31,286	14,457	26,747	33,269	41,880	44,635	45,412	46,204	47,012	47,834	48,673	1.0%
O&D percent	[D]	82.3%	82.4%	85.9%	82.3%	82.3%	82.3%	82.3%	82.3%	82.3%	82.3%	82.3%	82.3%	
Deplaned destination passengers	[E=C*D]	35,984	25,766	12,414	22,025	27,396	34,487	36,756	37,396	38,048	38,713	39,390	40,081	1.0%

Notes: For Fiscal Years ending June 30. Columns may not add to totals shown due to rounding.

Sources: Historical: Department records. Forecast: WJ Advisors LLC.

SECTION 2

RENTAL CAR INDUSTRY OVERVIEW AND AIRPORT TRENDS AND ANALYSIS

RENTAL CAR INDUSTRY OVERVIEW AND AIRPORT TRENDS AND ANALYSIS

RENTAL CAR INDUSTRY

In 2019⁵¹, (the year prior to the COVID-19 Pandemic), the rental car industry in the United States had \$31.9 billion in revenue. The largest companies in 2019 comprised 95.8% of total rental car revenue as follows: Enterprise Holdings (including Enterprise, Alamo, and National brands) with \$17.8 billion in total revenue, the Hertz Corporation (including Hertz, Dollar, and Thrifty) with \$6.8 billion, Avis Budget Group (including Avis, Budget, and Zip Car) with \$5.5 billion, and Sixt with \$450.0 million. As shown on Figure 30, rental car revenue in the United States decreased 27.2% or \$8.7 billion from \$31.9 billion in 2019 to \$23.2 billion in 2020 due to, among other reasons, reduced passenger travel resulting from the negative effects of the COVID-19 pandemic.

\$35.0 \$31.9 \$1.3 \$30.0 \$0.5 \$5.5 \$23.2 \$25.0 Revenues in billions \$0.8 \$6.8 \$0.3 \$3.8 \$20.0 \$3.6 \$15.0 \$10.0 \$17.8 \$14.7 \$5.0 \$ 2019 ■ Enterprise Holdings ■ Hertz Corporation ■ Avis Budget Group ■ Sixt ■ All others

Figure 30
UNITED STATES RENTAL CAR REVENUE

Source: Autorentalnews.com, accessed on October 19, 2021.

In reaction to the negative effects of the COVID-19 pandemic on passenger travel, Hertz (and its brands Dollar and Thrifty) and Advantage (and its brand EZ Rent A Car) filed for Chapter 11 bankruptcy protection on May 22, 2020 and May 26, 2020, respectively. Hertz emerged from bankruptcy protection on June 30, 2021, while Advantage ceased all operations at the Airport.

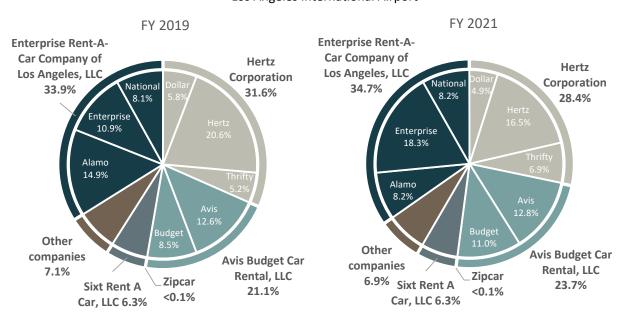
⁵¹ Source: Autorentalnews.com, accessed on October 19, 2021.

The Airport is served by the largest rental car companies in the United States as measured by revenue. Each of the rental car brands and their total revenue market share at the Airport in FY 2019 and FY 2021 are provided on Figure 31.

Figure 31

ON-AIRPORT RENTAL CAR COMPANY GROSS REVENUE MARKET SHARE

Los Angeles International Airport



Sources: Department records.

Note: Totals may not add to the amounts shown due to rounding.

AIRPORT RENTAL CAR AND GROUND TRANSPORTATION FACILITIES

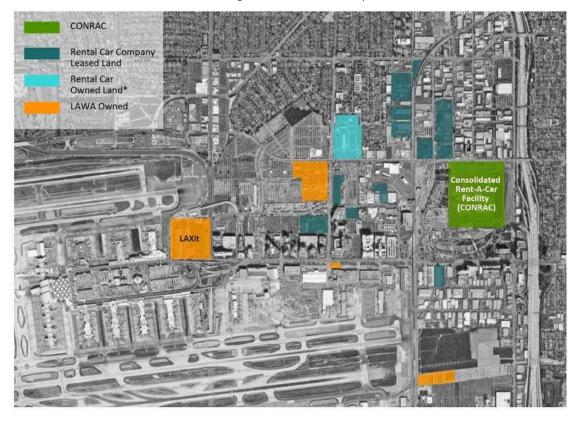
Existing Rental Car Facilities

As of the date of this 2022 CFC Report, each on-Airport rental car company has company specific locations and shuttle buses that transport customers to and from the central terminal area (the CTA) at the Airport. There are approximately 17 rental car facilities northeast of the Airport, both on and off Airport property, resulting in inefficient operations with minimal opportunities to expand existing facilities to accommodate future growth.

Figure 32 shows the location of the on-Airport rental car companies, LAXit lot, and the remote off-Airport rental car lot.

Figure 32 **RENTAL CAR AND GROUND TRANSPORTATION LOCATIONS**

Los Angeles International Airport



Existing Ground Transportation Facilities

Passengers at the Airport have other ground transportation options in addition to on-Airport rental cars. These options include, but are not limited to:

- Off-Airport Rental Car Companies. The gross revenues of off-Airport rental car companies that have not entered into rental car concession agreements with the Department but have entered into a NELA are not included in the revenue results shown on Figure 31. As of the date of this 2022 CFC Report, there were nine off-Airport rental car companies serving the Airport that are estimated to represent less than 4.5% of total rental car gross revenues at the Airport. Passengers using off-Airport rental car companies take a common shuttle provided by the Department to and from the CTA to a remote off-Airport rental car lot where passengers are picked up and further transported by each off-Airport rental car company to their respective off-Airport locations.
- Transportation Network Companies. TNCs (e.g., Lyft, Opoli, Uber) provide pre-arranged transportation services typically using smartphone applications to connect drivers using their personal vehicles with passengers. All TNC pick-ups occur at the LAXit lot just east

of Terminal 1. Only certain higher cost TNCs are allowed to pick-up passengers at each Terminal. Passengers get from the CTA to the LAXit lot by walking or riding the free shuttle operated by the Department.

- Transportation Charter Party (TCP). TCPs provide pre-arranged charter of their vehicles for the exclusive use of an individual or group and include but are not limited to limousines and black car chauffeur services. Passengers using TCP services are picked up and dropped off in the CTA.
- Taxicabs. Taxicabs provide on-demand, rather than pre-arranged, transportation services to customers. Taxis may be hailed at the LAXit lot, inside parking structure 3 between TBIT and Terminal 3, and at the curb outside of Terminal 7.
- Passenger Stage Corporation (PSC). PSCs provide scheduled or shared-ride transportation between points on a fare basis. An example of a PSC is the Santa Barbara Airbus that provides scheduled bus service between LAX, Carpinteria, Santa Barbara, and Goleta. PSCs arrive and depart from the CTA at designated curb locations in front of each terminal.
- Peer-to-Peer Car Sharing⁵². Peer-to-peer car sharing companies provide pre-arranged car rental services, typically using a smartphone application to connect individuals renting personal vehicles with passengers. Passengers using peer-to-peer car sharing companies also take a common shuttle operated by the Department to and from the remote rental car lot where passengers are further transported to the location of the rented vehicle.

Figure 33 shows the market share of commercial vehicle trips from FY 2016 to FY 2021. While Figure 33 shows trips rather than Transactions for on-Airport rental car companies, it still reflects the extraordinary gains in commercial vehicle market share TNCs have made. In FY 2017 (the first full Fiscal Year of on-Airport TNC trips), the market share of TNC trips to the total number of commercial vehicle trips in the CTA was 51.3% and increased to 63.2% in FY 2019.

⁵² Peer-to-peer sharing companies are classified by the Department as rental car companies but are discussed separately to present the different ground transportation options available at the Airport.

Figure 33
MARKET SHARE OF COMMERCIAL VEHICLE TRIPS BY MODE



Notes: Excludes LAX shuttle and private vehicles.

(a) On-Airport rental car company activity represents rental car shuttle bus trips to the CTA, not Transactions.

Sources: Department records.

New Consolidated Rent-A-Car Facility

From 2014 through 2018, the Department and representatives of the on-Airport rental car companies met to negotiate the development, financing and operation of a new ConRAC at the Airport that would provide a centralized rental car location adjacent to Interstate 405 with connections to a new APM System and the nearby freeways. In FY 2019, the Department and each of the on-Airport rental car companies (defined as "Concessionaires" in the CLA) executed a CLA for the use and occupancy of the ConRAC. As stated previously, the Department currently expects that the ConRAC will be operational in early FY 2024.

The ConRAC will benefit Airport passengers and the car rental experience through:

- Improved Passenger Experience. The ConRAC will provide enhanced customer experience and safety with an easy-to-find consolidated location conveniently linked to the CTA by the APM System.
- **Improved Traffic Flow**. The ConRAC is expected to eliminate approximately 3,000 daily rental car shuttle trips on city streets and CTA roadways.
- Freed-up CTA Curb Space. The ConRAC and APM System will reduce CTA roadway and curbside congestion.

• Increased Operational Efficiencies. Certain rental car companies within the same brand family will be able to reduce costs by sharing space, resources, and transportation, and accommodate all operations and forecast growth within the same secure area. Operational efficiency will improve as all areas will now be in one location.

The new ConRAC presented on Figure 34 will have five floors and approximately 6.4 million square feet that will include the following:

- 7,600 ready/return stalls.
- A quick turnaround facility that would include vehicle staging positions, fuel nozzles, wash bays, and maintenance bays that will provide for the efficient cleaning of vehicles for future rentals.
- 100,000 square foot customer service building (the CSB) with support offices that would be directly accessible by rental car customers to and from the ConRAC APM station.
- 10,000 idle storage vehicle stalls, allowing rental car companies to better meet rental car customer demand, especially during peak times.

In addition, the new ConRAC is expected to have the following other features:

- 224 electric vehicle chargers with the ability to expand the number of chargers by an additional 149.
- Light Emitting Diodes (LED) interior and exterior lighting.
- Drought tolerant landscaping.
- Employee conveniences, such as, but not limited to, bike racks.

When completed, all rental car companies serving the Airport, including those with CLAs and NELAs, will be required to pick up and drop off their customers/passengers at the ConRAC and use the new APM System (discussed more fully below).

Figure 34 **DEPICTION OF CONSOLIDATED RENT-A-CAR FACILITY**

Los Angeles International Airport



Common Transportation System

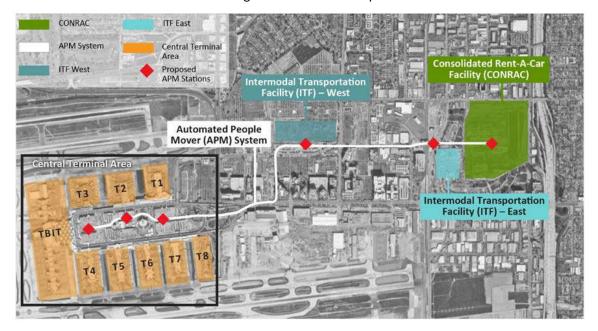
As part of its Capital Program at the Airport, the Department is constructing a new APM System that will provide fast, convenient, and reliable access 24 hours a day between the ConRAC and the CTA. The APM System project date of beneficial occupancy (APM System DBO) is expected to occur in FY 2024 and be operational thereafter.

On ConRAC DBO but prior to APM System DBO, the Department currently expects to use a common shuttle bus transportation system to transport rental car customers between the CTA and ConRAC.

When operational, the APM System will include three proposed stations outside of the CTA as shown on Figure 35: (1) the multi-modal/transit facility (ITF-East) located at 96th Street/Aviation Boulevard planned by the Los Angeles County Metropolitan Transportation Authority (Metro), (2) the ITF-West located north of 96th Street between Jetway Boulevard and Airport Boulevard, and (3) the new ConRAC. The APM System would be used by both on and off-Airport rental car companies, peer-to-peer car sharing customers, and, potentially, TNC customers, as the Department currently expects to relocate TNC operations from LAXit to ITF-West or ITF-East and close LAXit for future capital projects at the Airport. The APM System may also be used by TCP, PSC, and taxi customers to access intermodal transportation facilities.

Figure 35
APM SYSTEM AND OTHER PROJECTS

Los Angeles International Airport



The APM System project is considered an "LAX Airport Facility" pursuant to the Master Senior Trust Indenture (GARB) of the Department. As such, the cost of financing, operating and maintaining the APM System is not included in the financial forecasts presented in this 2022 CFC Report.

AIRPORT RENTAL CAR RATES AND ACTIVITY

CFC Rate at the Airport

Pursuant to the CFC Laws, an airport sponsor can require rental car companies to collect from a customer a CFC to:

- Finance, design, and construct a consolidated airport rental car facility.
- Finance, design, construct, and operate common-use transportation systems that move
 passengers between airport terminals and those consolidated rental car facilities, and to
 acquire vehicles for use in that system.
- Finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems. The Department-operated common shuttle bus system and APM System project at the Airport are considered common-use transportation systems under the CFC Laws.

Prior to requiring the rental car companies to collect a CFC, the Department must fulfill certain requirements described in the CFC Laws, including, but not limited to, holding a public hearing on the proposed project and demonstrating the financial need for and the amount of CFC revenues to be collected by the Department and CFC interest income to fund all or a portion of the CFC-eligible costs described above.

In connection with the CFC approval process, the Department fulfilled all of the requirements listed directly above and estimated that Total CFC Revenues would be needed to pay the following major CFC-eligible costs (all approximations):

- Milestone payments to the ConRAC Developer.
- Aggregate Annual Debt Service payments, including those for the proposed Series 2022
 Bonds and any deposits to the funds and accounts of the CFC Trust Indenture.
- Annual availability payments (APs) to the ConRAC Developer for the cost of financing and building the ConRAC.
- Annual costs associated with operating the common shuttle buses and a portion of the costs associated with the APM System.

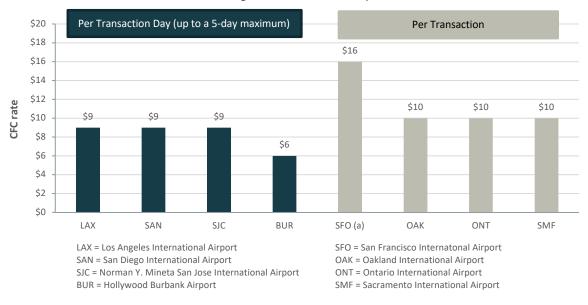
Effective July 1, 2007, the Department began collecting a CFC of \$10.00 per Transaction, which amount was increased to \$7.50 per Transaction Day (up to a 5-day maximum) on January 1, 2018, and then increased again by the Department to the maximum CFC Rate allowable under the CFC Laws of \$9.00 per Transaction Day (up to a 5-day maximum) effective September 1, 2019.

Figure 36 shows a comparison of CFC rates at other large and medium hub airports in California. San Diego International Airport and Norman Y. Mineta San Jose International Airport collect a \$9.00 CFC per Transaction Day, the same as at the Airport, while the Hollywood Burbank Airport collects a \$6.00 CFC per Transaction Day. Oakland International Airport, Ontario International Airport, and Sacramento International Airport all collect a CFC equal to \$10.00 per Transaction. Similar to a CFC, San Francisco International Airport (SFO) collects a transportation facility fee of \$16.00 per Transaction under the authority of the SFO airport commission to pay for a common transportation system at SFO. John Wayne Airport in Orange County does not currently collect a CFC.

Figure 36

CUSTOMER FACILITY CHARGE RATES FOR LARGE AND MEDIUM HUB AIRPORTS IN CALIFORNIA

Los Angeles International Airport



Source: CFCs listed for rental car bookings on Hertz website October 22, 2021.

(a) SFO collects a Transportation Facility Fee under the authority of the SFO airport commission.

Rental Car Reservation Costs at Certain Large and Medium Hub Airports

The total reservation cost of a 3-day car rental at large and medium hub airports in California ranges between \$291 and \$490.⁵³ The total reservation cost to rent a car includes the daily rate of the rental car, CFC, airport concession fee, and other fees that include but are not limited to license fees, state tourism assessments, and state taxes. The difference in total reservation costs among the large and medium hub airports in California shown on Figure 37 is primarily due to the difference in the average daily rate of renting a car, which is influenced by, among other things, per capita income levels, economic activity, and competition among on and off-airport rental car companies, as well as the cost of operating at each airport, and the availability of cars. The airport concession fee, state tourism assessments, and state taxes are typically charged on a percentage of the daily rate. At the large and medium hub airports shown on Figure 37, the rental car daily rate is approximately 73% to 80% of the total rental cost while the remaining fees and taxes total approximately 20% to 27%. Figure 38 compares reservation costs at large and medium hub airports in California.

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 $^{^{53}}$ 3-day rental from November 8 – 11, 2021 of small sport utility vehicle using "pay later" rate listed on Hertz website, October 22, 2021.

Figure 37

RENTAL CAR RESERVATION COST AT LARGE AND MEDIUM HUB AIRPORTS IN CALIFORNIA

Los Angeles International Airport



SJC = Norman Y. Mineta San Jose International Airport

SFO = San Francisco Internatonal Airport

LAX = Los Angeles International Airport

ONT = Ontario International Airport

SAN = San Diego International Airport

SMF = Sacramento International Airport

BUR = Hollywood Burbank Airport

SNA = John Wayne Airport

OAK = Oakland International Airport

Source: 3-day rental (November 8 – 11, 2021) of small sport utility vehicle using "pay later" rate listed on Hertz website, October 22, 2021.

- (a) John Wayne Airport does not charge a CFC.
- (b) "Other fees" include vehicle license recovery fee, state tourism assessments, and state tax.

Rental Car Activity

Rental car activity at the Airport has historically been measured by the number of on-Airport rental car Transactions or contracts between a rental car company and a customer/passenger and the number of Transactions per deplaned destination passenger at the Airport, the latter of which provides an indication of the propensity of a passenger to rent a car at the Airport relative to using other modes of transportation, including, but not limited to companies such as Uber and Lyft.

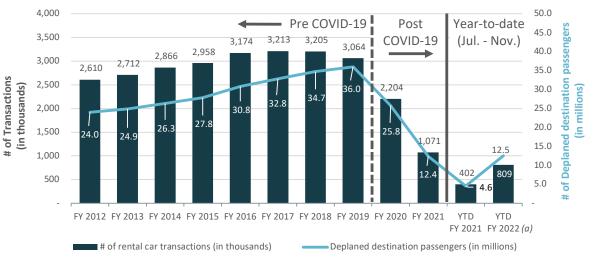
From FY 2012 through FY 2015, as shown on Figure 38, the number of rental car Transactions increased approximately 4.3% per year, while the number of deplaned destination passengers at the Airport increased approximately 5.1% per year. In July 2015, DR Car Rental, Sixt, and Midway Car Rental (Midway) executed rental car concession agreements with the Department increasing the total number of Transactions at the Airport. DR Car Rental was subsequentially dissolved by its parent company Fox Rent A Car. Midway subsequently terminated its

concession agreement with the Department and currently operates as an off-Airport rental car company pursuant to a NELA.

Figure 38

HISTORICAL DEPLANED DESTINATION PASSENGERS AND RENTAL CAR TRANSACTIONS

Los Angeles International Airport



Note: For Fiscal Years ending June 30.

Source: Department records.

(a) Assumes FY 2022 origin/destination percent equal to FY 2021.

In November 2015, TNCs were permitted by the Department to pick-up and drop-off passengers in the CTA, resulting in a new transportation option for certain passengers as compared to renting a car by using rental car company specific shuttle buses in the CTA and being transported to a company specific location. TNCs pay the Department \$4.00 per pickup and drop off.

From FY 2017 (the first full Fiscal Year of on-Airport TNC trips) to FY 2019, the number of rental car Transactions decreased 2.4% per year, while the number of deplaned destination passengers at the Airport increased 4.7% per year, meaning that fewer passengers rented cars at the Airport and likely used TNCs or other modes of ground transportation to reach their destination. The resulting decrease from FY 2017 to FY 2019 in Transactions per deplaned destination passenger was 6.7% per year, as shown on Figure 39. Transactions per deplaned destination passenger in the first 8-months of FY 2020 (prior to the effects of the COVID-19 pandemic) decreased 1.9% compared to the first 8-months of FY 2019, showing that the shift of passengers from rental cars (likely one- and two- day rentals) to TNCs or other modes of ground transportation was slowing as the ground transportation market with TNCs has stabilized.

HISTORICAL AVERAGE RENTAL CAR TRANSACTIONS PER DEPLANED DESTINATION PASSENGER Los Angeles International Airport 0.160 Pre **Post** Year-to-date # of Transactions per Arriving Passenger 0.140 COVID-19 COVID-19 (Jul. - Nov.) 0.120 0.109 0.109 0.109 0.106 0.103 0.103 0.098 0.092 0.100 0.086 0.086 0.085 0.078

Figure 39

Note: For Fiscal Years ending June 30.

0.080 0.060 0.040 0.020 0.000

Source: Department records.

In late 2019, the COVID-19 virus was first recognized in the United States and started to cause significant disruption to domestic and international passenger travel at the Airport in 2020 and other airports as well as the conduct of day-to-day business in the City of Los Angeles, the rest of the United States and the world.

FY 2012 FY 2013 FY 2014 FY 2015 FY 2016 FY 2017 FY 2018 FY 2019 FY 2020 FY 2021

In FY 2020, the number of rental car Transactions decreased by 28.1% from FY 2019, consistent with the 28.4% decrease in the number of deplaned destination passengers at the Airport.

In reaction to the significant decline in passenger traffic at the Airport and other airports in the United States and globally, many rental car companies decreased the number of cars for rent given the significant decline in the number of passengers at airports and rental car activity resulting from, but not limited to, economic and border closures used to reduce the spread of COVID-19. At the Airport, the total number of commercial vehicle trips decreased 58.8% from FY 2020 to FY 2021, with the market share of TNC trips decreasing at a faster rate of 64.1%, likely due to health concerns associated with individually operated TNCs.

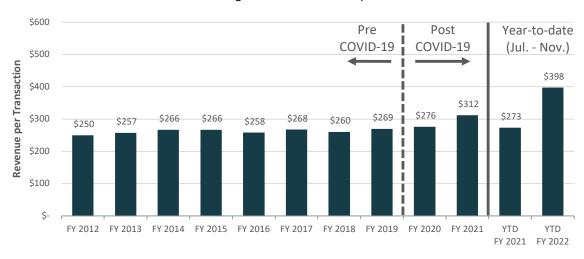
Through the first 5 months of FY 2022 (July through November 2021), the number of rental car Transactions at the Airport increased 101.3% relative to the same months of 2021, while the number of deplaned destination passengers at the Airport increased 175.2%. The difference in recovery rates between Transactions and deplaned destination passengers is likely due to the lack of rental car supply caused by downsized rental car fleets combined with historically low

FY 2021 FY 2022

national new vehicle inventories⁵⁴ caused by supply chain issues resulting from the COVID-19 pandemic. In comparison to Fiscal Year 2019 data, the number of rental car Transactions and deplaned destination passengers at the Airport through the first 5 months of FY 2022 were 39.3% and 33.4% lower, respectively.

The demand for rental cars relative to the available supply is demonstrated in the recent increases in rental car gross revenue per transaction shown on Figure 40. From FY 2020 to FY 2021, rental car gross revenue per transaction increased 13.0% from \$276 to \$312. The increase continued in the first 5 months of FY 2022 (July through November 2021) as rental car gross revenue per transaction increased to \$398, a 45.5% increase compared to \$273 for the same period in FY 2021.

Figure 40
HISTORICAL RENTAL CAR GROSS REVENUE PER TRANSACTION
Los Angeles International Airport



Note: For Fiscal Years ending June 30.

Source: Department records.

As shown on Figure 41, from FY 2017 (the first full Fiscal Year of TNC operations at the Airport) through FY 2019, the average of the number of days equal to 5 days or less that a car is rented at the Airport (the Average Transaction Days⁵⁵) increased from 3.42 in FY 2017 to 3.49 in FY 2019 and then decreased to 3.37 in FY 2021 (the first full Fiscal Year of the COVID-19 pandemic). The increase in Average Transaction Days at the Airport from FY 2017 to FY 2019 is likely the result of fewer one-day car rentals as certain passengers used TNCs or other modes of transportation rather than renting a car. In FY 2021, the Average Transaction Days decreased

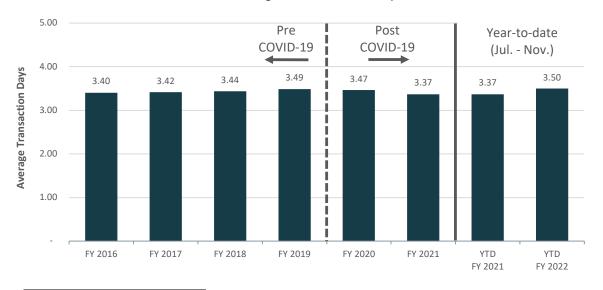
⁵⁴ Auto Rental News, October 19, 2021, New Vehicle Prices Hit Record While Supply Falls, https://www.autorentalnews.com/10154292/new-vehicles-prices-hit-record-while-supply-falls

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⁵⁵ Pursuant to the CFC Laws, the number of days that a CFC can be charged per Transaction Day is capped at 5 days.

to 3.37, likely due to the result of shorter trips related to travel disruptions caused by the COVID-19 pandemic. Through the first 5 months of FY 2022, Average Transaction Days increased to 3.50, consistent with the first 5 months of FY 2019 and FY 2020 (prior to the effects of the COVID-19 pandemic), 3.53 and 3.51 respectively.

Figure 41
HISTORICAL AVERAGE TRANSACTION DAYS
Los Angeles International Airport



Note: For Fiscal Years ending June 30. Transaction days data only available starting in FY 2016.

Source: Department records.

RENTAL CAR ACTIVITY FORECASTS

Forecasts of rental car Transactions and Transaction Days at the Airport are discussed in this section.

The forecast of rental car Transactions and Average Transaction Days at the Airport is based on (1) forecasts of deplaned destination passengers at the Airport, as described earlier, (2) the forecast number of Transactions per deplaned destination passenger, and (3) the forecast Average Transaction Days.

It was assumed that rental car operations and service at the Airport will not be constrained by the availability or cost of fuel, long-term limitations in new vehicle production or inventories, or government policies or actions that restrict growth.

Transactions per Deplaned Destination Passenger

Transactions per deplaned destination passenger at the Airport are forecast to reach the number of Transactions per deplaned destination passenger in FY 2019 by FY 2022 as a result of the forecast stabilizing of ground transportation modes (including on-Airport rental cars and

TNCs) and the forecast recovery in deplaned destination passengers, as previously described. Beginning in FY 2024 (the year of APM System DBO), Transactions per deplaned destination passenger are forecast to increase 5.0% as a result of the improved ease that passengers would have in accessing the ConRAC and renting cars⁵⁶. Starting in FY 2025, Transactions per deplaned destination passenger are forecast to be constant during the remaining years of the Forecast Period.

Transaction Days

Average Transaction Days at the Airport are forecast to increase from FY 2021 to the number of Average Transaction Days in FY 2019 by FY 2025 following the recovery of deplaned destination passengers and the reduction of travel disruptions caused by the COVID-19 pandemic. After FY 2025, Average Transaction Days are forecast to be constant during the remainder of the Forecast Period.

As shown on Table 16, from FY 2019 through FY 2030, the total number of Transaction Days at the Airport is forecast to increase an average of 1.4% per year, from 10.7 million to approximately 12.5 million, as a result of the forecast recovery in deplaned destination passengers, the forecast of Transactions per deplaned destination passengers resulting from the stabilizing of the ground transportation modes with TNCs, and the return of Average Transaction Days to the number of Average Transaction Days prior to the COVID-19 pandemic.

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⁵⁶ Any delay in APM System DBO would also delay the assumed 5% increase in Transactions per deplaned destination passengers, which would not result in a material change to forecast financial results.

Table 16 **FORECAST OF TRANSACTION DAYS**

Los Angeles International Airport

(deplaned destination passengers are in thousands), destination passenger

			Actual		Forecast													
	Ref.	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030					
Deplaned destination passengers	[A]	35,984	25,766	12,414	22,025	27,396	34,487	36,756	37,396	38,048	38,713	39,390	40,081					
Transactions per deplaned destination passenger	[B]	0.085	0.086	0.086	0.085	0.085	0.089	0.089	0.089	0.089	0.089	0.089	0.089					
Average Transaction Days	[C]	3.49	3.47	3.37	3.40	3.43	3.46	3.49	3.49	3.49	3.49	3.49	3.49					
Transaction Days	[=A*B*C]	10,688	7,639	3,608	6,374	7,997	10,664	11,463	11,662	11,865	12,074	12,283	12,499					
Transaction Days per deplaned destination passenger	[=D/A]	0.297	0.296	0.291	0.289	0.292	0.309	0.312	0.312	0.312	0.312	0.312	0.312					

Note: For Fiscal Years ending June 30. Source: Department records.

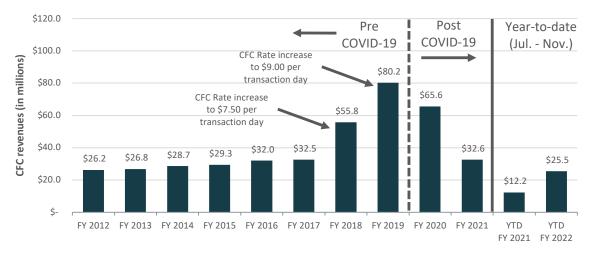
CFC REVENUES

Historical Trends in CFC Revenues

Provided below is an overview of historical trends in annual CFC Revenues, excluding annual CFC interest income, which represents a small portion (approximately 7.3%) of Total CFC Revenues.

From FY 2012 through FY 2019, annual CFC Revenues increased approximately 17.3% per year, higher than the 6.0% per year increase in deplaned destination passengers at the Airport, largely the result of changes in the CFC Rate from \$10.00 per Transaction to \$7.50 per Transaction Day on January 1, 2018, and then to \$9.00 per Transaction Day effective September 1, 2019.

Figure 42 HISTORICAL CFC REVENUES Los Angeles International Airport



Note: For Fiscal Years ending June 30. Source: Department records.

In FY 2020, which included only 3 months of the negative effect on air travel and rental car

activity from the COVID-19 pandemic but was the first full Fiscal Year of the \$9.00 CFC Rate, CFC Revenues decreased by 18.2% compared with FY 2019. As a result of increasing the CFC Rate from \$7.50 per Transaction Day to \$9.00 per Transaction Day, the decrease in CFC Revenues (-18.2%) was not as great as the decrease in Airport deplaned destination passengers of 28.4%.

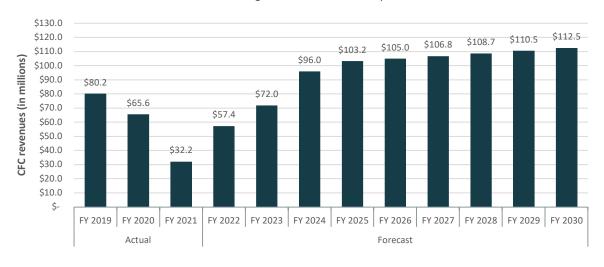
The entirety of FY 2021 included the negative effects of the COVID-19 pandemic on passenger travel and rental car use at the Airport. In FY 2021, CFC Revenues decreased approximately 50.3% compared with FY 2020, consistent with the 51.8% decrease in deplaned destination passengers at the Airport during the same period.

During the first 5 months of FY 2022, CFC Revenues increased 109.1% relative to the same months in FY 2021, as deplaned destination passengers increased 175.2% relative to the same months in FY 2021, which increases were related to widespread COVID-19 vaccinations as well as reductions in travel restrictions and border closures.

Forecast CFC Revenues

The forecast of CFC Revenues is based on the number of forecast Transaction Days multiplied by the CFC Rate. The CFC Rate is assumed to remain at \$9.00 per Transaction Day through the Forecast Period, the maximum allowable amount under California Laws. As shown in Exhibit C and Figure 43, CFC Revenues at the Airport are forecast to increase from approximately \$80.2 million in FY 2019 to approximately \$112.5 million in FY 2030, representing an average annual growth rate of 3.1%.

Figure 43
HISTORICAL AND FORECAST OF CFC REVENUES
Los Angeles International Airport



Note: For Fiscal Years ending June 30.

SECTION 3

FINANCIAL FORECASTS

FINANCIAL FORECASTS

This section discusses the financial framework of the CFC Laws, the CFC Resolutions (as defined below), estimated ConRAC Project costs and funding sources, forecasts of Total CFC Revenues, estimates of Aggregate Annual Debt Service for the proposed issuance of the Series 2022 Bonds, and forecast annual debt service coverage. Presented at the end of this section is a sensitivity analysis where certain assumptions used to develop the financial forecasts were revised to analyze the change in key forecast financial results.

CONRAC FINANCIAL FRAMEWORK

CFC Laws

The CFC Laws states that after having met certain procedural and reporting requirements, the Department can require rental car companies to collect from a renter a CFC per Transaction Day to:

- Finance, design and construct a consolidated airport rental car facility.
- Finance, design, construct, and operate common-use transportation systems that move
 passengers between airport terminals and those consolidated car rental facilities, and to
 acquire vehicles for use in that system.
- Finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems. The Department operated common shuttle bus system and APM System at the Airport are considered common-use transportation systems under the CFC Laws.

Currently, the maximum allowable CFC per Transaction Day⁵⁷ under the CFC Laws is \$9.00.

CFC Resolutions

The Department currently collects a \$9.00 CFC per Transaction Day, as approved by the Board of Airport Commissioners (the Board).

Resolutions adopted by the Board associated with the CFC Rate include:

- Resolution No. 21579 (November 13, 2001). The Board approved collection of a \$10 per contract CFC pursuant to California State Assembly Bill (AB) 491.
- Resolution No. 26357 (October 5, 2017). The Board approved collection of a \$7.50 per day CFC, pursuant to California Government Code Section 50474.

A-107

⁵⁷ Pursuant to the CFC Laws, the number of days that a CFC can be charged per Transaction Day is capped at 5 days.

• Resolution No. 26798 (June 20, 2029). The Board approved collection of a \$9.00 per day CFC, pursuant to California Government Code Section 50474.

On-Airport Rental Car Agreements

In connection with the ConRAC project, the Department executed CLAs with the following Concessionaires: Enterprise Rent-A-Car Company of Los Angeles, LLC (brands: Alamo, Enterprise, and National), Avis Budget Car Rental, LLC (brands: Avis, Budget, Zip Car, and Payless), the Hertz Corporation (brands: Hertz, Dollar, and Thrifty), Fox Rent A Car (brand: Fox), Fox Rent A Car (brand: Europear Mobility Group), and Sixt Rent a Car, LLC (brand: Sixt).

The CLA includes provisions for the delivery of the ConRAC by the Department based on certain defined requirements and parameters contained in the CLA, and an initial term that expires on the 20-year anniversary of ConRAC DBO, with one option to extend the CLA for 5-years by the Department through written notice, or automatically if certain Transaction Day targets are achieved pursuant to the CLA. The CLA also provides for the use and occupancy of the ConRAC when ConRAC DBO is reached.

Among other provisions, the CLA requires:

- Concessionaires to collect a CFC at a rate established by the Department (the \$9.00 CFC Rate) and remit the CFC Revenues to the Department.
- Concessionaires to use a common transportation system serving the ConRAC, which
 includes common shuttle buses if used by the Department during the term of the CLA
 prior to or after APM System DBO.
- The Department to (a) require the customers of off-Airport rental car companies to pick up and drop off their customers at the ConRAC and to use the APM System, meaning that off-Airport companies will not be allowed to access the CTA and (b) pay a transportation fee (not a CFC) to the Department, which would be established to cover their customers' prorated use of the APM System, which revenues are not considered part of the Trust Estate and have not been included in the forecasts presented in this 2022 CFC Report.

Two of the Concessionaires that executed the CLA filed for Chapter 11 bankruptcy protection in May 2020: Hertz, including its brands Dollar and Thrifty and Advantage, including its brand EZ Rent A Car. Hertz (including each of its brands) represented approximately 27.6% of the rental car gross revenue market share at the Airport for the 12-month period ending May 2021. Hertz emerged from bankruptcy protection on June 30, 2021, and assumed the CLA, and will use and lease space starting at ConRAC DBO. As of February 2020, Advantage ceased all operations at the Airport.

Each of the rental car companies (and their brands, except Payless) with CLAs currently provide an on-Airport rental car services pursuant to the Existing Rental Car Agreements which is separate and apart from the CLA and serves as a "bridging" agreement between existing rental car operations and individual facilities, and the date when ConRAC DBO is achieved.

Among other things, the Existing Rental Car Agreements (1) require each rental car brand to collect a CFC at a rate established by the Department and remit the CFC Revenues to the Department and (2) allow the Department to terminate the Existing Rental Car Agreements with a notice to on-Airport rental car companies when ConRAC DBO is known by the Department. On the effective date of ConRAC DBO, all on-Airport rental car operations in the ConRAC will be governed by the CLA.

ConRAC Project Delivery

The ConRAC Project is being designed, built, financed, operated, and maintained under the 28-year ConRAC Contract that was executed between the Department and the ConRAC Developer in 2018.

The Department has made and will continue to make a series of periodic and milestone payments totaling approximately \$729.7 million to the ConRAC Developer during the construction of the ConRAC. Pursuant to the ConRAC Contract, the ConRAC Developer has a goal of achieving ConRAC DBO in late FY 2023, but the Department currently expects that ConRAC DBO will be reached in early FY 2024.

When ConRAC DBO occurs, the ConRAC Developer will be responsible for operating and maintaining certain portions of the ConRAC on behalf of the Department through the remaining term of the ConRAC Contract.

Beginning at ConRAC DBO, the Department will make an annual ConRAC Capital AP to the ConRAC Developer to compensate the ConRAC Developer for designing, building, and financing (developer equity and debt) the Developer's portion of the ConRAC Project. The Department will also make an annual ConRAC Maintenance and Operation (M&O) AP to the ConRAC Developer to compensate the ConRAC Developer for the cost of operating and maintaining the ConRAC. The ConRAC Capital APs and the ConRAC M&O APs are not obligations under the CFC Trust Indenture and are not secured by Total CFC Revenues as discussed in more detail below.

CFC Trust Indenture

The proposed Series 2022 Bonds would be issued and any additional Senior or Subordinate Bonds would be issued pursuant to the CFC Trust Indenture.

 The proposed Series 2022 Bonds and any such additional Senior Bonds are payable from and secured solely by the Trust Estate, which includes, but is not limited to, Total CFC Revenues. See the definition of Trust Estate in the CFC Trust Indenture for additional information.

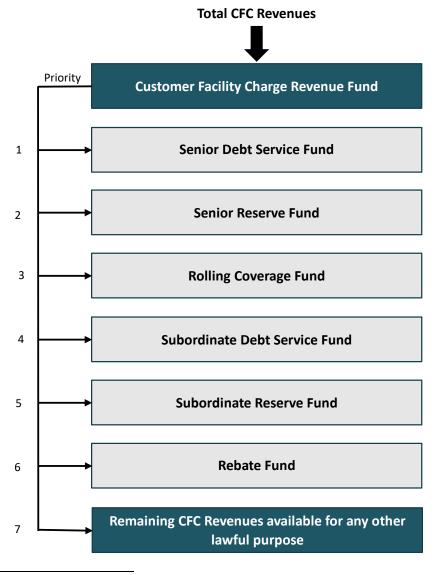
Pursuant to the CFC Trust Indenture, the Department has covenanted to require the CFC Trustee to maintain the following funds that would be available to pay Aggregate Annual Debt Service as needed:

• **Senior Debt Service Reserve Fund**, equal to the maximum Aggregate Annual Debt Service on the outstanding Senior Bonds.

• **Rolling Coverage Fund**, equal to 25% of Maximum Aggregate Annual Debt Service on the outstanding Senior Bonds.

The CFC Trust Indenture requires Total CFC Revenues be deposited to the CFC Revenue Fund and use Total CFC Revenues in the order set forth on Figure 44 below.

Figure 44
FLOW OF FUNDS UNDER THE CFC TRUST INDENTURE
Los Angeles International Airport



Source: CFC Trust Indenture.

After meeting all of the obligations on a current month-to-month basis pursuant to the CFC Trust Indenture, Remaining Total CFC Revenues can be used for any lawful CFC-eligible purpose, including, but not limited to the following Other CFC-Eligible Costs under the Master Senior Trust Indenture (GARB): ConRAC Capital APs, and, along with Concessionaire CTS Contributions pursuant to the CLA, to pay common shuttle bus transportation system costs and up to 41% of debt service and LAX M&O Expenses associated with the APM System.

ESTIMATED CONRAC PROJECT COST AND FUNDING SOURCES

The Department currently expects the ConRAC Project to cost \$1.3 billion, as reflected on Exhibit A.

Approximately \$729.7 million of the estimated ConRAC Project cost is associated with a series of periodic and milestone payments the Department will make to the ConRAC Developer during the construction of the ConRAC. As of December 31, 2021, approximately \$620.1 million of the total periodic and milestone payments have already been made by the Department from (1) Total CFC Revenues already collected by the Department and (2) commercial paper proceeds that will be paid off with Series 2022 Bond proceeds. The remaining approximately \$109.6 million of milestone payments includes approximately \$73.0 million due in early FY 2023 and approximately \$36.5 million due in early FY 2024⁵⁸.

In addition to the \$729.7 million of periodic and milestone payments, the ConRAC Project also includes approximately \$558.7 million of construction costs that are the responsibility of the ConRAC Developer and certain Department costs.

The Department currently expects that the funding sources shown in Exhibit A and Figure 45 below would be used to pay the estimated costs of the ConRAC Project.

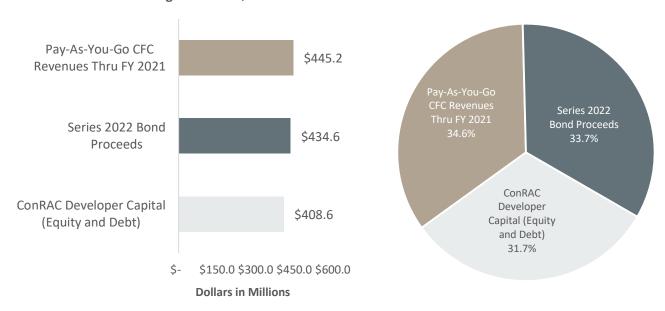
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⁵⁸ Totals may not add to the amounts shown due to rounding.

Figure 45 ESTIMATED CONRAC PROJECT FUNDING SOURCES

Los Angeles International Airport

Total Funding Sources = \$1.3 Billion



Note: See Exhibit A for additional Information.

Source: Department records.

Pay-As-You-Go CFC Revenues

"Pay-As-You-Go" CFC Revenues include the amounts collected by the Department through the end of FY 2021 and are expected to be collected by the Department from FY 2022 through ConRAC DBO.

As shown on Figure 45 and Exhibit A, the Department used approximately \$445.2 million of Pay-As-You-Go CFC Revenues through FY 2021 to pay a portion of ConRAC Project costs.

ConRAC Developer Capital (Equity and Debt)

As shown on Exhibit A, the ConRAC Developer is expected to use \$408.6 million of its own capital (equity and debt) to pay a portion of ConRAC Project costs.

Beginning at ConRAC DBO, the Department will make an annual ConRAC Capital AP to the ConRAC Developer to compensate the ConRAC Developer for designing, building, and financing (equity and debt) the ConRAC Project. The Department will also make an annual ConRAC Maintenance and Operation (M&O) AP to the ConRAC Developer to compensate the ConRAC Developer for the cost of operating and maintaining portions of the ConRAC. The ConRAC

Capital APs and the ConRAC M&O APs are not obligations under the CFC Trust Indenture, but the Department currently expects to use any Remaining Total CFC Revenues to pay these "Other CFC-Eligible Costs". See the later section of this 2022 CFC Report titled "Application of CFC Revenues" for more information.

Proposed Series 2022 Bond Proceeds

As shown in Exhibit A, approximately \$434.6 million of the Series 2022 Bond proceeds are currently expected to be used by the Department to make milestone payments to the ConRAC Developer (including the last milestone payment in early FY 2024 when ConRAC DBO is currently expected to be achieved).

The Department currently intends to issue the proposed Series 2022 Bonds to (see Exhibit B):

- Fund the last two milestone payments to the ConRAC Developer.
- Refund \$143.6 million of outstanding commercial paper previously issued under the Master Subordinate Trust Indenture (GARB) to make periodic and milestone payments to the ConRAC Developer.
- Pay prior and future ConRAC Project soft costs of the Department.
- Make a deposit to the Senior Debt Service Reserve Fund equal to Maximum Annual Debt Service on the outstanding Senior Bonds.
- Pay capitalized interest on the proposed issuance of the Series 2022 Bonds.
- Make a deposit to the Rolling Coverage Fund equal to 25% of Maximum Aggregate Annual Debt Service on the outstanding Senior Bonds.
- Make a deposit to the CTS Payment Account required by the CLA.
- Pay issuance and financing costs associated with the proposed Series 2022 Bonds.

The proposed Series 2022 Bonds are assumed to be issued as fixed-rate bonds with Aggregate Annual Debt Service (net of capitalized interest) starting in FY 2024, interest only through FY 2028, level debt service starting in FY 2029, a final maturity date in FY 2048, and an all-in true interest cost of approximately 4.48% based on input from Frasca & Associates, LLC (the Department's Municipal Advisor).

Other Improvements to ConRAC

In addition to the \$1.3 billion ConRAC Project cost reflected on Exhibit A, the Department currently expects approximately \$114.7 million of other improvements⁵⁹ to the ConRAC would be funded with Department Funds under the Master Senior Trust Indenture (GARB) which are not part of the financial forecasts in this 2022 CFC Report.

⁵⁹ Includes cellular infrastructure and employee parking improvements.

TOTAL CFC REVENUES

Exhibit C presents the forecast of Transaction Days and Total CFC Revenues.

CFC Revenues are forecast based on the number of forecast Transaction Days multiplied by the CFC Rate. As discussed in the earlier section titled "Rental Car Industry Overview and Analysis" of this 2022 CFC Report, Transaction Days are forecast to increase with the forecast increase in deplaned destination passengers and the forecast number of Average Transaction Days per Transaction.

Use of Total CFC Revenues Prior to ConRAC DBO

Prior to ConRAC DBO, the Department currently expects to use CFC Revenues as follows:

- Pay for approximately \$445.2 million of ConRAC Project costs through FY 2021
- Fund required deposits related to the Common Transportation System, as required under the CLA.

Use of Total CFC Revenues After ConRAC DBO

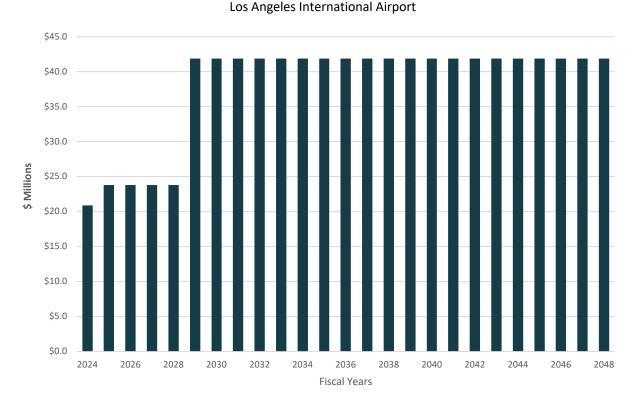
Following ConRAC DBO, forecast Total CFC Revenues would be used to pay Aggregate Annual Debt Service and make other reserve account and funding deposits, if any, all pursuant to the flow of funds under the CFC Trust Indenture shown on Figure 44.

AGGREGATE ANNUAL DEBT SERVICE

Exhibit D and Figure 46 below presents estimated Aggregate Annual Debt Service (net of capitalized interest) on the proposed issuance of the Series 2022 Bonds. Aggregate Annual Debt Service was estimated by the Department's Municipal Advisor.

Aggregate Annual Debt Service is forecast to increase from \$20.9 million in FY 2024 to \$41.9 million in FY 2029 and remain flat at \$41.9 million through FY 2048.

Figure 46
FORECAST AGGREGATE ANNUAL DEBT SERVICE



Note: Aggregate Annual Debt service is net of capitalized interest. Includes Aggregate Annual Debt Service on the proposed issuance of the Series 2022 Bonds only.

Source: The Department's Municipal Advisor.

APPLICATION OF TOTAL CFC REVENUES

Exhibit D and Figure 47 below present the forecast application of Total CFC Revenues to the various funds and accounts under the CFC Trust Indenture and the beginning and ending balances in the CFC Revenue Fund.

Prior to ConRAC DBO, the Department currently expects to use CFC Revenues to make periodic and milestone payments to the ConRAC Developer.

After ConRAC DBO, the Department currently expects to use Total CFC Revenues to pay Aggregate Annual Debt Service and to maintain required amounts in the Senior Debt Service Reserve Fund and the Rolling Coverage Fund.

As stated earlier, any Remaining Total CFC Revenues after meeting the requirements of the CFC Trust Indenture on a month-to-month basis can be used for any lawful CFC-eligible purpose, including, but not limited to, paying Other CFC-Eligible Costs such as ConRAC Capital APs and

paying a portion of debt service and LAX M&O Expenses associated with the APM System under the Master Senior Trust Indenture (GARB).

\$200 \$180 \$151.6 \$160 \$140 \$120 \$Millions \$100 \$83.2 \$80 \$60 \$40 \$20 \$41.9 \$23.8 \$23.8 \$23.8 \$23.8 \$20.9 \$0 \$0.0

2026

Fiscal Years

2027

2028

2029

2030

Figure 47

FORECAST USE OF CFC REVENUES AND CFC REVENUE FUND ENDING BALANCE

Los Angeles International Airport

(a) Includes payment of milestone payments, fund deposits related to the Common Transportation System, and certain Department soft costs.

2025

Available for Costs Under Master Senior Trust Indenture (GARB) Pay-As-You-Go CFC Use (a)

Source of Aggregate Annual Debt Service: The Department's Municipal Advisor.

2024

DEBT SERVICE COVERAGE

2022

■ Pay Aggregate Annual Debt Service

2023

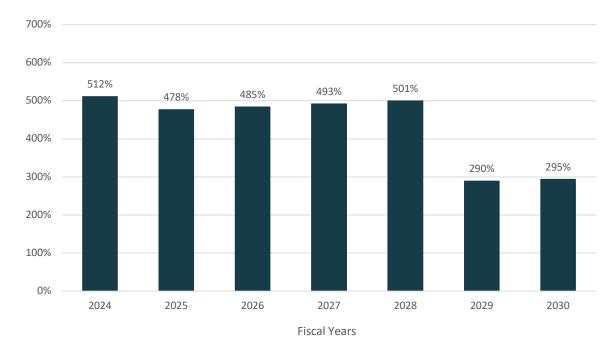
Under the CFC Trust Indenture, the Aggregate Annual Debt Service on the proposed Series 2022 Bonds (and any additional Senior and Subordinate Bonds) are secured by a pledge of the Trust Estate, which includes, but is not limited to, Total CFC Revenues.

To demonstrate the amount of Total CFC Revenues available to pay Aggregate Annual Debt Service on the proposed Series 2022 Bonds, a forecast of debt service coverage was prepared by dividing the sum of Total Forecast CFC Revenues and balances available in the Rolling Coverage Fund by Aggregate Annual Debt Service during each year of the Forecast Period.

The forecast results are shown on Figure 48 (and later on Exhibit E), with debt service coverage ranging from 290% to 512% during the Forecast Period.

Figure 48
FORECAST DEBT SERVICE COVERAGE

Los Angeles International Airport



Note: Includes Aggregate Annual Debt Service on the proposed issuance of the Series 2022 Bonds only. Aggregate Annual Debt service is net of capitalized interest.

Source of Aggregate Annual Debt Service: The Department's Municipal Advisor.

SENSITIVITY ANALYSIS

The forecast financial results presented in this 2022 CFC Report were analyzed to determine their sensitivity to changes in the number of Transactions and Transaction Days.

Specifically, it was assumed that, in FY 2024 (the first full year of ConRAC operations), the numbers of Transactions and Transaction Days will decrease by approximately 66.0% from forecast amounts, which percent decline equals the decrease in the numbers of Transactions and Transaction Days at the Airport from FY 2019 to FY 2021. In preparing the sensitivity analysis, it was assumed that the numbers of Average Transaction Days will remain the same during the Forecast Period.

It was assumed that, starting in FY 2025, it would take approximately 5 years (by FY 2029) for the numbers of Transactions and Transaction Days to recover to the base case forecast numbers of Transactions and Transaction Days in FY 2024. In FY 2030, it was assumed that the number of Transactions and Transaction Days would increase at the 20-year (FY 1999-FY 2019) average annual rate of growth in the number of enplaned passengers at the Airport of 1.7% per year.

A summary of FY 2024 and FY 2030 results are shown on the table below; projected debt service coverage from FY 2024 through FY 2030 is presented on Figure 49.

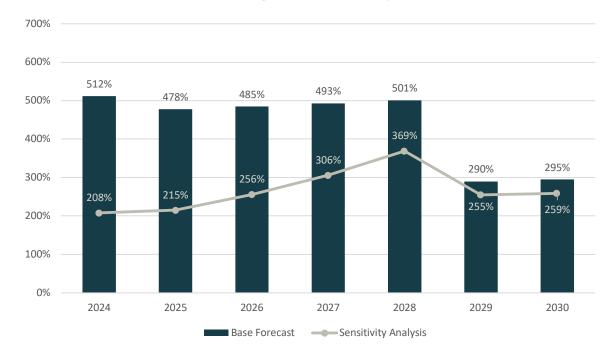
	FY 2024 (in millions	FY 2030 (in millions
	except o	coverage)	except (coverage)
	Base	Sensitivity	Base	Sensitivity
	Case	Test	Case	Test
Transactions	3.1	1.0	3.6	3.1
Transaction Days	10.7	3.6	12.5	10.8
Total CFC Revenues	\$96.3	\$32.9	\$112.9	\$98.0
Total CFC Revenues and Rolling	\$106.8	\$43.4	\$123.4	\$108.5
Coverage				
Aggregate Annual Debt Service	\$20.9	\$20.9	\$41.9	\$41.9
Debt Service Coverage	512%	208%	295%	259%

The projected debt service coverage results under the sensitivity analysis and forecast debt service coverage are shown on Figure 49.

Figure 49

PROJECTED DEBT SERVICE COVERAGE UNDER THE SENSITIVITY ANALYSIS

Los Angeles International Airport



Note: Includes Aggregate Annual Debt Service on the proposed issuance of the Series 2022 Bonds only. Aggregate Annual Debt service is net of capitalized interest, if any.

Source of Aggregate Annual Debt Service: The Department's Municipal Advisor.

Exhibit A

ESTIMATED CONRAC PROJECT COSTS AND SOURCES OF FUNDS

Los Angeles International Airport (dollars in thousands)

Estimated Funding Sources ConRAC Series 2022 **Estimated** Pay-as-you-go Developer Bond Total Project Costs (a) **CFC Revenues** Funding (b) Proceeds **Funding** ConRAC Project \$ 879,790 \$ \$ Design and construction costs, milestone payments, LAWA soft costs (c) 445,174 \$ 434,616 \$ 879,790 Project costs that are the responsibility of the ConRAC Developer 408,573 408,573 408,573 \$ 1,288,363 \$ 445,174 \$ 408,573 \$ 434,616 \$ 1,288,363 **Total ConRAC Project Cost**

Source: Department records.

⁽a) The estimated \$1.3 billion total ConRAC Project cost reflected on this exhibit along with approximately \$114.7 million of CFC-ineligible costs related to cellular infrastructure and employee parking expected to be paid with Department cash equals a total ConRAC Developer construction contract value of approximately \$1.4 billion.

⁽b) Includes ConRAC Developer debt and equity.

⁽c) Includes approximately \$729.6 million of periodic and milestone payments, of which approximately \$620.1 million has been paid as of December 31, 2021.

Exhibit B

ESTIMATED SOURCES AND USES OF BOND FUNDS

Los Angeles International Airport (dollars in thousands)

Bond principal	\$ 545,705
TOTAL SOURCES	\$ 545,705
USES OF FUNDS	
Project costs funded from bond proceeds (a)	\$ 434,616
Deposit to Senior Debt Service Reserve Fund	41,896
Capitalized Interest	30,713
Deposit to CTS Payment Account (b)	25,000
Deposit to Rolling Coverage Fund (c)	10,474
Costs of Issuance and contingency	3,006

\$

545,705

TOTAL USES

⁽a) See Exhibit A. Includes repayment of approximately \$143.6 million of outstanding commercial paper notes previously issued under the Master Subordinate Trust Indenture.

⁽b) Required by CLA.

⁽c) Rolling Coverage Fund deposit equal to 25% of maximum Aggregate Annual Debt Service. Source: The Department's Municipal Advisor.

Exhibit C

RENTAL CAR TRANSACTIONS, TRANSACTION DAYS, AND CFC REVENUES

Los Angeles International Airport Fiscal Years Ending June 30

(in thousands, except Transactions per Deplaned Destination Passenger, CFC Rate, Average Transaction Days, and percentages)

			Actual			Forecast													
	Forecast Reference	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030						
Rental Car Transactions Annual % change	[A] = [B] x [C]	3,064	2,204 -28.1%	1,071 -51.4%	1,875 75.1%	2,332 24.4%	3,083 32.2%	3,286 6.6%	3,343 1.7%	3,401 1.7%	3,461 1.8%	3,521 1.7%	3,583 1.8%						
Deplaned Destination Passengers Annual % change	[B]	35,984	25,766 -28.4%	12,414 -51.8%	22,025 77.4%	27,396 24.4%	34,487 25.9%	36,756 6.6%	37,396 1.7%	38,048 1.7%	38,713 1.7%	39,390 1.7%	40,081 1.8%						
Transactions per Deplaned Destination Passenger Annual % change	[C]	0.0851	0.0855 0.5%	0.0863 0.8%	0.0851 -1.3%	0.0851 0.0%	0.0894 5.0%	0.0894 0.0%	0.0894 0.0%	0.0894 0.0%	0.0894 0.0%	0.0894 0.0%	0.0894 0.0%						
Average Transaction Days (a) Annual % change	[D]	3.489	3.467 -0.6%	3.370 -2.8%	3.399 0.9%	3.429 0.9%	3.459 0.9%	3.489 0.9%	3.489 0.0%	3.489 0.0%	3.489 0.0%	3.489 0.0%	3.489 0.0%						
Transaction Days Annual % change	[E] = [A] x [D]	10,688	7,639 -28.5%	3,608 -52.8%	6,374 76.7%	7,997 25.5%	10,664 33.4%	11,463 7.5%	11,662 1.7%	11,865 1.7%	12,074 1.8%	12,283 1.7%	12,499 1.8%						
CFC Rate per Transaction Day	[F]	\$ 7.50 \$	8.75 \$	9.00 \$	9.00 \$	9.00 \$	9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00						
CFC Revenues CFC Revenue Fund	[G] = [E] x [F]	\$ 80,248 \$	65,621 \$	32,606 \$	57,366 \$	71,973 \$	95,976	\$ 103,167	\$ 104,958	\$ 106,785	\$ 108,666	\$ 110,547	\$ 112,491						
interest earnings (b)	[H]	6,341	8,950	3,636	1,223	943	305	238	238	238	238	329	419						
Total CFC Revenues Annual % change		\$ 86,589 \$	74,571 \$ -13.9%	36,242 \$ -51.4%	58,589 \$ 61.7%	72,916 \$ 24.5%	96,281 32.0%	\$ 103,405 7.4%	\$ 105,196 1.7%	\$ 107,023 1.7%	\$ 108,904 1.8%	\$ 110,876 1.8%							

⁽a) Pursuant to the CFC Laws, the number of days that a CFC can be charged per Transaction Day is capped at 5 days.

⁽b) See Exhibit D.

Exhibit D

APPLICATION OF CFC REVENUES

Los Angeles International Airport Fiscal Years Ending June 30 (dollars in thousands)

		PRIOR TO CONRAC DBO								AFTER CONRAC DBO												
				Actual	Forecast																	
		2019		2020	2021	2022		2023		2024		2025	2026	2027	2028	2029		2030				
CFC Revenue Fund begin balance		\$ 3	340,751	\$ 427,340	\$ 421,254	\$	92,979	\$ 151,	568	\$ 37,12	6 \$	\$ 23,829	\$ 23,829	\$ 23,829	\$ 23,829	\$	41,894	\$ 41,894				
Total CFC Revenues																						
CFC Revenues		\$	80,248	\$ 65,621	\$ 32,606	\$	57,366	\$ 71,	973	\$ 95,97	6 \$	\$ 103,167	\$ 104,958	\$ 106,785	\$ 108,666	\$	110,547	\$ 112,491				
CFC Revenue Fund interest earnings (a)			6,341	8,950	3,636		1,223		943	30	5	238	238	238	238		329	419				
Total CFC Revenues		\$	86,589	\$ 74,571	\$ 36,242	\$	58,589	\$ 72,	916	\$ 96,28	1 \$	\$ 103,405	\$ 105,196	\$ 107,023	\$ 108,904	\$	110,876	\$ 112,910				
	Total																					
Prior to ConRAC DBO																						
Pay for portion of estimated ConRAC Project costs \$	(445,174)	\$	-	\$ (80,657)	\$ (364,517)	\$	-	\$	-	n.a	Э.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.				
Fund deposits related to Common																						
Transportation System			-	-	-		-	(187,	358)	n.a	э.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.				
After ConRAC DBO																						
Pay Aggregate Annual Debt Service (b)			n.a.	n.a.	n.a.		n.a.	1	n.a.	(20,85	1)	(23,829)	(23,829)	(23,829)	(23,829)		(41,894)	(41,894)				
Deposit to Senior Debt Service Reserve Fund, if required	l (c)		n.a.	n.a.	n.a.		n.a.		n.a.	-		-	-	-	-							
Deposit to Rolling Coverage Fund, if required (d)			n.a.	n.a.	n.a.		n.a.		n.a.	-		-	-	-	-		-	-				
Estimated Use of Remaining Total CFC Revenues (e)			-	-	-		-		-	(88,72	7)	(79,576)	(81,367)	(83,194)	(67,010)		(68,982)	(71,016)				
Annual Use of Total CFC Revenues		\$	-	\$ (80,657)	\$(364,517)	\$	-	\$(187,	358)	\$(109,57	8) \$	\$(103,405)	\$(105,196)	\$(107,023)	\$ (90,839)	\$	(110,876)	\$(112,910)				
CFC Revenue Fund end balance (f)		\$ 4	427,340	\$ 421,254	\$ 92,979	\$ 1	151,568	\$ 37,	126	\$ 23,82	9 \$	\$ 23,829	\$ 23,829	\$ 23,829	\$ 41,894	\$	41,894	\$ 41,894				

⁽a) Forecast based on average balance in the CFC Revenue Fund and assumes 1.0% interest earnings rate.

⁽b) Source: The Department's Municipal Advisor.

⁽c) Amounts, if any, to maintain the required amount in the Senior Debt Service Reserve Fund. See Exhibit B for initial deposit to Senior Debt Service Reserve Fund.

⁽d) Amounts, if any, to maintain the Rolling Coverage Fund balance equal to 25% of maximum Aggregate Annual Debt Service. See Exhibit B for initial deposit.

⁽e) The Department currently expects to use Remaining Total CFC Revenues to pay ConRAC Capital APs, common shuttle bus system operating expenses (if applicable), and a portion of debt service associated with the APM system under the Master Senior Trust Indenture (GARB).

⁽f) Although the Department is not required to do so under the CFC Trust Indenture, the Department currently expects to maintain a minimum balance in the CFC Revenue Fund equal to maximum Aggregate Annual Debt Service.

Exhibit E

AGGREGATE ANNUAL DEBT SERVICE COVERAGE

Los Angeles International Airport Fiscal Years Ending June 30 (dollars in thousands)

		Forecast													
			2024		2025		2026		2027	2028		2029		2030	
Total CFC Revenues Rolling Coverage Fund amount (a)	[A] [B]	\$	96,281 10,474	\$	103,405 10,474	\$	105,196 10,474	\$	107,023 10,474	\$	108,904 10,474	\$	110,876 10,474	\$	112,910 10,474
Total CFC Revenues Plus Rolling Coverage Fund amount	[C] = [A] + [B]	\$	106,755	\$	113,879	\$	115,670	\$	117,497	\$	119,378	\$	121,350	\$	123,384
Aggregate Annual Debt Service (b)	[D]	\$	20,851	\$	23,829	\$	23,829	\$	23,829	\$	23,829	\$	41,894	\$	41,894
Debt Service Coverage INCLUDING Rolling Coverage Fund amount EXCLUDING Rolling Coverage Fund amount	= [C] / [D] = [A] / [D]		5.12 4.62		4.78 4.34		4.85 4.41		4.93 4.49		5.01 4.57		2.90 2.65		2.95 2.70
For Information Purposes Only: Debt Service Coverage Based on Maximum Aggregate Annual Debt Serv Maximum Aggregate Annual Debt Service Debt Service coverage INCLUDING Rolling Coverage Fund amount Debt Service coverage EXCLUDING Rolling Coverage Fund amount	rice [E] = [C] / [E] = [A] / [E]	\$	41,896 2.55 2.30	\$	41,896 2.72 2.47	\$	41,896 2.76 2.51	\$	41,896 2.80 2.55	\$	41,896 2.85 2.60	\$	41,896 2.90 2.65	\$	41,896 2.95 2.70

⁽a) See Exhibit B.

⁽b) Source: The Department's Municipal Advisor.

APPENDIX B

CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement, including the summary of the Indenture

"Account" means any account established pursuant to the Indenture or any Supplemental Indenture.

"Accreted Value" means, with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Indenture as the amount representing the initial principal amount of such Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date. The Accreted Value will be determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. All references to "principal" include Accreted Value, as applicable.

"Additional Bonds" means one or more Series of Additional Senior Bonds or one or more Series of Subordinate Bonds.

"Additional Senior Bonds" means one or more Series of Bonds issued pursuant to the Indenture and a Supplemental Indenture and designated as Senior Bonds.

"Affiliate" means an entity (a) that is not a party to a Rental Car CLA, a Rental Car Concession Agreement or a Rental Car License Agreement directly with the Department for the operation of a rental car business at the ConRAC or other parts of LAX, and (b) that is owned and controlled by a Rental Car Company or under the common ownership and control with such Rental Car Company. For this purpose, control means the possession, directly or indirectly, of the power to direct or cause the direction of the management, operations, and policies of such entity, whether through the ownership of voting securities or by contract or otherwise.

"Aggregate Annual Debt Service" means for any Fiscal Year the aggregate amount of Annual Debt Service with respect to one or more designated Series of Outstanding Bonds, or if no Bonds are designated, all Bonds Outstanding under the Indenture. For purposes of calculating Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal of the applicable Series of Bonds becoming due and payable in a Fiscal Year, principal payments will (unless a different clause of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule set forth in the Indenture, a Supplemental Indenture or such other governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds maturing or scheduled for redemption in such year; and in determining the amount of interest on the applicable Series of Bonds becoming due and payable in a Fiscal Year, except to the extent clauses (b), (c), (d), (e) or (g) of this definition applies, interest payable will be made at the interest rate(s) and on the Interest Payment Dates set forth in the Indenture, a Supplemental Indenture or such other governing documents setting forth the terms of such Bonds; provided, however, that interest payable on the applicable Bonds will be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

- if all or any portion or portions of an Series of Bonds constitute Balloon Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Indenture pursuant to which such Balloon Indebtedness is issued or unless clause (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term not later than the earlier of (y) the Rental Car CLA Expiration Date and (z) the CFC Expiration Date, if any, and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than the earlier of (y) the Rental Car CLA Expiration Date and (z) the CFC Expiration Date, if any; the interest rate used for such computation will be (1) with respect to Tax-Exempt Bonds, that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for Fixed Rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that such Bonds would be issued as Tax-Exempt Bonds, and (2) with respect to Bonds the interest on which is not excluded from gross income for federal income tax purposes, that rate determined by a Consultant to be a reasonable market rate for taxable Fixed Rate Bonds (i.e. an index rate based on yields of United States Treasury securities) of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that the interest on such Bonds would be includable in gross income for federal income tax purposes; with respect to any Series of Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in clause (a) above or such other provision of this definition as will be applicable and, with respect to any Series of Bonds, or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in clause (a) above or such other provision of this definition as will be applicable;
- any maturity of Bonds which constitutes Balloon Indebtedness as described in (c) clause (b) of this definition and for which the stated maturity date occurs within twelve months from the date such calculation of Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and clause (b) of this definition will not apply thereto unless there is delivered to the entity making the calculation of Aggregate Annual Debt Service a certificate of an Authorized Department Representative stating that the Department intends to refinance such maturity and stating the probable terms of such refinancing and that the Department will be able to deliver the certificate described under the heading "THE INDENTURE - Authorization and Issuance of Additional Senior Bonds" with respect to Senior Bonds or heading "THE INDENTURE – Authorization and Issuance of Additional Subordinate Bonds" with respect to Subordinate Bonds to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under clause (b) of this definition and such Bonds will be amortized over a term not later than the earlier of (y) the Rental Car CLA Expiration Date and (z) the CFC Expiration Date, if any;
- (d) if any Bonds constitute Tender Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, such Bonds will be treated as if (i) the principal amount of such Bonds were to be amortized over a term of not later than the earlier of (y) the Rental Car CLA Expiration Date and (z) the CFC Expiration Date, if any, commencing in the year in which such

Series is first subject to tender and with substantially level Annual Debt Service payments and extending not later than the earlier of (y) the Rental Car CLA Expiration Date and (z) the CFC Expiration Date, if any, provided, however, notwithstanding the previous provisions of this subclause (i), any principal amortization schedule set forth in a Supplemental Indenture (including, but not limited to, any mandatory sinking fund redemption schedule) will be applied to determine the principal amortization of such Bonds; (ii) with respect to all interest payments becoming due on such Bonds, such payments will be treated as described in clause (a) of this definition unless the interest on such Bonds is subject to fluctuation, in which case the interest becoming due on such Bonds will be determined as provided in clause (e) of this definition; and (iii) with respect to all principal and interest payments becoming due prior to the year in which such Bonds first become subject to tender, such payments will be treated as described in clause (a) of this definition unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in clause (e) of this definition;

- if any Bonds constitute Variable Rate Indebtedness, including obligations (e) described in clause (d) or (g)(ii) of this definition to the extent it applies (except to the extent clause (b) or (c) of this definition relating to Balloon Indebtedness or clause (d) of this definition relating to Tender Indebtedness or clause (g)(i) of this definition relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation will be (1) with respect to Tax-Exempt Bonds, that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for Fixed Rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that such Bonds would be issued as Tax-Exempt Bonds, and (2) with respect to Bonds the interest on which is not excluded from gross income for federal income tax purposes, that rate determined by a Consultant to be a reasonable market rate for taxable Fixed Rate Bonds (i.e. an index rate based on yields of United States Treasury securities) of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that the interest on such Bonds would be includable in gross income for federal income tax purposes;
- (f) debt service on Repayment Obligations, to the extent such obligations constitute Bonds under the Indenture, will be calculated as provided in the Indenture;
 - for purposes of computing the Aggregate Annual Debt Service of Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Department elects, be that rate as provided for by the terms of the Qualified Swap Agreement or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Department does not elect such rate, then it will be deemed to be (1) with respect to Tax-Exempt Bonds, that fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for Fixed Rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that such Bonds would be issued as Tax-Exempt Bonds, and (2) with respect to Bonds the interest on which is not excluded from gross income for federal income tax purposes, that fixed interest rate determined by a Consultant to be a reasonable market rate for taxable Fixed Rate Bonds (i.e. an index rate based on yields of United States Treasury securities) of a corresponding

term issued under the Indenture on the date of such calculation, with no credit enhancement and assuming that the interest on such Bonds would be includable in gross income for federal income tax purposes;

- (ii) for purposes of computing the Aggregate Annual Debt Service of Bonds with respect to which a Qualified Swap Agreement has been entered into whereby the Department has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Qualified Swap Agreement pertains will be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds will be the sum of that rate as determined in accordance with clause (e) of this definition relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider; and
- (h) if moneys, Permitted Investments or any other amounts not included in the Trust Estate have been used to pay or have been irrevocably committed or irrevocably deposited with and are held by the Trustee or another fiduciary to pay principal and/or interest (including Capitalized Interest) on specified Bonds, then the principal and/or interest (including Capitalized Interest) to be paid from such moneys, Permitted Investments, other amounts not included in the Trust Estate or from the earnings thereon will be disregarded and not included in calculating Aggregate Annual Debt Service.

"Airport System" means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce belonging to or pertaining to the City and under the jurisdiction and control of the Department, including Los Angeles International Airport, Van Nuys Airport and Palmdale Regional Airport and any successor entities thereto; and including or excluding, as the case may be, such property as the Department may either acquire or which will be placed under its control, or divest or have removed from its control.

"Annual Debt Service" means, with respect to any Bond, the aggregate amount required to be on deposit in the Senior Debt Service Fund, the Subordinate Debt Service Fund or such other Fund or Account during the current Fiscal Year to satisfy the funding requirements for the payment of principal and interest becoming due and payable during such Fiscal Year or in a future Fiscal Year, and if a Qualified Swap Agreement is in effect for any Bond, plus the amount payable by the Department (or the Trustee) under the Qualified Swap Agreement in accordance with the terms thereof, less any amount to be received by the Department from the Swap Provider pursuant to the Qualified Swap Agreement, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service.

"APM" means the automated people mover, a guided transit mode with fully automated operation, featuring vehicles that operate on guideways with exclusive right-of-way, that will connect the ConRAC with the CTA. The APM will be a Common Transportation System.

"Authorized Department Representative" means the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Director of Finance or such other officer or employee of the Department or other person which other officer, employee or person has been designated by the Board or the Department as an Authorized Department Representative by written notice delivered by the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer or the Director of Finance to the Trustee.

"Authorized Denomination" means (a) with respect to the Series 2022A Bonds, \$5,000 or any integral multiple thereof, and (b) with respect to any Series of Additional Bonds, such amounts as will be specified in the Supplemental Indenture relating thereto.

"Available Amounts" has the meaning set forth under "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Casualty and Condemnation of ConRAC."

"Balloon Indebtedness" means, with respect to any Series of Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

"Beneficial Owner" means, so long as the Bonds are Book-Entry Bonds, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not Book-Entry Bonds, Beneficial Owner means the Owner for purposes of the Indenture.

"Board" means the Board of Airport Commissioners of The City of Los Angeles, created under the provisions of the Charter, and any successor to its function.

"Board Secretary" means the person at a given time who is the secretary to the Board or such other title as the Board may from time to time assign to such position, and the officer or officers succeeding to such position as certified to the Trustee.

"Bond Counsel" means Kutak Rock LLP or any other attorney at law or firm of attorneys, selected by the Department, of nationally recognized standing in matters pertaining to the issuance of municipal securities and the tax-exempt nature of interest on municipal securities issued by states and their political subdivisions.

"Bondholder," "holder," "Owner" or "owner" means, as of any time, the registered owner of any Bond as shown in the Registration Books kept by the Trustee as Registrar.

"Bonds" means the Series 2022A Bonds and any Additional Bonds issued and Outstanding from time to time.

"Book-Entry Bonds" means the Bonds held by DTC (or its nominee) as the Bondholder thereof pursuant to the terms and provisions of the Indenture. The Series 2022A Bonds will be issued as Book-Entry Bonds.

"Business Day" means a day on which banks located in New York, New York, in Los Angeles, California, and in the city in which the principal corporate trust office of the Trustee is located are open, provided that such term may have a different meaning for any specified Series of Bonds if so provided by Supplemental Indenture.

"Capital Appreciation Bonds" means Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically will be Capital Appreciation Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

"Capitalized Interest" means the amount of interest on Bonds, if any, funded from the proceeds of Bonds that are deposited with the Trustee in the Senior Debt Service Fund or the Subordinate Debt Service Fund, as applicable, as will be described in the Indenture or a Supplemental Indenture upon issuance of Bonds to be used to pay interest on Bonds.

"CFC" means a "Customer Facility Charge."

"CFC Expiration Date" means the date upon which the Department's authority to impose a CFC on vehicle rental transactions by Rental Car Customers is terminated pursuant to the CFC Laws or a non-appealable, final judgment from a State or federal court.

"CFC Laws" means, collectively, (a) Section 1939.01 *et seq*. of the California Civil Code, as amended from time to time, (b) Section 50474.1 *et seq*. of the California Government Code, as amended from time to time, and (c) any other applicable State law the provisions of which address the imposition of CFCs.

"CFC Resolutions" means, collectively, Resolution No. 21579 adopted by the Board on November 13, 2001, Resolution No. 26357 adopted by the Board on October 5, 2017, and Resolution No. 26798 adopted by the Board on June 20, 2019, as such resolutions may be amended and supplemented from time to time, and any other resolutions that may be adopted by the Board in the future with respect to the imposition of CFCs by the Department on vehicle rental transactions with Rental Car Customers.

"CFC Revenue Fund" means the Fund of such designation established by the Trustee pursuant to the Indenture and described in the Indenture.

"Charter" means the Charter of The City of Los Angeles, as amended from time to time, and any other article or section of the Charter of The City of Los Angeles, as amended from time to time, in which the provisions relating to the Board and the Department are set forth or may hereafter be set forth, and any predecessor provisions thereof which will be deemed to continue in force.

"Chief Executive Officer" means the person at a given time who is the chief executive officer of the Department or such other title as the Department may from time to time assign to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Board Secretary.

"Chief Financial Officer" means the person at a given time who is the chief financial officer of the Department or such other title as the Department may from time to time assign to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Board Secretary.

"Chief Operating Officer" means the person at a given time who is the chief operating officer of the Department or such other title as the Department may from time to time assign to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Board Secretary.

"City" means The City of Los Angeles.

"Claim" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"Code" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"Common Transportation System" or "CTS" means (a) a common shuttle bus system, (b) an APM and/or (c) such other similar common transportation system or elements as may be reasonably determined by the Department as the circumstances may warrant, that will transport people between the ConRAC and the CTA.

"Completion Senior Bonds" means Additional Senior Bonds issued by the Department in an aggregate principal amount not to exceed 10% of the original principal amount of the Series 2022A Bonds or Additional Senior Bonds, as applicable, for the purposes of completing the acquisition, construction, equipping and furnishing of a Project.

"ConRAC" means the consolidated rental car center designed, built, financed, operated and maintained by the ConRAC Developer on the ConRAC Land pursuant to the ConRAC DBFOM Agreement.

"ConRAC Customer" means any Person(s) who enters into an automobile rental agreement with a Rental Car Company or its Affiliate or takes delivery of a rental vehicle from a Rental Car Company or its Affiliate at the ConRAC or where such customer transaction is serviced from the ConRAC.

"ConRAC DBFOM Agreement" means the Design-Build-Finance-Operate-Maintain Agreement, dated as of November 6, 2018, between the Department and the ConRAC Developer.

"ConRAC DBO" means the date the ConRAC is available for the essential operations of rental car companies as designated in writing by the Chief Executive Officer to the Rental Car Companies.

"ConRAC Developer" means LA Gateway Partners, LLC, and any successor thereto.

"ConRAC Land" means that parcel or parcels of land on which the ConRAC is located. The ConRAC Land is further defined and described in the Rental Car CLAs.

"Construction Fund" means the Fund of such designation established by the Trustee pursuant to the Indenture and described in the Indenture.

"Consultant" means any one or more consultants selected by the Department with expertise in the administration, financing, planning, maintenance and operations of airports and facilities thereof (including, rental car facilities) and qualified to review and assess the anticipated CFCs and recommend to the Department the amount of the CFC, if required, and who, in the case of an individual, will not be a member, officer or employee of the Department.

"Costs of a Project" means any and all costs (eligible to be paid with CFCs in accordance with the CFC Laws) that are incurred or paid by the Department specifically arising from and in connection with the design, planning, development, financing, permitting, construction, reconstruction, rehabilitation, installation, equipping, furnishing, improving, acquiring, operating and/or maintaining of a Project. Without limiting the generality of the foregoing, Costs of a Project include (but are not limited to): (a) the costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, construction managers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Department, the ConRAC Developer, a Consultant or such other Person; (d) costs of the Department, the ConRAC Developer or such other Person

properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) the financing expenses, including costs related to issuance of and securing of the Bonds, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, deposits to the Senior Reserve Fund, deposits to the Subordinate Reserve Fund, if any, deposits to the Rolling Coverage Fund, if any, deposits to the CTS Payment Account, and Trustee's fees and expenses; (f) any swap termination payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds, and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Department.

"Credit Facility" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Department fails to do so. The Series 2022A Bond Insurance Policy will be a Credit Facility with respect to the Series 2022A Bonds.

"Credit Provider" means the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility. The Series 2022A Bond Insurer will be a Credit Provider with respect to the Series 2022A Bonds.

"CTA" or "Central Terminal Area" means the area at LAX commonly referred to as the "Central Terminal Area."

"CTS" means the "Common Transportation System."

"CTS Payment Account" means "CTS Payment Account" to be established and maintained by the Department pursuant to the Rental Car CLAs.

"Customer Facility Charge" or "CFC" means the "customer facility charge" as defined in Section 50474.22(a) of the California Government Code that is imposed by the Department pursuant to the CFC Resolutions, and that is required to be collected by the Rental Car Companies pursuant to the Rental Car CLAs (and prior to the ConRAC DBO, pursuant to the Rental Car Concession Agreements), the Rental Car License Agreements, if applicable, and any other agreement entered into by the Department that requires the collection of a CFC, and remitted to the Department, as further described and provided in the Rental Car CLAs, the Rental Car Concession Agreements, the Rental Car License Agreements, and such other agreements, as the case may be.

"Department" means the Department of Airports of The City of Los Angeles, or any successor thereto performing the activities and functions under the Charter. Any action required or authorized to be taken by the Department in the Indenture may be taken by an Authorized Department Representative with such formal approvals by the Board as are required by the policies and practices of the Department and applicable laws; provided, however, that any action taken by an Authorized Department Representative in accordance with the provisions of the Indenture will conclusively be deemed by the Trustee and the Owners to be the act of the Board and the Department without further evidence of the authorization thereof by the Board or the Department.

"Designated Debt" means a specific indebtedness designated by the Department with the intent that the risks associated with such debt be offset with a Qualified Swap Agreement, such specific indebtedness to include all or any part of a Series of Bonds.

"Director of Finance" means the person at a given time who is the director of finance of the Department or such other title as the Department may from time to time assign to such position, and the officer or officers succeeding to such position as certified to the Trustee by the Board Secretary.

"DTC" means The Depository Trust Company and its successors and assigns.

"Event of Default" will have the meaning ascribed to it under the heading "THE INDENTURE – Default and Remedies – Events of Default."

"Fiscal Year" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Department designates as its fiscal year.

"Fitch" means Fitch Ratings, Inc., its successors and its assigns, and, if for any reason it no longer performs the functions of a nationally recognized statistical rating organization, "Fitch" will be deemed to refer to any nationally recognized statistical rating organization designated by the Department.

"Fixed Rate" means one or more non-floating, non-variable interest rates which apply to a Series of Bonds.

"Fund" means any fund established pursuant to the Indenture or any Supplemental Indenture.

"Government Obligations" means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in the highest rating category by one or more of the Rating Agencies; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Bonds to be defeased have determined to be permitted defeasance securities.

"Indenture" means the Trust Indenture, to be dated as of March 1, 2022, by and between the Department and the Trustee, as amended and supplemented from time to time.

"Insolvency Proceeding" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"Insurer Advances" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"Insurer Reimbursement Amounts" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"Insurer's Fiscal Agent" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"Interest Payment Date" means, (a) for the Series 2022A Bonds, May 15 and November 15 of each year that the Series 2022A Bonds remain Outstanding, commencing May 15, 2022, and (b) for any Additional Bonds, the dates set forth in the Supplemental Indenture entered into in connection with the issuance of such Additional Bonds.

"Investment Agreement" means an investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in clauses (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee or the Department, as applicable, (iii) subject to a perfected first lien on behalf of the Trustee or the Department, as applicable, and (iv) free and clear from all third-party liens.

"Late Payment Rate" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"LAWA-Provided Insurance Policy" has the meaning set forth in the ConRAC DBFOM Agreement.

"Laws" means all present and future laws, rules, regulations, directives, permits, executive orders, other governmental orders and conditions of any permits or other governmental approvals applicable to the Indenture, the Bonds, the Rental Car Companies, the ConRAC, the ConRAC Land, the Common-Use Transportation System, a Project or the CFCs or the use thereof, or any of them from time to time, foreseen, unforeseen; provided, however, that rules, directives and regulations of the Department will only be deemed "Laws" if generally applicable at LAX.

"LAX" means "Los Angeles International Airport."

"Liquidity Facility" means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds.

"Liquidity Provider" means the entity, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

"Los Angeles International Airport" means that portion of the Airport System commonly known by such name which is located in The City of Los Angeles and generally bounded by Westchester Parkway on the north, the San Diego (405) Freeway on the east, Imperial Highway on the south and the Pacific Ocean on the west; including all facilities and property related thereto, real or personal, under the

jurisdiction or control of the Board at such location or in which the Board has other rights or from which the Board derives revenues at such location.

"Maximum Aggregate Annual Debt Service" means the maximum amount of Aggregate Annual Debt Service with respect to all Bonds, Senior Bonds or Subordinate Bonds, as applicable, in the then current or any future Fiscal Year.

"Maximum Rate" means the maximum rate of interest on the relevant obligation as may be established by a Supplemental Indenture entered into in connection with the issuance of any Additional Bonds, and in all events, a rate not exceeding that permitted by applicable Law.

"Moody's" means Moody's Investors Service, Inc., its successors and its assigns, and, if for any reason it no longer performs the functions of a nationally recognized statistical rating organization, "Moody's" will be deemed to refer to any nationally recognized statistical rating organization designated by the Department.

"Net Proceeds" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Casualty and Condemnation of ConRAC."

"Outstanding" when used with respect to Bonds means all Bonds which have been authenticated and delivered under the Indenture and any Supplemental Indenture, except:

- (a) Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;
 - (b) Bonds deemed to be paid in accordance with the Indenture;
 - (c) Bonds in lieu of which other Bonds have been authenticated under the Indenture;
- (d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;
- (e) Bonds which, under the terms of the Indenture or a Supplemental Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;
- (f) Repayment Obligations deemed to be Bonds under the Indenture to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider; and
- (g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Indenture, Bonds held by or for the account of the Department or by any Person controlling, controlled by or under common control with the Department, unless such Bonds are pledged to secure a debt to an unrelated party.

"Owner," "Owner," "Bondholder," "Holder" or "holder" means, as of any time, the registered owner of any Bond as shown in the Registration Books kept by the Trustee as Registrar.

"Participant" means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

"Paying Agent" means the Trustee or any other paying agent appointed in accordance with the provisions of the Indenture.

"Payment Date" means each Interest Payment Date, Principal Payment Date or any other date on which any principal of, premium, if any, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of the Bonds.

"Permitted Investments" means, to the extent permitted to be invested by the Department by applicable law, the Charter and investment policy of the City, any of the following:

- (a) Government Obligations,
- (b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;
- (c) Direct and general long-term obligations of any state, which obligations are rated in either of the two highest Rating Categories by two or more Rating Agencies;
- (d) Direct and general short-term obligations of any state, which obligations are rated in the highest Rating Category by two or more Rating Agencies;
- (e) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated in (y) the highest short-term Rating Category by two or more Rating Agencies or (z) either of the two highest long-term Rating Categories by two or more Rating Agencies or (ii) fully secured by obligations described in items (a) or (b) of this definition of Permitted Investments, which are (1) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (2) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (3) subject to a perfected first lien in favor of the Trustee, and (4) free and clear from all third-party liens;
- (f) Long-term or medium-term corporate debt guaranteed by any corporation that is rated by two or more Rating Agencies in either of the two highest Rating Categories;
- (g) Repurchase agreements which are (i) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from two or more of the Rating Agencies, and (ii) fully secured by investments specified in items (a) or (b) of this definition of Permitted Investments, which are (1) valued not less frequently than monthly and have

a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (2) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (3) subject to a perfected first lien in favor of the Trustee and (4) free and clear from all third-party liens;

- (h) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category by two or more Rating Agencies;
- (i) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (i) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies, or (ii) a money market fund or account of the Trustee or any state or federal bank that is rated in (1) the highest short-term Rating Category by two or more Rating Agencies or (2) either of the two highest long-term Rating Categories by two or more Rating Agencies, or whose own bank holding company parent is rated in (y) the highest short-term Rating Category by two or more Rating Agencies or (z) either of the two highest long-term Rating Categories by two or more Rating Agencies or that has a combined capital and surplus of not less than \$50,000,000;
 - (j) Investment Agreements; and
- (k) Any other type of investment consistent with City policy in which the Department directs the Trustee to invest provided that there is delivered to the Trustee a certificate of an Authorized Department Representative stating that each of the Rating Agencies then maintaining a rating on the Bonds has been informed of the proposal to invest in such investment.

"Person" means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

"Policy Payments Account" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"Pre-Existing Condition" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Casualty and Condemnation of ConRAC."

"Principal Amount" or "principal amount" means, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), and (b) with respect to any other Bonds, the principal amount of such Bond payable at maturity.

"Principal Payment Date" means, (a) for the Series 2022A Bonds, May 15 of each year in which principal of the Series 2022A Bonds is due and payable, and (b) for any Additional Bonds, the date or dates set forth in the Supplemental Indenture entered into in connection with the issuance of such Additional Bonds

"*Project*" means each of the Series 2022A Projects and any and all other facilities, improvements and other expenditures financed in whole or in part with proceeds of Bonds that are authorized to be paid with CFCs in accordance with the provisions of the CFC Laws.

"Qualified Self Insurance" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Insurance on Project."

"Qualified Swap Agreement" means an agreement between the Department and a Swap Provider under which the Department agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the Department for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (a) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider or of the Person who guarantees the obligation of the Swap Provider to make its payments to the Department, as of the date the swap agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Senior Bonds by such Rating Agency (without regard to any Credit Facility); and (b) the Department has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least fifteen days prior to executing and delivering the swap agreement, of its intention to enter into the swap agreement.

"Rating Agency" and "Rating Agencies" means Fitch, Moody's or S&P, or any other nationally recognized statistical rating organization identified as such by the U.S. Securities and Exchange Commission.

"Rating Category" and "Rating Categories" means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Fund" means any rebate fund established pursuant to a Supplemental Indenture or a tax compliance certificate with respect to a Series of Tax-Exempt Bonds.

"Rebate Payment Date" will have the meaning set forth in a tax compliance certificate entered into by the Department with respect to a Series of Tax-Exempt Bonds.

"Record Date" means (a) with respect to the Series 2022A Bonds, for a May 15 Interest Payment Date the preceding May 1 and for a November 15 Interest Payment Date the preceding November 1; and (b) with respect to any other Series of Bonds, the date specified in the Supplemental Indenture providing for the issuance of such Series of Bonds.

"Refunding Senior Bonds" means one or more Series of Senior Bonds issued pursuant to the Indenture to refund Outstanding Senior Bonds.

"Refunding Subordinate Bonds" means one or more Series of Subordinate Bonds issued pursuant to the Indenture to refund Outstanding Subordinate Bonds.

"Registrar" means the Trustee acting as the Bond registrar under the Indenture.

"Registration Books" means the register of the record owners of the Bonds maintained by the Registrar.

"Related Document" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

"Rental Car CLA" means each Concession and Lease Agreement entered into, from time to time, by and between the Department and a Person that operates a rent-a-car business serving LAX and leases premises within the ConRAC, as the same may be duly supplemented, modified or amended from time to time in accordance with its terms.

"Rental Car CLA Agreement Year" means the "Agreement Year" as defined in the Rental Car CLAs. See APPENDIX C – "SUMMARY OF THE RENTAL CAR CONCESSION AND LEASE AGREEMENTS – Definitions."

"Rental Car CLA Expiration Date" means, unless otherwise provided in a Supplemental Indenture, the "Term" as defined in the Rental Car CLAs, as such date may be extended from time to time pursuant to the terms of the Rental Car CLAs. As of the Series 2022A Closing Date, the Rental Car CLA Expiration Date is the last day of the 20th Rental Car CLA Agreement Year.

"Rental Car Company" or "Rental Car Companies" means any Person or Persons that operates a rent-a-car business serving LAX under the terms of (a) prior to ConRAC DBO, a Rental Car Concession Agreement, (b) on and after ConRAC DBO, a Rental Car CLA, or (c) such other agreements entered into by the Department and such Person or Persons, from time to time, that requires, among other things, the collection of the CFC and the remittance of such CFC to the Department.

"Rental Car Concession Agreement" means each Non-Exclusive Concession Agreement entered into, from time to time, by and between the Department and a Person that operates a rent-a-car business serving LAX, as the same may be duly supplemented, modified or amended from time to time in accordance with its terms.

"Rental Car Customer" means each ConRAC Customer or any other Person that has entered into a contract with a Rental Car Company for the lease or hire of a passenger vehicle from a Rental Car Company for a period of less than 30 days.

"Rental Car License Agreement" means each Non-Exclusive License Agreement entered into, from time to time, by and between the Department and each Person operating a rent-a-car business at LAX that has not otherwise entered into a Rental Car CLA or a Rental Car Concession Agreement, as the same may be duly supplemented, modified or amended from time to time in accordance with its terms.

"Representation Letter" means the Blanket Issuer Letter of Representations dated July 31, 1995 from the Department to DTC.

"Reserve Fund Surety Policy" means an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Senior Reserve Fund or a Subordinate Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Surety Policy will be rated, at the time of original delivery of such Reserve Fund Surety Policy, in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"Rolling Coverage Fund" means the Fund of such designation established by the Trustee pursuant to the Indenture and described in the Indenture.

"Rolling Coverage Fund Requirement" means 25% of Maximum Aggregate Annual Debt Service on the Senior Bonds then Outstanding. On the Series 2022A Closing Date, the Rolling Coverage Fund Requirement will be \$10,183,394.53.

"Securities Depository" means DTC or any other securities depository selected by the Department which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Senior Bonds" means any debt obligation of the Department issued under and in accordance with the provisions of the Indenture and designated as Senior Bonds, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Department, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Indenture. The term "Senior Bond" or "Senior Bonds" does not include any Subordinate Bonds. The Series 2022A Bonds will be Senior Bonds.

"Senior Debt Service Fund" means the Fund of such designation established by the Trustee pursuant to the Indenture and described into the Indenture.

"Senior Reserve Fund" means the Fund of such designation established by the Trustee pursuant to the Indenture and described in the Indenture.

"Senior Reserve Fund Requirement" means Maximum Aggregate Annual Debt Service on the Senior Bonds then Outstanding. On the Series 2022A Closing Date, the Senior Reserve Fund Requirement will be \$40,733,578.10.

"Series" means the Series 2022A Bonds issued pursuant to the Indenture and each series of Additional Bonds issued pursuant to the Indenture and a Supplemental Indenture.

"Series 2022A Bond Insurance Policy" means the insurance policy issued by the Series 2022A Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2022A Bonds when due. The Series 2022A Bond Insurance Policy will constitute a Credit Facility for all purposes of the Indenture.

"Series 2022A Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof. The Series 2022A Bond Insurer will constitute a Credit Provider for all purposes of the Indenture.

"Series 2022A Bonds" means the "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project), 2022 Series A (Federally Taxable)" issued hereunder in the original aggregate principal amount of \$546,015,000.

"Series 2022A Closing Date" means March 16, 2022, the date of issuance and delivery of the Series 2022A Bonds to the initial purchasers thereof against payment therefor.

"Series 2022A Construction Account" means the Account of such designation established by the Trustee in the Construction Fund pursuant to the Indenture and as further described in the Indenture.

"Series 2022A Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated the Series 2022A Closing Date, and executed by the Department pursuant to which the Department

will agree to undertake for the benefit of the Bondholders and the Beneficial Owners of the Series 2022A Bonds certain ongoing disclosure requirements.

"Series 2022A Costs of Issuance Account" means the Account of such designation established by the Trustee in the Construction Fund pursuant to the Indenture and as further described in the Indenture.

"Series 2022A Debt Service Account" means the Account of such designation established by the Trustee in the Senior Debt Service Fund pursuant to the Indenture and as further described in the Indenture.

"Series 2022A Projects" means, collectively, any or all of the facilities, improvements and other expenditures listed in the Indenture which are to be financed or refinanced from amounts deposited into the Series 2022A Construction Account, and that are authorized to be paid with CFCs in accordance with the provisions of the CFC Laws.

"Series 2022A Reserve Account" means the Account of such designation established by the Trustee in the Senior Reserve Fund pursuant to the Indenture and described in the Indenture.

"Series 2022A Term Bonds" means the Series 2022A Bonds maturing on May 15, 2048.

"S&P" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, its successors and its assigns, and, if for any reason it no longer performs the functions of a nationally recognized statistical rating organization, "S&P" will be deemed to refer to any nationally recognized statistical rating organization designated by the Department.

"State" means the State of California.

"Subaccount" means any subaccount established pursuant to the Indenture or any Supplemental Indenture.

"Subordinate Bonds" means any debt obligation of the Department issued under and in accordance with the provisions of the Indenture and designated as Subordinate Bonds, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Department, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Indenture. The term "Subordinate Bond" or "Subordinate Bonds" does not include any Senior Bonds.

"Subordinate Debt Service Fund" means the Fund of such designation established by the Trustee pursuant to a Supplemental Indenture in connection with the issuance of one or more Series of Subordinate Bonds, as described in the Indenture.

"Subordinate Reserve Fund" means one or more debt service reserve funds established pursuant to a Supplemental Indenture in connection with the issuance of one or more Series of Subordinate Bonds, as described in the Indenture.

"Supplemental Indenture" means any document supplementing or amending the Indenture or providing for the issuance of Bonds and entered into as provided in the Indenture.

"Swap Provider" means any Person with which the Department enters into a Qualified Swap Agreement.

"Synthetic Fixed Rate Debt" means Bonds issued by the Department pursuant to the Indenture or a Supplemental Indenture which: (a) is combined, as Designated Debt, with a Qualified Swap Agreement and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

"Taking" means the acquisition by condemnation or the exercise of the power of eminent domain under any federal or state statute by the United States, the State, or any federal or state agency or any other person vested with such power, of a temporary or permanent interest in all or any part of a Project.

"Tax-Exempt Bonds" means any Series of Additional Bonds the interest on which is excludable from the gross income of the recipient thereof for federal income tax purposes.

"Tender Indebtedness" means any Bonds or portions of Bonds a feature of which is an option and/or an obligation on the part of the Bondholders, under the terms of such Bonds, to tender all or a portion of such Bonds to the Department, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

"Trustee" means U.S. Bank Trust Company, National Association, and any successors thereto.

"Trust Estate" means (a) all CFCs received or receivable by the Department, (b) all casualty insurance proceeds (not otherwise applied pursuant to the ConRAC DBFOM Agreement) and condemnation awards required to be applied pursuant to the provisions of the Indenture; (c) with respect to the Senior Bonds, all moneys, investments and proceeds of Senior Bonds on deposit in the Construction Fund (subject to any restrictions set forth in any tax compliance certificate entered into by the Department in connection with the issuance of Senior Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in the Subordinate Debt Service Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Department in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), and any Subordinate Reserve Fund (except for any proceeds of Subordinate Bonds or earnings on such proceeds that are on deposit in any Subordinate Reserve Fund and subject to any restrictions set forth in a tax compliance certificate entered into by the Department in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys for the benefit of the holders of a particular Series of Senior Bonds, (d) with respect to the Subordinate Bonds, subject to the prior lien granted to the Owners of the Senior Bonds, all moneys, investments and proceeds of Subordinate Bonds on deposit in the Construction Fund (subject to any restrictions set forth in a tax compliance certificate entered into by the Department in connection with the issuance of Subordinate Bonds as Tax-Exempt Bonds), the CFC Revenue Fund, the Subordinate Debt Service Fund and any Subordinate Reserve Fund and interest and investment earnings thereon, subject to the provisions of the Indenture regarding moneys for the benefit of the holders of a particular Series of Subordinate Bonds, and (e) all other rights granted, pledged or assigned by the Department to the Trustee under the Indenture. The Trust Estate will not include moneys, investments and proceeds in a Rebate Fund.

Additionally, the Series 2022A Bond Insurance Policy, any amounts paid to the Trustee by the Series 2022A Bond Insurer in connection with any claim made by the Trustee on the Series 2022A Bond Insurance Policy and any moneys on deposit in the Policy Payments Account will be include in the Trust Estate with respect to the Series 2022A Bonds.

"Trust Indenture Act" means the federal Trust Indenture Act of 1939, as amended, and any successor thereto.

"United States Bankruptcy Code" means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

"United States Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. "United States Obligations" will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

"Variable Rate Indebtedness" means any Bond or Bonds the interest rate on which is not, at the time in question, fixed to maturity.

"Verification" has the meaning set forth under the heading "THE INDENTURE – Representations, Warranties, Covenants and Agreements of the Department – Provisions Relating to Bond Insurance (Series 2022A Bonds)."

THE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2022A BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS" in the forepart of this Official Statement, the following includes a summary of certain provisions of the Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Indenture.

Grant, Pledge and Assignment of Trust Estate

Senior Bonds. The Department, in consideration for the purchase of the Senior Bonds by the Owners of the Senior Bonds and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, in order to secure the due payment of principal and premium, if any, of and interest on the Senior Bonds and compliance by the Department with its agreements contained in the Indenture, the Department grants, pledges and assigns to the Trustee for the benefit of the Owners of the Senior Bonds all of its right, title and interest in and to the Trust Estate. The pledge and the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Department with respect to the Senior Bonds will be for the equal benefit, protection and security of the Owners of any and all Senior Bonds, each of which, regardless of the time or times of its issue or maturity, will be of equal rank with the other Owners of the Senior Bonds, without preference, priority or distinction over any other thereof except as to the timing of payment of the principal and premium, if any, of and interest on the Senior Bonds or as otherwise expressly provided in the Indenture.

Subordinate Bonds. Subject to the prior lien granted to the Owners of the Senior Bonds, the Department, in consideration for the purchase of the Subordinate Bonds by the Owners of the Subordinate Bonds and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, in order to secure the due payment of principal and premium, if any, of and interest on the Subordinate Bonds and compliance by the Department with its agreements contained in the Indenture, the Department grants, pledges and assigns, subject to the prior pledge granted to the Owners of the Senior Bonds and on a subordinate basis to the Senior Bonds, to the Trustee for the benefit of the Owners of the Subordinate Bonds all of its right, title and interest in and to the Trust Estate. The pledge thereof and the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Department with respect to the Subordinate Bonds will be for the equal benefit, protection and security of the Owners of any and all Subordinate Bonds, each of which, regardless of the time or times of its issue or maturity, will be of equal rank with the other Owners of the Subordinate Bonds, without preference, priority or distinction over any other thereof except as to the timing of payment of the principal and premium, if any, of and interest on the Subordinate Bonds or as otherwise expressly provided in the Indenture.

Bonds are Special Limited Obligations

The Bonds are special limited obligations of the Department, payable solely from and secured by a pledge of the Trust Estate. Neither the Projects nor any other properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Bonds, and neither the faith and the credit nor the taxing power of the City, the State or any public agency, other than the Department to the extent of the Trust Estate, is pledged to the payment of the principal of, premium, if any, or interest on, the Bonds. Nothing in the Indenture will be construed as requiring the Department to use any funds or revenues from any source other than as described in the Indenture.

Terms of the Series 2022A Bonds

The Indenture sets forth the terms of the Series 2022A Bonds, most of which terms are described in the forepart of this Official Statement.

Authorization and Issuance of Additional Senior Bonds.

Requirements for Issuance of Additional Senior Bonds. Subsequent to the issuance of the Series 2022A Bonds, the Department, subject to the provisions of this section, may at any time and from time to time issue and deliver one or more Series of Additional Senior Bonds on a parity with all Outstanding Senior Bonds (including the Series 2022A Bonds) for such purposes set forth in the Indenture as may be requested by the Department; provided, that the issuance of any Series of Additional Senior Bonds will be conditioned upon the Trustee's receipt of the following:

- (i) copies, duly certified by the Board Secretary, of the resolutions of the Board authorizing the issuance of such Series of Additional Senior Bonds;
- (ii) an original executed counterpart or a copy, certified by the Board Secretary, of the Indenture, together with all Supplemental Indentures (other than the Supplemental Indentures described in clause (iii) below);
- (iii) an original executed counterpart of the Supplemental Indenture or Supplemental Indentures providing for the issuance of such Series of Additional Senior Bonds;
 - (iv) copies, duly certified by the Board Secretary, of the CFC Resolutions;

- (v) if still in effect, a copy, duly certified by the Board Secretary, of the form of Rental Car Concession Agreement entered into by the Rental Car Companies;
- (vi) a copy, duly certified by the Board Secretary, of the form of Rental Car CLA entered into by the Rental Car Companies;
- (vii) a copy, duly certified by the Board Secretary, of the form of Rental Car License Agreement or such other agreement, only if the Rental Car Companies subject to the Rental Car License Agreements or such other agreement are required to, among other things, collect and remit the CFC to the Department;
- (viii) written instructions from the Department to authenticate the Series of Additional Senior Bonds and, upon receipt of the purchase price, to deliver the Series of Additional Senior Bonds to or upon the order of the purchasers named in such instructions;
- (ix) a certificate of the Department stating that no Event of Default has occurred and is continuing and that all conditions precedent provided for in the Indenture relating to the authentication and delivery of such Additional Senior Bonds have been complied with;
- (x) a duly executed certificate of the Department as to its reasonable expectations with respect to the use of the proceeds of such Additional Senior Bonds, which expectations will be one or more of the purposes set forth under the caption "Purposes for Additional Senior Bonds" below;
- (xi) an opinion of Bond Counsel, dated the date of issuance of such Additional Senior Bonds, to the effect that (A) the issuance of such Additional Senior Bonds has been duly authorized, (B) all legal conditions precedent to the delivery of such Additional Senior Bonds have been fulfilled, (C) such Additional Senior Bonds are valid and binding special limited obligations of the Department in accordance with their terms, and (D) if the interest on such Additional Senior Bonds then proposed to be issued is intended to be exempt from federal income taxation, stating that the interest on such Additional Senior Bonds is excludable from gross income of the recipient thereof for federal income tax purposes; and
- unless such Additional Senior Bonds are Completion Senior Bonds or Refunding Senior Bonds that comply with the Indenture, either (A) a report of a Consultant to the effect that for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Additional Senior Bonds during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof through and including the later of: (1) the fifth full Fiscal Year following the issuance of such Series of Additional Senior Bonds, or (2) the third full Fiscal Year during which no amount of interest on such Series of Additional Senior Bonds required to be on deposit in the Senior Debt Service Fund is expected to be funded from the proceeds thereof, the projected CFCs to be remitted to the Trustee for each such Fiscal Year, will be, as of the end of each such Fiscal Year, at least equal to 1.25 times the Maximum Aggregate Annual Debt Service on all Senior Bonds Outstanding (including such Additional Senior Bonds) during such Fiscal Year, and also will be sufficient, in each such Fiscal Year, after the funding of Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding and any other amounts required to be deposited from CFCs to the Senior Reserve Fund, the Rolling Coverage Fund and any Subordinate Reserve Fund as described in the Indenture; or (B) a certificate of the Department to the effect that the CFCs remitted to the Trustee for any consecutive 12 months out of the immediately preceding 18 months prior to the date of issuance of such Additional Senior Bonds were at least equal to 1.25 times the Maximum Aggregate Annual

Debt Service due on all Senior Bonds Outstanding (including such Additional Senior Bonds), and were also sufficient, after the funding of such Aggregate Annual Debt Service on all Senior Bonds Outstanding, to fund Aggregate Annual Debt Service on any Subordinate Bonds Outstanding for such 12-month period and any other amounts required to be deposited from CFCs during such 12-month period to the Senior Reserve Fund, the Rolling Coverage Fund and any Subordinate Reserve Fund as described in the Indenture.

Refunding Senior Bonds. All Refunding Senior Bonds of any Series will be executed by the Department and delivered to the Trustee and thereupon will be authenticated by the Trustee and delivered to the Department or upon its order, but only following the Trustee's receipt of the following:

- (i) the documents referred to in clauses (i) through (xi) under the caption "Requirements for Issuance of Additional Senior Bonds" above;
- (ii) (A) a certificate of the Department substantially to the effect that either (1) after the issuance of the proposed Refunding Senior Bonds, the Aggregate Annual Debt Service on all Outstanding Senior Bonds (including the proposed Refunding Senior Bonds) will be less than or equal to that for each Fiscal Year within which any of the refunded Senior Bonds would have been Outstanding but for their having been refunded; or (2) that the refunding will reduce or not increase the total debt service payments on the refunded Senior Bonds on a net present value basis; or (B) the report or the certificate described in clauses (xii) under the caption "Requirements for Issuance of Additional Senior Bonds" above;
- (iii) if a redemption of Senior Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all of the Senior Bonds to be refunded and the redemption date or dates, if any, upon which such Senior Bonds are to be redeemed;
- (iv) if a redemption of Senior Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding 35 days, irrevocable instructions to the Trustee to give notice of redemption of such Senior Bonds as provided in the Indenture or the applicable Supplemental Indenture on a specified date prior to their redemption date, which notice may include language giving notice that such redemption is conditioned upon the receipt of sufficient amounts to effect such noticed redemption; and
- (v) such further documents and moneys as are required by the provisions described under "- Defeasance" below.

Purposes for Additional Senior Bonds. The purposes for which Additional Senior Bonds may be issued under the Indenture are as follows:

- (i) to finance or refinance the permitting, financing, design, development, construction, equipping, furnishing and acquisition of any improvement or expansion of a Project (or any other facility related to a Project approved by the Department), provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Laws:
- (ii) to finance or refinance repairs, including without limitation repairs due to casualty or condemnation to the extent insurance proceeds or condemnation awards are insufficient to effect such repairs, or extraordinary maintenance with respect to a Project, provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Laws;

- (iii) such Additional Senior Bonds are being issued as Refunding Senior Bonds;
- (iv) such Additional Senior Bonds are being issued as Completion Senior Bonds;
- (v) to refund Subordinate Bonds;
- (vi) to finance or refinance such other purposes as permitted under the CFC Laws; and
- (vii) in each case, to pay Capitalized Interest and costs of issuance of such Additional Senior Bonds and to provide for any contribution to the Senior Reserve Fund or the Rolling Coverage Fund, required with respect thereto.

Terms of Additional Senior Bonds. Each Series of Additional Senior Bonds will be dated, will bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, will be in such form and will have such other terms and conditions not inconsistent with the terms of the Indenture as will be provided for in the Supplemental Indenture authorizing the issuance of such Series of Additional Senior Bonds. All Additional Senior Bonds will be payable and secured equally and ratably and on a parity (except as to timing of payment) with the Series 2022A Bonds and any Additional Senior Bonds theretofore or thereafter issued and will be entitled to the same benefits and security of the Indenture.

Each Series of Additional Senior Bonds will be issued pursuant to the Indenture and a Supplemental Indenture, which will prescribe expressly or by reference with respect to such Series of Additional Senior Bonds:

- (i) the authorized principal amount and Series designation of such Series of Additional Senior Bonds;
 - (ii) the purpose or purposes for which such Series is being issued;
- (iii) the manner in which the proceeds of the Additional Senior Bonds of such Series are to be applied;
- (iv) the date or dates of the Additional Senior Bonds of such Series, and the maturity date or dates and Interest Payment Dates of the Additional Senior Bonds of such Series, or the manner of determining such dates;
- (v) the interest rate or rates to be borne by the Additional Senior Bonds of such Series or the manner of determining such rate or rates, the Maximum Rate for any Series of Senior Bonds the interest rate on which is a variable rate and the Interest Payment Dates of such Series;
- (vi) the manner of dating, numbering and lettering the Additional Senior Bonds of such Series;
- (vii) the place or places of payment of the principal and premium, if any, of, and interest on, the Additional Senior Bonds of such Series or the manner of designating the same;
- (viii) the redemption premium, if any, of, and the redemption terms for the Additional Senior Bonds of such Series, or the manner of determining such premium and terms;

- (ix) the amount and due date of each mandatory sinking fund payment, if any, for Additional Senior Bonds of any maturity of such Series, or the manner of determining such amounts and dates;
 - (x) provisions as to registration of the Additional Senior Bonds of such Series;
- (xi) the form and text of the Additional Senior Bonds of such Series and provision for the Trustee's authentication thereof by certificate or otherwise;
- (xii) whether such Series of Additional Senior Bonds are intended to be Tax-Exempt Bonds;
- (xiii) the Credit Facilities and Liquidity Facilities applicable to such Series of Additional Senior Bonds, if any; and
- (xiv) any other provisions deemed advisable by the Department as will not conflict with the provisions hereof.

Authorization and Issuance of Subordinate Bonds

Requirements for Issuance of Subordinate Bonds. Subject to the provisions of this section, the Department may at any time and from time to time issue and deliver one or more Series of Subordinate Bonds for such purposes set forth in the Indenture as may be requested by the Department; provided, that the issuance of any Series of Subordinate Bonds will be conditioned upon the Trustee's receipt of the following:

- (i) a copy, duly certified by the Board Secretary, of the resolution of the Board authorizing the issuance of such Series of Subordinate Bonds;
- (ii) an original executed counterpart or a copy, certified by the Board Secretary, of the Indenture, together with all Supplemental Indentures (other than the Supplemental Indentures described in clause (iii) below):
- (iii) an original executed counterpart of the Supplemental Indenture or Supplemental Indentures providing for the issuance of such Series of Subordinate Bonds;
 - (iv) copies, duly certified by the Board Secretary, of the CFC Resolutions;
- (v) if still in effect, a copy, duly certified by the Board Secretary, of the form of Rental Car Concession Agreement entered into by the Rental Car Companies;
- (vi) a copy, duly certified by the Board Secretary, of the form of Rental Car CLA entered into by the Rental Car Companies;
- (vii) a copy, duly certified by the Board Secretary, of the form of Rental Car License Agreement or such other agreement, only if the Rental Car Companies subject to the Rental Car License Agreements or such other agreement are required to, among other things, collect and remit the CFC to the Department;

- (viii) written instructions from the Department to authenticate the Series of Subordinate Bonds and, upon receipt of the purchase price, to deliver the Series of Subordinate Bonds to or upon the order of the purchasers named in such instructions;
- (ix) a certificate of the Department stating that no Event of Default has occurred and is continuing and that all conditions precedent provided for in the Indenture relating to the authentication and delivery of such Subordinate Bonds have been complied with;
- (x) a duly executed certificate of the Department as to its reasonable expectations with respect to the use of the proceeds of such Subordinate Bonds, which expectations will be one or more of the purposes set forth the caption "Purposes for Subordinate Bonds" below;
- (xi) an opinion of Bond Counsel, dated the date of issuance of such Subordinate Bonds, to the effect that (A) the issuance of such Subordinate Bonds has been duly authorized, (B) all legal conditions precedent to the delivery of such Subordinate Bonds have been fulfilled, (C) such Subordinate Bonds are valid and binding special limited obligations of the Department in accordance with their terms, and (D) if the interest on such Subordinate Bonds then proposed to be issued is intended to be exempt from federal income taxation, stating that the interest on such Subordinate Bonds is excludable from gross income of the recipient thereof for federal income tax purposes; and
- (xii) unless such Subordinate Bonds are Refunding Subordinate Bonds that comply with the Indenture, either (A) a report of a Consultant to the effect that for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Bonds during which no amount of interest on such Series of Subordinate Bonds required to be on deposit in the Subordinate Debt Service Fund is expected to be funded from the proceeds thereof through and including the later of: (1) the fifth full Fiscal Year following the issuance of such Series of Subordinate Bonds, or (2) the third full Fiscal Year during which no amount of interest on such Series of Subordinate Bonds required to be on deposit in the Subordinate Debt Service Fund is expected to be funded from the proceeds thereof, the projected CFCs to be remitted to the Trustee for each such Fiscal Year, will be, as of the end of each such Fiscal Year, at least equal to 1.10 times the Maximum Aggregate Annual Debt Service on all Bonds Outstanding (including such Subordinate Bonds) during such Fiscal Year, and also will be sufficient, in each such Fiscal Year, after the funding of Aggregate Annual Debt Service on all Senior Bonds and Subordinate Bonds Outstanding, to fund any other amounts required to be deposited from CFCs to the Senior Reserve Fund, the Rolling Coverage Fund and any Subordinate Reserve Fund as described in the Indenture; or (B) a certificate of the Department to the effect that the CFCs remitted to the Trustee for any consecutive 12 months out of the immediately preceding 18 months prior to the date of issuance of the Subordinate Bonds were at least equal to 1.10 times the Maximum Aggregate Annual Debt Service due on all Bonds Outstanding (including such Subordinate Bonds), and were also sufficient, after the funding of such Aggregate Annual Debt Service on all Senior Bonds and Subordinate Bonds Outstanding, to fund any other amounts required to be deposited from CFCs during such 12-month period to the Senior Reserve Fund, the Rolling Coverage Fund and any Subordinate Reserve Fund as described in the Indenture.

Refunding Subordinate Bonds. All Refunding Subordinate Bonds of any Series will be executed by the Department and delivered to the Trustee and thereupon will be authenticated by the Trustee and delivered to the Department or upon its order, but only following the Trustee's receipt of the following:

(i) the documents referred to in clauses (i) through (xi) under the caption "Requirements for Issuance of Additional Subordinate Bonds" above;

- (ii) (A) a certificate of the Department substantially to the effect that either (1) after the issuance of the proposed Refunding Subordinate Bonds, the Aggregate Annual Debt Service on all Outstanding Bonds (including the proposed Refunding Subordinate Bonds) will be less than or equal to that for each Fiscal Year within which any of the refunded Subordinate Bonds would have been Outstanding but for their having been refunded; or (2) that the refunding will reduce or not increase the total debt service payments on the Bonds on a net present value basis; or (B) the report or the certificate described in clause (xii) under the caption "Requirements for Issuance of Additional Subordinate Bonds" above:
- (iii) if a redemption of Subordinate Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all the Subordinate Bonds to be refunded and the redemption date or dates, if any, upon which such Subordinate Bonds are to be redeemed;
- (iv) if a redemption of Subordinate Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding 35 days, irrevocable instructions to the Trustee to give notice of redemption of such Subordinate Bonds as provided in the Indenture or the applicable Supplemental Indenture on a specified date prior to their redemption date, which notice may include language giving notice that such redemption is conditioned upon the receipt of sufficient amounts to effect such noticed redemption; and
- (v) such further documents and moneys as are required by the provisions of the Indenture or any Supplemental Indenture.

Purposes for Subordinate Bonds. The purposes for which Subordinate Bonds may be issued under the Indenture are as follows:

- (i) to finance or refinance the permitting, financing, design, development, construction, equipping, furnishing and acquisition of any improvement or expansion of a Project (or any other facility related to a Project approved by the Department), provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Laws;
- (ii) to finance or refinance repairs, including without limitation repairs due to casualty or condemnation to the extent insurance proceeds or condemnation awards are insufficient to effect such repairs, or extraordinary maintenance with respect to a Project, provided that the costs of such purposes are eligible to be paid with CFCs in accordance with the provisions of the CFC Laws;
- (iii) to finance termination fees, expenses and other amounts payable pursuant to a Qualified Swap Agreement not specifically made on the basis of interest rates;
 - (iv) such Subordinate Bonds are being issued as Refunding Subordinate Bonds;
 - (v) to finance or refinance such other purposes as permitted under the CFC Laws; and
- (vi) in each case, to pay Capitalized Interest and costs of issuance of such Subordinate Bonds and to provide for any contribution to any Subordinate Reserve Fund or to the Repair and Replacement Reserve Fund required with respect thereto.

Terms of Subordinate Bonds. Each Series of Subordinate Bonds will be dated, will bear interest until their maturity at such rate or rates, determined in such manner and payable on such date or dates, will be in such form and will have such other terms and conditions not inconsistent with the terms of the Indenture as will be provided for in the Supplemental Indenture authorizing the issuance of such Series of

Subordinate Bonds. All Subordinate Bonds will be payable and secured equally and ratably and on a parity, except as to timing of payment, with any Subordinate Bonds theretofore or thereafter issued and will be entitled to the same benefits and security of the Indenture. Except as may be otherwise provided in the Supplemental Indenture providing for the issuance of a Series of Subordinate Bonds, Subordinate Bonds also will be payable from funds deposited to one or more Accounts within a Subordinate Reserve Fund established for the benefit of such Subordinate Bonds by the Supplemental Indenture entered into in connection with the issuance of such Subordinate Bonds.

Each Series of Subordinate Bonds will be issued pursuant to the Indenture and a Supplemental Indenture, which will prescribe expressly or by reference with respect to such Series of Subordinate Bonds:

- (i) the authorized principal amount and Series designation of such Series of Subordinate Bonds;
 - (ii) the purpose or purposes for which such Series is being issued;
- (iii) the manner in which the proceeds of the Subordinate Bonds of such Series are to be applied;
- (iv) the date or dates of the Subordinate Bonds of such Series, and the maturity date or dates and Interest Payment Dates of the Subordinate Bonds of such Series, or the manner of determining such dates;
- (v) the interest rate or rates to be borne by the Subordinate Bonds of such Series or the manner of determining such rate or rates, the Maximum Rate for any Series of Subordinate Bonds the interest rate on which is a variable rate and the Interest Payment Dates of such Series;
- (vi) the manner of dating, numbering and lettering the Subordinate Bonds of such Series:
- (vii) the place or places of payment of the principal and premium, if any, of, and interest on, the Subordinate Bonds of such Series or the manner of designating the same;
- (viii) the redemption premium, if any, of, and the redemption terms for the Subordinate Bonds of such Series, or the manner of determining such premium and terms;
- (ix) the amount and due date of each mandatory sinking fund payment, if any, for Subordinate Bonds of any maturity of such Series, or the manner of determining such amounts and dates;
 - (x) provisions as to registration of the Subordinate Bonds of such Series;
- (xi) the form and text of the Subordinate Bonds of such Series and provision for the Trustee's authentication thereof by certificate or otherwise;
 - (xii) whether such Series of Subordinate Bonds are intended to be Tax-Exempt Bonds;
- (xiii) the Credit Facilities and Liquidity Facilities applicable to such Series of Subordinate Bonds, if any; and

(xiv) any other provisions deemed advisable by the Department as will not conflict with the provisions hereof.

The Supplemental Indenture providing for the issuance of any Series of Subordinate Bonds may provide for establishing one or more Subordinate Reserve Funds and, within any such Fund, separate Accounts or Subaccounts, for the benefit of such Subordinate Bonds, and if any such Fund, Accounts or Subaccounts is created, such Supplemental Indenture will include provisions concerning the amount and means of funding such Fund, Accounts and Subaccounts, all at the discretion of the Department.

Repayment Obligations Afforded Status of Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of and interest on a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Department, but is not reimbursed, the Department's Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Senior Bond issued under the Indenture or a Subordinate Bond issued under the Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Bondholder and such Senior Bond or Subordinate Bonds, as the case may be, will be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Indenture; provided, however, notwithstanding the stated terms of the Repayment Obligation, the payment terms of the Bond held by the Credit Provider or Liquidity Provider under the Indenture will be as follows (unless otherwise provided in the written agreement with the Department or a Supplemental Indenture pursuant to which the Bonds are issued): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof over a term not later than the earlier of (y) the Rental Car CLA Expiration Date and (z) the CFC Expiration Date, if any, and providing substantially level debt service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Repayment Obligation. This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of the Indenture or any Supplemental Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Senior Bond or Subordinate Bond, as the case may be, under the Indenture.

Hedging Transactions

- (a) If the Department enters into a Qualified Swap Agreement with a Swap Provider requiring the Department to pay a fixed interest rate on a notional amount, or requiring the Department to pay a variable interest rate on a notional amount, and the Department has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:
 - (i) any net payments (excluding, however, termination fees, expenses and other amounts payable pursuant to a Qualified Swap Agreement not specifically made on the basis of interest rates) required to be made by the Department to the Swap Provider pursuant to such Qualified Swap Agreement from CFCs will be made on a parity with payments due on other Senior Bonds or Subordinate Bonds, as applicable, solely from amounts on deposit to the credit of the

Senior Debt Service Fund, the Rolling Coverage Fund or the Subordinate Debt Service Fund, as applicable, in the order described in the Indenture;

- (ii) any net payments received by the Department from the Swap Provider pursuant to such Qualified Swap Agreement will be applied and may or may not be included in the Trust Estate as directed by the Department; and
- (iii) termination fees, expenses and other amounts payable pursuant to a Qualified Swap Agreement not specifically made on the basis of interest rates will be paid from proceeds of Subordinate Bonds, and will not be on a parity with the Senior Bonds or the Subordinate Bonds with respect to the Trust Estate.
- (b) If the Department will enter into a swap agreement of the type generally described in the Indenture that does not satisfy the requirements for qualification as a Qualified Swap Agreement as a result of its failure to make the determination described therein or otherwise, then:
 - (i) any net payments required to be made by the Department to the Swap Provider pursuant to such Qualified Swap Agreement from CFCs will be made only from amounts available pursuant to clause SEVENTH of the flow of funds described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS Flow of Funds" in the forepart of this Official Statement; and
 - (ii) any net payments received by the Department from the Swap Provider pursuant to such Qualified Swap Agreement may be included in the Trust Estate at the option of the Department and applied as directed by the Department.
- (c) The Trustee will have no responsibility for the Department's obligations under this section or with respect to any Qualified Swap Agreement entered into by the Department pursuant to paragraphs (a) or (b) above, other than to receive payments from and make payments to a Swap Provider in accordance with the written instructions of the Department. The Department will notify the Trustee upon entering into any swap agreement, and will provide written instructions to the Trustee with respect to its administration.

Establishment of Funds and Accounts.

Pursuant to the Indenture, the Trustee will establish and hold the following funds and accounts: the CFC Revenue Fund, the Construction Fund (and within the Construction Fund, the Series 2022A Construction Account and the Series 2022A Costs of Issuance Account), the Senior Debt Service Fund (and within the Senior Debt Service Fund, the Series 2022A Debt Service Account), the Senior Reserve Fund (and within the Senior Reserve Fund, the Series 2022A Reserve Account) and the Rolling Coverage Fund.

Certain of the funds and accounts will be initially funded with the proceeds of the Series 2022A Bonds as described in the forepart of this Official Statement under "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Moneys Held in Trust for Matured Bonds; Unclaimed Moneys

All moneys which have been withdrawn from the Senior Debt Service Fund or the Subordinate Debt Service Fund and set aside or deposited with a Paying Agent for the purpose of paying any of the Bonds, either at the maturity thereof or upon call for redemption, or which are set aside by the Trustee for such purposes and for which Bonds the maturity date or redemption date will have occurred, will be held in trust for the respective holders of such Bonds. But any moneys which will be so set aside or deposited

and which will remain unclaimed by the holders of such Bonds for a period of one year after the date on which such Bonds will have become due and payable (or such longer period as will be required by state law) will be paid to the Department, and thereafter the holders of such Bonds will look only to the Department for payment and the Department will be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and neither the Trustee nor any Paying Agent will have any responsibility with respect to any of such moneys. The Department and the Trustee hereby recognize that while any Bonds are Outstanding in book-entry only form there should be no unclaimed moneys.

Representations, Warranties, Covenants and Agreements of the Department

Due Organization and Authorization of Bonds. The Department represents and warrants as follows:

- (a) The Department is duly constituted department of the City, organized and existing pursuant to Article VI of the Charter, with the power under and pursuant to the Charter, to execute and deliver the Indenture and the Bonds, to perform its obligations under each thereof and to issue the Series 2022A Bonds pursuant thereto.
- (b) The Department has taken all necessary action, and has complied with all provisions of the Charter, required to make the Indenture the valid and binding obligation of the Department, and, when executed, the Indenture (assuming the due authorization, execution and delivery by the Trustee) will constitute the valid and legally binding obligation of the Department, enforceable in accordance with its terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles whether or not sought, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State.
- (c) When executed and delivered by the Department, authenticated by the Trustee and paid for by the purchasers thereof, the Series 2022A Bonds will constitute valid and binding special limited obligations of the Department, enforceable in accordance with their terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles whether or not sought, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State.

Payment of Bonds. The Department covenants and agrees that it will duly and punctually pay or cause to be paid from the Trust Estate and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner set forth in the Indenture, in the Supplemental Indentures and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Indenture and in the Bonds contained, provided that the Department's obligation to make payment of the principal of, premium, if any, and interest on the Bonds will be limited to payment from the Trust Estate and no Bondholder will have any right to enforce payment from any other funds of the Department or the City.

Performance of Covenants by Department. The Department covenants that it will faithfully perform at all times any and all covenants and agreements contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all of its proceedings pertaining hereto.

Maintenance of Powers. The Department covenants that it will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to the Charter and all other laws and that it will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to delay either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants in the Indenture contained.

Representations and Covenants With Respect to Customer Facility Charges.

- (a) The Department has taken all necessary actions, has complied with all provisions of the CFC Laws, received all approvals required to impose and collect a CFC at LAX, and as of the Series 2022A Closing Date is imposing and collecting a CFC at LAX.
- So long as any of the Bonds remain Outstanding, the Department covenants that it: (i) will comply with all provisions of the CFC Laws applicable to the Department and the CFC Resolutions with respect to imposing and collecting a CFC at LAX; (ii) will impose and collect a CFC at LAX in accordance with the CFC Laws at sufficient levels to make the deposits required to be made to the Funds, Accounts and Subaccounts set forth in the Indenture and use such CFCs as contemplated by the CFC Resolutions and the Indenture and in accordance with the provisions of the CFC Laws; (iii) will not take any action or omit to take any action with respect to the CFCs, the ConRAC (except as otherwise provided in the Indenture), the CTS, LAX or otherwise if such action or omission would, pursuant to the CFC Laws, cause the termination or reduction (below the levels required to make the deposits required to be made to the Funds, Accounts and Subaccounts set forth in the Indenture) of the Department's authority to impose a CFC at LAX or prevent the collection and use of the CFCs as contemplated by the CFC Resolutions and the Indenture; and (iv) will contest any attempt by any Person to terminate, reduce (below the levels required to make the deposits required to be made to the Funds, Accounts and Subaccounts set forth in the Indenture) or suspend the Department's authority to impose and collect a CFC at LAX and/or use collected CFCs in the manner contemplated by the CFC Resolutions and the Indenture.
- (c) In accordance with the CFC Resolutions, the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), and such other agreements entered into by the Department and such Person or Persons, from time to time, that require, among other things, the collection of the CFC and the remittance of such CFC to the Department, as long as any Bonds remain Outstanding, the Department covenants that it will require each Rental Car Company to charge, collect and remit to the Department, a CFC in accordance with the CFC Resolutions, the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), and such other agreements entered into by the Department and such Person or Persons, from time to time, that require, among other things, the collection of the CFC and the remittance of such CFC to the Department, and the Department will enforce the duty of the Rental Car Companies to segregate such CFCs as trust funds for the benefit of the Department, and not as revenues of the Rental Car Companies, as provided in the Rental Car CLAs.
- (d) The Department covenants that it will, at all times while Bonds are Outstanding, use its best efforts to grant sufficient rental car concessions to Rental Car Companies at LAX so that CFC collections in each Fiscal Year are sufficient to fund all deposits required to be made to the Funds, Accounts and Subaccounts set forth in the Indenture.
- (e) The Department hereby covenants that it will use its best efforts, to the extent authorized by the CFC Laws, to amend and adjust CFC collection rates to reach and maintain a

goal of having sufficient CFC collections in each Fiscal Year to fund all deposits required to be made to the Funds, Accounts and Subaccounts set forth in the Indenture.

(f) Notwithstanding any provision in the Rental Car CLA to the contrary, the Department warrants and agrees that so long as any of the Bonds remain Outstanding, the first sentence of Section 1.2.2 of the Rental Car CLAs will have no force or effect and will under no circumstance be relied upon by the Department to not impose and collect the CFC.

Enforcement of Agreements with Rental Car Companies. Notwithstanding the provisions of the prior section, the Department covenants that so long as any of the Bonds remain Outstanding, it will (i) require all Rental Car Companies to collect and remit CFCs to the Department, (ii) take all actions legally permitted to enforce compliance by the Rental Car Companies with the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), and such other agreements entered into by the Department and such Person or Persons, from time to time, that requires, among other things, the collection of the CFC and the remittance of such CFC to the Department, and of their obligations thereunder, including specifically seeking specific performance by each of the Rental Car Companies, to charge, collect and remit CFCs to the Department, (iii) in the event ConRAC DBO does not occur by January 30, 2024, extend the term of the Rental Car Concession Agreements to ConRAC DBO and require the Rental Car Companies to continue to collect and remit CFCs to the Department during the additional term of the Rental Car Concession Agreements, and (iv) enforce all remedies set forth in Section 20.2 of the Rental Car CLAs upon the occurrence and continuation of an event of default under a Rental Car CLA. The Department further covenants that so long as any of the Bonds remain Outstanding it will not consent to any amendment to the Rental Car Concession Agreements, the Rental Car CLAs, the Rental Car License Agreements (if applicable), or such other agreements entered into by the Department and such Person or Persons, from time to time, that requires, among other things, the collection of the CFC and the remittance of such CFC to the Department, that materially adversely affects the rights of Owners without the consent of the Owners of at least 51% in Principal Amount of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) then Outstanding.

Construction of the ConRAC. The Department will use diligent efforts to cause the ConRAC to be constructed, completed and made available for the essential operations of the Rental Car Companies that have entered into a Rental Car CLA in accordance with the schedule as set forth in the ConRAC DBFOM Agreement.

Operation and Maintenance of the ConRAC. Subject to the provisions of the Indenture, as long as any Bonds remains Outstanding, the Department will operate and maintain the ConRAC, or cause the ConRAC to be operated and maintained, in good condition for the purposes for which it was constructed, reasonable wear and tear excepted.

Insurance on Project.

- (a) As long as any Bonds remain Outstanding and the ConRAC DBFOM Agreement remains in full force and effect, the Department will procure and maintain the LAWA-Provided Insurance Policy in accordance with the ConRAC DBFOM Agreement and use any proceeds of the LAWA-Provided Insurance Policy in accordance with the provisions of the ConRAC DBFOM Agreement, including, but not limited to, causing such proceeds to be used to restore and repair the ConRAC to substantially its Pre-Existing Condition.
- (b) As long as any Bonds remains Outstanding and the ConRAC DBFOM Agreement has been terminated in accordance with the provisions thereof, subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions, the

Department will procure and maintain or cause to be procured and maintained commercial insurance on a replacement cost basis (without deduction for depreciation) (including Qualified Self Insurance, if applicable) with respect to the facilities constituting the Project and 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 Department, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided with respect to similar consolidated rental car facilities.

"Qualified Self Insurance" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Department may have a material interest and of which the Department 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 which the Department determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Department a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they will make a recommendation as to the amount of reserves that should be established and maintained, and the Department will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Department.

Casualty and Condemnation of ConRAC.

- (a) In the event that the ConRAC is damaged and the ConRAC DBFOM Agreement remains in full force and effect, the net proceeds of the LAWA-Provided Insurance Policy (including without limitation self-insurance) will be applied as set forth in the ConRAC DBFOM Agreement, including, but not limited to, causing such proceeds to be used to restore and repair the ConRAC to substantially its Pre-Existing Condition.
- (b) In the event that the ConRAC is damaged and the ConRAC DBFOM Agreement has been terminated in accordance with the provisions thereof, the net proceeds of insurance (including without limitation self-insurance) will be applied as set forth in this section.
- (c) In the event that the ConRAC is taken or condemned, the net proceeds of the condemnation award will be applied as set forth in this section.
- (d) If the proceeds of an insurance or condemnation award with respect to the ConRAC, net of the reasonable costs, fees and expenses incurred by the Department in the collection of such proceeds or award (the "Net Proceeds") are less than \$10,000,000, the Net Proceeds will be paid directly to the Department and will be applied by the Department promptly to the costs of restoring the ConRAC. Any Net Proceeds remaining after the restoration of the ConRAC will be deposited first, to the applicable Accounts or Subaccounts within the Senior Debt Service Fund and applied to the payment of principal of or interest on the Senior Bonds next coming due, and second, to the applicable Accounts or Subaccounts within the Subordinate Debt Service Fund and applied to the payment of principal of or interest on the Subordinate Bonds next coming due.
- (e) If the Net Proceeds are greater than or equal to \$10,000,000, the Net Proceeds will be paid to the Trustee and deposited to the Insurance and Condemnation Proceeds Account in the

Construction Fund, as set forth in the Indenture and disbursed in the same manner and subject to the same conditions and limitations relating to the disbursement of funds from the Construction Fund, as set forth in in the Indenture. In the event that the Net Proceeds are insufficient to restore and repair the ConRAC as nearly as is reasonably possible to the condition it was in immediately prior to a casualty in the case of any casualty or to a condition, in the case of any Taking, which permits the ConRAC's use in the manner contemplated by the Indenture and the Rental Car CLAs and for which the ConRAC was originally constructed (the "*Pre-Existing Condition*"), the Department will take one or more of the following actions and use a combination of any of the following sources (including the Net Proceeds) to restore and repair the ConRAC to its Pre-Existing Condition (i) subject to the provisions of the Indenture, issue Additional Bonds the proceeds of which will be used restore and repair the ConRAC to its Pre-Existing Condition, and/or (ii) to the extent permitted by the CFC Laws, continue to require the Rental Car Companies to collect CFCs and remit such CFCs to the Department, and use such CFCs to restore and repair the ConRAC to its Pre-Existing Condition. The Net Proceeds, along with the amounts described in clauses (i) and (ii) in the previous sentence are collectively referred to in the Indenture as "*Available Amounts*."

Following a casualty loss or Taking at or affecting the ConRAC and if the Available Amounts made available for repair or restoration are sufficient for such purpose, the Department will cause the repair and restoration of the ConRAC to substantially its Pre-Existing Condition, and the Department will cause the commencement of such restoration or repair as soon as is reasonably possible after the casualty loss or Taking and at all times thereafter the diligent prosecution thereof to completion. In the event any Net Proceeds remain after the repair and restoration of the ConRAC to its Pre-Existing Condition, the Trustee will deposit such Net Proceeds *first*, to the applicable Accounts or Subaccounts within the Senior Debt Service Fund and apply to the payment of principal of or interest on the Senior Bonds next coming due, and *second*, to the applicable Accounts or Subaccounts within the Subordinate Debt Service Fund and apply to the payment of principal of or interest on the Subordinate Bonds next coming due.

In the event the Available Amounts are insufficient to restore and repair the ConRAC to its Pre-Existing Condition and the Department is prohibited by the CFC Laws from requiring the Rental Car Companies to collect CFCs and remitting them to the Department, all Available Amounts and such other amounts on deposit in the CFC Revenue Fund, the Senior Debt Service Fund, the Senior Reserve Fund, the Rolling Coverage Fund, the Subordinate Debt Service Fund (proceeds of Subordinate Bonds on deposit in the Subordinate Debt Service Fund will only be used to redeem Subordinate Bonds) and any Subordinate Reserve Fund (proceeds of Subordinate Bonds on deposit in the Subordinate Reserve Fund will only be used to redeem Subordinate Bonds) will be used first, to optionally redeem the Series 2022A Bonds pursuant to the provisions of the Indenture hereof and any Additional Senior Bonds pursuant to the terms of the applicable Supplemental Indenture or create an escrow fund(s) pledged to pay the Series 2022A Bonds and any Additional Senior Bonds and thereby cause the Series 2022A Bonds and any Additional Senior Bonds to be deemed to be paid as provided in the Indenture, and second, to redeem Subordinate Bonds pursuant to the terms of the applicable Supplemental Indenture or create an escrow fund(s) pledged to pay the Subordinate Bonds and thereby cause the Subordinate Bonds to be deemed to be paid as provided in the Indenture.

Department Will Not Terminate Rental Car CLAs Pursuant to Section 1.2.1(b) of Rental Car CLAs. Notwithstanding anything to the contrary in the Rental Car CLAs or the Indenture, while the Bonds are Outstanding, the Department will not terminate the Rental Car CLAs pursuant to the provisions of Section 1.2.1(b) of the Rental Car CLAs.

Continuing Disclosure. The Department covenants and agrees that it will comply with and carry out all of the provisions of the Series 2022 Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Department to comply with its obligations set forth in the Series 2022 Continuing Disclosure Certificate will not constitute an Event of Default; provided, however, that any participating underwriter for the Series 2022A Bonds or any Bondholder or Beneficial Owner of the Series 2022A Bonds may take such actions as may be necessary and appropriate to compel performance by the Department of its obligations under this section, including seeking mandate or specific performance by court order.

No Disposition of Trust Estate. Except as permitted by the Indenture, the Department will not sell, lease, pledge, assign or otherwise dispose of or encumber its interest in the Trust Estate and will promptly pay or cause to be discharged or make adequate provision to discharge any lien or charge on any part thereof not permitted hereby.

Pledge and Assignment of Certain Provisions of the Rental Car CLAs and the Rental Car Concession Agreements. The Department hereby grants, pledges and assigns unto the Trustee, and to its successors, and grants a continuing lien on and a security interest in as security for the Bonds all rights under (a) Section 7 of each of the Rental Car CLAs, and (b) Sections 4(f)(5) and 4(j) of each of the Rental Car Concession Agreements to receive payment of, title and interest of the Department in and to the CFCs.

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

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

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

Indenture to Constitute a Contract. The Indenture, including all Supplemental Indentures, is executed by the Department for the benefit of the Bondholders and constitutes a contract with the Trustee for the benefit of the Bondholders.

Subrogation to the Indenture. The Department agrees, covenants and warrants that all of its obligations and rights under the Rental Car Concession Agreements, the Rental Car CLAs and such other agreements that may be entered into by the Department, from time to time, that require, among other things,

the collection of the CFC and the remittance of such CFC to the Department, with respect to the imposition and collection of the CFCs, are subordinate in all respects and at all times to the lien, covenants, pledges, provisions and funding requirements under the Indenture.

Provisions Relating to Bond Insurance (Series 2022A Bonds). So long as the Series 2022A Bond Insurance Policy remains in full force and effect and the Series 2022A Bond Insurer is not then in default of its payment obligations thereunder, the following provisions will govern with respect to the Series 2022A Bonds, notwithstanding anything to the contrary in the Indenture; provided, however, the Series 2022A Bond Insurer will retain its rights of subrogation to the extent that it has previously made payment of principal of or interest on the Series 2022A Bonds:

- The Series 2022A Bond Insurer will be deemed to be the sole Owner of the Series (a) 2022A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Series 2022A Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies, (ii) the duties and obligations of the Trustee, and (iii) any supplements, amendments or waivers. In furtherance thereof and as a term of the Indenture and each Series 2022A Bond, each Owner of the Series 2022A Bonds appoints the Series 2022A Bond Insurer as its agent and attorney-in-fact with respect to the Series 2022A Bonds and each Owner of the Series 2022A Bonds further agrees that the Series 2022A Bond Insurer may at any time during the continuation of any proceeding by or against the Department under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Owner of the Series 2022A Bonds delegates and assigns to the Series 2022A Bond Insurer, to the fullest extent permitted by law, the rights of each Owner of the Series 2022A Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Owner of the Series 2022A Bonds for the Series 2022A Bond Insurer's benefit, and agrees to cooperate with the Series 2022A Bond Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Owners expressly include mandamus.
- (b) The maturity of Series 2022A Bonds will not be accelerated without the consent of the Series 2022A Bond Insurer and in the event the maturity of the Series 2022A Bonds is accelerated, the Series 2022A Bond Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the Department) and the Trustee will be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2022A Bond Insurer's obligations under the Series 2022A Bond Insurance Policy with respect to such Series 2022A Bonds will be fully discharged.
 - (c) The Series 2022A Bond Insurer is a third party beneficiary of the Indenture.
- (d) Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a "Related

Document"), that adversely affects the rights and interests of the Series 2022A Bond Insurer will be subject to the prior written consent of the Series 2022A Bond Insurer.

- (e) The rights granted to the Series 2022A Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Series 2022A Bond Insurer in consideration of its issuance of the Series 2022A Bond Insurance Policy. Any exercise by the Series 2022A Bond Insurer of such rights is merely an exercise of the Series 2022A Bond Insurer's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Series 2022A Bond Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Series 2022A Bond Insurer.
- (f) To accomplish defeasance of the Series 2022A Bonds, the Department will cause to be delivered to the Series 2022A Bond Insurer (i) other than with respect to a current refunding that is gross funded, a report of either a nationally-recognized verification agent or a firm of independent, nationally-recognized certified public accountants as will be acceptable to the Series 2022A Bond Insurer verifying the sufficiency of the escrow established to pay the Series 2022A Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement or other irrevocable written instructions (which will be acceptable in form and substance to the Series 2022A Bond Insurer), (iii) an opinion of nationally-recognized bond counsel to the effect that the Series 2022A Bonds are no longer Outstanding under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Series 2022A Bonds; each Verification and defeasance opinion will be acceptable in form and substance, and addressed, to the Department, the Trustee and the Series 2022A Bond Insurer. The Series 2022A Bond Insurer will be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.
- (g) Amounts paid by the Series 2022A Bond Insurer under the Series 2022A Bond Insurance Policy will not be deemed paid for purposes of the Indenture and the Series 2022A Bonds relating to such payments will remain Outstanding and continue to be due and owing until paid by the Department in accordance with the Indenture. The Indenture will not be discharged unless all amounts due or to become due to the Series 2022A Bond Insurer have been paid in full or duly provided for.
- (h) Claims Upon the Series 2022A Bond Insurance Policy and Payments by and to the Series 2022A Bond Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2022A Bonds due on such Payment Date, the Trustee will give notice to the Series 2022A Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2022A Bonds due on such Payment Date, the Trustee will make a claim under the Series 2022A Bond Insurance Policy and give notice to the Series 2022A Bond Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2022A Bonds and the amount required to pay principal of the Series 2022A Bonds, confirmed in writing to the Series 2022A Bond Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day

by filling in the form of Notice of Claim and Certificate delivered with the Series 2022A Bond Insurance Policy.

The Trustee will designate any portion of payment of principal on Series 2022A Bonds paid by the Series 2022A Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2022A Bonds registered to the then current Owner of the Series 2022A Bonds, whether DTC or its nominee or otherwise, and will issue a replacement Series 2022A Bond to the Series 2022A Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2022A Bond will have no effect on the amount of principal or interest payable by the Department on any Series 2022A Bond or the subrogation rights of the Series 2022A Bond Insurer.

The Trustee will keep a complete and accurate record of all funds deposited by the Series 2022A Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2022A Bond. The Series 2022A Bond Insurer will have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Series 2022A Bond Insurance Policy, the Trustee will establish a separate special purpose trust account for the benefit of Owners of the Series 2022A Bonds referred to herein as the "Policy Payments Account" and over which the Trustee will have exclusive control and sole right of withdrawal. The Trustee will receive any amount paid under the Series 2022A Bond Insurance Policy in trust on behalf of Owners of the Series 2022A Bonds and will deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts will be disbursed by the Trustee to Owners of the Series 2022A Bonds in the same manner as principal and interest payments are to be made with respect to the Series 2022A Bonds under the sections of the Indenture regarding payment of Series 2022A Bonds. It will not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Department agrees to pay to the Series 2022A Bond Insurer (i) a sum equal to the total of all amounts paid by the Series 2022A Bond Insurer under the Series 2022A Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Series 2022A Bond Insurer until payment thereof in full, payable to the Series 2022A Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "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, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2022A Bonds and (b) the greater of (i) 12% and (ii) the then applicable maximum rate adopted by the Department. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. The Department hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the Senior Bonds.

Funds held in the Policy Payments Account will not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. The Trustee will notify the Series 2022A Bond Insurer of any funds remaining in the Policy Payments Account after the

Trustee has made the payments for which a claim was made to the Owners of the Series 2022A Bonds and will, at the written direction of the Series 2022A Bond Insurer, promptly remit such funds remaining to the Series 2022A Bond Insurer.

- (i) The Series 2022A Bond Insurer will, to the extent it makes any payment of principal of or interest on the Series 2022A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2022A Bond Insurance Policy (which subrogation rights will also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Department to the Series 2022A Bond Insurer under the Related Documents will survive discharge or termination of such Related Documents.
- The Department will pay or reimburse the Series 2022A Bond Insurer, solely from (i) the Trust Estate (limited to amounts in clause SEVENTH of the flow of funds described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A BONDS - Flow of Funds" in the forepart of this Official Statement, any and all charges, fees, costs and expenses that the Series 2022A Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation, proceeding (including any Insolvency Proceeding) or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Series 2022A Bond Insurer to honor its obligations under the Series 2022A Bond Insurance Policy. The Series 2022A Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document. Amounts payable by the Department hereunder will bear interest at the Late Payment Rate from the date such amount is paid or incurred by the Series 2022A Bond Insurer until the date the Series 2022A Bond Insurer is paid in full.
- (k) The Series 2022A Bond Insurer will be entitled to pay principal or interest on the Series 2022A Bonds that will become Due for Payment but will be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Series 2022A Bond Insurance Policy) and any amounts due on the Series 2022A Bonds as a result of acceleration of the maturity thereof, whether or not the Series 2022A Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Series 2022A Bond Insurance Policy) or a claim upon the Series 2022A Bond Insurance Policy.

Investments

Moneys held by the Trustee in the Funds, Accounts and Subaccounts created in the Indenture and under any Supplemental Indenture will be invested and reinvested as directed by the Department, in Permitted Investments subject to the restrictions set forth in the Indenture and such Supplemental Indenture and subject to the investment restrictions imposed upon the Department by the Charter and the laws of the State. The Department will direct such investments by written certificate (upon which the Trustee may conclusively rely) of an Authorized Department Representative or by telephone instruction followed by prompt written confirmation by an Authorized Department Representative; in the absence of any such instructions, the Trustee will, to the extent practicable, invest in Permitted Investments specified in (i) of the definition thereof.

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

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

The Department acknowledges that to the extent regulations of the Comptroller of the Currency or such other applicable entity grants the Department the right to receive brokerage confirmations of security transactions as they occur, the Department will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Department with periodic cash transaction statements which will include details of all investment transactions made by the Trustee under the Indenture. The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

For purposes of the Indenture, investments in the Senior Reserve Fund and the Rolling Coverage Fund will be valued at the lower of amortized cost or market, and investments in any other Fund, Account or Subaccount will be valued at market value.

Defeasance

Bonds or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Indenture except for the purposes of payment from moneys, Government Obligations or obligations described in clause (b) of the definition of Permitted Investments held by the Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under the Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Indenture by the Department, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the pledge of the Trust Estate and any other assets pledged to secure the Bonds under the Indenture will thereupon cease, terminate and become void, and thereupon the Trustee will cancel, discharge and release the Indenture, will execute, acknowledge and deliver to the Department such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Department any property and revenues at the time subject to the Indenture which may then be in the Trustee's possession, except funds or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond will be deemed to be paid within the meaning of this section and for all purposes of the Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Bonds and the Indenture or (b) will have been provided for, as certified to the Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations or obligations described in clause (b) of the definition of Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Bonds will be deemed to be paid under the Indenture, such Bonds will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in clause (b) of the definition of Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Bonds. Once such deposit will have been made, the Trustee will notify all holders of the affected Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Indenture or by the Supplemental Indenture under which such Bonds were issued. The Department may at any time, prior to issuing such notice of redemption as may be required by the Indenture or by the Supplemental Indenture under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Bonds or the Indenture subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Tax-Exempt Bonds then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations and/or obligations described in clause (b) of the definition of Permitted Investments to provide for the payment of such Bonds. Notwithstanding anything in this section to the contrary, monies from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the Department so long as the requirements of subparagraphs (A) and (B) above are met prior to or concurrently with any such withdrawal.

Default and Remedies

Events of Default. The occurrence of any of the following events will constitute an "**Event of Default**" under the Indenture:

- (a) a failure to pay the principal of or premium, if any, on any of the Senior Bonds (or any of the Subordinate Bonds provided that no Senior Bonds are Outstanding) when the same will become due and payable at maturity or upon redemption;
- (b) a failure to pay any installment of interest on any of the Senior Bonds (or any of the Subordinate Bonds provided that no Senior Bonds are Outstanding) when such interest will become due and payable;
- (c) a failure to pay the purchase price of any Senior Bond (or any of Subordinate Bond provided that no Senior Bonds are Outstanding) when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Indenture;
- (d) a failure by the Department to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a), (b) and (c) above) that are to be observed or performed by the Department and which are contained in the Indenture or a Supplemental Indenture, which failure will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Department by the Trustee, which notice may be given at the discretion of the Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Senior Bonds then Outstanding (or holders of 25% or more of the Principal Amount of the Subordinate Bonds then Outstanding if no Senior Bonds are then Outstanding), unless the Trustee, or the Trustee and the holders of Senior Bonds (or the holders of Subordinate Bonds if no Senior Bonds are Outstanding) in a Principal Amount not less than the Principal Amount of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will be deemed to have agreed to an extension of such period if

corrective action is initiated by the Department within such period and is being diligently pursued until such failure is corrected;

- (e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Department and, if instituted against the Department, said proceedings are consented to or are not dismissed within 60 days after such institution; or
- (f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

Within five days after actual knowledge by an authorized officer of the Trustee of an Event of Default under clause (a), (b) or (c) above, the Trustee will give written notice, by registered or certified mail, to the Department and all of the Bondholders.

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

Remedies.

- (a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 51% or more of the Principal Amount of the Senior Bonds then Outstanding (or 51% or more of the Principal Amount of the Subordinate Bonds then Outstanding if no Senior Bonds are then Outstanding) and receipt of indemnity to its satisfaction, will, in its own name and as the Trustee of an express trust:
 - (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), and require the Department to carry out any agreements with or for the benefit of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) and to perform its or their duties under the Charter or any other law to which it is subject and the Indenture; or
 - (ii) bring suit upon the Senior Bonds (or the Subordinate Bonds if no Senior Bonds are Outstanding); or
 - (iii) commence an action or suit in equity to require the Department to account as if it were the trustee of an express trust for the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding); or
 - (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding); or
 - (v) declare all Outstanding Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), all interest accrued and unpaid thereon, and all other amounts payable in respect of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) to be due and payable, whereupon the same will become immediately due

and payable without presentment, demand, protest or further notice of any kind, all of which are waived by the Department.

(b) The Trustee will be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under the Indenture will have been discontinued or abandoned for any reason, or will have been determined adversely to the Trustee, then the Department, the Trustee, and the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Bondholders' Right to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, holders of 51% in Principal Amount of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture to be taken in connection with the enforcement of the terms of the Indenture or exercising any trust or power conferred on the Trustee by the Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Indenture and that there will have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on Right to Institute Proceedings. No Bondholder of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Indenture, or any other remedy under the Indenture or on such Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), unless such Bondholder or Bondholders of Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) previously will have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 51% or more of the Principal Amount of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) then Outstanding will have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under the Indenture will have accrued, and will have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding) will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding), except in the manner provided in the Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Bondholders of the Senior Bonds (or Subordinate Bonds if no Senior Bonds are Outstanding).

No Impairment of Right to Enforce Payment. Notwithstanding any other provision in the Indenture, the right of any Bondholder to receive payment of the principal of and interest on such Bond or the purchase price thereof, on or after the respective due dates expressed therein and to the extent of the pledge of the Trust Estate and other security provided for the Bonds, or to institute suit for the enforcement

of any such payment on or after such respective date, will not be impaired or affected without the consent of such Bondholder.

Proceedings by Trustee Without Possession of Bonds. All rights of action under the Indenture or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in its name for the equal and ratable benefit of the Bondholders, subject to the provisions of the Indenture.

No Remedy Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and will be in addition to every other remedy given under the Indenture, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth in the Indenture to the taking of any remedy to enforce the provisions of the Indenture or the Bonds will also be conditions to seeking any remedies under any of the foregoing pursuant to this section.

No Waiver of Remedies. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and to the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. If an Event of Default will occur and be continuing, all amounts then held or any moneys received by the Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of this section (which will not include (1) moneys in the Rebate Funds, which will be held and applied in accordance with the Indenture and (2) all moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys by the Trustee or by any receiver and of the expenses, liabilities and advances incurred or made by the Trustee in connection with its performance of its powers and duties under the Indenture and any Supplemental Indenture (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in the Indenture and any Supplemental Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Senior Bonds which will have become due with interest on such Senior Bonds at such rate as provided in the Indenture or any Supplemental Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Senior Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege, (c) third, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in a Supplemental Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (d) fourth, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Bonds which will have become due with interest on such Subordinate Bonds at such rate as provided in a Supplemental Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Bonds on any particular date determined to be the payment date, together with such interest, then to the payment

ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee will apply such funds, it will fix the date (which will be an Interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and will not be required to make payment to any Bondholder until such Bonds will be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Severability of Remedies. It is the purpose and intention of the Indenture IX to provide rights and remedies to the Trustee and the Bondholders, which may be lawfully granted under the provisions of the Charter and other applicable law, but should any right or remedy granted in the Indenture be held to be unlawful, the Trustee and the Bondholders will be entitled, as above set forth, to every other right and remedy provided in the Indenture or by applicable law.

Additional Events of Default and Remedies. So long as any particular Series of Bonds is Outstanding, the Events of Default and remedies as set forth above may be supplemented with additional events of default and remedies as set forth in a Supplemental Indenture under which such Series of Bonds is issued.

The Trustee

Duties of Trustee.

- (a) If an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.
- (b) The Trustee will perform the duties set forth in the Indenture and no implied duties or obligations will be read into the Indenture against the Trustee.
- (c) Except during the continuance of an Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, the Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Indenture.
- (d) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the Department in the manner provided in the Indenture.
- (e) The Trustee will not, by any provision of the Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee will

be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Bonds or any Credit Provider or Liquidity Provider, unless such holders, Credit Providers and Liquidity Providers, as applicable, will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) Every provision of the Indenture that in any way relates to the Trustee is subject to all the paragraphs of this section.

Notice of Events of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the Department is required before such events will become Events of Default, such notice has been given, then the Trustee will promptly, after obtaining actual notice of such Event of Default or event described in (b) above, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Bonds, the Trustee may withhold the notice if and so long as the Trustee in good faith determines that withholding the notice is in the best interests of the Bondholders.

Eligibility of Trustee. The Indenture will always have a Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Trustee. The Trustee may resign by notifying the Department in writing prior to the proposed effective date of the resignation. The holders of at least 51% in Principal Amount of the Senior Bonds (or the Subordinate Bonds if no Senior Bonds are Outstanding) may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Department's consent. The Department may remove the Trustee, by notice in writing delivered to the Trustee at least 60 days prior to the proposed removal date; provided, however, that the Department will have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee under this section will be effective until a new Trustee has taken office and delivered a written acceptance of its appointment and a written acceptance and agreement to execute the trusts imposed upon it by the Indenture to the retiring Trustee and to the Department. Immediately thereafter, the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will then (but only then) become effective and the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture.

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

If a Trustee is not performing its duties under the Indenture and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the Department delivers notice of removal, the retiring Trustee, the Department or the holders of a majority in Principal Amount of the Senior Bonds (or the Subordinate Bonds if no Senior Bonds are Outstanding) may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Successor Trustee or Agent by Merger. If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or sells to or transfers all or substantially all its assets (or, in the case of a bank, national banking association or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Indenture, the resulting, surviving or transferee corporation without any further act (other than delivering a written acceptance of its appointment and a written acceptance and agreement to execute the trusts imposed upon it by the Indenture to the Department) will be the successor Trustee, Paying Agent or Registrar.

Paying Agent. The Department may upon notice to the Trustee at any time or from time to time appoint a Paying Agent or Paying Agents for the Bonds or for any Series of Bonds, and each Paying Agent, if other than the Trustee, will designate to the Department and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it under the Indenture or under a Supplemental Indenture by a written instrument of acceptance delivered to the Department and the Trustee under which each such Paying Agent will agree, particularly:

- (a) to hold all sums held by it for the payment of the principal of, premium or interest on Bonds in trust for the benefit of the Bondholders until such sums will be paid to such Bondholders or otherwise disposed of as provided in the Indenture;
- (b) to keep such books and records as will be consistent with prudent industry practice, to make such books and records available for inspection by the Department and the Trustee on each Business Day during reasonable business hours; and
- (c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by such Paying Agent.

The Trustee will be the Paying Agent with respect to the Series 2022A Bonds.

Registrar. The Department will appoint the Registrar for the Bonds or a Registrar or Registrars for any Series of Bonds and may from time to time remove a Registrar and name a replacement. Each Registrar, if other than the Trustee, will designate to the Trustee, the Paying Agent, and the Department its principal office and signify its acceptance of the duties imposed upon it under the Indenture or under a Supplemental Indenture by a written instrument of acceptance delivered to the Department and the Trustee under which such Registrar will agree, particularly, to keep such books and records as will be consistent with prudent corporate trust industry practice and to make such books and records available for inspection by the Department, the Trustee, and the Paying Agent on each Business Day during reasonable business hours. The Trustee will be the Registrar with respect to the Series 2022A Bonds.

Supplemental Indentures and Waivers

Supplemental Indentures Not Requiring Consent of Bondholders. The Department may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing and/or amending the Indenture or any Supplemental Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of the Indenture and to set forth the terms of such Bonds and the special provisions which will apply to such Bonds;

- (b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Indenture or any Supplemental Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;
- (c) to add to the covenants and agreements of the Department in the Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Department, provided such supplement or amendment will not adversely affect the interests of the Bondholders;
- (d) to confirm, as further assurance, any interest of the Trustee in and to the pledge of the Trust Estate or in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the Department provided pursuant to the Indenture or to otherwise add additional security for the Bondholders;
- (e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;
- (f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;
- (g) to modify, alter, amend or supplement the Indenture or any Supplemental Indenture in any other respect which is not materially adverse to the Bondholders;
- (h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;
- (i) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;
- (j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Department from time to time deems appropriate to incur;
- (k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series of Bonds; and
- (l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Tax-Exempt Bonds.

Before the Department will, pursuant to this section, execute any Supplemental Indenture, there will have been delivered to the Department and Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture: (y) is authorized or permitted by the Indenture, the Charter and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Department in accordance with its terms and (z) will not cause interest on any of the Tax-Exempt Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence will not be required for a Supplemental Indenture executed and delivered in accordance with clause (a) above.

Supplemental Indenture Requiring Consent of Bondholders.

- Except for any Supplemental Indenture entered into pursuant to the provisions described under "Supplemental Indentures Not Requiring Consent of Bondholders" above and any Supplemental Indenture entered into pursuant to paragraph (b) below subject to the terms and provisions contained in the Indenture and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Senior Bonds (or the Subordinate Bonds, if no Senior Bonds are Outstanding) then Outstanding will have the right from time to time to consent to and approve the execution by the Department of any Supplemental Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in a Supplemental Indenture; provided, however, that, unless approved by the holders of all of the Bonds then Outstanding or unless such change affects less than all Series of Bonds and paragraph (b) below is applicable, nothing contained in the Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Indenture, including the provisions of paragraph (b) below, will, unless approved by the holders of all of the Bonds then Outstanding, permit or be construed as permitting (A) the creation of a lien (except as expressly permitted by the Indenture) upon or pledge of the Trust Estate created by the Indenture, ranking prior to or on a parity with the claim created by the Indenture, (B) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any (1) Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds or (2) Subordinate Bond or Subordinate Bonds over any other Subordinate Bond or Subordinate Bonds, as the case may be, with respect to the security granted therefor under the Indenture, or (C) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture. Nothing contained in the Indenture, however, will be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture as authorized under "Supplemental Indentures Not Requiring Consent of Bondholders" above, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Trust Estate.
- The Department may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in "Supplemental Indentures Not Requiring Consent of Bondholders" above, no consent of the Bondholders will be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding and the provisions described under "Supplemental Indentures Not Requiring Consent of Bondholders" above are not applicable, then this paragraph (b) rather than paragraph (a) above will control and, subject to the terms and provisions contained in this paragraph (b) and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Bonds of such Series; provided, however, that, unless approved by the holders of all of the Bonds of all the affected Series then Outstanding, nothing contained in the Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing contained in the

Indenture, however, will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture as authorized under "Supplemental Indentures Not Requiring Consent of Bondholders" above, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Trust Estate.

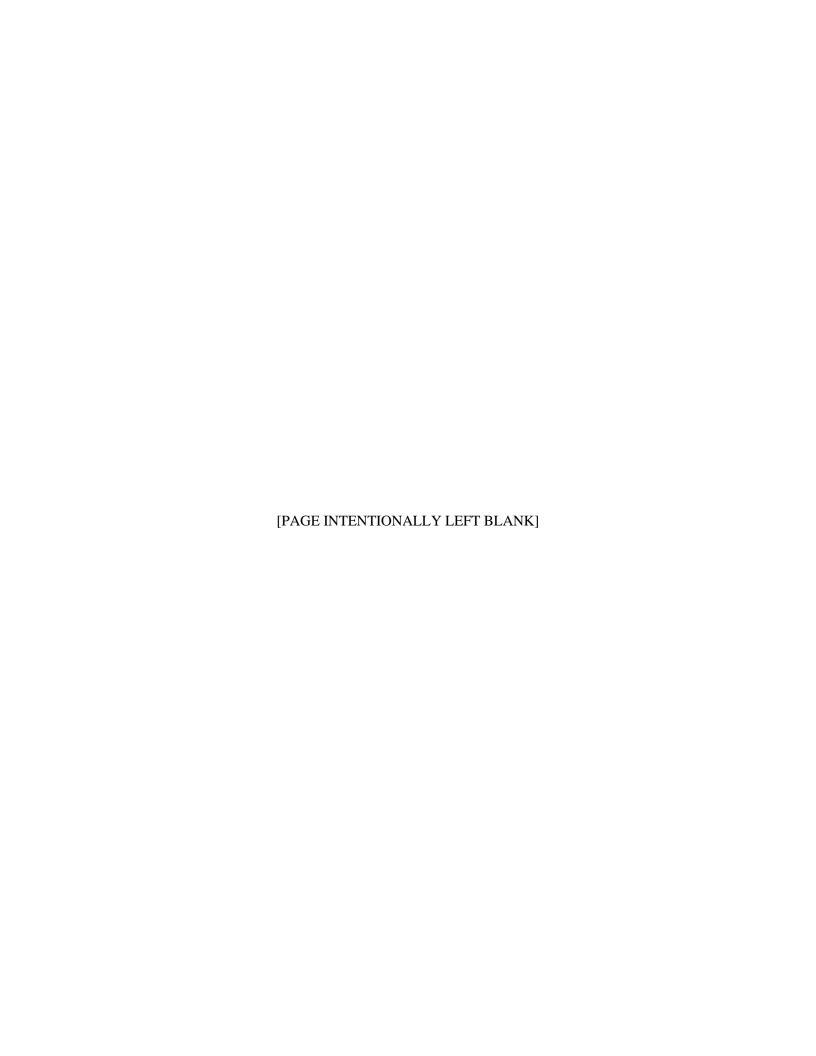
- (c) If at any time the Department will desire to enter into any Supplemental Indenture for any of the purposes of this section, the Department will cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to all Bondholders or, under paragraph (b), all Bondholders of the affected Series. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the Department for inspection by all Bondholders and it will not be required that the Bondholders approve the final form of such Supplemental Indenture but it will be sufficient if such Bondholders approve the substance thereof.
- (d) The Department may execute and deliver such Supplemental Indenture in substantially the form described in such notice, but only if there will have first been delivered to the Department (i) the required consents of Bondholders and (ii) the opinion of Bond Counsel required by the Indenture.
- (e) If Bondholders of not less than the percentage of Bonds required by this section will have consented to and approved the execution and delivery thereof as provided in the Indenture, no Bondholders will have any right to object to the adoption of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Department from executing the same or from taking any action pursuant to the provisions thereof.
- (f) Notwithstanding paragraphs (c) through (e) above, the Department may, at its discretion, execute and deliver such Supplemental Indenture which contains such modifications, alterations, amendments or supplements prior to receipt of the required consents of the holders; provided, that such Supplemental Indenture or the applicable provisions of such Supplemental Indenture subject to the consents of the holders will not become effective until such time as there has been delivered to the Department (i) the required consents of holders and (ii) the opinion of Bond Counsel required by the Indenture. In the event the Department decides to execute and deliver a Supplemental Indenture in accordance with this paragraph, the notice required in paragraph (c) will make reference to a final and executed Supplemental Indenture as opposed to a proposed Supplemental Indenture.
- (g) For the purposes of this section, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Department, may consent to a modification or amendment permitted by this section in the manner provided in the Indenture and with the same effect as a consent given by the holders of such Bonds, except that no proof of ownership will be required; provided, that this provision will be disclosed prominently in the offering document, if any, for each Series of Bonds issued pursuant to the Indenture, provided that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto will be described in the offering document prepared in connection with the primary offering of the Bonds of such Series by the Department.

Effect of Supplemental Indenture. Upon execution and delivery of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture or the Supplemental Indenture will be, and will

be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture and the Supplemental Indenture of the Department, the Trustee, the Paying Agent, the Registrar and all Bondholders will thereafter be determined, exercised and enforced under the Indenture and the Supplemental Indenture, if applicable, subject in all respects to such modifications and amendments.

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

Supplemental Indentures to be Part of the Indenture. Any Supplemental Indenture entered into accordance with the provisions of the Indenture will thereafter form a part of the Indenture or the Supplemental Indenture which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein will be and will be deemed to be part of the terms and conditions of the Indenture or the Supplemental Indenture which they supplement or amend for any and all purposes.



APPENDIX C

SUMMARY OF THE RENTAL CAR CONCESSION AND LEASE AGREEMENTS

The following is a summary of certain provisions of the Rental Car Concession and Lease Agreements (the "Rental Car CLAs") and is qualified in its entirety by reference to the Rental Car CLAs, copies of which are available from the Department.

Definitions

The capitalized terms used in this Summary of the Rental Car CLAs, shall for all purposes, have the meanings set forth under the heading "Definitions," unless a different definition is unambiguously given such term in its context.

"60% Design Progress Review" shall mean the Project update containing the pertinent design documents for the "60% Submission" as described in the ConRAC Project Agreement.

"Access Dates" shall have the meaning set forth in Section 2.2 of the Rental Car CLA.

"ADA" shall mean Americans with Disabilities Act of 1990 (42 U.S.C. § 12101, et seq.)

"Adjusted Land Rent Rate" shall have the meaning set forth in Section 6.3.3(a) of the Rental Car CLA.

"Adjusted Tenant Improvement Funding Amount" shall have the meaning as set forth in Section 6.5.1 of the Rental Car CLA.

"Adjustment Factor" shall have the meaning set forth in Section 6.6.4(c) of the Rental Car CLA.

"Adjustment Index" shall have the meaning set forth in Section 6.3.3(a) of the Rental Car CLA.

"Affiliate" shall mean an entity (i) that is not a party to a concession or license agreement directly with City for the operation of a rental car business at the ConRAC or other parts of the Airport, and (ii) that is owned and controlled by Concessionaire or under the common ownership and control with Concessionaire. For this purpose, control shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management, operations, and policies of such entity, whether through the ownership of voting securities or by contract or otherwise.

"Agreement Year" shall mean each consecutive period of twelve (12) full calendar months following the DBO through the expiration of the Term; provided, however, if the DBO is a date other than the first day of a calendar month, the first Agreement Year shall include that fractional portion of the calendar month in which the DBO occurs ("Fractional First Month") and the first full twelve (12) calendar months thereafter.

"Airport" shall mean the Los Angeles International Airport. Airport specifically includes the ConRAC.

"Airport Employee Parking Area" shall mean the area (if any) designated by the CEO in the ConRAC to be used for vehicular parking by City employees and/or contractors who work at the Airport.

- "Allocable CTS Costs" shall mean (a) all Other CTS Costs, and (b) forty-one percent (41.0%) of the APM Costs.
 - "Alterations" shall have the meaning as set forth in Section 8.1 of the Rental Car CLA.
- "Annual Adjustment Date" shall have the meaning set forth in Section 6.3.3(a) of the Rental Car CLA.
- "Annual Capital Costs of the ConRAC" shall mean all capital costs of the ConRAC incurred or paid for by City, including the following: (a) LAWA Debt Service Payments, (b) Included Developer Availability Payments, and (c) LAWA Amortization Charges.
- "APM" shall mean an automated people mover system that transports passengers to and from the CTA, including, but not limited to, automated people mover stations, an automated people mover maintenance facility, fixed infrastructure guideways, right of way acquisitions, and other system infrastructure, such as computer systems and automated people mover train cars.
- "APM Costs" shall mean all costs incurred by City associated with the APM (including capital, operating and maintenance costs).
- "APM Operational Date" shall mean the date the APM becomes available for service to transport passengers from and to CTA and the ConRAC, as such date is designated by the CEO.
- "APM Operational Date Anniversary" shall mean the anniversary of the date on which the APM Operational Date Occurs, provided, however, in the event that the APM Operational Date occurs on a day other than the first (1st) day of a calendar month, the "APM Operational Date Anniversary" shall be the anniversary of the first (1st) day of the calendar month immediately following the day on which the APM Operational Date occurs.
- "APM Station" shall mean the area designated by the CEO in the ConRAC to be used for the loading and unloading of the traveling public coming to and from the CTA via the APM.
 - "Appraisal Instructions" shall have the meaning set forth in Section 6.3.3(b) of the Rental Car CLA.
 - "Appraiser Conference" shall have the meaning set forth in Section 6.3.3(b) of the Rental Car CLA.
 - "Approved Affiliate" shall have the meaning set forth in Section 4.3.1 of the Rental Car CLA.
- "Approved Affiliates' Prior Concession Agreement(s)" shall mean the Non-Exclusive Concession Agreement between City and Approved Affiliate(s) for an automobile rental business at the Los Angeles International Airport entered into prior to the DBO.
- "Approved Tenant Improvement Plan" shall have the meaning set forth in Section 2.4.1 of the Rental Car CLA.
 - "Award" shall have the meaning set forth in Section 18.3 of the Rental Car CLA.
- "Base Building Elements" shall mean the base building improvements and building systems to be constructed by City (or its Developer) initially described in the Project Scope, as may be revised and finally described in the Final Design and/or the "as built" drawings for the Project.
 - "Base Index" shall have the meaning set forth in Section 6.3.3(a) of the Rental Car CLA.

"Base Minimum Annual Guarantee" shall have the meaning as set forth in Section 6.2.1 of the Rental Car CLA.

"Base Month" shall mean the month that is fifteen (15) months prior to the first (1st) month of the applicable Agreement Year.

"Board" shall mean the Board of Airport Commissioners of the Department of Airports of the City of Los Angeles, California.

"Brand Name" or "Brand Names" shall have the meaning as set forth in Section 4.2 of the Rental Car CLA.

"Bus Plaza" shall mean the area designated by the CEO in the ConRAC to support the common busing operation for the loading and unloading of Airport customers to and from the CTA.

"Business Day" shall mean any day excluding Saturdays, Sundays, and any other day designated as a holiday under the federal laws of the United States or under the laws of the State of California or the City of Los Angeles.

"Capital Improvement(s)" shall mean the cost of any improvement or item or related group of items acquired, purchased, leased or constructed to develop, improve or enhance the ConRAC, as well as any other capital expenditure incurred or paid by City in connection with the ConRAC that, in accordance with accounting principles consistently applied, is capitalized by City. The parties acknowledge that a Capital Improvement of the ConRAC includes, among other things and including the foregoing, (i) costs relating to unforeseen conditions encountered in connection with the development of the ConRAC, such as hazardous materials remediation and relocation of underground utilities, (ii) payments made to the Developer under the ConRAC Project Agreement relating to the development of the ConRAC, (iii) program and construction management, inspection and other oversight costs relating to the development of the ConRAC and (iv) costs for off-site roadway and enabling improvements relating to the ConRAC in an amount equal to five percent (5%) of the total cost of the ConRAC. Further, any portion of the Developer Availability Payments attributable to Capital Improvement Costs for off-site roadway work constructed by Developer that may be included in Annual Capital Costs of the ConRAC shall be subject to the five percent (5%) limit referred to in clause (iv) above.

"Car Carrier Delivery Stalls" shall mean the area designated by the CEO in the ConRAC for use in common by ConRAC Concessionaires for the delivery and unloading rental vehicles from car carrier delivery trucks.

"CASp" shall have the meaning as set forth in Section 29.22 of the Rental Car CLA.

"Casualty" shall have the meaning as set forth in Section 17.1 of the Rental Car CLA.

"CEO" shall mean the Chief Executive Officer of the Department of Airports of the City of Los Angeles, California, or his or her designee.

"CFC" shall mean the "Customer Facility Charge" as such term is defined in California Government Code Section 50474.21, et seq., as may be hereafter amended or restated in its successor statute.

"CFC Administrative Costs" shall mean and refer to any and all costs incurred or paid by City in connection with the administration of the CFC, the Transportation Fees, and/or the payment of CFC eligible

costs. Without limiting the generality of the foregoing, CFC Administrative Costs include, but are not limited to, bank charges, the costs of collecting, handling and distributing of the CFC or Transportation Fees, and the cost of CFC or Transportation Fees audits.

"CFC Interest Income" shall mean interest income earned by City with respect to CFC revenues held by City.

"CFC Revenue Report" shall have the meaning as set forth in Section 7.4 of the Rental Car CLA.

"CFC Statutes" shall mean California Government Code Section 50474.1, et seq. and its regulations, as may be hereafter amended or restated in its successor statute.

"Challenge Appraisal" shall have the meaning set forth in Section 6.3.3(b) of the Rental Car CLA. "Change Order" shall have the meaning set forth in Section 2.1.4 of the Rental Car CLA.

"Change Order Costs" shall have the meaning set forth in Section 2.1.4 of the Rental Car CLA.

"Circulation Roadway Space" shall mean the Exclusive Use Space in the ConRAC designated by the CEO for use by a ConRAC Concessionaire that is not an Independent Operator for vehicle circulation.

"City" shall mean the City of Los Angeles, acting by order of and through the Board of the Department of Airports.

"City Council" shall mean the Los Angeles City Council.

"City Network" shall have the meaning set forth in Section 25.5.1 of the Rental Car CLA.

"City Party" or "City Parties" shall mean the City, the Board, the City Council, and their respective Board members, officers, directors, employees, developers, contractors, agents, advisors, attorneys and representatives.

"CLA" or "Rental Car CLA" shall mean the concession and lease agreement issued by City that ConRAC Concessionaires execute to operate in the ConRAC.

"Claim" or "Claims" shall mean any actions, causes of action, charges, claims, demands, expenses (including reasonable attorneys' fees, costs of court and expenses incurred), liabilities, losses, damages judgments, liens, losses, penalties or fines of every kind and nature whatsoever.

"Commencement Date" shall have the meaning as set forth in Section 1.1 of the Rental Car CLA.

"Common Use Areas" shall mean and refer to all areas and facilities located within the ConRAC that are designated by the CEO from time to time as common use areas for the general use and convenience of ConRAC Concessionaires (or a specific sub-group of ConRAC Concessionaires), ConRAC Customers, other visitors to the ConRAC and/or the travelling public, such as lobbies, corridors, sidewalks, elevators, escalators, parking areas, and facilities, restrooms, pedestrian entrances, driveways, loading zones and roadways within the ConRAC Land. Common Use Areas specifically include, but are not limited to, the Bus Plaza, APM Station, the Loading Dock and the ConRAC Concessionaire Employee Parking Area. Notwithstanding the foregoing definition, "Common Use Areas" shall not include the Exclusive Use Space and the Joint Use Space.

- "Comparison Month" shall mean the month that is three (3) months prior to the first (1st) month of the applicable Agreement Year.
 - "Compensation Claims" shall have the meaning as set forth in Section 25.8 of the Rental Car CLA.
 - "Concept Request" shall have the meaning as set forth in Section 8.2 of the Rental Car CLA.
 - "Concession Fee" shall have the meaning as set forth in Section 6.2 of the Rental Car CLA.
 - "Concessionaire" shall mean the entity that has entered into the Rental Car CLA.
- "Concessionaire CTS Contribution" shall have the meaning set forth in Section 6.6 of the Rental Car CLA.
- "Concessionaire Majority" shall mean 50% or more of the ConRAC Concessionaires in number that represent more than 50% of the rental car market at the ConRAC based on Gross Revenues in the prior three (3) calendar years.
- "Concessionaire Network" shall have the meaning set forth in Section 25.5.2 of the Rental Car CLA.
- "Concessionaire Network Plans" shall have the meaning set forth in Section 25.5.2 of the Rental Car CLA.
- "Concessionaire Party" or "Concessionaire Parties" shall mean Concessionaire, Concessionaire's Affiliates, and their respective employees, shareholders, board of directors, officers, contractors, representatives, agents, customers, permitees and invitees.
- "Concessionaire-Occupied Square Footage" shall mean, for any particular ConRAC Concessionaire (including Concessionaire), the sum of (i) the total number of square feet contained in such Concessionaire's Demised Premises under its CLA, plus (ii) if such Concessionaire is an Independent Operator, such Concessionaire's proportionate share of the Joint Use Space square footage based on the proportion that the total square footage contained in such Concessionaire's Demised Premises bears to the total aggregate square footage contained in the ConRAC Demised Premises of all of the ConRAC Concessionaires who are Independent Operators, as determined by City and as may be adjusted from time to time by City.
- "Condition of Completion" shall have the meaning as set forth in Section 2.2 of the Rental Car CLA.
- "ConRAC" shall mean the consolidated rental car center to be located at the Airport as contemplated by the Rental Car CLA.
- "ConRAC Bonds" shall mean any bonds that may be issued by City (whether in one or more series) for purposes of financing the design and construction of the Project.
- "ConRAC Concessionaire Employee Parking Area" shall mean the area designated by the CEO in the ConRAC to be used for vehicular parking by ConRAC Concessionaire employees who work at the ConRAC.

"ConRAC Concessionaires" shall mean rental car concessionaires, including Concessionaire, that have executed a CLA with City to operate at the ConRAC.

"ConRAC Customer(s)" shall mean any Person(s) who enters into an automobile rental agreement with Concessionaire or its Affiliate or takes delivery of a rental vehicle from Concessionaire or its Affiliate at the ConRAC or where such customer transaction is serviced from the ConRAC.

"ConRAC Demised Premises" shall mean the Demised Premises of a ConRAC Concessionaire as set forth in the respective CLA of such ConRAC Concessionaire.

"ConRAC Land" shall mean the parcel or parcels of land on which the ConRAC is located, as determined by City. The ConRAC Land is preliminarily described in Exhibit S attached hereto and incorporated by this reference. Said Exhibit S is a preliminary description only, with estimations as to the dimensions and the location of the ConRAC Land. As a component of the completion of the Final Design, the final description of the ConRAC Land will be determined by City and shall be subject to approval by the Board. City shall give to Concessionaire a written notice of the approved final description of the ConRAC Land, including City's determination of the ConRAC Land Square Footage. Once provided by City, such final description of the ConRAC Land as approved by the Board shall be deemed a part of the Rental Car CLA and incorporated herein.

"ConRAC Land Square Footage" shall mean the total number of square feet of land area contained within the ConRAC Land. As indicated in Exhibit S, the total number of square feet contained within the preliminary description of the ConRAC Land is Two Million and Nine Hundred Five Thousand (2,905,000) square feet.

"ConRAC Operating Rules" shall have the meaning set forth in Section 4.4 of the Rental Car CLA.

"ConRAC Project Agreement" shall mean an agreement that is entered into between City and Developer to design, build, finance, operate and/or maintain the ConRAC, as such agreement may be amended from time to time thereafter, or any successor agreement that is entered into between City and a successor to the Developer to perform such services.

"Consent to Affiliate" shall have the meaning set forth in Section 4.3.1 of the Rental Car CLA.

"Construction Commencement Date" shall mean the date that construction of the ConRAC is to commence, which date shall be determined by the CEO in his or her sole discretion and shall be confirmed by written notice to Concessionaire.

"County" shall mean the County of Los Angeles in the State of California.

"CPI" shall mean the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor of CPI-U (all urban consumers) for Los Angeles — Riverside — Orange County, CA (all items 1982 - 1984 = 100). If the CPI is changed so that the base year differs from that in effect on the DBO, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. In the event that the compilation and/or publication of the CPI shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation (as reasonably determined by the CEO).

"CTA" shall mean the area of the Airport commonly referred to as the Central Terminal Area.

"CTS" shall have the meaning as set forth in Section 3.1 of the Rental Car CLA.

"CTS Abatement Fund" shall have the meaning as set forth in Section 6.6.5 of the Rental Car CLA.

"CTS Contribution Additional Abatement" shall have the meaning as set forth in Section 6.6.5(b) of the Rental Car CLA.

"CTS Contribution Scheduled Abatement" shall have the meaning as set forth in Section 6.6.5(a) of the Rental Car CLA.

"CTS Excess Amount" shall have the meaning as set forth in Section 6.6.5(b) of the Rental Car CLA.

"CTS Payment Account" shall have the meaning as set forth in Section 6.6.1 of the Rental Car CLA.

"CTS Payment Account Maximum Balance" shall have the meaning as set forth in Section 6.6.2 of the Rental Car CLA.

"Customer Service Building" shall mean the building or buildings in the ConRAC designated by the CEO for the use by ConRAC Concessionaires and their customers containing, among other things, the customer service counters and associated queuing areas.

"Customer Service Building Space" shall mean the Exclusive Use Space within the Customer Service Building designated by the CEO for the use by a ConRAC Concessionaire.

"Date of Taking" shall have the meaning as set forth in Section 18.1 of the Rental Car CLA.

"DBO" or "Date of Beneficial Occupancy" shall mean the date the ConRAC is available for the essential operations of rental car companies as designated by the CEO to Concessionaire in writing. City shall provide to Concessionaire not less than fifteen (15) days' prior written notice of the anticipated date of the DBO, which is anticipated to be coordinated with the Operational Readiness Date pursuant to the ConRAC Project Agreement.

"DBO Anniversary" shall mean the anniversary of the date on which the DBO occurs, provided, however, in the event that the DBO occurs on a day other than the first (1st) day of a calendar month, the "DBO Anniversary" shall be the anniversary of the first (1st) day of the calendar month immediately following the day on which the DBO occurs.

"Default" shall have the meaning as set forth in Section 20.1 of the Rental Car CLA.

"Deficient Report Charge" shall have the meaning as set forth in Section 6.14 of the Rental Car CLA.

"Demised Premises" shall have the meaning as set forth in Section 5.1 of the Rental Car CLA, except as the context otherwise requires with the reference to the use of the term Demised Premises contained in the definition of "ConRAC Demised Premises."

"Design and Construction Criteria" shall have the meaning as set forth in Section 8.3 of the Rental Car CLA.

"Developer" shall mean City's competitively-selected developer or contractor who enters into a ConRAC Project Agreement with City, or its City approved successor.

"Developer Availability Payments" shall mean the availability payments made by City to Developer pursuant to the terms of the ConRAC Project Agreement, including, but not limited to, payments relating to (i) the costs for the design, finance, permitting and construction of the Project, (ii) major maintenance of the ConRAC, (iii) "hand back" requirements of the ConRAC, (iv) the Developer's return on its invested capital, and (v) Operations and Maintenance Expenses.

"Development Timeline" shall have the meaning as set forth in Section 2.1.2 of the Rental Car CLA.

"Effective Date" shall mean the date that is set forth as the Effective Date in the initial paragraph of the Rental Car CLA.

"Environmental Requirements" shall mean any and all federal, state and local laws, statutes, ordinances, rules and regulations now or hereafter in force, as amended from time to time, in any way relating to or regulating human health or safety, and industrial hygiene or environmental conditions, or protection of the environment, or pollution, or contamination of the air, soil, soil gas, surface water or ground water, any common law, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act, the Clean Water Act, the Hazardous Substance Account Act, California Health and Safety Code provisions, the California Hazardous Waste Control Law, the California Medical Waste Management Act, and the California Porter-Cologne Water Quality Control Act.

"Event of Default" shall have the meaning set forth in Section 20.1 of the Rental Car CLA.

"Excluded Costs" shall mean the cost of (i) the Airport Employee Parking Area, (ii) surface parking related to any intermodal facility constructed by the Developer, (iii) the solar enhancement project, (iv) the VSA Conversion Space, if any, upon conversion by City, and (v) that portion of the improvements necessary to accommodate cellular carrier services attributable to surrounding areas beyond the ConRAC.

"Exclusive Use Space" shall mean those portions of the ConRAC that are designated by the CEO for a ConRAC Concessionaire's exclusive use, consisting of Customer Service Building Space, Ready/Return Space, QTA Space, Circulation Roadway Space, Vehicle Corral Space, VSA Space, and Reclaimed VSA Conversion Space (if any). Concessionaire's Exclusive Use Space is preliminarily described in the Preliminary Demised Premises Description.

"Faithful Performance Guaranty" shall have the meaning as set forth in Section 21.1 of the Rental Car CLA.

"Faithful Performance Guaranty Amount" shall have the meaning as set forth in Section 21.1 of the Rental Car CLA.

"Fictitious Business Name" shall mean a fictitious business name that has been registered with the County Clerk upon filing of a valid fictitious business name statement.

"Final Alterations Plans" shall have the meaning as set forth in Section 8.2 of the Rental Car CLA. "Final Design" shall have the meaning as set forth in Section 2.1.1 of the Rental Car CLA.

"Final Notice of Reallocation" shall have the meaning as set forth in Section 5.3.5(b) of the Rental Car CLA.

"Fixed CTS Contribution" shall have the meaning as set forth in Section 6.6(a) of the Rental Car CLA.

"Fractional First Month" shall have the meaning set forth in the definition of the term "Agreement Year" above.

"Fuel Contract" shall have the meaning as set forth in Section 24 of the Rental Car CLA.

"Fuel Provider" shall have the meaning as set forth in Section 24 of the Rental Car CLA.

"Gross Revenue" shall mean and refer to all consideration of any kind (whether cash, credit or in kind) received derived or billed by Concessionaire and/or its Affiliates with respect to ConRAC Customers. Gross Revenue shall be generally determined by the total of charges on the face of an ConRAC Customer's rental transaction contract, and shall include all amounts paid or payable to or consideration of determinable value received by Concessionaire or its Affiliates, after any discounts or coupons are deducted at time of rental. Gross Revenue includes, but is not limited to: time and mileage charges and separately stated fees for rental of automobiles at the ConRAC and other related or incidental services made at or from ConRAC regardless of where vehicles or services are delivered or returned; all amounts charged to customer for insurance coverage offered by Concessionaire or its Affiliates incidental to rental of vehicles including but not limited to Personal Accident Insurance (PAI), Personal Effects (PEC) and Supplemental Liability Insurance (SLI); Collision Damage Waiver (CDW) and Loss Damage Waiver (LDW) charges whether or not they are separately identified as such on the rental contract; revenue from customers for fuel, fueling service fees and charges and receipts for replacement of fuel whether at the commencement or end of the rental; drop-off and/or exchange fees; proceeds from the long-term lease of automobiles; revenue from airline or travel agents as part of any promotion featuring free or reduced rates as part of a package; miscellaneous revenue collected for associated services and equipment, or from anything else, when the rental is solicited regardless of where the rental contract is executed or where the automobile is picked up and of whether it is arranged by Concessionaire's or its Affiliates employees, agents, representatives, affiliates, or foreign subsidiaries; any amount attributable to retroactive adjustments/credits to Gross Revenue by Concessionaire or its Affiliates as volume discounts or rebates or any other designation, such as, but not limited to fees or commissions paid by Concessionaire or its Affiliates to airlines, corporate customers, travel agencies or others; vehicle license recovery fee, as such term is defined in Civil Code Section 1939.01 (or its successor statute); and such other charges to the customer that are not specifically excluded herein.

Gross Revenue does not include: (i) any federal, state, county or city sales or other similar taxes or surcharges separately stated on the customer's rental transaction contract and collected from customer and paid in full by Concessionaire to the applicable taxing authorities (excluding, however, vehicle license recovery fee [as such term is defined in Civil Code Section 1939.01 or its successor statute], which shall be included in "Gross Revenue"); (ii) sums received for damage to or loss, conversion or abandonment of automobiles or other property of Concessionaire, which are separately identifiable as such, and if the losses could be identified as such; (iii) all amounts collected from the customer separately identified on the rental transaction and known as "Customer Facility Charge" or "CFC" as required under Section 7.1; (iv) any charges collected from customers for payment of parking tickets, tolls and toll violations, traffic and red light tickets, and towing and storage charges to the extent such collections are paid by Concessionaire or its Affiliates to satisfy such charges; (v) carbon offset fees voluntarily paid by the rental car customers and collected by Concessionaire or its Affiliates where 100% of the fee collected is passed through to a third party to fund environmental initiatives; and (vi) amounts received by Concessionaire or its Affiliates from the sale or disposal of Concessionaire or its Affiliates-owned equipment or vehicles (collectively, "Gross Revenue Exclusions").

"Gross Revenue Exclusions" shall have the meaning set forth in the definition of Gross Revenue above.

"Gross Revenue Report Date" shall have the meaning set forth in Section 6.2.3(a) of the Rental Car CLA.

"Hazardous Materials" shall mean any substance (i) that now or in the future is regulated or governed by, requires investigation or remediation under, or is defined as a hazardous waste, hazardous substance, extremely hazardous waste, hazardous material, hazardous chemical, toxic chemical, toxic substance, cancer causing substance, substance that causes reproductive harm, pollutant or contaminant under any Environmental Requirements, (ii) that is toxic, explosive, corrosive, flammable, radioactive, carcinogenic, mutagenic, or otherwise hazardous, including but not limited to, fuel, gasoline, diesel, motor oil, petroleum hydrocarbons, any petroleum products, polychlorinated biphenyls (PCBs), asbestos, natural gas, natural gas liquids, liquefied natural gas, synthetic gas useable for fuel, radon and urea formaldehyde, (iii) the presence of which at the ConRAC causes or threatens to cause a nuisance at the ConRAC or adjacent property, or poses or threatens to pose a hazard to the health or safety of persons on or about the ConRAC or adjacent property, or (iv) the presence of which on adjacent property could constitute a trespass.

"Included Developer Availability Payments" shall mean all Developer Availability Payments, excluding Developer Availability Payments relating to: (a) the Operations and Maintenance Expenses; and (b) the Excluded Costs, which total amount of the Included Developer Availability Payments for the first (1st) through tenth (10th) Agreement Years shall be set forth on Exhibit T attached to the Rental Car CLA.

"Independent Operator" shall mean a ConRAC Concessionaire that has a Market Share of less than ten percent (10%) and who has been assigned the use of Joint Use Space by the CEO.

"Insurance Requirements" shall mean all terms of any insurance policy covering Concessionaire or covering or applicable to the ConRAC or any part thereof, all requirements of the issuer of the policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the ConRAC or any part thereof or any use or condition of the ConRAC or any part thereof

"Joint Circulation Roadway Space" shall mean the area in the ConRAC that is designated by the CEO to be jointly used by one or more Independent Operators for vehicle circulation.

"Joint QTA Space" shall mean the area in the ConRAC that is designated by the CEO to be jointly used by one or more Independent Operators for quick turnaround of rental vehicles, including fueling, washing and vehicle maintenance.

"Joint Use Space" shall mean the Joint QTA Space, the Joint Vehicle Corral Space and the Joint Circulation Roadway Space, collectively.

"Joint Vehicle Corral Space" shall mean the area in the ConRAC that is designated by the CEO as the area to be jointly used by one or more Independent Operators for the storage and parking of vehicles after being unloaded from car carrier delivery trucks.

"Land Rent" shall have the meaning as set forth in Section 6.3.1 of the Rental Car CLA.

"Land Rent Rate" shall mean the Land Rent Rate as determined by City pursuant to Section 6.3.2 of the Rental Car CLA.

"Late Charge Due Date" shall have the meaning set forth in Section 6.12 of the Rental Car CLA.

"LAWA Amortization Charges" shall mean amortization of Capital Improvements funded with City revenue, using a reasonable capital charge as determined by City that is no greater than the 10 year U.S. Treasury rate in effect as of the last day of such Agreement Year when the Capital Improvement is ready and available for its intended use plus 200 basis points.

"LAWA Debt Service Payments" shall mean payments by City for bonds (or other form of indebtedness) incurred by City (including refunding of any such indebtedness) relating to Capital Improvements, including (a) debt service on such bonds; (b) debt service coverage in accordance with stated bond covenant requirements; and (c) required reserves in accordance with bond documents. However, LAWA Debt Service Payments shall not include any bond-funded reserves or other amounts (e.g., debt service reserve funds and coverage funds) that have been used by City in a manner consistent with the bond documents to make debt service payments on the bonds.

"Legal Requirements" shall mean all laws, statutes, codes, acts, ordinances, charters, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, that now or at any time hereafter may be applicable to Concessionaire, ConRAC, or the Airport or any part thereof, including, without limitation, the Environmental Requirements.

"Light Vehicle Maintenance" shall mean and refer to the changing and rotation of tires, changing belts, wiper/blades, hoses and lamps, the changing of motor oil, oil filters and air filters, the flushing/changing of antifreeze/coolant and/or transmission fluid, changing/replacing windshields, replacing vehicle batteries, brake repair and maintenance, and other minor repairs or replacements similar in nature and as approved by the City.

"Loading Dock" shall mean the area designated by the CEO in the ConRAC for the delivery of materials for use by the ConRAC Concessionaires, the Developer and the City.

"Major Maintenance Costs" shall mean and refer to costs incurred or paid for by City for (a) Developer Availability Payments or other compensation payments relating to major maintenance and "hand back" requirements (including the funding of required "hand back" reserve accounts), and/or (b) repairs or replacements in, of or to the ConRAC (or any portion thereof) that (i) extends the useful life of a particular capital asset in or part of the ConRAC by more than five (5) years with a total value in excess of), which amount shall be adjusted to increase each Agreement Year by the percentage increase, if any, in the Blended Index (defined below) for the Comparison Month for such Agreement Year over the Blended Index for the Base Month for such Agreement Year, or (ii) replaces a particular capital asset in or part of the ConRAC that is otherwise at the end of its useful life. "Blended Index" shall mean the average of (y) the percentage increase, if any, in the Employment Cost Index —Wages and Salaries for Private Industry Workers in West for the Comparison Month for such Agreement Year over the Base Month for such Agreement Year, and (z) the percentage increase, if any, in the Commercial Machinery Repair and Maintenance Index for the Comparison Month for such Agreement Year over the Base Month for such Agreement Year, each as reported by the Bureau of Labor Statistics of the United States Department of Labor. In the event that the compilation and/or publication of the Employment Cost Indices shall be discontinued, then the index or indices most nearly the same as the Employment Cost Indices shall be used to make such calculation (as reasonably determined by the CEO).

"Market Share" shall mean a particular ConRAC Concessionaire's Gross Revenue relative to the total Gross Revenue generated by all ConRAC Concessionaires in the aggregate, calculated by dividing (i)

the total Gross Revenue reported by all ConRAC Concessionaires collectively, by (ii) the Gross Revenue reported by the particular ConRAC Concessionaire, based on the Gross Revenue reported in the applicable measurement period. Notwithstanding the foregoing, for purposes of the determination of Market Share for periods prior to the DBO, City will determine Market Share based on Gross Revenues derived from rental operations at the Airport as opposed to operations at the ConRAC.

"Material Change" shall mean a Project Change that has a material, adverse effect on the operational efficiency or functionality of the ConRAC, as reasonably determined by the CEO, as a result of a material deviation from the Project Scope and the Preliminary Demised Premises Description.

"Material Change Objection Notice" shall have the meaning as set forth in Section 2.1.3 of the Rental Car CLA.

"Maximum CTS Contribution" shall mean the Maximum CTS Contribution as determined as provided in Section 6.6.4 of the Rental Car CLA.

"Maximum Tenant Improvement Funding Amount" shall have the meaning as set forth in Section 2.5.1 of the Rental Car CLA.

"Minimum Annual Guarantee" shall have the meaning as set forth in Section 6.2.1 of the Rental Car CLA.

"MMIS" shall have the meaning as set forth in Section 12.3 of the Rental Car CLA.

"Monetary Obligations" shall have the meaning as set forth in Section 6.1 of the Rental Car CLA.

"Monthly Concession Fee Payments" shall have the meaning as set forth in Section 6.2.2 of the Rental Car CLA.

"Monthly Facility Renewal Requirement" shall have the meaning set forth in Section 6.7 of the Rental Car CLA.

"Monthly Gross Revenue Form" shall have the meaning as set forth in Section 6.2.3 (a) of the Rental Car CLA.

"Monthly MAG Payment" shall have the meaning as set forth in Section 6.2.2 of the Rental Car CLA.

"Monthly Percentage Overage Payment" shall have the meaning as set forth in Section 6.2.2 of the Rental Car CLA.

"Net Maximum CTS Contribution" shall have the meaning as set forth in Section 6.6.5 of the Rental Car CLA.

"New Concessionaire" shall have the meaning set forth in Section 5.3.3 of the Rental Car CLA.

"Non-Concessionaire RAC" shall mean any rental car service company, other than the ConRAC Concessionaires, that has entered into a license or other arrangement with City for the use of the CTS

"Non-QTA Areas" shall have the meaning as set forth in Section 12.6 of the Rental Car CLA.

"Non-QTA Assessment Process" shall have the meaning as set forth in Section 12.6 of the Rental Car CLA.

'Notice of Intent to Reallocate' shall have the meaning as set forth in Section 5.3.5(a) of the Rental Car CLA.

'Notice of Intent to Redesignate" shall have the meaning as set forth in Section 5.4.1 of the Rental Car CLA.

"Notice to Proceed Letter" shall have the meaning as set forth in Section 8.2 of the Rental Car CLA.

"O&M Fee" shall have the meaning as set forth in Section 6.4 of the Rental Car CLA.

"Operations and Maintenance Expenses" shall mean any and all operations and maintenance expenses of the ConRAC that are not CFC eligible and are incurred or paid by City. Operations and Maintenance Expenses shall include, without limitation, the following: (a) the portion of operations and maintenance expenses of the Developer that are part of the Developer Availability Payment and are subject to defined rates of escalation under the ConRAC Project Agreement as identified in the Operations and Maintenance Responsibility Matrix and as set forth in Exhibit T under the column entitled "Fixed Developer O&M Expense", (b) operations and maintenance expenses of the Developer that are not part of the Developer Availability Payment as identified in the Operations and Maintenance Responsibility Matrix, (c) administrative, management, insurance and support costs of the Developer for the ConRAC, (d) administrative expenses of City that are allocable to the ConRAC, and (e) other operation and maintenance expenses, including insurance costs, of City that are allocable to the ConRAC. Operations and Maintenance Expenses shall not include (i) the Excluded Costs, or (ii) any CFC Administrative Costs paid by City that are reimbursed to City by CFC revenues. All operations and maintenance expenses of the Developer will be net of actual deductions and/or penalties assessed against the Developer by City for the same period to the extent such deductions and/or penalties relate to such payments. City hereby confirms to Concessionaire that, under the terms of the ConRAC Project Agreement, the Developer will not be permitted to "mark-up" the following Operations and Maintenance Expenses that are based on actual costs: electricity, fuel, fluids, janitorial, pest control and waste management.

"Operations and Maintenance Responsibility Matrix" shall have the meaning as set forth in Section 12.1 of the Rental Car CLA.

"Operations and Maintenance Standards" shall have the meaning as set forth in Section 12.3 of the Rental Car CLA.

"Other CTS Costs" shall mean costs and expenses incurred by City in connection with the CTS (including all costs associated with the common shuttle bus system), but excluding any costs associated with the APM.

"Partial Taking" shall have the meaning set forth in Section 18.2 of the Rental Car CLA. "Percentage Fee" shall have the meaning as set forth in Section 6.2 of the Rental Car CLA.

"Permitted Hazardous Material Uses" shall have the meaning as set forth in Section 23.1 of the Rental Car CLA.

"Person" shall mean a corporation, an association, a partnership, a limited liability company, an organization, a trust, a natural person, a government or political subdivision thereof or a governmental agency.

"Pre-DBO Tenant Improvements" shall have the meaning as set forth in Section 2.4 of the Rental Car CLA.

"Preliminary Demised Premises Description" shall have the meaning as set forth in Section 5.1.1 of the Rental Car CLA.

"Prior Concession Agreement" shall mean the prior Non-Exclusive Concession Agreement between City and Concessionaire for an automobile rental business at the Los Angeles International Airport dated January 21, 2003, as amended thereafter.

"Pro Rata Share" shall mean, for any particular ConRAC Concessionaire (including Concessionaire), the percentage determined by dividing the Concessionaire-Occupied Square Footage of such ConRAC Concessionaire by the sum of (i) the aggregate number of square feet contained in the ConRAC Demised Premises of all of the ConRAC Concessionaires, plus (ii) the total square footage contained in the Joint Use Areas. The determination of Pro Rata Share shall be made by City, and is subject to adjustment or change from time to time by City (e.g. as the result of reallocation). City's determination of Pro Rata Share shall be final and binding on Concessionaire.

"Project" shall mean the initial improvements relating to the ConRAC to be designed and constructed by City as contemplated under the Rental Car CLA.

"Project Change" or "Project Changes" shall have the meaning set forth in Section 2.1.3 of the Rental Car CLA.

"Project Scope" shall have the meaning as set forth in Section 2.1.1 of the Rental Car CLA.

"Proposed Final Demised Premises Description" shall have the meaning as set forth in Section 5.1.1 of the Rental Car CLA.

"Proposed VSA Conversion Space" shall have the meaning as set forth in Section 5.4.1 of the Rental Car CLA.

"QTA Areas" shall have the meaning as set forth in Section 12.5 of the Rental Car CLA.

"QTA Assessment Process" shall have the meaning as set forth in Section 12.5 of the Rental Car CLA.

"QTA Space" shall mean the Exclusive Use Space in the ConRAC designated by the CEO for use by a ConRAC Concessionaire for quick turnaround of rental vehicles, including fueling, washing and vehicle maintenance.

"Qualified Appraiser" shall have the meaning set forth in Section 6.3.3(b) of the Rental Car CLA.

"Ready/Return Space" shall mean the Exclusive Use Space in the ConRAC designated by the CEO use by a ConRAC Concessionaire for the pick up and return of rental vehicles by its customers.

"Reallocation Costs" shall have the meaning set forth in Section 5.3.6 of the Rental Car CLA. "Reallocation Matrix" shall have the meaning set forth in Section 5.3.1 of the Rental Car CLA.

"Reclaimed VSA Conversion Space" shall have the meaning as set forth in Section 5.4.2 of the Rental Car CLA.

"Reclaimed VSA Conversion Space Rent" shall have the meaning as set forth in Section 6.8 of the Rental Car CLA.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment, the ConRAC or the ConRAC Land, including but not limited to the continuing migration of Hazardous Material into or through soil, surface water, or groundwater.

"Remaining CFC Revenues" shall mean, for the applicable Agreement Year, the remaining (i) CFC revenues collected by City from all customers who enter into automobile rental agreements with ConRAC Concessionaires and use the ConRAC, (ii) CFC Interest Income, and (iii) Reclaimed VSA Conversion Space Rent, after reduction for the Annual Capital Costs of the ConRAC. Notwithstanding the foregoing, in calculating the Remaining CFC Revenues, there shall not be reduction for any Excluded Costs.

"Remediation Work" shall have the meaning as set forth in Section 23.4 of the Rental Car CLA.

"Rental Car Concession" shall mean and refer to the right to operate as a "rental car company" or "rental company" (as such terms are defined and used in California Civil Code Section 1939.01 [as may be amended or restated] and the CFC Statutes) at the Airport from the ConRAC on a nonexclusive basis for the purpose of arranging rental car services for the benefit of ConRAC Customers where such rental car service is furnished by Concessionaire, and for which service a CFC can be lawfully charged for each Transaction Day.

"Rental Period" shall have the meaning set forth in Section 5.1 of the Rental Car CLA.

"Repair Period Notice" shall have the meaning set forth in Section 17.3 of the Rental Car CLA.

"Scheduled Reallocation" shall have the meaning as set forth in Section 5.3.1 of the Rental Car CLA.

"Special Market Share Reallocation" shall have the meaning as set forth in Section 5.3.2 of the Rental Car CLA.

"Table 2(b)" shall have the meaning as set forth in Section 12.5.1 of the Rental Car CLA.

"Tables 2(a) and 2(c)" shall have the meaning as set forth in Section 12.6.1 of the Rental Car CLA.

"Taking" shall mean a temporary or permanent taking by a government or political subdivision thereof or by a governmental agency (or by any other Person exercising the power of condemnation or eminent domain) for public or quasi-public use of all or any part of the ConRAC, or any interest therein or right accruing thereto, including, without limitation, any right of access thereto existing on the date hereof; as the result of or in lieu of or in anticipation of the exercise of the right of condemnation or eminent domain. No recapture or reallocation by City of any portion of the Demised Premises, or exercise by City of any similar right under the terms of the Rental Car CLA, shall constitute a Taking.

"Taking Date" shall mean in connection with a Taking, the earlier of the date on which title vests due to the Taking and the date on which possession of the property affected by the Taking is required to be, or is, delivered to or at the direction of the condemning authority.

"Technical Provisions" shall have the meaning as set forth in Section 2.1.1 of the Rental Car CLA.

"Tenant Improvement Funding Amount" shall have the meaning as set forth in Section 2.5 of the Rental Car CLA.

"Tenant Improvement Plan" shall have the meaning set forth in Section 2.4.1 of the Rental Car CLA.

"Tenant Improvement Rent" shall have the meaning as set forth in Section 6.5.1 of the Rental Car CLA.

"Tenant Improvement Rent Interest Rate" shall have the meaning as set forth in Section 6.5.1 of the Rental Car CLA.

"Term" shall have the meaning as set forth in Section 1.1 of the Rental Car CLA.

"TIP Response Date" shall have the meaning as set forth in Section 2.4.1 of the Rental Car CLA.

"Total ConRAC Concessionaires and City Occupied Square Footage" shall mean the sum of (a) the total aggregate number of square feet contained in the ConRAC Demised Premises of all of the ConRAC Concessionaires operating in the ConRAC, (b) the total number of square feet contained in the Airport Employee Parking Area (if any), (c) the total number of square feet contained in the VSA Conversion Space (if any), and (d) the total number of square feet contained in the Joint Use Space, as determined by the CEO and as may be adjusted from time to time by the CEO.

"Total Taking" shall have the meaning as set forth in Section 18.1 of the Rental Car CLA.

"Transaction Day" shall mean up to twenty five (25) hour period or fraction thereof for the first "Transaction Day" and successive 24-hour periods or fractions thereof for each successive "Transaction Day" for which a rental vehicle customer is provided the use of a rental vehicle for compensation up to the maximum number of Transaction Days per rental vehicle contract for which CFC may be charged under the CFC Statute; provided, however, in the event of any inconsistency between this definition and the terms of the Board resolution imposing the CFC or relating to any future change in the CFC Statute, the terms of the Board resolution shall control. If the same rental car is rented to more than one customer within a continuous 24-hour period, then each such rental shall be calculated as a "Transaction Day."

"Transaction Days Report Form" shall have the meaning as set forth in Section 6.2.3(c) of the Rental Car CLA.

"Transfer" shall have the meaning set forth in Section 19.1 of the Rental Car CLA.

"Transfer Request" shall have the meaning set forth in Section 19.2 of the Rental Car CLA.

"Transportation Fees" shall have the meaning set forth in Section 6.6.3 of the Rental Car CLA.

"Unavoidable Delays" means delays due to strikes, acts of God, interruption of services, enemy action, terrorist acts, civil commotion, shortages of labor or supply or other similar causes beyond the

reasonable control of the party whose action is required; but lack of funds shall not be deemed a cause beyond the control of Concessionaire.

"Unrecovered Facility Renewal Costs" shall have the meaning set forth in Section 6.7 of the Rental Car CLA.

"Variable CTS Contribution" shall have the meaning as set forth in Section 6.6(b) of the Rental Car CLA.

"Vehicle Corral Space" shall mean the Exclusive Use Space designated by the CEO in the ConRAC for use by a ConRAC Concessionaire for the storage and parking of vehicles after being unloaded from car carrier delivery trucks.

"VSA" shall mean those portions of the ConRAC that are designated by the CEO for vehicle storage and parking use by the ConRAC Concessionaires.

"VSA Conversion Space" shall have the meaning as set forth in Section 5.4.2 of the Rental Car CLA.

"VSA Conversions Suspension Period" shall have the meaning as set forth in Section 5.4.3 of the Rental Car CLA.

"VSA Space" shall mean the Exclusive Use Space in the ConRAC designated by the CEO for use by a ConRAC Concessionaire for vehicle storage and parking use.

"Year 8-10 Minimum Transaction Days" shall have the meaning as set forth in Section 6.6.4(c) of the Rental Car CLA.

Section 1. Term of Agreement; Early Termination; Extension of Term.

1.1. Term. The Rental Car CLA shall commence on the first day of the month following the Board and the City Council's approval of the Rental Car CLA ("Commencement Date") and shall terminate on the last day of the twentieth (20th) Agreement Year ("Term"), subject to the extension of the Term as set forth in Section 1.3 and earlier termination right as provided in Section 1.2 below. City shall give a written notice confirming the Commencement Date when such is ascertained.

1.2. Early Termination.

- 1.2.1. Early Termination by City. Notwithstanding Section 1.1 above, City shall have the right to terminate the Rental Car CLA before the expiration of the Term, subject to written notice to Concessionaire, in the event of either of the following occurrences:
 - (a) If City has not provided a written notice on or before December 31, 2021 (i) confirming that City is prepared to commence the construction of the Project, and (ii) identifying the Construction Commencement Date, then City shall have the right to terminate the Rental Car CLA by delivery of a written notice, and the termination shall be effective twenty-four (24) months from such notice (it being understood that during said 24-month period, the parties' respective obligations under the Rental Car CLA shall be suspended); or

(b) The State of California (i) suspends or terminates City's authority to collect the CFC, (ii) reduces the allowable CFC collection rate below Nine Dollars (\$9.00) per Transaction Day, or (iii) imposes a cap or ceiling on the number of allowable Transaction Days for which the CFC can be collected, which cap is less than five (5) days. City shall provide Concessionaire with not less than one hundred eighty (180) days' prior written notice of such termination by City pursuant to this Subsection (b).

Prior to City's exercise of its termination right as the result of an occurrence described in Subsection (b) above, City will meet and confer with the ConRAC Concessionaires in an attempt to identify potential solutions to address the revenue shortfall caused by such occurrence.

- 1.2.2. No Obligation on City. Nothing herein shall be construed to require City to impose or collect the CFC, nor will City be obligated to adopt, change or adjust the CFC rates, which rights shall be exercised in City's sole and absolute discretion in accordance with the CFC Statutes. City shall not be held liable to Concessionaire for any Claims for or in connection with City's inability or failure to impose the CFC or to collect the CFC in any amount or at any rate.
- 1.3. Extension of Term. The Term of the Rental Car CLA shall be subject to extension for one (1) additional period of five (5) years beyond the expiration date of the initial Term as provided in either Section 1.3.1 or Section 1.3.2 below.
 - 1.3.1. City's Option. Subject to the Board's approval, City shall have the option to extend the Term of the Rental Car CLA for an additional five (5) years, which option may be exercised at any time prior to the fifteenth (15th) DBO Anniversary by delivery of a written notice.
 - 1.3.2. Automatic Extension. If the City does not exercise its option to extend the Term of the Rental Car CLA for an additional five (5) years as provided in Section 1.3.1 above, the Term of the Rental Car CLA shall be automatically extended by an additional five (5) years if: (1) Concessionaire is not then in Default of the Rental Car CLA, and (2) as of the fifteenth (15th) DBO Anniversary, ConRAC Concessionaires' total number of Transaction Days over the immediately preceding twelve (12) months collectively exceed 19.9 million Transaction Days, provided that such fifteenth (15th) DBO Anniversary occurs in the calendar year 2038. If the fifteenth (15th) DBO Anniversary occurs in the calendar year 2039 or later, the foregoing minimum Transaction Days, which will cause automatic extension of the Rental Car CLA, shall be increased by three percent (3%) each year. On or before the seventeenth (17th) DBO Anniversary, City shall provide a written notice to Concessionaire confirming whether the automatic extension to the Term pursuant to this Section 1.3.2 has occurred.

Section 2. Design and Construction of the Project and Tenant Improvements

2.1. Project Design.

2.1.1. Project Scope; Technical Provisions; Final Design. The Project has been preliminarily defined as set forth in Exhibit A attached to the Rental Car CLA ("Project Scope"), which is a refinement of the scope of the Project as initially described in the Los Angeles International Airport Consolidated Rental Car Facility Project Definition Document dated February 24, 2017, prepared by TranSystems on behalf of LAX Los Angeles World Airports. The Project Scope is subject to further development and refinement in accordance with the technical specifications required by City ("Technical Provisions") and other design and technical

requirements proposed by the Developer and accepted by City. The plans and specifications for the Project as may be finally developed and approved by City are collectively referred to herein as the "Final Design."

- 2.1.2. Status Updates and Consultation. City shall periodically, but no less frequently than every six (6) months, provide status updates to Concessionaire with respect to the Project and the Development Timeline (as defined below). City will provide Concessionaire with the opportunity to review and comment on the pertinent design documents for the Project and the Development Timeline. City will reasonably consider Concessionaire's comments, but City shall have no obligation to incorporate Concessionaire's comments into the Final Design or the Development Timeline (except that the actual time periods between the actual Access Dates [as defined in Section 2.2 below] and the actual DBO shall not be less than the respective time-periods between the estimated Access Dates and the anticipated DBO as set forth in the preliminary Development Timeline, unless otherwise agreed to by the parties). Concessionaire shall cooperate in all reasonable respects as may be requested by City in connection with City's (or its Developer's) development of the Project, including, without limitation, promptly responding to City in connection with any input or feedback requested from Concessionaire by City. The term "Development Timeline" shall mean the timeline for the development of the Project prepared by City and provided to Concessionaire from time to time, containing, among other things, (a) the estimated Access Dates on which Concessionaire will be provided access to various areas of the Demised Premises for the purpose of commencing construction of the Pre-DBO Tenant Improvements, (b) the anticipated DBO, and (c) the date for Concessionaire's delivery of its Tenant Improvement Plan to City. Exhibit D attached to the Rental Car CLA is a preliminary version of the Development Timeline. The Development Timeline shall be subject to update and revision by City from time to time in City's discretion.
- 2.1.3. Material Change. Concessionaire shall carefully review any and all Project updates provided to Concessionaire by City, including, without limitation, Project updates that contain changes or revisions to the Project Scope and/or the Preliminary Demised Premises Description (individually, a "Project Change" and collectively, "Project Changes"). Within fifteen (15) days from City's delivery of a Project update containing a Project Change (including, without limitation, a Material Change), Concessionaire shall notify City in writing of any comments to such Project Change, and if requested by Concessionaire, City will meet and confer with Concessionaire regarding such Project Change. Such meet and confer may be held individually or collectively with other ConRAC Concessionaires. Notwithstanding Concessionaire's opportunity to review and comment on any Project Changes, City shall have the sole discretion to determine the final design of the Project, and Concessionaire shall have no right to object to a Project Change unless such Project Change constitutes a Material Change. In the event of a Material Change that is objectionable to Concessionaire, Concessionaire shall notify City in writing of its objection within the fifteen (15) days from City's delivery of a Project update containing a Project Change (a "Material Change Objection Notice"). The Material Change Objection Notice shall explicitly state that such notice constitutes Concessionaire's objection to an alleged Material Change and shall contain a reasonably detailed explanation as to why Concessionaire believes that such Project Change constitutes a Material Change. Promptly following the delivery of a Material Change Objection Notice, City and Concessionaire shall meet and confer in good faith in an attempt to resolve Concessionaire's objection. Notwithstanding such good faith meet and confer to resolve Concessionaire's objection, City, in its sole discretion, shall have the right to reject Concessionaire's objection if City reasonably determines that the Project Change is substantially in accordance with the Project Scope or refinements thereto made in accordance with the terms of the ConRAC Project Agreement. If Concessionaire timely objects to a Material Change and thereafter City and Concessionaire are unable to resolve Concessionaire's objection to the Material

Change, then City may at City's option either (i) revise relevant elements of the Project to eliminate the Material Change (in which event Concessionaire shall execute a written confirmation of its acceptance of the Project as revised and the resolution of its objection to the Material Change), or (ii) terminate the Rental Car CLA. Concessionaire acknowledges that time is of the essence in review of the Project updates, comments on the Project Changes and objection to a Material Change. Accordingly, notwithstanding anything herein to the contrary, Concessionaire shall have no right to object to a Material Change after the 60% Design Progress Review, except to the extent that the 60% Design Progress Review contains such a Material Change not previously included in a Project update, in which event, Concessionaire may deliver to City a Material Change Objection Notice within fifteen (15) days from the date that Concessionaire is given notice of such 60% Design Progress Review. Further, the failure to timely deliver comments and a Material Change Objection Notice shall constitute and be deemed to be Concessionaire's unconditional acceptance of all Project Changes (including any and all Material Changes). Concessionaire shall promptly execute and return to City such written confirmations and acknowledgements as City may request from time to time regarding Concessionaire's receipt and review of Project updates and Project Changes (including, without limitation, such an acknowledgement regarding the 60% Design Progress Review). In the event of a Material Change relating to the locations of the Preliminary Demised Premises Descriptions of the ConRAC Concessionaires under their respective CLAs, City intends to use the allocation methodology described in Sections 5.1.3 and 5.1.4 (starting from the highest market share to the lowest market share) as a basis for determining the respective Final Demised Premises Descriptions of the ConRAC Concessionaires under their respective CLAs. Any and all changes and refinements to the Project Scope are subject to City's approval in its sole discretion.

2.1.4. Change Order. If Concessionaire (either individually or in conjunction with one or more other ConRAC Concessionaires) requests any changes to the Project Scope or Preliminary Demised Premises Description, then such request shall be deemed a request for a "Change Order" by such requesting ConRAC Concessionaires. A change may only be requested by the delivery to City by the requesting ConRAC Concessionaires of a proposed written Change Order specifically setting forth the requested change. City may, in City's sole and absolute discretion, allow or not allow such Change Order based upon such considerations as Project design, operational efficiencies, time delays, the complexities of the change, the total cost of the change, or other factors as City deems relevant. In any event, the requesting ConRAC Concessionaires shall be entirely responsible for the payment of all costs and expenses related to such Change Order (collectively, "Change Order Costs"), including but not limited to, (a) any design or permitting costs attributable to such Change Order, (b) additional construction costs attributable to such Change Order, (c) the fees payable to City's contractors for the administration or execution of such Change Order, (d) additional Operations and Maintenance Expenses, and renewal and financing costs caused by such Change Order, and (e) any other costs relating to delays or changes in the design, construction and delivery date of the Project as a result of such Change Order. As a condition to the approval of any Change Order, the requesting ConRAC Concessionaires and any other affected ConRAC Concessionaires shall execute and deliver to City a written acknowledgement, in form and content satisfactory to City, in its sole discretion, setting forth the details of the Change Order, approval and acceptance of the Change Order (which will include, without limitation, waiver of any claim of Material Change), and the timing and/or manner of payment of the Change Order Costs. Concessionaire acknowledges that City shall have the right to require the requesting ConRAC Concessionaires to pay the full amount of any Change Order Costs to City immediately upon City's written request or upon such other terms as City may agree to in writing. City shall not be bound to make any Change Order unless such Change Order is approved by City in writing.

- 2.2. Project Construction; Concessionaire Access to Construct the Pre-DBO Tenant Improvements. City will construct (or, in the exercise of City's right to delegate performance of its responsibilities as provided in Section 29.4, cause its Developer to construct) the Project in accordance with the Final Design. On the date specified in the Development Timeline, City will provide to Concessionaire reasonable access (without a warranty of Condition of Completion [defined below]) to the Ready/Return Space for the sole purpose of laying down or storing materials and equipment necessary for Concessionaire's Pre-DBO Tenant Improvements as more particularly described in Part 2B, Section 22.5 of the Technical Provisions. Concessionaire acknowledges that Concessionaire's obligations under Sections 8, 9 and 13 shall apply to Concessionaire's activities during all periods of early access referred to in this Section 2.2 and further that Concessionaire shall coordinate and cooperate with City (and its designated Developer) in connection with such access and activities. City reserves the right to reasonably limit such access and activities so as not to interfere with City's (or its Developer's) construction activities or other ConRAC Concessionaires' access or use of other parts of the ConRAC. Concessionaire shall be solely responsible for securing its materials and equipment stored in the Ready/Return Space. Commencing not less than ten (10) months prior to the scheduled date for the DBO (which 10-month period is inclusive of the tenant familiarization period), City will provide to Concessionaire reasonable access to the Demised Premises (except QTA Space) for the purpose of constructing the Pre-DBO Tenant Improvements. Access to QTA Space shall be provided not less than five (5) months prior to the scheduled date for the DBO. Such access may be granted to the entire Demised Premises at once or on a phased schedule, based on the completion of the construction of various Exclusive Use Space included in the Demised Premises. The dates that City commences to provide such access to the respective Exclusive Use Space within the Demised Premises are referred to herein as the "Access Dates." As of the Access Dates, such Exclusive Use Space shall be delivered in the condition of completion as described in Exhibit A so as to permit Concessionaire to commence construction of Concessionaire's Pre-DBO Tenant Improvements within such Exclusive Use Space without unreasonable hindrance or delay due to the lack of completion thereof ("Condition of Completion"). City reserves the right to reasonably revise the Condition of Completion as the turnover condition pursuant to the ConRAC Project Agreement develops and is finalized so that the Condition of Completion will be consistent with the turnover condition under the ConRAC Project Agreement. Ten (10) days before the anticipated Access Dates, Concessionaire and City shall conduct a walk-through for the purpose of confirming the Condition of Completion of the Exclusive Use Space within the Demised Premises. Within five (5) days following such walk-through, Concessionaire shall execute a written acknowledgement (in form and content satisfactory to City), acknowledging the Condition of Completion and Concessionaire's acceptance of the Demised Premises. In the event that Concessionaire contends that there are deficiencies in the condition of any of the Exclusive Use Space within the Demised Premises, within five (5) days of such walk-through, Concessionaire shall give a written notice of such alleged deficiencies with reasonable detail, which, if requested by City, may be in the form of a punch list.
- 2.3. Permits and Approvals. City shall obtain all necessary governmental permits and approvals associated with the Project. However, City shall not be responsible for any permits or approvals associated with the Pre-DBO Tenant Improvements (as defined below), which shall be Concessionaire's sole responsibility.
- 2.4. Design and Construction of Pre-DBO Tenant Improvements. Concessionaire shall be responsible for designing and constructing all improvements for the Demised Premises that Concessionaire determines are reasonably necessary or desirable for Concessionaire's rental car operation in the ConRAC ("Pre-DBO Tenant Improvements"). Concessionaire shall design and construct the Pre-DBO Tenant Improvements in accordance with this Section 2.4 and the other applicable provisions of the Rental Car CLA (including, but not limited to, Sections 8.2 and 8.3).
 - 2.4.1. Tenant Improvement Plan. On or before the date specified by City in the Development Timeline ("TIP Response Date"), Concessionaire shall submit to City a written

request for consent to the construction of the Pre-DBO Tenant Improvements, which request shall be submitted together with (i) a statement specifying whether or not Concessionaire is seeking to receive from City a share of the funds to be made available by City pursuant to Section 2.5, and if so, the amount Concessionaire is seeking to receive (up to the Maximum Tenant Improvement Funding Amount), (ii) such plans, information and documents that clearly define the scope of work, with any additions or modifications required by City upon City's review of the preliminary plans for the Pre-DBO Tenant Improvement, which preliminary plans shall be submitted on such date as indicated in the Development Timeline, (iii) Concessionaire Network Plans (as required in Section 25.5.2), (iv) reasonably complete cost estimates, and (v) a proposed construction schedule, which shall contain fixed completion dates that are no later than the required completion dates for such Pre-DBO Tenant Improvements as set forth in the Development Timeline (collectively, "Tenant Improvement Plan'). The Tenant Improvement Plan shall be subject to City's approval in accordance with Section 8 of the Rental Car CLA, except as may otherwise be specifically provided in this Section 2.4.1. The Tenant Improvement Plan, once approved by City, shall be referred to as the "Approved Tenant Improvement Plan." Concessionaire shall retain its own contractors and subcontractors for the construction of the Pre-DBO Tenant Improvements. As a term of the ConRAC Project Agreement, Developer will be required to provide a reasonable and competitive proposal to Concessionaire for the design and construction of the Pre-DBO Tenant Improvements with commercially reasonable insurance and indemnification requirements, in the event that Concessionaire desires to contract with Developer for the construction of the Pre-DBO Tenant Improvements and such proposal is requested by Concessionaire.

- 2.4.2. Construction; Completion Date. Concessionaire shall diligently pursue the construction of the Pre-DBO Tenant Improvements in accordance with the Approved Tenant Improvement Plan and shall complete such construction of the Pre-DBO Tenant Improvements prior to the DBO. The date of the final completion of the Pre-DBO Tenant Improvements shall be deemed to be the date that a certificate of occupancy (temporary or permanent, as applicable) for the Pre-DBO Tenant Improvements is issued by the applicable governmental authority. Pursuant to Section 2.2 above, and subject to all of the terms of the Agreement (including insurance and indemnification requirements), other than the obligation to pay Monetary Obligations, Concessionaire will be provided reasonable access to the Demised Premises prior to the DBO for the sole purpose of constructing the Pre-DBO Tenant Improvements and tenant familiarization.
 - (a) All materials for the Pre-DBO Tenant Improvements shall be new and all workmanship of the first class quality. The materials, method of installation and performance attributes of all Pre-DBO Tenant Improvements shall be of a quality equivalent to or better than the Design and Construction Criteria (as provided in Section 8.3) for such items.
 - (b) All Pre-DBO Tenant Improvements shall be constructed in compliance with all applicable Legal Requirements.
 - (c) The construction of the Pre-DBO Tenant Improvements shall be performed in a manner that will not unreasonably interfere with City's construction of the Project or other ConRAC Concessionaires' construction activities.
 - (d) Concessionaire shall not make any significant changes to the Approved Tenant Improvement Plan without prior written consent of City. In addition to all other rights and remedies reserved to City, if Concessionaire makes any significant changes or modifications to the Approved Tenant Improvement Plan without City's prior written

consent, City shall be excused from its obligations with respect to funding the Tenant Improvement Funding Amount as provided in Section 2.5.2 below.

2.4.3. Operations Commencing on the DBO. Concessionaire shall have completed the Pre-DBO Tenant Improvements, and installed all furniture, trade fixtures and office equipment, and shall be fully ready to perform the essential functions of its business on or before the DBO. Concessionaire specifically acknowledges and agrees that the Development Timeline and the DBO established by City provide for adequate time and opportunity for the construction of Concessionaire's Pre-DBO Tenant Improvements. Concessionaire further understands that City intends that the rental car operations in the ConRAC will commence on the DBO, and the Rental Period shall commence on the DBO whether or not Concessionaire has completed its Pre-DBO Tenant Improvements or is ready to commence operations. Within ten (10) days following the CEO's request, Concessionaire shall execute a written confirmation acknowledging the commencement and expiration dates of the Rental Period, and such other information as the CEO may reasonably request. Concessionaire's failure to execute such written confirmation shall not affect the commencement of the Rental

Period or the performance of Concessionaire's obligations with respect thereto.

- 2.4.4. City Review Does Not Relieve Concessionaire. Concessionaire agrees that nothing in City's review or approval of Concessionaire's Tenant Improvement Plan (or any supplemental plans as may be submitted by Concessionaire to City) pursuant to Sections 8.2 and 16 shall create responsibility or liability on the part of City for their completeness, design sufficiency, or compliance with applicable Legal Requirements, all of which shall be Concessionaire's sole responsibility. Nor shall such review or approval constitute a waiver by City of the right thereafter to require Concessionaire to comply with requirements of the Rental Car CLA or correct any violation of Legal Requirements.
- 2.5. Funding Pre-DBO Tenant Improvements. Upon Concessionaire's timely written request, City agrees to provide funding to reimburse Concessionaire for a portion of the cost of the Pre-DBO Tenant Improvements up to an amount not to exceed the Maximum Tenant Improvement Funding Amount (as defined below). Failure to timely request such funding shall be deemed Concessionaire's waiver of its right to obtain such funding. The amount of such reimbursement payable by City to Concessionaire pursuant to this Section 2.5 is referred to herein as the "Tenant Improvement Funding Amount." Except to the extent of the Tenant Improvement Funding Amount provided by City, the Pre-DBO Tenant Improvements shall be designed and constructed at Concessionaire's sole cost and expense.
- 2.5.1. Maximum Tenant Improvement Funding Amount. The term "Maximum Tenant Improvement Funding Amount" shall mean the lesser of (a) Concessionaire's percentage Market Share for the most recent twelve (12) month period prior to the TIP Response Date multiplied by ______ dollars (\$______) or (b) seventy-five percent (75%) of the actual direct out-of-pocket costs incurred by Concessionaire for the construction of the Pre-DBO Tenant Improvements. For purposes of calculating such costs incurred by Concessionaire for the construction of the Pre-DBO Tenant Improvements, such costs shall not include any interest or financing costs, and architectural and design costs shall not exceed fifteen percent (15%) of the cost of the related improvements.
- 2.5.2. Confirmation of Proposed Tenant Improvement Funding Amount. Following City's review of the Tenant Improvement Plans, City will confirm to Concessionaire the proposed Tenant Improvement Funding Amount. Within fifteen (15) days following City's written request,

Concessionaire shall confirm in writing (in a form and content satisfactory to City) the proposed Tenant Improvement Funding Amount and such other related matters as may be requested by City. Following City's receipt and review of the documents and information referred to in Section 2.5.3 below, City shall determine the final Tenant Improvement Funding Amount in accordance with the provisions of Section 2.5. In the event that the Concessionaire's proposed Tenant Improvement Funding Amount exceeds the Maximum Tenant Improvement Funding Amount, the Tenant Improvement Funding Amount shall be reduced by such excess.

- 2.5.3. Conditions to Receipt of Funds. City shall pay to Concessionaire the Tenant Improvement Funding Amount within forty-five (45) days following the satisfaction of each and all of the following terms and conditions:
 - (a) Concessionaire shall have provided City with evidence satisfactory to City that Concessionaire has fully completed the construction of the Pre-DBO Tenant Improvements in accordance with the requirements set forth in Section 2.4.2 (a) through (d);
 - (b) Concessionaire shall have provided City with evidence satisfactory to City that the Tenant Improvement Funding Amount being paid does not exceed seventy-five (75%) of the actual cost incurred by Concessionaire for the construction of the Pre-DBO Tenant Improvements; and
 - (c) Concessionaire shall provide City with full and complete copies of (i) the certificate of occupancy (temporary or permanent, as applicable), (ii) paid invoices, (iii) those materials required under Section 8.2 (i.e., items (i) through (v)), and (iv) Concessionaire's contractor's confirmation that the Pre-DBO Tenant Improvements have been constructed in conformity with the Approved Tenant Improvement Plan.

The foregoing terms and conditions shall be satisfied by such date specified in the Development Timeline. Failure to timely remit the materials required under Subsections (a) through (c) above shall be deemed as Concessionaire's waiver of its right to receive the Tenant Improvement Funding Amount.

2.5.4. Further Acknowledgements. Concessionaire acknowledges that the payment of the Tenant Improvement Rent pursuant to Section 6.5 below is intended to compensate City for funding the Tenant Improvement Funding Amount. In the event of any Default, any and all outstanding installments of the Tenant Improvement Rent payable to City (whether then due or coming due thereafter under the provisions of Section 6.5) shall immediately become due and owing at the option of City upon written notice from City to Concessionaire.

Section 3. Common Transportation System.

3.1. Implementation of CTS. City will implement and operate (either directly or through contractors of its choosing) a common transportation system ("CTS") that will transport passengers between the ConRAC and the CTA. The CTS will consist of (i) a common shuttle bus system, (ii) an APM, and/or (iii) such other similar common transportation system or elements as may be reasonably determined by City as the circumstances may warrant. City shall have the right (in City's reasonable discretion) to replace or change the CTS from time to time. Concessionaire acknowledges that City makes no representations or warranties with regard to the type of the CTS, the timing of its construction or installation, or the cost of its operation. City shall have no liability to Concessionaire for any Claims in connection with the choice of the CTS system, the timing of its construction or installation, or the availability of a preferred system.

Concessionaire has no right of ownership or possession in the CTS, but its ConRAC Customers shall have the privilege of using the CTS as provided for herein.

3.2. Use of CTS. Without the prior written consent of City, Concessionaire shall not use its own transportation system or a third party transportation system, or use its rental vehicles to pick up or drop off ConRAC Customers at the CTA or the related intermodal facilities. Unless City otherwise consents in writing, Concessionaire's employment of any transportation system other than the CTS shall constitute a Default under the Rental Car CLA.

Section 4. Concession.

- 4.1. Grant of Concession. For and in consideration of the fees and charges as set forth in the Rental Car CLA, City hereby awards and grants to Concessionaire, and Concessionaire hereby accepts, subject to all of the terms, covenants and conditions set forth in the Rental Car CLA, the non¬exclusive right and privilege to operate a Rental Car Concession in the ConRAC from the DBO to the end of the Term as more particularly described below.
 - 4.1.1. Non-Exclusive. Concessionaire's right granted herein to engage in a Rental Car Concession in the ConRAC shall be non-exclusive inasmuch as City (i) has entered into CLAs with other ConRAC Concessionaires and intends to enter into CLAs with other prospective concessionaires to operate a Rental Car Concession in the ConRAC pursuant to substantially the same terms herein; and (ii) reserves the right to enter into agreements with other prospective companies to provide different services (i.e., services which are not ancillary to a Rental Car Concession as may be reasonably determined by City) in the ConRAC. Examples of services ancillary to Rental Car Concession include baby seat and ski rack rental services.
- 4.2. Brand Name. Concessionaire shall be permitted to operate its business at the ConRAC under ("Brand Name(s)"), which is/are (i) Concessionaire's corporate name or a name derived from its corporate name, (ii) the name(s) of Concessionaire's Approved Affiliate(s) authorized pursuant to Section 4.3, or (iii) a name with which Concessionaire is authorized to do business in the County, pursuant to an active Fictitious Business Name Statement filed with the County, or (iv) any combination of the foregoing. The list of the Brand Names may be amended from time to time to include: (a) such names Concessionaire may be authorized to do business pursuant to additional Fictitious Business Name Statements filed with the County, or (b) such names of additional Approved Affiliate(s), provided that Concessionaire shall provide City with a written request to supplement the list of Brand Names, together with any documentary basis for such request, such as a copy of the Fictitious Business Name Statements filed with the County, and other documentation that City may reasonably request. Upon expiration or earlier termination of any Fictitious Business Name Statement, Concessionaire shall promptly, (but no later than ten (10) days from such expiration or termination) notify City, and the list of the Brand Names shall be so amended. Amendment of the list of the Brand Names may be made and the notice of such amendment may be issued by the CEO, subject to the City Attorney's approval, without the prior approval or later ratification of the Board or the City Council.
 - 4.2.1. Operation under a brand name not authorized under Section 4.2, or operation by an Affiliate not authorized under Section 4.3 shall constitute a Default under Section 20 of the Rental Car CLA.
 - 4.3. Affiliate Authorized to Operate in the ConRAC.
 - 4.3.1. An Affiliate of Concessionaire may be permitted to operate within Concessionaire's Demised Premises under the Rental Car CLA upon the satisfaction of the following conditions: (i)

Concessionaire has provided City with satisfactory documents evidencing how such entity satisfies the definition of an Affiliate of Concessionaire, specifically demonstrating, Concessionaire's or its parent company's ownership or control of such Affiliate; and (ii) CEO (on behalf of City), Concessionaire and such Affiliate have executed a "Consent to Affiliate," in form and content satisfactory to City, pursuant to which Affiliate agrees to comply with and observe all of the terms and conditions to be complied with or observed by Concessionaire under the Rental Car CLA, which Consent to Affiliate shall contain such other terms as may be reasonably requested by City. (An Affiliate meeting such qualifications and conditions shall be referred to as an "Approved Affiliate.") Concessionaire and such Affiliate hereby acknowledge and agree that: (a) Affiliate shall have a license, but not a leasehold interest or any other interest in real property, to operate in the Demised Premises, and as such, Affiliate's use and operation in the ConRAC shall be terminable at will, at any time, with or without notice, by City or Concessionaire, (b) City shall have no obligation to provide additional space within the ConRAC to accommodate the operations of an Affiliate, (c) Affiliate's operations in the ConRAC shall not unreasonably burden or increase the permitted use under the Rental Car CLA, (d) Affiliate assumes and shall perform and comply with all terms and conditions of the Rental Car CLA to be performed or complied with by Concessionaire, including but not limited to, any and all indemnity obligations and the obtainment and maintenance of all insurance required hereunder, (e) Concessionaire assumes all legal responsibility under the Rental Car CLA for its Affiliates, including the responsibility to provide compensation to City pursuant to Section 6 of the Rental Car CLA for its Affiliate(s), regardless of whether Affiliate(s) of Concessionaire makes such compensation payment to Concessionaire, (f) Concessionaire and Affiliate shall be jointly and severally liable for any obligations and/or Defaults under the Rental Car CLA, and any breach by Affiliate shall constitute a breach by Concessionaire. When an Approved Affiliate ceases to operate in the ConRAC or no longer meets the definition of an Affiliate under the Rental Car CLA, Concessionaire shall provide a written notice within ten (10) days thereof.

- 4.4. Requirements, Regulations and Standards. Commencing on the date that Concessionaire is granted access to the ConRAC and continuing thereafter through the end of the Term , Concessionaire shall be subject to, and Concessionaire hereby covenants to comply (and cause Concessionaire Parties to comply) with such operating rules, standards, requirements and regulations governing the ConRAC Concessionaires' operations in the ConRAC as may be adopted by City from time to time ("ConRAC Operating Rules"). Attached hereto as Exhibit E is a preliminary summary of the topics that are anticipated to be addressed in the ConRAC Operating Rules. The CEO, in his or her sole and absolute discretion, shall have the right on behalf of City to promulgate and amend the ConRAC Operating Rules from time to time.
- 4.5. Other Unrelated Business. Concessionaire shall not use or permit the ConRAC to be used for any purpose, other than as specified in the Rental Car CLA, except with the prior written consent of City, which consent may be withheld in City's sole and absolute discretion.

Section 5. Demise; Grant of License; Reallocation; VSA Redesignation.

5.1. Demised Premises. Upon and subject to the conditions and limitations set forth in the Rental Car CLA, from the DBO to the end of the Term ("Rental Period"), City shall lease to Concessionaire, and Concessionaire shall lease from City those certain premises consisting of the Exclusive Use Space designated by the CEO for the exclusive use of Concessionaire (collectively referred to as the "Demised Premises") as set forth in the Final Demised Premises Description (as defined below). Following the finalization of the Demised Premises as provided in this Section 5.1, the Demised Premises shall be subject to reallocation as provided in Section 5.3 below.

- 5.1.1. Finalization of Demised Premises. The Demised Premises (and the Joint Use Space in the event that Concessionaire is an Independent Operator) are preliminarily described in Exhibit B ("Preliminary Demised Premises Description") attached to the Rental Car CLA. City and Concessionaire hereby acknowledge and agree that the Preliminary Demised Premises Description is a preliminary description only, with estimations as to the dimensions and the general location of the Demised Premises (and Joint Use Space, if applicable) within the ConRAC. As a component of the completion of the design of the Project, the CEO will provide to Concessionaire the proposed final description of the Demised Premises ("Proposed Final Demised Premises Description"). The Proposed Final Demised Premises Description and the Final Design of the Project. Within fifteen (15) business days following receipt of the Proposed Final Demised Premises Description from the CEO, Concessionaire shall execute a written confirmation, in a form and content satisfactory to City, confirming Concessionaire's acceptance of the Proposed Final Demised Premises Description.
- 5.1.2. City Approval of Proposed Final Demised Premises Description. The Proposed Final Demised Premises Description shall be subject to the approval of City. If such approval of the Proposed Final Demised Premises Description is within the CEO's legal authority (i.e., the Proposed Final Demised Premises Description has not changed from the Preliminary Demised Premises Description to such an extent that approval of such change would exceed the CEO's legal authority), then the written approval of the CEO (subject to the approval of the City Attorney as to form) shall constitute the approval of the Proposed Final Demised Premises Description by City. However, if the approval of the Proposed Final Demised Premises Description is not within the CEO's legal authority (i.e., the Proposed Final Demised Premises Description has changed from the Preliminary Demised Premises Description to such an extent that approval of such change would exceed the CEO's legal authority), the Proposed Final Demised Premises Description shall be subject to approval by the Board. Following such approval of the Proposed Final Demised Premises Description by City and confirmation of acceptance by Concessionaire as provided above, the Proposed Final Demised Premises Description shall constitute the Demised Premises of Concessionaire, and such approved description shall be deemed a part of the Rental Car CLA and incorporated herein.
- 5.1.3. Allocation Methodology. Concessionaire acknowledges that in allocating the respective ConRAC Demised Premises among the ConRAC Concessionaires, the CEO generally has used and intends to use the allocation methodology set forth in this Section 5.1.3. Such allocation methodology may be generally reflective of the ConRAC Concessionaires' respective Market Shares; provided, however, City may consider other factors such as the operational and functional layout of the ConRAC. The Exclusive Use Space (i.e., the ConRAC Demised Premises) of the ConRAC Concessionaires who are not Independent Operators includes their respective allocated share of Customer Service Building Space, Ready/Return Space, QTA Space, Circulation Roadway Space, Vehicle Corral Space and VSA Space. The Exclusive Use Space (i.e., the ConRAC Demised Premises) of the ConRAC Concessionaires who are Independent Operators includes their respective allocated share of Customer Service Building Space, Ready/Return Space and VSA Space, but does not include as Exclusive Use Space an allocated share of QTA Space, Circulation Roadway Space or Vehicle Corral Space. Rather, such Independent Operators are granted the right to use the Joint Use Space for such purposes in the proportion that each such Independent Operator's Exclusive Use Space bears to the total Exclusive Use Space of all of the Independent Operators, and such proportionate share of the Joint Use Space is deemed to be included in the square footage of the Demised Premises for purposes of allocating the ConRAC Demised Premises among the ConRAC Concessionaires. In allocating square footage to the ConRAC Concessionaires, each ConRAC Concessionaire is initially allocated square footage

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generally in proportion to its Market Share for the applicable measurement period (i.e., the applicable measurement period as prescribed in Sections 5.1.4, 5.3.1 and 5.3.2 below), but without any allocation relating to the square footage of the Circulation Roadway Space or the Joint Circulation Roadway Space. After such initial allocation of square footage, ConRAC Concessionaires who are not Independent Operators are allocated as Circulation Roadway Space the circulation roadways that are immediately adjacent to and serving their respective Ready/Return Space and VSA Space, and the Independent Operators are allocated as Joint Circulation Roadway Space the circulation roadways immediately adjacent to and serving their Ready/Return Space and VSA Space. The square footage of the Joint Use Space will be allocated to each Independent Operator in the proportion that such Independent Operator's Exclusive Use Space bears to the total Exclusive Use Space of all of the Independent Operator's Concessionaire-Occupied Square Footage along with such Independent Operator's Exclusive Use Space.

- 5.1.4. Initial Allocation. Concessionaire acknowledges that its allocation of square footage as set forth in the Preliminary Demised Premises Description is based on Concessionaire's Market Share for the 2016 calendar year. Concessionaire further acknowledges that such allocation of square footage is subject to reallocation prior to the DBO as provided in Section 5.3.2 below.
- 5.2. Common Use Areas. During the Rental Period, Concessionaire shall have the non-exclusive right, in common with others as authorized by City, of the use of the Common Use Areas; provided, however, City may, in its reasonable discretion, and without liability to Concessionaire, change the size, location or purpose of the Common Use Areas, including, without limitation, by converting Common Use Areas to leaseable or other areas, converting leaseable areas to Common Use Areas (subject to compliance with applicable provisions of the Rental Car CLA regarding reallocation of leaseable areas), removing or restricting access rights to Common Use Areas or closing Common Use Areas. The CEO may, in the CEO's sole discretion, establish and enforce rules and regulations concerning the Common Use Areas, temporarily close portions of the Common Use Areas for security, maintenance or other purposes, and make changes to the Common Use Areas including, without limitation, changes in the location of security points, driveways, entrances, exits, parking spaces and the direction and flow of pedestrian and vehicular traffic.
 - 5.2.1. Use of Car Carrier Delivery Stalls. Concessionaire acknowledges and agrees that Car Carrier Delivery Stalls will be used in common with other ConRAC Concessionaires. As such, Concessionaire shall coordinate with City (or its Developer if designated by City) the date and time of its use of Car Carrier Delivery Stalls, which coordination may include providing a monthly schedule of deliveries and adjusting the same upon City's (or its Developer's) reasonable requests.
- 5.3. Reallocation. During the Rental Period, City shall have the right to reallocate Concessionaire's Demised Premises (as well as the other ConRAC Demised Premises of the other ConRAC Concessionaires) as set forth below in this Section 5.3. Any such reallocation pursuant to this Section 5.3 may result in a resizing, redistribution and/or relocation of such ConRAC Demised Premises (including the Demised Premises of Concessionaire) and any or all of the Joint Use Spaces of an Independent Operator.
 - 5.3.1. Scheduled Reallocation. City may reallocate (a "Scheduled Reallocation") Concessionaire's Demised Premises (or specified portions thereof) on the dates (the first of which shall not occur before the fifth (5th) DBO Anniversary), time intervals and in the manner, more specifically set forth in Exhibit C attached hereto and by this reference made a part hereof ("Reallocation Matrix"). The reallocation dates set forth in the Reallocation Matrix, attached to the Rental Car CLA as Exhibit C, are based on the anticipated DBO of March 31, 2023. In the event that the actual date of the DBO is a date other than March 31, 2023, the dates set forth in the

Reallocation Matrix shall be correspondingly adjusted based on the actual DBO. Following the DBO, City will prepare and deliver to Concessionaire an updated Reallocation Matrix based on the actual DBO, which updated Reallocation Matrix will replace and supplant the Reallocation Matrix attached to the Rental Car CLA as Exhibit C. Except as may be otherwise provided in this Section 5.3.1 or the Reallocation Matrix, such reallocation shall be made in accordance with the process set forth in Section 5.3.5 below. For each Scheduled Reallocation event, the Notice of Intent to Reallocate and the Final Notice of Reallocation shall be issued on those dates under the respective "Notice of Intent to Reallocate Issued" and "Final Notice of Reallocation Issued" headings in the Reallocation Matrix. Each Scheduled Reallocation shall be limited to those areas of the ConRAC designated in the Reallocation Matrix for the corresponding reallocation event. In connection with the reallocation plan outlined in the Notice of Intent to Reallocate, City will generally consider, and such reallocation plan will generally be reflective of Concessionaire's Market Share (as well as the respective Market Shares of the other ConRAC Concessionaires) during the period provided under the "Market Share Activity Begin Date" and "Market Share Activity End Date" heading for the corresponding reallocation event set forth in the Reallocation Matrix and the allocation methodology as described in Section 5:1.3; provided, however, City will consider other factors prior to any Scheduled Reallocation, such as (i) the operational and functional layout of the ConRAC, (ii) the costs to reallocate (including the cost for any ConRAC Concessionaire relative to its space change), (iii) the number of moves required for the reallocation, and (iv) disruption to customer service.

- 5.3.2. Special Market Share Reallocation. Independent of the Scheduled Reallocation provided under Section 5.3.1, from time to time (but not more than once during any given interval between the Scheduled Reallocation events for the Customer Service Building and the QTA Areas set forth on the Reallocation Matrix), per City's discretion or upon any ConRAC Concessionaire's request, City may perform a special reallocation of Concessionaire's Demised Premises (as well as the ConRAC Demised Premises of the other ConRAC Concessionaires) in the Customer Service Building and/or the QTA Areas as may be reasonably necessary, feasible or desirable to accommodate a significant change in the requesting ConRAC Concessionaire's Market Share ("Special Market Share Reallocation"). Consideration for a Special Market Share Reallocation will be given, upon the request of one or more of the ConRAC Concessionaires, if there is an increase or decrease by twenty-five percent (25%) or more in any ConRAC Concessionaire's Market Share for any consecutive twelve (12) month period, from such Market Share for the twelve (12) month period prior thereto. Similarly, prior to the final TIP Response Date (as such final date may be specified or changed from time to time by City), City shall have the right to perform a Special Market Share Reallocation of Concessionaire's Demised Premises to account for an increase or decrease by twenty-five percent (25%) or more in any ConRAC Concessionaire's Market Share for any consecutive twelve (12) month period prior to such TIP Response Date (which 12-month period shall be determined by City in its discretion) from such Market Share for the 2016 calendar year. A Special Market Share Reallocation shall be made in accordance with the procedures set forth in Section 5.3.5.
- 5.3.3. New Concessionaire; Limitation on Reallocation. Prior to the fifth (5th) DBO Anniversary, City shall not reallocate Concessionaire's Demised Premises to accommodate new or additional rental car operators who may enter into a CLA with City ("New Concessionaires"). On or after the fifth (5th) DBO Anniversary, however, City shall have the right to reallocate Concessionaire's Demised Premises (as well as the ConRAC Demised Premises of the other ConRAC Concessionaires) to accommodate and lease such space to New Concessionaires, which New Concessionaires will be required to enter into CLAs that are substantially similar to the CLAs of the existing ConRAC Concessionaires. Any such addition of New Concessionaires shall be coordinated to occur concurrently with the timing of the reallocation cycle for the Ready/Return

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Space set forth in the Reallocation Matrix (Exhibit C) attached hereto. New Concessionaires who are Independent Operators will be located in an area of the ConRAC that has access to the Joint QTA Space. In the event that Concessionaire's Demised Premises (or portion thereof) are reallocated to accommodate and provide for a New Concessionaire's operation, the reallocation shall follow the procedures set forth in Section 5.3.5.

- 5.3.4. Early Termination of a CLA; Replacement Concessionaire. In the event that a CLA for a particular ConRAC Concessionaire is terminated before the expiration of the Term, City shall have the right to reallocate such vacated area by a competitive process for a New Concessionaire who will enter into a CLA. If the competitive process does not result in a New Concessionaire taking occupancy of the vacated area, City shall have the right to reallocate the vacated area to all ConRAC Concessionaires pursuant to the process provided in Section 5.3.5. In response to the Notice of Intent to Reallocate, should any ConRAC Concessionaires express an interest to completely relocate to the vacated area, City reserves the right to relocate such ConRAC Concessionaires to the vacated area, and, in turn, reallocate their formerly occupied space(s), in which event a new Notice of Intent to Reallocate shall be issued.
- 5.3.5. Reallocation Procedures. Reallocation provided in Section 5.3 shall be made in accordance with the following procedures:
 - (a) Notice of Intent. City will issue to the ConRAC Concessionaires a "Notice of Intent to Reallocate," indicating City's intent to reallocate. The Notice of Intent shall generally describe the planned reallocation, redistribution or relocation, including a description of the manner in which the location, size and/or configuration of Concessionaire's then existing Demised Premises will change as the result of such reallocation. By no later than forty-five (45) days from the date of the Notice of Intent to Reallocate, Concessionaire may provide its response as to the planned reallocation set forth in said notice. If requested by Concessionaire, City will meet with Concessionaire regarding such planned reallocation. Such meeting may be held individually or collectively with other ConRAC Concessionaires.
 - Final Notice. After reviewing any responses that may have been received by City within the forty-five (45) day period following City's issuance of a Notice of Intent to Reallocate, City will issue a "Final Notice of Reallocation" that sets forth the manner in which ConRAC Concessionaires' Demised Premises under their respective CLAs will be reallocated with respect to such reallocation event. The changes to Concessionaire's Demised Premises and other relevant areas of the ConRAC as set forth in the City's Final Notice of Reallocation shall be final and binding on Concessionaire. Within ten (10) days following receipt of a Final Notice of Reallocation from City, Concessionaire shall execute a written confirmation, in a form and content satisfactory to City, confirming Concessionaire's acceptance of the changes to the Demised Premises and other relevant areas of the ConRAC as set forth in the Final Notice of Reallocation. The changes to the Demised Premises and other relevant areas of the ConRAC as a result of a reallocation are subject to the applicable approval of the City. If such approval of the changes to the Demised Premises is within the CEO's legal authority (i.e., the Demised Premises has not changed from the then existing Demised Premises to such an extent that approval of such change would exceed the CEO's legal authority), then the written approval of the CEO (subject to the approval of the City Attorney as to form) shall constitute the approval of such changes to the Demised Premises by City. However, if the approval of the changes to the Demised Premises is not within the CEO's legal authority (i.e., the Demised Premises has changed from the then existing Demised Premises to such an extent that approval of

such change would exceed the CEO's legal authority), the changes to the Demised Premises shall be subject to approval by the Board. Following such approval of the changes to the Demised Premises by City, such changed Demised Premises shall constitute the Demised Premises, and such approved description shall be deemed a part of the Rental Car CLA and incorporated herein.

- (c) Vacation of Reallocated Space. If Concessionaire loses space as a result of the reallocation, Concessionaire shall vacate and surrender possession of the reallocated space within thirty (30) days of the Final Notice of Reallocation in the condition prescribed in Section 22.1. Within ten (10) days of receipt of the Final Notice of Reallocation, City and Concessionaire shall conduct a walk-through of the reallocated space for the purposes of identifying any Alterations to be removed and coordinating the manner in which the reallocated space will be vacated consistent with Section 22.1. Should Concessionaire fail to vacate and surrender possession of the reallocated space within said thirty (30) day period in the prescribed condition (i.e., failure to remedy any damages or disrepair, or remove any Alterations that City required to be removed), such failure shall constitute a material Default by Concessionaire and Concessionaire shall be liable for all Claims arising out of or in connection with such failure. Without limiting any of City's other rights and remedies with respect to such Default, City shall have the right to (i) increase the Land Rent payable by Concessionaire by two hundred percent (200%), prorated on a daily basis for the number of days Concessionaire fails to so vacate the reallocated space, and (ii) perform the repair of any damages and disrepair, and remove any Alterations City required to be removed at Concessionaire's cost, which cost shall be invoiced by City and payable by Concessionaire within thirty (30) days of such invoice.
- (d) Waiver of Right to Additional Space. If a reallocation event results in an addition to Concessionaire's Demised Premises, Concessionaire shall have the right to waive the allocation of such additional space; provided that other ConRAC Concessionaires consent to the allocation of such additional space to be included in their respective ConRAC Demised Premises. If, however, the additional space is not allocated to other ConRAC Concessionaire(s), Concessionaire shall pay the Land Rent and other Monetary Obligations associated with such additional space and shall occupy such additional space, regardless of the fact that Concessionaire waived the allocation of such additional space.
- 5.3.6. Cost of Reallocation. Concessionaire shall be solely responsible for its own costs and expenses related to or resulting from any reallocation and/or relocation occurring pursuant to Sections 5.3.1, 5.3.2 and 5.3.3. Such costs may include but are not limited to, the costs associated with reconfiguration and/or relocation of Concessionaire's Pre-DBO Tenant Improvements, other Alterations and personal property. Concessionaire's Alterations to the reallocated Demised Premises shall be performed in accordance with the terms and conditions of Section 8 of the Rental Car CLA. Modifications and improvements in the Common Use Areas or alterations to any of the Base Building Elements shall be performed by City. Any and all costs incurred or paid by City in connection with any reallocation pursuant to Section 5.3 ("Reallocation Costs") shall be chargeable to and shall paid for by the ConRAC Concessionaires who are affected by the reallocation in such proportion as City may reasonably determine to be appropriate under the circumstances. Without limiting the generality of the foregoing sentence, it shall be deemed reasonable for City to charge the ConRAC Concessionaires who are affected by the reallocation such Reallocation Costs incurred by City in connection with a Scheduled Reallocation, allocated by their respective Pro Rata Shares calculated based on their respective ConRAC Demised Premises as reallocated by the applicable Scheduled Reallocation. Concessionaire shall pay its share of such Reallocation Costs as invoiced

by City, payable within thirty (30) days of such invoice. Further, it shall be deemed reasonable for City to charge Reallocation Costs in connection with a Special Market Share Reallocation to the ConRAC Concessionaires who are affected by the reallocation, and to charge a New Concessionaire entering the ConRAC with Reallocation Costs, provided, however should such entry of a New Concessionaire result in benefits to other ConRAC Concessionaires, the Reallocation Costs will be borne in such proportion as City may reasonably determine. Modifications and improvements in the Common Use Areas or alterations to any Base Building Elements shall be subject to City's sole discretion and prior written approval. Concessionaire shall forfeit any unamortized improvements or other similar expenses. City shall have no liability or obligation with respect to the costs incurred by Concessionaire related to or resulting from any reallocation and/or relocation pursuant to Section 5.3, nor shall Concessionaire shall have the right to discount or offset such costs incurred by Concessionaire against the Monetary Obligations payable by Concessionaire under the Rental Car CLA.

- 5.3.7. Reallocation Right Subject to Modification. The terms and conditions of Section 5.3 are subject to modification at the reasonable discretion of City, to the extent necessary or desirable to improve the overall operation of the ConRAC.
- 5.3.8. As-Is Condition. Concessionaire specifically acknowledges and agrees that Concessionaire's lease, occupancy and/or use of the Demised Premises and other relevant areas of the ConRAC as reallocated shall be on an "AS-IS, WITH ALL FAULTS" basis and that Concessionaire is not relying on any representations or warranties of any kind whatsoever, express or implied, from City or any City Parties, as to any matters concerning such areas; provided, however, in the event that new space being reallocated to Concessionaire was not surrendered by the prior ConRAC Concessionaire (who vacated such space) in the condition contemplated by Sections 5.3.5(d) and 22.1, then City shall cooperate with Concessionaire in all reasonable respects to require that the vacating ConRAC Concessionaire complies with its obligations regarding the condition of such space upon its vacation and surrender.

5.4. VSA Space Redesignation.

- 5.4.1. City's Redesignation Options. In the event that City can reasonably demonstrate that the projected CFC revenues will be insufficient to cover the Annual Capital Costs of the ConRAC and the Allocable CTS Costs, and under the circumstances described in Sections 5.4.1 (a), (b) and (c) below, subject to Concessionaire's option under Section 5.4.2, City may opt to remove the VSA Space from the ConRAC Concessionaires' use and convert the same for such other non-rental vehicle use as City may determine in City's sole discretion. The options set forth in Sections 5.4.1 (a), (b) and (c) below are not mutually exclusive and may be exercised sequentially, after each applicable option start date stated therein, or in any other order as City may determine from time to time. City, subject to the Board's approval, may exercise any such option set forth in Sections 5.4.1 (a), (b) and (c) below to redesignate the VSA Space by issuing a written notice ("Notice of Intent to Redesignate") to the ConRAC Concessionaires, including Concessionaire, which notice shall identify the location and square footage to be redesignated (such City redesignated space is referred to herein as the "Proposed VSA Conversion Space").
 - (a) Redesignation Option One. At any time following the fourth (4th) DBO Anniversary or the fourth (4th) APM Operational Date Anniversary, whichever occurs later, City shall have the option to remove up to one-third (1/3) of the VSA Space (as such VSA Space shall exist at the time of such exercise of such option) from the ConRAC Concessionaires' use and convert the same for such other use as City may determine in City's sole discretion; provided, however, that City may only issue such a Notice of Intent

to Redesignate if the total number of Transaction Days of the ConRAC Concessionaires in the aggregate for the three (3) consecutive Agreement Years immediately preceding the date of such issuance is less than 11.4 Million per year. The option set forth in this Section 5.4.1(a) may only be exercised once (but such exercise shall not preclude or otherwise limit the exercise of the options provided in Sections 5.4.1(b) and (c) hereof).

- Redesignation Option Two. At any time following the sixth (6th) DBO (b) Anniversary or the sixth (6th) APM Operational Date Anniversary, whichever occurs later, City shall have the option to remove up to two-thirds (2/3) of the VSA Space (as such VSA Space shall exist at the time of such exercise of such option) from the ConRAC Concessionaires' use and convert the same for such other use as City may determine in City's sole discretion; provided, however, that City may only issue such a Notice of Intent to Redesignate if the total number of Transaction Days of the ConRAC Concessionaires in the aggregate for the three (3) consecutive Agreement Years immediately preceding the date of such issuance is less than 11.2 Million per year. Should City desire to exercise the option under this Sections 5.4.1(b), City shall retain, at its sole cost and expense, an independent industry expert, whose qualifications will include expertise of consolidated rental car facilities at comparable and similarly situated airports, taking into consideration, among other things, similarity to the rental car market, customer profile at the Airport and the industry fleet size. Such independent industry expert will consider and advise on (i) the amount of the VSA Space required to support the ConRAC Concessionaires' on-going operations at the ConRAC based on the then current and forecast level of rental car activity with their respective ConRAC Customers, such as the number of Transaction Days, and (ii) the identification of other space in the ConRAC (e.g., Ready/Return Space) that could be potentially converted to and used as the VSA. The findings and recommendations of the independent industry expert will be memorialized in a written report and submitted by City to the ConRAC Concessionaires, and such expert's findings as to the maximum amount of the VSA Space that may be removed from the ConRAC Concessionaires' use pursuant to this Section 5.4.1(b) will be final and binding on the parties. City will consider in good faith the recommendation of the independent industry expert, and will meet and confer with ConRAC Concessionaires to review the industry expert's findings and recommendations. Then, City will make the determination (in the City's reasonable discretion) as to whether City will remove the VSA Space in an amount not to exceed the maximum amount recommended by the independent industry expert or whether to withdraw its exercise of redesignation under this Section 5.4.1(b). If City elects to proceed with such removal, subject to Concessionaire's option under Section 5.4.2, such determination shall be final and binding on the ConRAC Concessionaires. The option set forth in this Section 5.4.1(b) may only be exercised once (but such exercise shall not preclude or otherwise limit the exercise of the options provided in Sections 5.4.1(a) and (c) hereof).
- (c) Redesignation Option Three. At any time following the eighth (8th) DBO Anniversary or the eighth APM Operational Date Anniversary, whichever occurs later, City shall have the option to remove up to one hundred percent (100%) of the VSA Space (as such VSA Space shall exist at the time of such exercise of such option) from the ConRAC Concessionaires' use and convert the same for such other use as City may determine in City's sole discretion; provided, however, that City may only issue such a Notice of Intent to Redesignate if the total number of Transaction Days of the ConRAC Concessionaires in the aggregate for the two (2) consecutive Agreement Years immediately preceding the date of such issuance is less than 9 Million per year. Should City desire to exercise the option under this Sections 5.4.1(c), City shall retain, at its sole cost and

expense, an independent industry expert, whose qualifications will include expertise of consolidated rental car facilities at comparable and similarly situated airports, taking into consideration, among other things, similarity to the rental car market, customer profile at the Airport and the industry fleet size. Such independent industry expert will consider and advise on (i) the amount of the VSA Space required to support the ConRAC Concessionaires' on-going operations at the ConRAC based on the then current and forecast level of rental car activity with their respective ConRAC Customers, such as the number of Transaction Days, and (ii) the identification of other space in the ConRAC (e.g., Ready/Return Space) that could be potentially converted to and used as the VSA. The findings and recommendations of the independent industry expert will be memorialized in a written report and submitted by City to the ConRAC Concessionaires, and such expert's findings as to the maximum amount of the VSA Space that may be removed from the ConRAC Concessionaires' use pursuant to this Section 5.4.1(c) will be final and binding on the parties. City will consider in good faith the recommendation of the independent industry expert, and will meet and confer with ConRAC Concessionaires to review the industry expert's findings and recommendations. Then, City will make the determination (in the City's reasonable discretion) as to whether City will remove the VSA Space in an amount not to exceed the maximum amount recommended by the independent industry expert or whether to withdraw its exercise of redesignation under this Section 5.4.1(c). If City elects to proceed with such removal, subject to Concessionaire's option under Section 5.4.2, such determination shall be final and binding on the ConRAC Concessionaires. The option set forth in this Section 5.4.1(c) may only be exercised once (but such exercise shall not preclude or otherwise limit the exercise of the options provided in Sections 5.4.1(a) and (b) hereof).

5.4.2. Concessionaire's Option. Upon receipt of a Notice of Intent to Redesignate pursuant to Sections 5.4.1 (a), (b) and (c), Concessionaire shall have the option to void City's issuance of such Notice of Intent to Redesignate if, within ninety (90) days following City's issuance of such Notice of Intent to Redesignate, (a) Concessionaire, acting alone or together with other participating ConRAC Concessionaires, submits a compliant proposal to City by which such ConRAC Concessionaire(s) (including Concessionaire) agree to reincorporate all of the Proposed VSA Conversion Space set forth in such Notice of Intent to Redesignate back into their respective ConRAC Demised Premises, and (b) all such participating ConRAC Concessionaires (including Concessionaire) execute a written confirmation, in form and content satisfactory to City, incorporating such Proposed VSA Conversion Space into such participating ConRAC Concessionaires' respective ConRAC Demised Premises under their respective CLAs. In the event that more than one of the ConRAC Concessionaires exercise this option to incorporate such Proposed VSA Conversion Space and such ConRAC Concessionaires cannot agree on the allocation of such Proposed VSA Conversion Space amongst themselves, then City shall require that such Proposed VSA Conversion Space be allocated amongst such participating ConRAC Concessionaires in proportion to their respective Gross Revenue from the most recent twelve (12) month period as determined by the CEO. In the event that such Proposed VSA Conversion Space is incorporated into Concessionaire's Demised Premises, the depiction of such space and the effective date of such incorporation shall be as approved by City and set forth in the written confirmation referred to above and the Demised Premises shall be deemed amended to include such Proposed VSA Conversion Space without the prior approval or later ratification of the Board and/or the City Council. Such Proposed VSA Conversion Space that is incorporated into Concessionaire's Demised Premises as provided above is referred to herein as the "Reclaimed VSA Conversion Space." Any Proposed VSA Conversion Space that is not reclaimed by the ConRAC Concessionaires as provided above and is instead removed from use by the ConRAC Concessionaires and converted to another use by City is referred to herein as the "VSA Conversion

Space." In the event that the Proposed Conversion Space is converted to the VSA Conversion Space, at such time, Concessionaire's obligations to pay the Land Rent and O&M Fee with respect to such converted space shall cease and terminate (it being understood, however, that Concessionaire's other Monetary Obligations shall not be reduced or otherwise affected by the removal of the VSA Conversion Space from the Demised Premises).

- 5.4.3. VSA Conversion Space Suspension Period. Notwithstanding anything herein to the contrary, in the event that City exercises its VSA Space redesignation option pursuant to Section 5.4.1(c) and the Proposed VSA Conversion Space is not reclaimed by Concessionaire pursuant to Section 5.4.2, before claiming the VSA Conversion Space, City shall suspend the conversion of the Proposed VSA Conversion Space for a period of up to thirty-six (36) months ("VSA Conversion Suspension Period"). City will provide ConRAC Concessionaires a written notice, which will provide the commencement date and the expiration date of the VSA Conversion Suspension Period. During such VSA Conversion Suspension Period, the ConRAC Concessionaires shall continue in their respective use and occupancy of the Proposed VSA Conversion Space in effect before City issued the Notice of Intent to Redesignate pursuant to Section 5.4.1, and shall continue to pay the Land Rent and the O&M Fee with regards to their respective use and occupancy of the Proposed VSA Conversion Space. If during the VSA Conversion Suspension Period, the total number of Transaction Days of the ConRAC Concessionaires in the aggregate for any of the first, second or third twelve-month period exceeds 10.4 Million, the Proposed VSA Conversion Space will no longer be subject to the redesignation and the Proposed VSA Conversion Space shall remain part of the ConRAC Concessionaires' respective Demised Premises as if no Notice of Intent to Redesignate had been issued. If during the VSA Conversion Suspension Period, ConRAC Concessionaires (acting by a Concessionaire Majority) reasonably determine that said minimum number of Transaction Days will not be achieved during the VSA Conversion Suspension Period, at any time following such reasonable determination, ConRAC Concessionaires shall have the option (acting by a Concessionaire Majority) to relinquish the Proposed VSA Conversion Space prior to the expiration of the VSA Conversion Suspension Period, and such space will no longer be part of the ConRAC Concessionaires' respective Demised Premises, provided, however that ConRAC Concessionaires will relinquish the entire Proposed VSA Conversion Space. Similarly, during the VSA Conversion Suspension Period, City will have the right to cancel and revoke the Notice of Intent to Redesignate issued to exercise its VSA Space redesignation option pursuant to Section 5.4.1(c), in which event the Proposed VSA Conversion Space shall remain part of the ConRAC Concessionaires' respective Demised Premises as if no Notice of Intent to Redesignate had been issued.
- 5.4.5. Reallocation of Remaining VSA Space. In the event that the Proposed VSA Conversion Space is not reclaimed by the ConRAC Concessionaires pursuant to Section 5.4.2, then the remaining VSA Space shall be reallocated by City, taking into consideration the ConRAC Concessionaires' respective Market Shares and the allocation methodology described in Section 5.1.3.

- 5.4.6. Not Subject to Reallocation. The Reclaimed VSA Conversion Space which becomes part of Concessionaire's Demised Premises shall not be subject to City's reallocation pursuant to Section 5.3 above.
- 5.4.7. Configuration of Remaining VSA Space. City agrees to reconfigure the Remaining VSA Space and/or the VSA Conversion Space in such a manner to take into account the need, if any, for the ConRAC Concessionaires to move vehicles between the Ready Return Space and the QTA Space, and to the extent as may be reasonably required, City will provide access through the VSA Conversion Space for such purpose.
- 5.4.8. Meet and Confer Regarding CFC Shortfall. If, following the first redesignation of VSA Space resulting in VSA Conversion Space, projected CFC revenues are not sufficient to cover the Annual Capital Costs of the ConRAC in any Agreement Year thereafter, City and the ConRAC Concessionaires shall meet and confer in an attempt to identify solutions for addressing such projected shortfall in CFC revenues, which solutions may include, but are not limited to, proposals to revise the business arrangements under the CLAs and/or to increase the CFC pursuant to Section 7.2. In determining the sufficiency of projected CFC revenues, the costs of the VSA Conversion Space that is no longer rented by the ConRAC Concessionaires will be excluded from the calculation of the Annual Capital Costs of the ConRAC.
- 5.4.9. Acknowledgement Regarding Use of CFC Revenues. The parties acknowledge that, as provided in Section 6.6.1 and in the definition of Remaining CFC revenues, the costs of the VSA Conversion Space constitute an Excluded Cost and will not be included in the Annual Capital Costs of the ConRAC upon conversion of such space. The parties further acknowledge that City will not use CFC revenues for purposes that are not eligible for use under the applicable provisions of the CFC Statutes.

Section 6. Monetary Obligations.

- 6.1. Monetary Obligations, Generally. In consideration for City's grant of concession rights and lease of the Demised Premises herein, Concessionaire shall pay to City during the Rental Period the Concession Fee (Section 6.2), Land Rent (Section 6.3), O&M Fee (Section 6.4), Tenant Improvement Rent (Section 6.5), Concessionaire CTS Contribution (Section 6.6), the Monthly Facility Renewal Requirement (Section 6.7), Reclaimed VSA Conversion Space Rent (Section 6.8), Utility Payments (Section 6.9), and Other Charges (Section 6.10). The foregoing payments and any other amounts of any kind payable by Concessionaire to City under the terms of the Rental Car CLA (other than the collection and remittance of the CFC) are collectively referred to in the Rental Car CLA as "Monetary Obligations." All amounts due under Section 6 are payable for the same periods and in the same manner, time, and place as set forth in Section 6.11 below, unless otherwise more specifically provided herein. Except as expressly provided to the contrary in the Rental Car CLA, Concessionaire shall pay the Monetary Obligations (as such may be initially established and adjusted pursuant to the Rental Car CLA and by the Board by resolution) and all other monetary obligations payable under the Rental Car CLA without notice, demand, counterclaim, setoff, deduction, defense, abatement, suspension, deferment, diminution or reduction.
- 6.2. Concession Fee. During the Rental Period, for the privilege of transacting business at the Airport, Concessionaire shall pay to City a concession fee ("Concession Fee") in an annual amount equal to the greater of: (a) the Minimum Annual Guarantee (as defined in Section 6.2.1 below) for the applicable Agreement Year or (b) ten percent (10%) of the Gross Revenue ("Percentage Fee") for the applicable Agreement Year.

- 6.2.1. Minimum Annual Guarantee Defined. For the first (1st) Agreement Year, the term "Minimum Annual Guarantee" shall mean the greater of (a) the total amount that is most recently payable by (i) Concessionaire as the Minimum Annual Guarantee under the terms of Concessionaire's Prior Concession Agreement, and (ii) Approved Affiliates (if any) as the Minimum Annual Guarantee under the terms of Approved Affiliates' Prior Concession Agreement(s), or (b) the Base Minimum Annual Guarantee (as defined below). For the second (2nd) Agreement Year and each and every succeeding Agreement Year thereafter, the term "Minimum Annual Guarantee" shall mean the greater of (a) nine percent (9%) of the Gross Revenue for the immediately prior Agreement Year or (b) the Base Minimum Annual Guarantee for the applicable Agreement Year. The term "Base Minimum Annual Guarantee" shall mean ______ Dollars (\$__________); provided, however, that on the first (1st) day of the second (2nd) Agreement Year and the first (1st) day of each and every succeeding Agreement Year thereafter, the amount of the Base Minimum Annual Guarantee shall be increased to be an amount equal to one hundred two percent (102%) times the amount of the Base Minimum Annual Guarantee in effect for the immediately prior Agreement Year.
- 6.2.2. Payment of Concession Fee. The Concession Fee shall be payable in monthly installments consisting of the Monthly MAG Payment (as defined below) and the Monthly Percentage Overage Payment (as defined below) (collectively, the "Monthly Concession Fee Payments"), subject to year-end reconciliation and payment as provided herein. On the first (1st) day of each month during each Agreement Year, Concessionaire shall pay to City an amount equal to one-twelfth (1/12) of the Minimum Annual Guarantee for such Agreement Year ("Monthly MAG Payment"). The "Monthly Percentage Overage Payment" shall be an amount equal to the amount (if any) that the Percentage Fee calculated for the given month exceeds the Monthly MAG Payment for the given month. The Monthly Percentage Overage Payment shall be due and payable (to the extent that it exceeds the Monthly MAG Payment for the given month) in arrears not later than the twentieth (20th) day following the end of the month for which the Monthly Percentage Fee relates. In the event that the Concession Fee payable for the applicable Agreement Year is greater than the aggregate Monthly Concession Fee Payments paid to City for such Agreement Year, Concessionaire shall pay to City the difference within twenty (20) days after the last day of such Agreement Year. In the event that the Concession Fee payable for the applicable Agreement Year is less than the aggregate Monthly Concession Fee Payments paid to City for such Agreement Year, then Concessionaire shall be entitled to a credit in the amount of such overpayment. calculations relating to the Concession Fee, the Minimum Annual Guarantee, the Percentage Fee and the Monthly Concession Fee Payments are subject to the review and approval of the CEO. All reports regarding the calculation and payment of the Concession Fee shall be in a form satisfactory to the CEO. The Monthly Percentage Overage Payment due for the preceding month shall be accompanied by the Monthly Gross Revenue Form (as defined below) and be sent to the address provided in Section 6.11 below.

6.2.3. Monthly Gross Revenue and Transaction Days Report.

(a) On or before the twentieth (20th) calendar day of each month during the Rental Period of the Rental Car CLA, and within twenty (20) days of the expiration or other termination of the Rental Car CLA ("Gross Revenue Report Date"), Concessionaire agrees to report to City the monthly Gross Revenue by submitting a completed copy of the monthly Gross Revenue form prescribed by City ("Monthly Gross Revenue Form"). The Monthly Gross Revenue Form prescribed by City may be revised by City from time to time. Concessionaire agrees to use the most current form for reporting the Gross Revenue. For the purposes of reporting the Gross Revenue and submitting the Monthly Gross Revenue Form only, Gross Revenue derived from the operations of Affiliates shall be

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itemized separately on the Monthly Gross Revenue Form. Notwithstanding such separate itemization, Concessionaire acknowledges that the Gross Revenue includes the Gross Revenue of both the Concessionaire and its Affiliates.

- (b) Concessionaire shall have the burden of proof of establishing, to City's satisfaction, that any of Concessionaire's and its Affiliate's receipts are subject to any Gross Revenue Exclusions.
- (c) In addition to the Monthly Gross Revenue Form, Concessionaire shall report to City Concessionaire's total number of rental vehicle contracts, Transaction Days of up to five (5) days per rental vehicle contract (unless the CFC Statute increases the cap on the number of Transaction Days for which CFC may be charged, in which event, Concessionaire shall report on such increased number of Transaction Days), Transaction Days in total, and such other data for the preceding month as City may reasonably request. In determining the number of Transaction Days, each 24-hour period or a fraction thereof within the rental period shall constitute a Transaction Day, except the first Transaction Day shall be a 25-hour period. Report of the Transaction Days shall be made by submitting a completed copy of the monthly Transaction Days report form prescribed by City ("Transaction Days Report Form"). The Transaction Days Report Form prescribed by City may be revised by City from time to time. Concessionaire agrees to use the most current form for reporting the Transaction Days.
- (d) On or before each Gross Revenue Report Date, Concessionaire shall remit the Monthly Gross Revenue Form and Transaction Days Report Form to the remittance address provided in Section 6.11 below. In addition, a copy of each report shall also be electronically sent to the following e-mail address: Concessionsreporting@lawa.org.

6.3. Land Rent.

6.3.1. Payment of Land Rent. During the Rental Period, Concessionaire shall pay to City an annual amount ("Land Rent") for the use of the Demised Premises and for the use of the Joint Use Areas, if applicable (which amount shall be in addition to all other Monetary Obligations specified in the Rental Car CLA). The Land Rent shall be paid in monthly installments in advance prior to the first day of the month for each and every month during the Rental Period and shall be equal to the Concessionaire's share of the Total ConRAC Concessionaires and City Occupied Square Footage multiplied by the ConRAC Land Square Footage multiplied by one-twelfth (1/12) of the annual Land Rent Rate as defined in Section 6.3.2. The Land Rent shall be determined in accordance with the following formula:

Land Rent = (A/B)*C*D

- A Concessionaire's Concessionaire-Occupied Square Footage
- B Total ConRAC Concessionaires and City Occupied Square Footage
- C ConRAC Land Square Footage
- D Land Rent Rate

6.3.2. Land Rent Rate.

(a) Prior to the anticipated date of the DBO, the Board shall set the Land Rent Rate of the ConRAC Land for the first year after DBO in accordance with Section 6.3.2 (b).

- (b) Initial Land Rent Fair Market Value. The fair market value of the ConRAC Land used to determine the initial Land Rent Rate effective on the DBO shall be based on the lesser of (1) the average land rent rate per square foot for City-owned and concessionaire-occupied land for the year prior to the DBO as adjusted for the CPI, (2) the fair market value established through the appraisal process described in Section 6.3.3(b)(2), or (3) a fair market value agreed to by a Concessionaire Majority and the Board. For avoidance of doubt, it is acknowledged that the Land Rent Rate refers to the rental value of the land, not the improvements located on the land.
- 6.3.3. Rental Adjustments. It is agreed that the Land Rent Rate shall be adjusted each year in accordance with the procedures provided hereinafter.
 - (a) Annual Adjustments. Except when adjusted as provided in Section 6.3.3(b)(2) below, the Land Rent Rate shall be subject to automatic, annual rental adjustments on every DBO Anniversary, or such other date that the Board adopts by resolution ("Annual Adjustment Date"). On each Annual Adjustment Date, the Land Rent Rate then in effect shall be adjusted annually according to the percentage increase over the prior year, if any, in the CPI as follows:
 - (1) The Land Rent Rate then in effect shall be multiplied by the CPI for the month of March immediately preceding the Annual Adjustment Date ("Adjustment Index"), divided by the CPI as it stood on March of the prior year ("Base Index") and the result shall be the "Adjusted Land Rent Rate" to be applied effective in the applicable 12 month period, subject, however, to a minimum increase of no less than two percent (2%) in any year.
 - (2) The formula for calculation of Adjusted Land Rent Rate on each Annual Adjustment Date during the Term shall be as follows:

Adjusted Land Rent Rate = Land Rent Rate x Adjustment Index
Base Index

(b) Periodic Adjustment.

- (1) Provided that nothing herein shall be construed to grant Concessionaire any extension rights unless expressly stated in the Rental Car CLA, it is agreed that the Land Rent Rate payable for the Demised Premises covered under the Rental Car CLA shall be adjusted on the fifth (5th) DBO Anniversary and every five (5) years thereafter to reflect the then fair market value of the ConRAC land. However, nothing herein shall be construed to grant Concessionaire a right or option to extend the Agreement.
- (2) Appraisal Process. At least twelve (12) months prior to the adjustment date specified in Section 6.3.3(b)(1) above, City, on the one hand, and the ConRAC Concessionaires (acting by Concessionaire Majority), on the other hand, shall determine the fair market value of the ConRAC land to be used to determine the Land Rent Rate by the procedures described below.
- Step 1: City Appraisal. City shall select an appraiser meeting minimum qualifications established by the CEO (a "Qualified Appraiser"). The Qualified Appraiser shall be instructed to conduct the appraisal in substantially the manner

established by the CEO and applicable to the Demised Premises and similarly-situated premises at the Airport ("Appraisal Instructions"). City shall pay the fees and expenses of the appraiser it selects. If the ConRAC Concessionaires accept said appraisal results and provides written notice of acceptance to City within thirty (30) calendar days of City providing said appraisal results, the CEO shall present the results as a recommendation to the Board.

- Step 2: ConRAC Concessionaire Appraisal. If the ConRAC Concessionaires reject City's appraisal in Step 1 above, or otherwise fails to notify City of acceptance of appraisal results set forth in Step 1 above, the ConRAC Concessionaires shall select a Qualified Appraiser who shall follow the Appraisal Instructions to prepare a second appraisal ("Challenge Appraisal"). The ConRAC Concessionaires shall pay the fees and expenses of the appraiser it selects. A copy of the completed Challenge Appraisal shall be made available to the CEO no later than sixty (60) calendar days following delivery of City's appraisal to the ConRAC Concessionaires, and the CEO shall immediately fix the time and place for a conference ("Appraiser Conference") between City and the ConRAC Concessionaires and the two appraisers that were selected. At the Appraiser Conference, City and the ConRAC Concessionaires shall attempt to reach an agreement on the Land Rent Rate. If City and the ConRAC Concessionaires reach an agreement, the CEO shall present the results as a recommendation to the Board. If the ConRAC Concessionaires fail to provide the completed Challenge Appraisal within the period established in this Step 2, then the CEO shall present the City's appraisal results as a recommendation to the Board.
- Step 3: Third Appraiser. If the ConRAC Concessionaires and City fail to reach an agreement in Step 2, the two appraisers shall select another Qualified Appraiser within 10 days following the Appraiser Conference. If the appraisers do not reach an agreement on the selection of a Qualified Appraiser, the CEO shall appoint the third Qualified Appraiser. The ConRAC Concessionaires and City shall each pay 50% of the fees and expenses of the third Qualified Appraiser. Such appraiser will be allowed access to the two reports, will prepare a third appraisal and shall submit a copy of the third appraisal to the ConRAC Concessionaires and City. The ConRAC Concessionaires and City shall again meet in attempt to reach an agreement on the Land Rent Rate. If City and the ConRAC Concessionaires reach agreement, the CEO shall present the results as a recommendation to the Board.
- Step 4. Board Determination. If the ConRAC Concessionaires and City are still unable to reach agreement on the fair market value of the ConRAC Land to be used to determine the adjusted Land Rent Rate after the third appraiser's report and meeting as set forth in Step 3 above, then the CEO's recommended Land Rent Rate, the three appraisal reports, and any other relevant material shall be submitted to the Board. The Board shall review materials submitted to it and shall then determine the adjusted Land Rent Rate.
- (c) In the event the periodic adjustment of the Land Rent Rate is not completed prior to the adjustment date, Concessionaire shall continue to pay the Land Rent Rate set for the preceding period, at the intervals and in the manner fixed for such preceding period, and if such Land Rent Rate is thereafter fixed in a different amount, such new Land Rent Rate shall take effect retroactively back to the beginning date of the adjustment period. Concessionaire shall promptly pay to City that sum, if any, which has accrued as

a result of such retroactive application. If a rental reduction occurs, City shall provide a rent credit to Concessionaire's account equal to the sum which has accrued as a result of such retroactive application.

- (d) If City has complied with the appraisal procedure within the related time frames as set forth above, City shall be entitled to receive, in addition to all retroactive Land Rent that become due as a result of Board-adjusted rental rate(s), the time value of said rental increase(s) calculated from the effective date of the increase(s) to the time period that the rental increase(s) are assessed to Concessionaire at an interest rate representing what City may have otherwise been entitled to if the funds associated with the increase(s) were available for City's use; however, in no event shall the interest rate be less than five percent (5%).
- 6.4. O&M Fee. During the Rental Period, Concessionaire shall pay to City an "O&M Fee" (as described herein) for the recovery of the Operations and Maintenance Expenses. The O&M Fee shall be an amount equal to the Operations and Maintenance Expenses for the applicable Agreement Year multiplied by Concessionaire's Pro Rata Share. Notwithstanding the foregoing, City shall have the right to equitably allocate in its discretion certain Operations and Maintenance Expenses among particular ConRAC areas, functions, classes or groups of Concessionaires or occupants of the ConRAC to reflect City's good faith determination that measurably different amounts or types of services, work or benefits associated with such Operations and Maintenance Expenses are being provided to or conferred upon such areas, functions, classes or groups. Operations and Maintenance Expenses may be changed as a result of the changes in the Operations and Maintenance Standards pursuant to the process provided in Section 12.3.
 - 6.4.1. Monthly Estimated O&M Fee Payment. Concessionaire shall pay in advance, in monthly installments, on the first day of each month during the applicable Agreement Year, the estimated O&M Fee for the applicable Agreement Year as determined by City.
 - 6.4.2. Operations and Maintenance Budget. No later than sixty (60) days prior to commencement of the applicable Agreement Year, City will consult with ConRAC Concessionaires prior to finalizing the budget for the Operations and Maintenance Expenses for the applicable Agreement Year. Such budget will incorporate changes in costs resulting from changes, if any, in the Operations and Maintenance Standards made pursuant to the provisions of Section 12.3. The monthly estimated O&M Fee will be based on the final budget for the Operations and Maintenance Expenses as determined by City. Notwithstanding the minimum time period of sixty (60) days prior to commencement of the applicable Agreement Year within which City will consult with ConRAC Concessionaires and finalize the budget for the Operations and Maintenance Expenses, the parties acknowledge that it may take considerably more time to confer on and finalize the Operations and Maintenance Expenses budget for the first Agreement Year. As such, the parties agree to cooperate and diligently engage in early discussions regarding the Operations and Maintenance Expenses budget so that such can be finalized prior to the DBO.
 - 6.4.3. Annual Adjustments-to-Actual. Within one hundred eighty (180) days after the close of the applicable Agreement Year, City shall determine the actual Operations and Maintenance Expenses for the applicable Agreement Year and shall determine the amount of any overpayment (credit) or underpayment (deficit) due to or from Concessionaire. Any resulting credit will be issued to Concessionaire. Any resulting debit will be invoiced to and payable by Concessionaire within thirty (30) days of such invoice.

- 6.5. Tenant Improvement Rent. As compensation for City's funding of the Tenant Improvement Funding Amount, Concessionaire shall pay to City the Tenant Improvement Rent in the amount and in the manner as set forth below in this Section 6.5.
 - 6.5.1. Calculation of the Tenant Improvement Rent. The "Tenant Improvement Rent" shall mean the monthly installment payments calculated by amortizing the Adjusted Tenant Improvement Funding Amount (as defined below) over a period of fifteen (15) years using the Tenant Improvement Rent Interest Rate. The term "Adjusted Tenant Improvement Funding Amount" shall mean the sum of (a) the Tenant Improvement Funding Amount, plus (b) accrued interest thereon at the Tenant Improvement Rent Interest Rate for the period beginning on the date that the Tenant Improvement Funding Amount is advanced by City to Concessionaire and ending on the date that the first installment of the Tenant Improvement Rent is due and payable by Concessionaire to City. The term "Tenant Improvement Rent Interest Rate" shall mean the lesser of (a) the actual average rate of City-issued taxable special facility bonds funding the ConRAC, multiplied by 1.50, or (2) seven and one-half percent (7.5%) per annum.
 - 6.5.2. Notice of Tenant Improvement Rent; Payment. Following City's determination of the amount of the Tenant Improvement Rent, City will notify Concessionaire of the amount of the Tenant Improvement Rent. If such notification occurs prior to the DBO, then Concessionaire shall commence payment of the monthly installments of Tenant Improvement Rent on the DBO and shall continue such payments on the first day of each and every succeeding month until all installments of the Tenant Improvement Rent have been paid in full. If such notification occurs after the DBO, then Concessionaire shall commence payment of the monthly installments of Tenant Improvement Rent on the first day of the month immediately following the date that such notification is given by City and shall continue such payments on first day of each and every succeeding month until all installments of the Tenant Improvement Rent have been paid in full.
 - 6.5.3. Acceleration on Early Termination; No Abatement. Notwithstanding Section 6.5.2, if the Rental Car CLA terminates for any reason prior to the payment in full of all of the monthly installments of the Tenant Improvement Rent, then Concessionaire shall pay all remaining monthly installments of the Tenant Improvement Rent in a single lump sum on the date of such termination of the Rental Car CLA. Concessionaire's obligation to pay the Tenant Improvement Rent shall not be abated or terminated as a result of reallocation or relocation pursuant to Section 5.3.
- 6.6. Concessionaire CTS Contribution. Beginning on the DBO and continuing throughout the Term (including any extension thereof), for the privilege of ConRAC Customers' use of the CTS, Concessionaire shall pay to City Concessionaire's allocable share of the (a) Fixed CTS Contribution (as defined in Section 6.6(a) below), and (b) the Variable CTS Contribution (as defined in Section 6.6(b) below), calculated as follows (said sum of (a) and (b) is referred to herein as the "Concessionaire CTS Contribution"):
 - (a) Fixed CTS Contribution. Concessionaire's "Fixed CTS Contribution" shall be an annual amount initially equal to _______ Dollars (\$______) per Agreement Year, which annual amount shall be subject to increase each and every Agreement Year as provided in this Subsection (a). Beginning on the first day of the second Agreement Year and on the first day of each Agreement Year of the Term thereafter (including any extension thereof), the Fixed CTS Contribution then in effect shall be increased by the percentage increase, if any, in the CPI for the Comparison Month for such Agreement Year over the CPI for the Base Month for such Agreement Year; provided, however, such percentage increase shall be no more than four percent (4%) and no less than two percent (2%) for any given Agreement Year; and provided, further, that in no event

shall the Fixed CTS Contribution for a given Agreement Year be decreased as the result of such computation.

(b) Variable CTS Contribution. Concessionaire's "Variable CTS Contribution" shall be its percentage share of the balance of the Net Maximum CTS Contribution (as defined in Section 6.6.5 below) for the applicable Agreement Year, after deducting therefrom the sum of the Fixed CTS Contributions payable by all ConRAC Concessionaires for the applicable Agreement Year, which percentage shall be determined by Concessionaire's Market Share reported for the twelve (12) month period, commencing fifteen (15) months prior to the applicable Agreement Year.

The Concessionaire CTS Contribution shall be due and payable on the first (1st) day of each month during each Agreement Year in monthly installments equal to one-twelfth (1/12) the Concessionaire CTS Contribution for such Agreement Year.

- 6.6.1. CTS Payment Account. During the Term, City shall maintain a "CTS Payment Account" for the purposes of paying annual Allocable CTS Costs and making the calculations necessary to determine the Concessionaire CTS Contribution as provided in Section 6.6. The CTS Payment Account shall be a bookkeeping system only, which shall be in City's sole possession, custody and control. City shall have the sole right, title and interest in any and all funds relating to the CTS Payment Account, and City shall not be required to segregate the funds referred to in the CTS Payment Account. Concessionaire shall have no right, title or interest in the funds referred to in the CTS Payment Account. All calculations relating to the CTS Payment Account shall be as determined by City, which determination shall be final and binding on Concessionaire.
 - (a) Initial Balance. The initial balance of the CTS Payment Account as of the DBO shall be Fifty Million Dollars (\$50,000,000.00). Said initial balance shall represent funding by City sources, fifty percent (50%) of which (i.e., \$25 million) shall be from ConRAC Bonds or other City capital funding sources, and the remaining fifty percent (50%) of which shall be from the CFC revenues collected prior to the DBO.
 - (b) Credits to CTS Payment Account. During each Agreement Year, the CTS Payment Account shall be credited with the following amounts: (i) the Remaining CFC Revenues for the applicable Agreement Year (if any), (ii) the Net Maximum CTS Contribution for the Agreement Year, (iii) the Transportation Fees (as defined in Section 6.6.3 below) for the Agreement Year, (iv) the CTS Contribution Scheduled Abatement for the applicable Agreement Year, in the amount set forth in Section 6.6.5(a), and (v) the CTS Contribution Additional Abatement for the prior Agreement Year.
 - (c) Debits to CTS Payment Account. During each Agreement Year, the CTS Payment Account shall be debited with the following amounts: (i) Allocable CTS Costs for the applicable Agreement Year, and (ii) City's share of any CTS Excess Amount for the prior Agreement Year as described in Section 6.6.5(b) below.
 - (d) Non-Rental Car Concession Revenues. Concessionaire acknowledges that revenues received by City from the rental of space within the ConRAC to revenue-producing concession businesses other than Rental Car Concessions are not revenues included in the calculation of Remaining CFC Revenues and are not creditable to the CTS Payment Account. In recognition thereof, in the event that City rents such space to such revenue-producing concession businesses in a given Agreement Year, then City will make a good faith apportionment of the Annual Capital Costs of the ConRAC attributable to such space occupied by such revenue-producing concession businesses, and such apportioned

share shall be excluded from the Annual Capital Costs of the ConRAC for purposes of calculating the Remaining CFC Revenues for such Agreement Year. Such good faith determination by City shall be final and binding on Concessionaire.

- 6.6.2. CTS Payment Account Maximum Balance; Adjustments. The "CTS Payment Account Maximum Balance" shall mean that certain amount to be calculated and accounted for annually on the first day of each Agreement Year as set forth in Section 6.6.2. As of the DBO, the CTS Payment Account Maximum Balance shall be Fifty Million Dollars (\$50,000,000.00), subject to the annual adjustments pursuant to Subsection (a), and the one-time adjustment as provided in Subsection (b) below.
 - (a) Annual Adjustments to CTS Payment Account Maximum Balance. Beginning on the first day of the second Agreement Year and the first day of each Agreement Year thereafter during the Term (including any extensions thereof), CTS Payment Account Maximum Balance then in effect shall be increased by the percentage increase, if any, in the CPI for the Comparison Month for such Agreement Year over the CPI for the Base Month for such Agreement Year; provided, however, such increase shall be no more than four percent (4%) and no less than two percent (2%) for any given Agreement Year; and provided, further, that in no event shall the CTS Payment Account Maximum Balance for a given Agreement Year be decreased as the result of such computation.
 - (b) One-Time Adjustment to CTS Payment Account Maximum Balance. If in any Agreement Year after the tenth (10th) DBO Anniversary a CTS Contribution Additional Abatement has been available for five (5) consecutive Agreement Years which five (5)-year measurement period may include up to two (2) Agreement Years before the tenth (10th) DBO Anniversary, then the CTS Payment Account Maximum Balance shall, on a one-time basis, be reduced by an amount equal to fifty percent (50%) of the CTS Payment Account Maximum Balance in effect for the immediately preceding Agreement Year, and the CTS Payment Account Maximum Balance will thereafter be subject to only the annual CPI adjustment under Subsection (a) above for the remainder of the Term. The amount by which the CTS Payment Account Maximum Balance shall be reduced pursuant to this Section 6.6.2(b) shall come from the initial balance referred to in Section 6.6.1(a) above and will be included in the CTS Contribution Additional Abatement for the following Agreement Year. If the CTS Payment Account Maximum Balance is reduced per this Subsection (b) in an Agreement Year, then no adjustment shall be made under Subsection (a) above for such Agreement Year.
- 6.6.3. Non-Concessionaire CTS Contribution. Prior to the DBO, City shall adopt (subject to the Board's approval) a fee schedule ("Transportation Fees") which shall be charged to Non-Concessionaire RACs for the use of the CTS by their customers. The Transportation Fees shall be reasonably estimated to recover the cost of designing, constructing, financing, operating and maintaining the CTS allocable to Non-Concessionaire RACs' use of the CTS, which estimation shall be in City's sole determination. The Transportation Fees collected by City shall be credited to the CTS Payment Account.

6.6.4. Maximum CTS Contribution.

- (a) Maximum CTS Contribution First Agreement Year. For the first (1st) Agreement Year commencing on the DBO, the Maximum CTS Contribution shall be Forty-Three Million Nine Hundred Thousand Dollars (\$43,900,000), provided the DBO occurs in calendar year 2023. Should the DBO occur after calendar year 2023, the Maximum CTS Contribution shall be increased for each calendar year following 2023 by an amount equal to two and one-half percent (2.5%) of the Maximum CTS Contribution in effect for the immediately prior calendar year until the actual DBO. Unless otherwise expressly set forth herein, the Maximum CTS Contribution shall be subject to adjustment and abatement in the order set forth in this Section 6.6.4 and Section 6.6.5 below.
- (b) Maximum CTS Contribution Annual Adjustment. Beginning on the first (1st) day of the second (2nd) Agreement Year and on the first (1st) day of each Agreement Year thereafter through the end of the Term (including any extensions thereof), the Maximum CTS Contribution shall be increased by an amount equal to two and one-half percent (2.5%) of the Maximum CTS Contribution in effect for the immediately prior Agreement Year.
- (c) Maximum CTS Contribution One-Time Adjustment. If the sum of the actual Transaction Days during the eighth (8th) through the tenth (10th) Agreement Years is less than the Year 8-10 Minimum Transaction Days (as defined below), the Maximum CTS Contribution shall be subject to a one-time adjustment on the first (1st) day of the eleventh (11th) Agreement Year in an amount equal to the product obtained by multiplying the Maximum CTS Contribution in effect for the tenth (10) Agreement Year by a fraction, the numerator of which is the Year 8-10 Minimum Transaction Days, and the denominator of which is the actual Transaction Days during the eighth (8th) through the tenth (10th) Agreement Years; provided, however, in no event shall the Maximum CTS Contribution be increased by more than forty percent (40%) of the amount of the Maximum CTS Contribution in effect for the tenth (10) Agreement Year. In no event shall the Maximum CTS Contribution be subject to decrease under this Section 6.6.4(c). The foregoing adjustment is further illustrated in the following calculation:

(1) Adjustment Calculations:

- i. The Year 8-10 Minimum Transaction Days shall be divided by the actual sum of the Transaction Days in the eighth (8th) Agreement Year through the tenth (10th) Agreement Year. Such quotient amount shall be referred to as "Adjustment Factor." (i.e., [Year 8-10 Minimum Transaction Days] \pm [Actual Transaction Days in the Year 8-10] = [Adjustment Factor]); and
- ii. If the Adjustment Factor is greater than 1 but less than 1.4, then the Maximum CTS Contribution in effect for the tenth (10th) Agreement Year shall be multiplied by the Adjustment Factor, the product of which shall be the new, adjusted CTS Maximum Contribution for the eleventh (11th) Agreement Year. If the Adjustment Factor is less than 1 or greater than 1.4, no adjustment shall be made pursuant to this Section 6.6.4(c).
- (2) For the purposes of this Section 6.6.4(c), the "Year 8-10 Minimum Transaction Days" shall mean 50 million, provided that the tenth (10th) DBO anniversary occurs in calendar year 2033.

Should the tenth (10th) DBO occur after calendar year 2033, the Year 8-10 Minimum Transaction Days shall be increased for each calendar year following 2033 by an amount equal to three percent (3%) of the Year 8-10 Minimum Transaction Days in effect for the immediately prior calendar year.

- (3) The Maximum CTS Contribution as adjusted pursuant to this Subsection (c) shall not be subject to the annual adjustment pursuant to Subsection (b) above in that same Agreement Year.
- 6.6.5. CTS Contribution Abatement. After the adjustments in Section 6.6.4 above, the Maximum CTS Contribution shall be subject to that certain CTS Contribution Scheduled Abatement and CTS Contribution Additional Abatement pursuant to Subsections (a) and (b) below, respectively; provided, however, in no event will the sum of CTS Contribution Scheduled Abatement and CTS Contribution Additional Abatement amounts in a given Agreement Year exceed the Maximum CTS Contribution for that year. In the event the sum of CTS Contribution Scheduled Abatement and CTS Contribution Additional Abatement amounts in a given Agreement Year does exceed the Maximum CTS Contribution for that year, the excess amount shall be allocable to City and may be used by City to pay any costs or obligations of City that are eligible for payment with CFC revenues as provided in the CFC Statutes. The application of such excess amount shall be made at such time and in such manner as City may determine in its sole and absolute discretion. The Maximum CTS Contribution, as adjusted per Section 6.6.4, net of (i) CTS Contribution Scheduled Abatement and (ii) CTS Contribution Additional Abatement shall be the "Net Maximum CTS Contribution." During the Term, City shall maintain a "CTS Abatement Fund" for the purpose of calculating the abatement contemplated by this Section 6.6.5. The CTS Abatement Fund shall be initially credited with One Hundred Fifteen Million Dollars (\$115,000,000) of CFC revenues collected by City prior to the DBO. The CTS Abatement Fund shall include the CTS Contribution Scheduled Abatement, which shall be debited against the CTS Abatement Fund. The CTS Abatement Fund shall be a bookkeeping system only, which shall be in City's sole possession, custody and control. City shall have the sole right, title and interest in any and all funds relating to the CTS Abatement Fund, and City shall not be required to segregate the funds referred to in the CTS Abatement Fund. Concessionaire shall have no right, title or interest in the funds referred to in the CTS Abatement Fund.
- (a) CTS Contribution Scheduled Abatement. The Maximum CTS Contribution shall be abated or decreased on the DBO and on each of the first (1st) through ninth (9th) DBO Anniversaries by the respective amounts set forth in the following table ("CTS Contribution Scheduled Abatement"):

Abatement Date: CTS Contribution Scheduled Abatement

Amount:

DBO \$15 million 1st DBO Anniversary \$15 million 2nd DBO Anniversary \$15 million 3rd DBO Anniversary \$10 million 4th DBO Anniversary \$10 million 5th DBO Anniversary \$10 million 6th DBO Anniversary \$10 million 7th DBO Anniversary \$10 million 8th DBO Anniversary \$10 million 9th DBO Anniversary \$10 million

Upon the application of the CTS Contribution Scheduled Abatement for the ninth (9th) DBO Anniversary, no further CTS Contribution Scheduled Abatement shall be applied to the Maximum CTS Contribution.

- (b) CTS Contribution Additional Abatement. In addition to the foregoing CTS Contribution Scheduled Abatement, provided that the balance in the CTS Payment Account at the end of the then immediately preceding Agreement Year is greater than the CTS Payment Account Maximum Balance applicable for the then current Agreement Year (the difference between such balances is referred to as the "CTS Excess Amount"), the Maximum CTS Contribution for the then current Agreement Year shall be subject to additional abatement as follows:
 - (1) Second (2nd) Through Tenth (10th) Agreement Year. For each of the second (2nd) through the tenth (10th) Agreement Years, the Maximum CTS Contribution for the then current Agreement Year shall be further abated by that amount equal to seventy-three percent (73%) of the then CTS Excess Amount, if any. The remaining twenty-seven percent (27%) of the CTS Excess Amount shall be allocable to City and may be applied by City to any costs or obligations of City that are eligible for payment with CFC revenues as provided in the CFC Statutes. Such application of City's share of the CTS Excess Amount shall be made at such time and in such manner as City may determine in, its sole and absolute discretion.
 - Eleventh (11th) Agreement Year through End of Term. For the eleventh (11th) Agreement Year and for each Agreement Year through the end of the Term, if the total actual Transaction Days of the ConRAC Concessionaires for which CFC is collected during the eighth (8th) through the tenth (10th) Agreement Years are greater than the Year 8-10 Minimum Transaction Days set forth in Section 6.6.4(c) above, then the Maximum CTS Contribution for the then current Agreement Year shall be abated by an amount equal to seventy-three percent (73%) of the then CTS Excess Amount, if any. If, however, the actual total Transaction Days of the ConRAC Concessionaires for which CFC is collected during the eighth (8th) through the tenth (10th) Agreement Years are less than the Year 8-10 Minimum Transaction Days set forth in Section 6.6.4(c) above, then the Maximum CTS Contribution for the then current Agreement Year (i.e., for the eleventh (11th) Agreement Year and for each Agreement Year through the end of the Term) shall be abated by an amount equal to thirty-six and one-half percent (36.5%) of the then CTS Excess Amount, if any. The remaining balance of the then CTS Excess Amount for each Agreement Year (i.e., 27% or 63.5% of the CTS Excess Amount, as applicable) shall be allocable to City and may be applied by City to any costs or obligations of City that are eligible for payment with CFC revenues as provided in the CFC Statutes. Such application of City's share of the CTS Excess Amount shall be made at such time and in such manner as City may determine in its sole and absolute discretion.
- 6.7. Facility Renewal Recovery Requirement. In the event that there are any Unrecovered Facility Renewal Costs (as defined below) in any given Agreement Year, then the amount of such Unrecovered Facility Renewal Costs for such Agreement Year shall be amortized over the useful life of such investment, using a reasonable capital charge as determined by City that is no greater than the 10 year U.S. Treasury rate in effect as of the last day of such Agreement Year plus 200 basis points (such amortized amount expressed as a monthly installment payment is referred to herein as a "Monthly Facility Renewal Requirement"). Commencing on the first day of the immediately following Agreement Year and continuing

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on the first day of each month thereafter (until the earlier of the expiration of the Term or payment in full), Concessionaire shall pay Concessionaire's Pro Rata Share of such Monthly Facility Renewal Requirement. All calculations as to the amount of any Monthly Facility Renewal Requirement shall be as determined by City in its good faith discretion and City shall give a written notice to Concessionaire of such calculations. Within thirty (30) days from such written notice, Concessionaire may comment on City's calculations of the amount of Monthly Facility Renewal Requirements, and City will consider such timely comments and comments from other ConRAC Concessionaires and will issue a notice of calculations, which shall be final and binding on Concessionaire. The term "Unrecovered Facility Renewal Costs" shall mean those certain costs that City has the right to recover from the ConRAC Concessionaires as provided in Sections 6.7.1 and 6.7.2 below.

- 6.7.1. In the event that City incurs or pays for Major Maintenance Costs in any given Agreement Year that are determined to be ineligible for funding by CFC revenues collected by City, then the amount of such ineligible Major Maintenance Costs shall be recoverable from the ConRAC Concessionaires as an Unrecovered Facility Renewal Cost.
- 6.7.2. In the event that City incurs or pays for Major Maintenance Costs in any given Agreement Year that are eligible for funding by CFC revenues collected by City, but the CFC revenues collected by City for such Agreement Year are insufficient to pay for such Major Maintenance Costs from Remaining CFC Revenues for such Agreement Year, then the amount of such shortfall in the funding of such Major Maintenance Costs shall be recoverable from the ConRAC Concessionaires as an Unrecovered Facility Renewal Cost.
- 6.8. Reclaimed VSA Conversion Space Rent. If Concessionaire leases any Reclaimed VSA Conversion Space pursuant to the provisions of Section 5.4, then in addition to all other Monetary Obligations applicable to such portion of the Demised Premises under the Rental Car CLA, Concessionaire shall pay to City the Reclaimed VSA Conversion Space Rent (as defined below). The "Reclaimed VSA Conversion Space Rent" shall be an annual amount equal to the then current annual Land Rent Rate multiplied by the total number of square feet contained in the Reclaimed VSA Conversion Space. Commencing on the effective date of inclusion of the Reclaimed VSA Conversion Space as a part of the Demised Premises and continuing thereafter throughout the Term, Concessionaire shall pay the Reclaimed VSA Conversion Space Rent in advance on the first day of each month in monthly installments equal to one-twelfth (1/12) of the annual Reclaimed VSA Conversion Space Rent as then in effect.
- 6.9. Utility Payments. Except to the extent that utilities are provided and charged to Concessionaire as an Operations and Maintenance Expense pursuant to Section 6.4 above, Concessionaire shall be responsible and shall pay for the cost of all utilities supplied to the Demised Premises (including all charges for water, gas, heat, light, power, telephone, and other utility services). To the extent that City is charged for Concessionaire's use of any utilities, Concessionaire shall pay City for City's costs for Concessionaire's use of such utilities. If any utilities are jointly metered with other premises, City shall make a reasonable determination of Concessionaire's proportionate share of the cost of such utilities, and Concessionaire shall pay Concessionaire's share of such costs in monthly or other installments as specified by City. Such reasonable determination by City of Concessionaire's share shall be final and binding on Concessionaire. Concessionaire shall also pay to City Concessionaire's share of utilities and services with respect to the Common Use Areas as a part of Operations and Maintenance Expenses.
- 6.10. Other Charges. City and Concessionaire may from time to time agree upon the installation for Concessionaire's unique use of such special equipment that is not generally available to all ConRAC Concessionaires or for the provision of services to Concessionaire that are not generally provided to all ConRAC Concessionaires, in which case City and Concessionaire will enter into a separate agreement allocating the cost associated with such specially provided equipment or services. In the absence of such a

separate agreement, Concessionaire shall pay for the specially provided equipment or services such assessments, fees and charges as shall be set by City. Any costs payable by Concessionaire in connection with such a separate agreement (or in the absence of such a separate agreement, the assessments, fees and charges set by City) shall be deemed Monetary Obligations payable under the Rental Car CLA.

6.11. Manner of Payment. Unless another method of payment is specified by City, all payments of Monetary Obligations and other amounts payable under the Rental Car CLA shall be paid in U.S. dollars without demand, setoff or deduction by mailing to the City of Los Angeles.

City may from time to time designate any other address to which the payments shall be made. Further, City may require, upon written notice to Concessionaire, that any or all Monetary Obligations or other amounts payable to City under the Rental Car CLA shall be paid to City by electronic funds transfer to such account or accounts as may be designated by City, and Concessionaire shall promptly comply with any such request by City as to such method of payment. As a courtesy only, City may issue invoices and statements invoices, but the receipt of an invoice or a statement shall not be a condition precedent to Concessionaire's payment of any Monetary Obligations or other moneys due to City.

- 6.11.1. The Monetary Obligations for any fractional part of a calendar month at the commencement or termination of the Term (e.g. Monetary Obligations for any Fractional First Month) shall be a prorated amount of the Monetary Obligations for a full calendar month based upon a thirty (30) day month. The Monetary Obligations payable with respect to any Fractional First Month shall be due and payable upon demand as determined by City. In the event that the any element of Monetary Obligations payable by Concessionaire cannot be calculated as of the date that such payment is due (e.g., as the result of the delayed publication of the CPI or the unavailability of the Market Share information), the amount of such payment may be estimated by City based on available information, and in the event that City bills Concessionaire based on such estimate, such amount shall be reconciled by City as soon as such information is available, and Concessionaire will be credited with any overpayment and will be required to remit any underpayment with the next installment of such Monetary Obligations then due. The failure by City to calculate any adjustment to the Monetary Obligations hereunder shall not be construed as a waiver of City's right to make such adjustment to the Monetary Obligations. In the absence of City making such adjustment or estimated adjustment, Concessionaire will continue to pay the amounts applicable to the preceding period, subject to reconciliation when such adjustment is made by City, and Concessionaire will be credited with any overpayment and will be required to remit any underpayment with the next installment of such Monetary Obligations then due.
- 6.11.2. No payment by Concessionaire or receipt by City of a portion of any sum due under the Rental Car CLA shall be construed as a novation or City's waiver of right to collect in full, which rights are reserved to the fullest extent possible. No endorsement or statement on any check or any letter accompanying a check or other payment from Concessionaire shall be deemed an accord and satisfaction, and City may accept the check or other payment, and pursue all its remedies available under the Rental Car CLA. City may accept any partial payment from Concessionaire without invalidation of any notice required to be given under the Rental Car CLA or any notice required to be given under the provisions of California Code of Civil Procedure Section 1161, et seq.
- 6.11.3. Except as provided below in this Section 6.11.3 or elsewhere in the Agreement, all payments by Concessionaire to City made hereunder shall be final, and Concessionaire will not seek to recover any such payment or any part thereof for any reason. In the event of any dispute regarding the amount of any Monetary Obligations, (a) City's computation of the amounts due shall be presumed correct, and Concessionaire will continue to pay the amounts due as computed by City

unless Concessionaire shall have obtained a final, unappealable order to the contrary from a court of competent jurisdiction, and (b) to the extent permitted by applicable law, Concessionaire waives any right to seek or obtain any provisional remedy before obtaining such a final order. If it is determined by a final, unappealable order of a court of competent jurisdiction that Concessionaire was not obligated to pay any amount disputed by Concessionaire but nevertheless paid by Concessionaire under protest, City will refund to Concessionaire the amount of such excess payments. Any claim by Concessionaire regarding the disputed amount of any Monetary Obligations shall be filed no later than twenty-four (24) months after the disputed amount becomes due.

- 6.12. Late Charges. Concessionaire's failure to pay any Monetary Obligations promptly may cause City to incur unanticipated costs. The exact amount of such costs is impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on City. Therefore, if City does not receive any Monetary Obligations payment within five (5) days after it becomes due ("Late Charge Due Date"), Concessionaire shall immediately pay to City a late charge equal to five percent (5%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs City will incur by reason of such late payment. Concessionaire shall pay such late charge to City immediately after the Late Charge Due Date, and if Concessionaire fails to so pay such amount to City, then such nonpayment shall be considered a monetary Default by Concessionaire and a failure by Concessionaire to pay Monetary Obligations under the Rental Car CLA, and Concessionaire shall pay interest to City on such unpaid late charge amount pursuant to Section 6.13 below (but not greater than the maximum amount permitted by law on such late charge) from the Late Charge Due Date. City's acceptance of such late charge shall not constitute a waiver of Concessionaire's Default with respect to such overdue amount or prevent City from exercising any of the other rights and remedies granted under the Rental Car CLA.
- 6.13. Interest on Past Due Obligations. Any amount owed by Concessionaire to City under the Rental Car CLA which is not paid when due shall bear interest at the rate of ten percent (10%) per annum, or the prime rate plus four and one-half percent (4.5%) per annum, whichever is greater, from the due date of such amount (but not greater than the maximum interest rate permitted by law). The payment of interest on such amounts shall not excuse or cure any Default by Concessionaire under the Rental Car CLA. If the interest rate specified in the Rental Car CLA is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law.
- 6.14. Late or Inaccurate Report Charge. Concessionaire acknowledges that Concessionaire's failure to timely deliver to City accurate and complete reports regarding CFC revenues, Gross Revenues and Transaction Days as required under the Rental Car CLA will cause City to incur additional administrative costs. In the event that Concessionaire fails to timely deliver to City any such report or in the event that any such report is not accurate and complete, then City shall have the right to assess to Concessionaire a charge in the amount of ______ Dollars (\$______) per occurrence ("Deficient Report Charge"). Concessionaire shall remit to City the Deficient Report Charge within thirty (30) days following the issuance of City's invoice therefor. The assessment of such Deficient Report Charge shall be in addition to (and not in lieu of) any and all rights and remedies of City in the event of such nonperformance by Concessionaire, and City's assessment or acceptance of such Deficient Report Charge shall not constitute a waiver nor prevent the exercise of any other rights or remedies by City for such nonperformance by Concessionaire, including, without limitation, City's right to declare an Event of Default.
- 6.15. Pro Rata Payment. If the Agreement terminates without fault of Concessionaire on any other day than the last day of the applicable payment period, the Monetary Obligations and other amounts payable under the Rental Car CLA shall be prorated based on the number of days the Agreement is in effect for that month bears to the total number of days in that month.

Section 7. Customer Facility Charge

- 7.1. Collection Required. Concessionaire shall collect the CFC on all vehicle rental transactions with ConRAC Customers at the rate established by the City, which rate may be adjusted and noticed periodically by City during the term of the Rental Car CLA. The CFC shall be identified on a separate line below the sales tax line on the ConRAC Customer's rental contract, and shall be described as the "Customer Facility Charge" or the "CFC." Concessionaire shall collect the CFC at the time the first payment is made for each and every vehicle rental transaction, and must remit the full amount of the CFC to City regardless of whether or not Concessionaire is actually in receipt of the full amount of such CFC from the ConRAC Customers. The CFC collected by Affiliates shall be included with Concessionaire's payment of CFC to City and itemized separately on Concessionaire's Monthly Gross Revenue Form. For avoidance of doubt, no CFC is required to be collected under this Section 7.1 from any customer transaction if the following two conditions are met: (i) the vehicle rental contract is not executed at the ConRAC; and (ii) the vehicle is not delivered to the customer at the ConRAC. For the purposes of the immediately preceding sentence, vehicle rental contracts originated or created remotely online or over the phone, which are then transmitted to the ConRAC for processing or fulfillment of the vehicle rental contracts, shall be considered to be "executed" at the ConRAC.
- 7.2. Changes to CFC. Concessionaire acknowledges that the CFC may change during the term of the Rental Car CLA, and City reserves the right (at any time and from time to time) to seek changes to the CFC. The parties acknowledge and agree that such change may become necessary or desirable based on the Annual Capital Costs of the ConRAC, the Concessionaire CTS Contribution and/or the net Allocable CTS Costs (i.e., the portion remaining after the annual Concessionaire CTS Contribution). In the event of a proposed change to the CFC to support the costs of the original construction of the ConRAC and/or the APM (e.g. by increasing the CFC rate above the present Board-approved rate of Nine Dollars (\$9.00) per Transaction Day that may be collected under Section 7.1 above or increasing the maximum number of Transaction Days for which the CFC may be collected), then the provisions of Section 7.2.1 shall apply. With respect to any other proposed change that does not support the costs of the original construction of the ConRAC and/or the APM, the provisions of Section 7.2.1 shall not apply.
- 7.2.1. Changes to Support Original Construction of ConRAC and APM. Before City seeks changes to the CFC to support the costs of the original construction of the ConRAC and/or the APM, City will provide written notice to Concessionaire not less than sixty (60) days prior to undertaking proceedings to implement such changes to the CFC. In such notice, City will provide reasonable information supporting the need for the proposed changes. By no later than thirty (30) days from receipt of City's notice, Concessionaire may submit written comments to City's notice, and City will in good faith meet and confer with Concessionaire, taking into consideration Concessionaire's comments (and other ConRAC Concessionaires' comments, if any) regarding the proposed changes. Concessionaire's failure to provide written comments to City's proposed changes shall be construed as Concessionaire's consent and approval of City's proposed changes.
- 7.3. Proceeds Held in Trust. Concessionaire agrees that the CFC is not income, revenue or any other asset of Concessionaire and that Concessionaire has no ownership or property interest in CFC collected from ConRAC Customers. Concessionaire hereby waives any claim of legal or equitable interest in the CFC. Concessionaire agrees that it holds the CFC in trust for the benefit of City, and that City has all right, title and interest in and to CFC. Consistent with the nature of the CFC, as funds held in trust for City, Concessionaire shall separately account on its books and records for the CFC proceeds collected by it. Notwithstanding the foregoing, in the event that either: (i) it is determined that Concessionaire must, as a matter of law, establish a separate account into which all CFC proceeds must be deposited, or (ii) it is determined, by a court of competent jurisdiction, that the failure to maintain the CFC in a separate account imperils the trust nature of the relationship created by this Section 7.3 and potentially subjects any CFC

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proceeds held by Concessionaire to the Claims (or potential Claims) by Concessionaire's creditors, whether in bankruptcy or otherwise, then in that event City shall have the right to require Concessionaire to establish a separate account into which all CFC proceeds collected shall be segregated promptly following receipt into a separate account and all interest (if any) on the CFC proceeds held by Concessionaire shall inure to the benefit of, and be payable to, City. Concessionaire acknowledges the CFC collected and held by Concessionaire are property in which Concessionaire has no legal or equitable interest. Concessionaire agrees to perform all acts and execute such documents reasonably requested by City in order for City to mortgage, pledge or hypothecate or otherwise transfer any interest in the CFC.

- 7.4. Concessionaire to Promptly Remit. Concessionaire shall remit the CFC proceeds held by Concessionaire to City on a monthly basis on or before the twentieth (20th) day of each month following the month in which the CFC were earned; provided, however, in the event that it is determined that Concessionaire must, as a matter of law, remit the CFC more frequently, Concessionaire shall remit such funds with such frequency as required by law, but Concessionaire shall not otherwise be required to report or reconcile the amounts remitted other than on a monthly basis on or before the 20th day of each month. Concessionaire shall remit the CFC by electronic funds transfer or other means specifically approved by City in writing. When remitting such CFC revenues, Concessionaire shall report and reconcile the CFC proceeds remitted by it on the form required by City ("CFC Revenue Report") and shall submit such additional information as City may reasonably be requested. The CFC Revenue Report may be revised by City from time to time. Further, City in its discretion may change the reporting procedure to require use of an on-line electronic reporting system. City shall give a notice to Concessionaire before an on-line electronic reporting system will be implemented.
- 7.5. Records; Audits. Concessionaire shall maintain such records and system necessary to demonstrate the accuracy of the CFC amounts required to be collected, and actually collected by Concessionaire, and the amount of CFC revenues remitted to City. Such records shall be maintained in accordance with, and subject to inspection and audit as set forth in Section 14 below.
- 7.6. Amount and Determination of the CFC. Subject to the provisions of the CFC Statutes, City shall have the sole authority to determine the rate of the CFC.
- 7.7. Annual Forecast. On or before sixty (60) days prior to the commencement of the applicable Agreement Year, Concessionaire shall provide City with a forecast of the CFC revenues and the method of its calculation, including but not limited to the projected number of transactions and Transaction Days for the upcoming Agreement Year.
- 7.8. No Abatement or Offset. Under no circumstances and notwithstanding any contrary language in the Rental Car CLA or otherwise will Concessionaire's obligation to collect and remit the CFC to City be subject to abatement, offset, or deduction whatsoever. Concessionaire's obligation to collect and remit the CFC to City shall be absolute and unconditional and shall continue in any event, including without limitation, any event of any damage or destruction subject to Section 17 of the Rental Car CLA or any termination of the Rental Car CLA.
- 7.9. No Diversion. Concessionaire shall not, directly or indirectly, divert ConRAC Customers away from the ConRAC or assist any ConRAC Customer in avoiding payment of the CFC. Such prohibited diversion of ConRAC Customers include, without limitation, renting vehicles to ConRAC Customers and not accounting for such transaction in the Gross Revenue or reporting such transaction; taking of reservations, advertising or suggesting to potential ConRAC Customers for any reason that they rent a vehicle at a location other than at the ConRAC or utilize an alternative transportation service business. Diversion of ConRAC Customers away from the ConRAC or assisting any ConRAC Customer in avoiding payments under the Rental Car CLA shall be a Default hereunder. Without limiting the generality of the

remedies available to City for any Default under the Rental Car CLA, if Concessionaire does divert any
potential ConRAC Customers from utilizing the ConRAC, or assists any potential ConRAC Customer in
avoiding any payments due under the Rental Car CLA, Concessionaire shall pay to City a fee of
Dollars (\$) for each transaction thus diverted.

Section 8. Alterations to the Demised Premises by Concessionaire

- 8.1. City's Approval Required. Concessionaire shall not make any alterations, installations, additions or improvements (including, without limitation, the Pre-DBO Tenant Improvements) in or to the Demised Premises (collectively, "Alterations") without first complying with City's Tenant Improvement Approval Process in accordance with Section 8.2. Any unauthorized Alterations made by Concessionaire to the Demised Premises shall be removed at Concessionaire's sole cost and expense and any damage to the Demised Premises shall be promptly repaired. If not removed and repaired within thirty (30) days of demand from City, City may remove such Alterations and restore the Demised Premises, at Concessionaire's sole cost and expense, and such cost shall be payable to City as Monetary Obligations within thirty (30) days of delivery of an invoice therefor. In addition, Concessionaire shall be assessed an administrative cost equal to fifteen percent (15%) of the cost of removal of the unauthorized Alterations and restoration of the Demised Premises.
- 8.2. Tenant Improvement Approval Process. Concessionaire's initial request for City's consent to Alterations to the Demised Premises shall include detailed and complete plans and specifications for the proposed work ("Concept Request") that clearly define the scope of work and such other materials and information as City may reasonably request. As a condition of its approval of the Concept Request, City may impose any requirements that City considers desirable or necessary, including requiring additional work or modification of the proposed work, and requiring that Concessionaire provide City with a surety bond, letter of credit, or other financial assurance that the cost of Alterations will be paid when due. City shall not unreasonably withhold or delay its consent to proposed Alterations. However, City may require changes to Concept Request or withhold approval if Alterations would or could, among other things: (a) affect the structure of the ConRAC or any portion of the ConRAC other than the interior of the Demised Premises; (b) affect the building systems; (c) result in City being required under Legal Requirements to perform any work that City could otherwise avoid or defer; (d) result in an increase in the utilities or services that City is required to provide; (e) cause an increase in the premiums for hazard or liability insurance carried by City; (f) otherwise overload the floor load capacity or unduly burden the building systems; or (g) interfere with the use or enjoyment of other occupants of the ConRAC; or (h) interfere with City's development, or operation or maintenance of the ConRAC, including the Developer's ability to perform its obligations under the ConRAC Project Agreement. Upon City's approval of the Concept Request, Concessionaire shall prepare the final working drawings and specifications that are in all respects accurate reflections of the approved Concept Request with any additions or modifications required by City ("Final Alterations Plans") and will submit to City five (5) copies of the Final Alterations Plans, together with a written request for construction approval. Concessionaire shall not commence work on the proposed Alterations until City has approved the Final Alterations Plans and issued a "Notice to Proceed Letter." Upon receipt of the Notice to Proceed Letter, Concessionaire shall construct the Alterations in accordance with the Final Alterations Plans. Any material change to the Final Alterations Plans shall be subject to City's prior written approval. Upon completion of the construction of Alterations, Concessionaire shall furnish to City, at no charge, three (3) complete reproducible sets of record or as-built drawings of Alterations, and one complete set in an electronic format that complies with the then current Computer Aided Design (CAD) standards of City. The drawings shall include any applicable permit numbers, all improvements installed as part of Alterations, and the location and details of installation of all equipment, utility lines, heating, ventilating, and air-conditioning ducts and related facilities. Concessionaire shall keep the record or as-built drawings current by updating them in order to reflect any changes or modifications that may later be made in or to the Demised Premises. Within ninety (90) days following the completion

of Alterations (or such other later date as may be agreed to by the parties), Concessionaire shall prepare and submit to City a construction report including the following information regarding Alterations: (i) a description of the type of improvements constructed or altered, (ii) the floor area or capacity of the improvements constructed or altered, (iii) the total cost of Alterations, including a detailed cost breakdown, (iv) the completion date for the construction of Alterations, and (v) a copy of the certificate of occupancy for Alterations (or for the Demised Premises, after giving effect to Alterations). Without limiting the generality of the remedies available to City for any Default under the Rental Car CLA under Section 20, if Concessionaire shall fail to timely and completely perform its obligations following the City's Notice to Proceed Letter, City may require Concessionaire to pay an administrative fee equal to \$_____ for each day for which the failure continues. Concessionaire shall pay to City, within thirty (30) days after demand therefor, City's actual and reasonable out-of-pocket costs and reasonable administration cost incurred in reviewing or considering any request and plans for Alterations, and inspecting construction of Alterations.

- Design and Construction Criteria. It is City's intent to establish and maintain an 8.3. atmosphere that enhances customer satisfaction, improves the appearance of the ConRAC, and increases the operational and economic performance of the ConRAC Concessionaires. To that end, City may establish certain design and construction standard requirements and specifications (collectively, "Design and Construction Criteria") for tenant improvements (including Pre-DBO Tenant Improvements) and any Alterations to achieve, among other things, operational and economic performance, visual and aesthetic goals for the ConRAC. The Design and Construction Criteria may specify requirements for certain elements of the ConRAC, such as the façade, interior layout, flooring, wall and ceiling systems and materials, lighting and signage. The Design and Construction Criteria will be available in the offices of LAWA, located at the address set forth in Section 27 below, or such other platforms as City may provide and give notice thereof. Design and Construction Criteria may be modified and updated, from time to time, in City's sole discretion to reflect contemporary system preferences and designs. It is Concessionaire's responsibility to refer to the then current and effective Design and Construction Criteria. In the event of any conflict in the requirements set forth in Section 8.2, the Design and Construction Criteria, of such other requirements and standards as City may establish from time to time, such conflict shall be subject to resolution by City in City's sole discretion. Further, in the event of any conflict in City's approval of Concessionaire's Concept Request and City's approval of any other ConRAC Concessionaires' request, such conflict shall be subject to resolution by City in City's sole discretion.
- 8.4. Performance of Alterations. Construction of Alterations shall comply with the following requirements:
 - 8.4.1. Before the commencement of any Alterations, Concessionaire shall obtain and deliver to City (a) all required permits, (b) insurance for the contractor for such coverages and in such amounts as may be reasonably acceptable to City, and (c) such bonds or other security as may be required under Section 8.8.
 - 8.4.2. Concessionaire shall provide City with at least 10 days' prior written notice of the date for its commencement of construction of Alterations in order to permit City to post, file, and record such Notices of Non-responsibility and other instruments as may be necessary to protect City and its property from Claims by Concessionaire's contractors for construction costs that are to be paid by Concessionaire.
 - 8.4.3. All of Concessionaire's Alterations shall be (a) made and constructed at Concessionaire's expense and promptly and fully paid for by Concessionaire, (b) performed with due diligence, in a good and workmanlike manner and in accordance with all Legal Requirements and Insurance Requirements, (c) made under the supervision of a licensed architect or licensed professional engineer, and (d) performed without interfering with (i) the use and occupancy or

conduct of the business of any other occupants of the ConRAC, (ii) any construction work being performed elsewhere in the ConRAC by City or by any other occupant of the ConRAC, (iii) the operation or maintenance of the ConRAC, or (iv) ingress and egress to, in and from the ConRAC or any portion thereof.

- 8.4.4. In constructing Alterations, Concessionaire shall use good faith efforts to minimize noise and dust, and will keep the Demised Premises, the Common Use Areas, and other parts of the ConRAC clean and neat.
- 8.4.5. Concessionaire's Alterations and any construction work related to such Alterations shall be subject to City's inspection, which may be performed at City's sole discretion.
- 8.5. Ownership of Improvements and Alterations. During the Term, Concessionaire shall have the right of ownership to all Alterations constructed or installed at Concessionaire's expense; provided, however, if Concessionaire's rights with respect to the Demised Premises are terminated for any reason, City shall have all rights to the ownership of the Alterations and any other improvements within the Demised Premises, and title to all such improvements shall automatically vest in City as of the date of such termination. Concessionaire further acknowledges that, in connection with any such termination, City shall have all rights to the any Approved Affiliate's improvements. Notwithstanding the foregoing, City may, in its sole discretion, request that Concessionaire remove some or all of Alterations, improvements, fixtures and equipment, in which case Concessionaire shall promptly remove them at Concessionaire's expense. Concessionaire shall promptly repair any damage to the Demised Premises or the ConRAC resulting from the removal of any property of Concessionaire or Alterations or improvements required to be removed.
- No Liability; Indemnity. City's approval of the plans, specifications and working drawings for Alterations or any other improvements of the Demised Premises or any inspection of the Alterations shall create no responsibility or liability on the part of City for their completeness, design sufficiency, or compliance with all Legal Requirements and other requirements of governmental agencies or authorities. The approvals or inspections by City provided pursuant to Section 8 shall not constitute a representation or warranty as to conformity or compliance with Legal Requirements, building standards, or fitness. Neither City nor any City Party shall be liable for any damage, loss, or prejudice suffered or claimed by Concessionaire, any Concessionaire Party or any other person or entity on account of: (a) the approval or disapproval of any plans, contracts, bonds, contractors, sureties or matters; (b) the construction or performance of any work whether or not pursuant to approved plans; (c) the improvement of any portion of the Demised Premises or Alterations in the Demised Premises; (d) any inspection of the Alternations or the construction thereof, or (e) the enforcement or failure to enforce any of the covenants, conditions and restrictions contained in the Rental Car CLA. If and to the extent that Concessionaire's activities or proposed Alterations create any liability, obligation or requirement on the part of City or City Parties, Concessionaire shall indemnify, defend, and hold harmless City and City Parties from and against any Claims arising out of such activities or Alterations. Moreover, in the event that Concessionaire causes damage or injury to any part of the ConRAC as a result of the Alterations or the construction thereof, Concessionaire shall indemnify, defend, and hold harmless City and City Parties for any and all damages, including but not limited to, the cost of the necessary repair.
- 8.7. Prevailing Wage. Construction work performed on City's property will require payment of prevailing wages, if applicable. Concessionaire is obligated to make the determination of whether the payment of prevailing wages is applicable, and Concessionaire shall be bound by and comply with applicable provisions of the California Labor Code and federal, state, and local laws related to labor. Concessionaire shall indemnify, defend and pay or reimburse City for any damages, penalties or fines (including, but not limited to, attorney's fees and costs of litigation) that City incurs, or pays, as a result of Concessionaire's noncompliance with applicable prevailing wage laws in connection with the construction

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work performed in connection with the Rental Car CLA (including, without limitation, the Pre-DBO Tenant Improvements and any Alterations hereunder).

8.8. Bond Required. Concessionaire shall furnish, at its sole cost and expense, a payment bond in the principal sum of not less than 100% of the total estimated construction costs for the work of improvement proposed by Concessionaire, or alternatively a security deposit for said amount acceptable to City. Concessionaire shall comply with the provisions of California Civil Code Sections 8600 to 8612 or Sections 9550 to 9560, as applicable to any such bond, by filing the original contract and any modifications thereto in the office of the Los Angeles County Recorder, together with the bond specified therein, and a conformed copy of such bond, filed for record as aforesaid, shall be furnished by Concessionaire to City. The payment bond shall be in substantially the same form as that of Exhibit F attached hereto (or such other form as may be reasonably prescribed from time to time by the City Attorney), be issued by a surety company satisfactory to City, and authorized and licensed to transact business in the State of California, with Concessionaire's general contractors' subcontractors, as obligee, and shall guarantee the payment for all materials, provisions, supplies, and equipment used in, on, for, or about the performance of Concessionaire's works of improvement or labor done thereon of any kind, and shall protect City from any liability, losses, or damages arising therefrom.

Section 9. No Liens

Concessionaire shall pay when due all Claims for labor or materials furnished or alleged to have been furnished to or for Concessionaire at, on, about, or for use in the Demised Premises, the Common Use Areas or any portion of the ConRAC. Concessionaire shall keep the Demised Premises, the Common Use Areas and the ConRAC, and any interest therein, free and clear of all mechanics' liens and all other liens from any work undertaken by or on behalf of Concessionaire or any Concessionaire Party. Concessionaire shall give City immediate written notice of any lien filed against the Demised Premises, the ConRAC or any interest therein related to or arising from work performed by or for Concessionaire or any Concessionaire Party. Additionally, Concessionaire shall keep any City-owned improvements whether on the Demised Premises or out-side of the Demised Premises free and clear of any liens or other encumbrances. Without limiting the generality of the foregoing, by way of specification without limitation, Concessionaire shall keep the Demised Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Concessionaire or any Concessionaire Party, and Concessionaire shall indemnify, defend, protect, and hold the Demised Premises, the ConRAC, City and City Party harmless against any liens and encumbrances and all Claims arising from any work performed by or on behalf of Concessionaire or any Concessionaire Party and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against Concessionaire, City, the ConRAC, or the Demised Premises. In the event that Concessionaire does not, within thirty (30) calendar days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a bond in form and amount satisfactory to City in its good faith business judgment, City shall have in addition to all other remedies provided herein and by law, the right, but not the obligation to cause, upon twenty (20) Business Days' prior written notice to Concessionaire, the same to be released by such means as it shall deem proper, including payment in satisfaction of any Claim giving rise to such lien. All such sums paid by City and all expenses incurred by it in connection therewith (including, without limitation, attorneys' fees (including, without limitation, the imputed fees of City Attorneys)) shall be payable to City by Concessionaire within thirty (30) days after written demand therefor. In addition, City shall have the right to require that Concessionaire pay City's attorneys' fees and disbursements (including, without limitation, the imputed fees of City Attorneys), court costs and other costs in defending any such action if City is named as a party to any such action, the lien encumbers any portion or interest in the ConRAC or if City elects to defend any such action or lien. Nothing in this Section 9 shall be construed to place any obligations upon Concessionaire with respect to liens, loans, or mortgages placed upon the ConRAC (or any part thereof) by City or any City Party.

Section 10. Alterations by City

- 10.1. Alterations by City. City reserves the right to make any changes, alterations, modifications, additions and updates to the ConRAC and any part thereof, including but not limited to, the Base Building Elements, facilities, utility lines, pipes, ducts, conduits, and any other ancillary improvements and fixtures, which City considers necessary or advisable, provided that such change will not have a materially adverse effect on the nature or operation of the ConRAC or Concessionaire's operations within the ConRAC as determined by City in its sole discretion. City will generally keep Concessionaire reasonably apprised of any material changes made to the ConRAC. Without limiting the generality of the foregoing, City shall have the right to change, modify, alter or add to the ConRAC or any part thereof, without any notice to Concessionaire in the event of any of the following:
 - 10.1.1. The change or addition to the ConRAC is required by a federal or state agency with jurisdiction over the Airport, or by any other Legal Requirements;
 - 10.1.2. The change or addition is of an emergency nature, which, if not made, would substantially impair the current operation of the ConRAC;
 - 10.1.3. The change or addition to the ConRAC is to repair or replace the ConRAC property damaged or destroyed by fire or other casualty; or
 - 10.1.4. The change or addition to the ConRAC is made to settle Claims, satisfy judgments or comply with judicial or administrative orders against City arising from or

relating to its design, construction, ownership, maintenance or use of the ConRAC.

Section 11. Utilities.

- 11.1. City Not Liable. City will not be liable to Concessionaire for any failure, defect, impairment or deficiency in the supply of any utility service furnished to the Demised Premises or the ConRAC or in any system supplying the service. Without limiting the generality of the foregoing, City shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Concessionaire's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any utilities or services to the Demised Premises or the ConRAC. City may comply (and may require Concessionaire to comply) with mandatory or voluntary controls or guidelines promulgated by any government entity relating to the use or conservation of energy, water, gas, light, or electricity or the reduction of automobile or other emissions without creating any liability of City to Concessionaire under the Rental Car CLA.
- 11.2. Interruptions of Service. City reserves the right to temporarily interrupt the services provided by the ConRAC's heating, ventilation, air conditioning, elevator, plumbing and electrical systems or other building systems in the ConRAC when necessary by reason of accident or emergency or for repairs, alterations, replacements or improvements. Where possible, City will make good faith efforts provide reasonable notice to Concessionaire prior to the interruption of such services, and shall make good faith efforts to minimize such interruption.
- 11.3. Utility Services Providers. City may, in City's sole and absolute discretion, at any time and from time to time, contract, or require Concessionaire to contract, for utility services (including generation, transmission, or delivery of the utility service) with a utility service provider(s) of City's choosing. Concessionaire shall fully cooperate with City and any utility service provider selected by City. Concessionaire shall permit City and the utility service provider to have reasonable access to the Demised

Premises and the utility equipment serving the Demised Premises, including lines, feeders, risers, wiring, pipes, and meters. Under no circumstances shall City be responsible or liable for any loss, damage, or expense that Concessionaire may incur as a result of any change of utility service, including any change that makes the utility supplied less suitable for Concessionaire's needs, or for any failure, interference, or defect in any utility service. No such change, failure, interference, or defect shall constitute an actual or constructive eviction of Concessionaire, or entitle Concessionaire to any abatement of Monetary Obligations, or relieve Concessionaire from any of Concessionaire's obligations under the Rental Car CLA.

Section 12. Maintenance and Repair

12.1. Maintenance and Repair of Demised Premises. Except as otherwise expressly set forth in Exhibit G attached to the Rental Car CLA ("Operations and Maintenance Responsibility Matrix"), Concessionaire shall, at Concessionaire's sole expense and in accordance with the terms of the Rental Car CLA, keep in good working order, repair, and good and safe condition at all times during the Rental Period, (a) the Demised Premises (and Joint Use Space if applicable), including all leasehold improvements, Alterations, fixtures, equipment and appurtenances, and (b) any equipment, fixtures, facilities and personal property owned by Concessionaire located in other parts of the ConRAC. Under City's supervision, subject to City's prior approval, and within any reasonable period specified by City, Concessionaire shall, at Concessionaire's sole expense and in accordance with the terms of the Rental Car CLA promptly and adequately repair all damage to the Demised Premises and replace or repair all damaged or broken fixtures, leasehold improvements, equipment and appurtenances that is the responsibility of Concessionaire hereunder. Notwithstanding the foregoing, all damage to the Demised Premises (and Joint Use Space if applicable) requiring structural repairs or repairs of the Base Building Elements, caused by Concessionaire or any Concessionaire Parties, shall be repaired by City at Concessionaire's expense, payable by Concessionaire within 30 days after City's delivery of an invoice therefor. Concessionaire shall at all times keep the Demised Premises free and clear of wastepaper, discarded plastic, graffiti, and all other trash and debris of any kind. If an item of maintenance or repair is to be performed by Concessionaire hereunder, Concessionaire may, with the prior written approval of City, which approval shall not be unreasonably withheld, enter into written subcontracts for the operation and maintenance of areas and equipment that are under Concessionaire's responsibility under this Section 12.1, provided, however, that Concessionaire shall remain responsible to City for the quality and performance of such operations. Further, Concessionaire shall cause such subcontractors to (i) maintain insurance, with such endorsements as City may request, (ii) provide appropriate indemnities on behalf of City as requested by City, and (iii) comply with all applicable Legal Requirements. Without limiting the generality of the rights and remedies available to City under the Rental Car CLA, if Concessionaire fails to maintain or keep the Demised Premises in good repair, City may elect, but need not, upon notice to Concessionaire and after reasonable time to make repairs, to maintain or perform necessary repairs, the cost of which, plus all overhead, general conditions, fees, and other costs and expenses shall be reimbursed to City by Concessionaire within thirty (30) days of City's invoices. Concessionaire waives and releases its rights, including its right to make repairs at City's expense, under California Civil Code Sections 1941 and 1942 or any successor or similar provision of law, now or hereafter in effect.

12.2. City's Right to Enter. City and City Parties shall have the right to enter the Demised Premises (and Joint Use Space if applicable) at all reasonable times (or at any time in the event of emergency) for the purposes of: (i) inspecting the Demised Premises (and Joint Use Space if applicable) or any building elements or systems in, over or thereunder, (ii) making any repairs, restorations or alterations to the Demised Premises (and Joint Use Space if applicable) or any building elements or systems, as City may be required or may have the right to make in accordance with the provisions of the Rental Car CLA, or (iii) doing any other act or thing that City may be obligated or have the right to do in accordance with the provisions of the Rental Car CLA.

- 12.3. Maintenance and Repair by City. Subject to Concessionaire's obligation to pay the O&M Fee and other specified charges under the Rental Car CLA, City (either directly or through its Developer) will provide certain maintenance services to the Demised Premises, Joint Use Space, Common Use Areas and other areas of the ConRAC, all as described in the Operations and Maintenance Responsibility Matrix. Certain performance standards and operating specifications with respect the ConRAC to be performed by Developer on behalf of City pursuant to the ConRAC Project Agreement are attached hereto as Exhibit H ("Operations and Maintenance Standards"). City will establish and maintain points of contact, including a "help-desk" that will be available to Concessionaire 24-hours each day for purposes of communications relating to the operation and maintenance of the ConRAC. City will establish and maintain (or cause to be established and maintained) a maintenance management information system ("MMIS") regarding the performance of the Operations and Maintenance Standards. City will provide the ConRAC Concessionaires with reasonable access to the IVIMIS for the purpose of monitoring the Developer's response to operations and maintenance service requests relating to the Base Building Elements and the Common Use Areas and compliance with the Operations and Maintenance Standards. City and the Developer will meet with the ConRAC Concessionaires monthly (or such other frequency and process as may be agreed to by the parties) to discuss issues related to the operations and maintenance of the ConRAC that are under the Developer's areas of responsibility as set forth in the Operations and Maintenance Responsibility Matrix, including, but not limited to, those items provided in Section 12.3.1, Section 12.5 and Section 12.6.
 - 12.3.1. Not more than once (1) during any Agreement Year, the ConRAC Concessionaires (acting by Concessionaire Majority) may request (which request shall be in writing) changes to the Operations and Maintenance Standards for janitorial, pest control and/or waste management, clearly itemizing the requested changes. Within thirty (30) days following such request, City will cause the Developer to respond to such request by providing to City and the ConRAC Concessionaires, the proposed changes to the Operations and Maintenance Standards relating to such items as well as the resulting changes in the costs charged for providing such items; provided, however, City will use good faith efforts to cause Developer to respond in a shorter period of time if a response can reasonably be had in less than thirty (30) days. The ConRAC Concessionaires (acting by Concessionaire Majority) shall have ten (10) days following the issuance of the City's/Developer's response to accept in writing such changes. In the event that, within said ten (10)-day period, a Concessionaire Majority accepts in writing such changes as set forth in the City's/Developer's response, then City will (or cause Developer to) promptly implement such changes (subject, however, to the obtainment of any requisite City approvals), which implementation will occur no later than the first (1st) day of the second (2nd) calendar month following the month in which such written acceptance is received from a Concessionaire Majority. The foregoing time period for implementation of such changes may, after consultation with the ConRAC Concessionaires, be reasonably extended by City for good cause, which good cause shall include, without limitation, any time necessary for the obtainment of any requisite City approvals. Concessionaire acknowledges that such changes are binding on Concessionaire, including any corresponding changes in the cost chargeable to Concessionaire as a part of the O&M Fee.
 - 12.3.2. Following consultation with the ConRAC Concessionaires, City shall have the right to make changes and revisions to the Operations and Maintenance Standards from time to time, which changes and revisions shall be in City's reasonable discretion.
 - 12.3.3 To the extent that any repair work by City becomes necessary as a result of Concessionaire's or any Concessionaire Party's negligence or failure of Concessionaire to comply with the Operating Rules and Regulations, such work shall be performed by City but at such Concessionaire's sole expense, payable within thirty (30) days after City's invoice therefor.

- 12.4. City's Right to Assume. City shall have the right to assume the maintenance and repair responsibilities of the areas and equipment that are under Concessionaire's responsibility pursuant to Section 12.1 at any time during the Term by delivery of a written notice.
- 12.5. QTA Areas Operation and Management. City agrees that the ConRAC Concessionaires (acting by Concessionaire Majority) will have the right to require changes to the operation and management of the QTA Space and the Joint QTA Space (collectively, the "QTA Areas") if such operation and management is determined to be subject to change due to the Developer's unsatisfactory performance pursuant to the progressive QTA assessment process (the "QTA Assessment Process"), which QTA Assessment Process is generally described below and will be more particularly described in the ConRAC Project Agreement. The QTA Assessment Process will include two (2) parallel processes: (1) a process for assessing Noncompliance Points (as defined in the ConRAC Project Agreement), and (2) a process for addressing accumulation of Noncompliance Points.
 - 12.5.1 Process for Assessing Noncompliance Points for the QTA Areas. City will, in accordance with the terms of the ConRAC Project Agreement, assess Noncompliance Points against the Developer for failure to comply with the minimum performance requirements specified in Table 2(b) O&M QTA Noncompliance Occurrences of Exhibit 4C of the ConRAC Project Agreement ("Table 2(b)"). Concessionaire acknowledges that City may amend Table 2(b) from time to time in accordance with the terms of the ConRAC Project Agreement. City will provide a copy of Table 2(b) to Concessionaire following execution of the ConRAC Project Agreement. City's methods for obtaining information regarding Developer's failure to comply with the minimum performance requirements specified in Table 2(b) will include, without limitation, direct input from the ConRAC Concessionaires through the help-desk. On a monthly basis (or such other frequency and process as may be agreed to by the parties), City will conduct a meeting with the ConRAC Concessionaires to discuss the number of noncompliance points assessed in the prior period by area of Developer responsibility and if any additional points should be assessed or if any points should be waived in connection with the Developer's operation and management of the QTA Areas.
 - 12.5.2 Process for Addressing Accumulation of Noncompliance Points for the QTA Areas. During the accumulation of Noncompliance Points, the ConRAC Concessionaires' involvement and rights will be progressive, and can result in a change in the operation and management of the QTA Areas, as outlined below. The ConRAC Concessionaires' involvement will be through an individual who is appointed by a Concessionaire Majority to act as the ConRAC Concessionaires' representative.
 - (a) If Developer accumulates the applicable threshold number of Noncompliance Points set forth in Section 15.5 of the ConRAC Project Agreement for failure to meet the minimum performance requirements specified in Table 2(b) over a period of twelve (12) or thirty-six (36) consecutive months (determined on a rolling basis), then the ConRAC Concessionaires (acting by Concessionaire Majority through the appointed representative) will have the right to convene a meeting with City and the Developer to discuss corrective actions, including increased oversight of the QTA Areas by a representative of the ConRAC Concessionaires (at the Developer's cost).
 - (b) If Developer accumulates the applicable threshold number of Noncompliance Points set forth in Section 15.6 of the ConRAC Project Agreement for failure to meet the minimum performance requirements specified in Table 2(b) over a period of twelve (12) or thirty-six (36) consecutive months (determined on a rolling basis), then the ConRAC Concessionaires (acting by Concessionaire Majority through the

appointed representative) will have the right to require a change in the key personnel of the entity that is operating and managing the QTA Areas. In the event of such change, City shall cause the Developer to, in consultation with the ConRAC Concessionaires and City, immediately commence the process of replacing such key personnel. Such replacement personnel shall have qualifications and experience that are reasonably satisfactory to City. City shall cause the Developer to institute the replacement personnel to be in operation no later than forty-five (45) days following the date that the Developer is notified that the ConRAC Concessionaires have exercised their right hereunder to require a change in the personnel of the entity that is operating and managing the QTA Areas. The foregoing time period for implementation of such replacement personnel may, after consultation with the ConRAC Concessionaires, be reasonably extended by City for good cause. In the event of such change, the ConRAC Concessionaires shall not be responsible for any associated increase in the costs of operating and managing the QTA Areas. City is responsible for ensuring that Developer create a smooth and efficient transition from the existing personnel to the replacement personnel.

- If Developer accumulates the applicable threshold number of (c) Noncompliance Points set forth in Section 15.7 of the ConRAC Project Agreement for failure to meet the minimum performance requirements specified in Table 2(b) over a period of twelve (12) or thirty-six (36) consecutive months (determined on a rolling basis), then the ConRAC Concessionaires (acting by Concessionaire Majority through the appointed representative) will have the right to require replacement of the QTA Manager (as defined in the ConRAC Project Agreement). In the event of such change, City shall cause the Developer to, in consultation with the ConRAC Concessionaires and City, immediately commence the process of seeking a suitable replacement QTA Manager. Such replacement entity shall have qualifications and experience that are reasonably satisfactory to City. City shall cause the replacement QTA Manager to be in place and operational no later than one hundred and twenty (120) days following the date that the Developer is notified that the ConRAC Concessionaires have exercised their right hereunder to require a change in the QTA Manager. The foregoing time period for implementation of such change may, after consultation with the ConRAC Concessionaires, be reasonably extended by City for good cause. In the event of such change, the ConRAC Concessionaires will not be responsible for any associated increase in the costs of operating and managing the QTA Areas. City is responsible for ensuring that the Developer creates a smooth and efficient transition from the existing QTA Manager to the replacement QTA Manager.
- 12.6. Non-QTA Operation and Management. The Developer's unsatisfactory performance in the operation and management of the ConRAC that are outside of QTA Areas (the "Non-QTA Areas") shall be subject to the Non-QTA assessment process (the "Non-QTA Assessment Process"), generally described below and will be more particularly described in the ConRAC Project Agreement.
 - 12.6.1 Process for Assessing Noncompliance Points for Non-QTA Areas. City will, in accordance with the terms of the ConRAC Project Agreement, assess Noncompliance Points against the Developer for failure to comply with the minimum performance requirements specified in Table 2(a) O&M Non-QTA Noncompliance Occurrences and Table 2(c) O&M Non-QTA Janitorial Noncompliance Occurrences of Exhibit 4C of the ConRAC Project Agreement ("Tables 2(a) and 2(c)"). Concessionaire acknowledges that City may amend Tables 2(a) and 2(c) from time to time in accordance with the terms of the ConRAC Project Agreement. City will provide a copy of Tables 2(a) and 2(c) to Concessionaire following execution of the ConRAC Project Agreement. City's methods for obtaining information regarding Developer's failure to comply with the minimum performance requirements specified in Tables 2(a) and 2(c) (excluding items 1 through

7 of Table 2(a)) will include, without limitation, direct input from the ConRAC Concessionaires through the help-desk. On a monthly basis (or such other frequency and process as may be agreed to by the parties), City will conduct a meeting with the ConRAC Concessionaires to discuss the number of noncompliance points assessed in the prior period by area of Developer responsibility, if any additional points should be assessed or if any points should be waived in connection with the Developer's operation and management of the Non-QTA Areas, and/or what corrective actions are needed in the Non-QTA Areas, and if those corrective actions are in areas of Developer responsibility.

Section 13. Indemnity; Insurance

- 13.1. Liability. Concessionaire shall comply with the indemnification and insurance provisions of Section 13.
- 13.2. Indemnity. In addition to the requirements of Section 13.3 herein, Concessionaire shall indemnify, defend, keep and hold City and City Parties harmless from and against any and all Claims arising out of or in connection with (i) any Default by Concessionaire, (ii) any act or omission of Concessionaire or any of Concessionaire Parties, and (iii) the use and occupancy of the ConRAC by Concessionaire or any of Concessionaire Parties. The foregoing defense and indemnification obligations of Concessionaire shall include, without limitation, all Claims asserted by anyone by reason of injury to or death of persons, including Concessionaire or any of Concessionaire Parties, or damage to or destruction of property, including property of Concessionaire or any of Concessionaire Parties, sustained in, or about the ConRAC or the Airport, except to the extent that any such Claims are due to the sole gross negligence or intentional misconduct of City or any of the City Parties. Concessionaire shall promptly notify City any Claim asserted against City or any City Parties for which Concessionaire may be liable under this Section 13.2, and shall deliver to City complete copies of any summons or other process, pleadings, notices or demands of any Claim.
- 13.3. Insurance. Concessionaire shall, at its expense, obtain and keep in full force and effect from the date Concessionaire is provided access to the ConRAC or any part thereof, and at all times thereafter during the Term, the policies of insurance of the types, with the coverages and insuring the risks specified in the insurance schedule attached to the Rental Car CLA as Exhibit I, which policies shall be in the name of Concessionaire and City with loss payable endorsement in a form approved by City with respect to any property insurance policy. Minimum average amounts may be met with a combination of primary or excess policies.
 - 13.3.1. Based on its periodic review of the adequacy of insurance coverages, City may from time to time, but not more than once in each Agreement Year, in the exercise of its reasonable judgment require, on 30 days' prior written notice, Concessionaire to provide different or additional types of insurance or adjust the amounts of insurance coverage.
 - 13.3.2. All policies of insurance required to be maintained by Concessionaire under Section 13.3 shall be primary and noncontributing with any other insurance benefiting City where liability arises out of or results from the acts or omissions of Concessionaire or any of Concessionaire Parties. Such policies may provide for reasonable deductibles or retention amounts acceptable to City based upon the nature of Concessionaire's operations and the risks insured.
 - 13.3.3. City shall have no liability for any premiums charged for any insurance required to be maintained by Concessionaire under Section 13.3. The inclusion of City and City Parties, their successors and assigns, as additional insureds is not intended to, and shall not, make them, or any of them, a partner or joint venture with Concessionaire in Concessionaire's operation in the

- ConRAC. Without limiting the generality of the foregoing or the remedies available to City for any breach of the Rental Car CLA, if Concessionaire fails to furnish City with evidence of insurance or maintain insurance in accordance with Section 13.3, City may, but shall not be obligated to, procure the insurance at the expense of Concessionaire, and Concessionaire shall promptly reimburse City for the cost thereof, together with City's administrative costs equal to fifteen percent (15%) of the advanced amount. Payment shall be made within thirty (30) days of invoice date.
- 13.3.4. Concessionaire shall provide proof of all insurance required to be maintained by Section 13.3 by production of the certificate of insurance with all required endorsements, broker's letter satisfactory to City in substance and form only in the case of foreign insurance syndicates, or other written evidence of insurance acceptable to City. Further, if specifically requested by City, Concessionaire shall provide certified copies of the actual insurance policies, which may be redacted to exclude information that is not relevant to the insurance coverage provided pursuant to the Rental Car CLA. Verifications, memoranda of insurance and other non-binding documents submitted alone are not acceptable proof of insurance. The documents evidencing all specified coverages shall be filed with City in duplicate and shall be procured and approved in strict accordance with the provisions in Sections 11.47 through 11.56 of Administrative Code of the City of Los Angeles before Concessionaire occupies the Demised Premises. The documents evidencing the coverages shall contain the applicable policy number, the inclusive dates of policy coverages, and the insurance carrier's name, and shall bear an original signature of an authorized representative of the carrier. City reserves the right to have submitted to it, upon request, all pertinent information about the agent and carrier providing any policy of insurance required by Section 13.3.
- 13.3.5. Policies of insurance issued by non-California admitted carriers are subject to the provisions of California Insurance Code Sections 1760 through 1780 (or its successor statutes), and any other regulations and directives from the California Department of Insurance or other regulatory board or agency. Unless exempted, or otherwise not subject to such statutes, directives or regulations, Concessionaire shall provide City with proof of insurance from the non-California admitted carriers through a surplus lines broker licensed by the State of California.
- 13.3.6. On or before the expiration date of any policies required to be maintained by Section 13.3, Concessionaire shall file with City documentation showing that the insurance coverage has been renewed or extended. If such coverage is expired, cancelled or reduced, Concessionaire shall promptly notify City of such expiration, cancellation or change in the terms of any policy of insurance, and no later than two (2) days after the expiration, cancellation or change of the policy, provide evidence of any renewal, or replacement policies, or endorsement to the policies necessary to maintain all of the insurance policies required to be maintained under Section 13.3.
- 13.3.7. To the fullest extent permitted by law and except for the gross negligence or intentional misconduct by City or City Parties, Concessionaire, on behalf of Concessionaire and its insurers, hereby waives, releases and discharges City and all City Parties from all Claims arising out of damage to or destruction of the Demised Premises, or to Concessionaire's improvements, fixtures, trade fixtures or other personal property located on or about the Demised Premises, and any loss of use or business interruption, caused by any casualty, regardless of whether any such Claim results from the negligence or fault of City or any City Party, and Concessionaire shall look only to Concessionaire's insurance coverage (regardless of whether Concessionaire maintains any such coverage) in the event of any such Claim. Any property insurance which Concessionaire maintains must permit or include a waiver of subrogation in favor of City and all City Parties.

- 13.3.8. City's establishment of minimum insurance requirements for Concessionaire in the Rental Car CLA is not a representation by City that such limits are sufficient and does not limit Concessionaire's liability under the Rental Car CLA in any manner.
- 13.3.9. All insurance policies referred to in Section 13.3 that are carried by Concessionaire shall be maintained with insurance companies of recognized standing and with an A.M. Best rating of A-IV or better (or its equivalent). Each insurance policy referred to in Section 13.3 shall also, whether under the express provisions of the policy or by other endorsement attached to the policy, include City and City Parties, and the Developer as additional insureds for all purposes of the policy.
- 13.3.10. Each insurance policy referred to in Section 13.3 (other than policies for workers' compensation, employers' liability and fire and extended coverages) shall contain (a) a "Severability of Interest (Cross Liability)" clause which states, "It is agreed that the insurance afforded by this policy shall apply separately to each insured against whom claim is made or suit is brought except with respect to the limits of the company's liability", and (b) a "Contractual Endorsement" which states, "Such insurance as is afforded by this policy shall also apply to liability assumed by the insured under its concession and lease agreement with the City of Los Angeles."
- 13.3.11. Each insurance policy required under Section 13.3 shall provide that such insurance shall not be subject to cancellation, reduction in coverage, or nonrenewal except after a written notice, at least thirty (30) days before the effective date, by mail to City at its address specified in Section 27.

Section 14. Record Retention and Right to Inspect

- 14.1. Reports Submitted to City. Concessionaire agrees that Concessionaire shall maintain, during the term of the Rental Car CLA, Concessionaire's and its Affiliate(s)' permanent books, ledgers, journals and accounts wherein are kept all entries reporting or reflecting the transactions in the ConRAC, Transaction Days, Gross Revenue, CFC collected and CFC remitted to City. In the event that any such records contain protected information that Concessionaire is required to keep private and confidential, Concessionaire shall make such records available for City's review and audit under a reasonable confidentiality agreement. Concessionaire shall submit to City all said records within thirty (30) days of request from City. If said records are not made available within this thirty (30) day period, Concessionaire shall pay for all traveling and lodging costs associated with conducting audits by City at Concessionaire's place of record. Such books, ledgers, journals, accounts and records shall be available for inspection and examination by City, or a duly authorized representative, during ordinary business hours. To facilitate the inspection of Concessionaire's and its Approved Affiliate(s)' books and records, the following documents shall be made available:
 - (a) Legible printed copies of reports must be furnished (Microfiche is not considered legible printed copies);
 - (b) Distinct vehicle rental agreements for each Brand Name authorized herein and corresponding logs providing an audit trail of each agreement's activity; and
 - (c) Daily sales summaries showing revenue segregated by Brand Name.
- 14.2. Preparation and Retention of Records. Concessionaire agrees to prepare and maintain financial and sales records wherein are accurately kept all entries reflecting all the transactions, Transaction Days, Gross Revenue, CFC collected and CFC remitted to City, for a period of at least five (5) years after

the end of each Agreement Year (or until the close of any ongoing audit thereof being conducted by, or on behalf of, City); provided, however, that City may (prior to the expiration of the relevant retention period) require that any such records be retained for a longer period of time, in which case Concessionaire, at its option, may deliver such records into the custody of City. Such records shall include, but not be limited to, sales journals; daily sales reports; trial balances; sales tax reports; subsidiary ledgers; daily journals or reports; original rental agreements and closed rental agreements; corporate charts of accounts; and lists of rental locations. Cash registers or similar types of machinery, if used, shall be closed out at least once daily and shall be of a type that will show: receipts segregated by transaction categories; any taxes separately stated and collected; CFC separately stated and collected; sales by dollar amount and by transaction count; and will carry forward a cumulative total that cannot be reset. City or a duly authorized representative may examine, inspect, audit and copy any and all of Concessionaire's and its Affiliates' receipts-related books, records, reports, and accounts of its business authorized herein to be conducted. Concessionaire shall retain said books, records, reports and accounts until the information therein has been audited or examined by City.

- 14.3. City's Audit. It is agreed that examinations of books, ledgers, journals and accounts of Concessionaire shall be conducted in accordance with generally accepted auditing standards applicable in the circumstances. At City's discretion, testing and sampling methods may be used in verifying reports provided by Concessionaire. Deficiencies ascertained by applying percentages of error, obtained from such testing and sampling, may be applied by City to the entire period of reporting under examination and will be binding upon Concessionaire and, to that end, shall be admissible in any court of law to prove any amounts due City. In the event any deficiency in the amount of two percent (2%) or greater of the compensation payable to City hereunder is ascertained, Concessionaire agrees to pay City for the cost of the audit and all deficiencies and all liquidated damages incurred. All information gained by City from such examinations shall be confidential and shall not be disclosed except to carry out the purposes hereof. City's right to inspect Concessionaire's records is predicated upon the inspection being reasonably related to determining whether Concessionaire is complying with the terms of the Rental Car CLA.
- 14.4. Adjustments Upon Audit. Upon completion of an audit, a copy of the audit findings of City shall be mailed to Concessionaire. If, as a result of the audit, City determines that additional funds are due City, Concessionaire shall have thirty (30) days from the date of the mailing of the audit findings to submit to City complete documentation supporting Concessionaire's dispute of the audit findings. Failure of Concessionaire to dispute in writing the audit findings within thirty (30) days shall constitute acceptance of the audit findings, and waiver of the right to appeal the audit findings. If at the end of thirty (30) days, Concessionaire does not dispute the audit findings, City will mail Concessionaire a written invoice of additional funds due. If Concessionaire disputes the audit findings, City will evaluate the documentation submitted by Concessionaire and, following such evaluation, mail to Concessionaire an invoice of any additional funds due. Any additional funds that City finds, as the result of an audit, to be due and payable to City, must be paid within thirty (30) days of the mailing of a written invoice to Concessionaire for such funds. A late fee of the greater of ______ dollars (\$______) or _____ of one percent (______%) of the audit invoice amount per day shall be assessed for each day that payment is late. In the event that timely payment is not been made, late charges and interest shall be assessed from the date of the audit invoice for such unpaid amounts.
- 14.5. Certified Public Accountant Audit Report. Within sixty (60) days following the end of each Agreement Year, Concessionaire, at its own expense, shall submit an audited statement of the yearly Gross Revenue and CFC collections for its ConRAC operations and such other reasonable financial and statistical reports as City may require by written notice to Concessionaire. Also, within sixty (60) days following the end of each Agreement Year, Concessionaire, at its own expense, shall submit a separate audited statement of the yearly Gross Revenue and CFC collections from ConRAC operations for each of its Affiliates. Each statement must be prepared by an independent Certified Public Accountant who is a member in good

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standing with the American Institute of Certified Public Accountants. The audited statement(s) of Gross Revenue will show all Gross Revenue by category and CFC collections by month for the Agreement Year. If through such audited statement(s) it is established that additional payments are due City, Concessionaire shall pay such additional payments to City no later than fifteen (15) days after such statement(s) are submitted to City. Failure to timely pay such additional fees will be deemed a default under the Rental Car CLA. If through such audited statement(s) it is established that Concessionaire has overpaid City, City will either credit such overpayment to Monetary Obligations next coming due or reimburse Concessionaire, at City's option.

Section 15. Compliance with Legal Requirements and Insurance Requirements, etc.

Concessionaire at its expense will comply with all current and future Legal Requirements and Insurance Requirements that govern, regulate or pertain to the Demised Premises or the use or occupancy thereof or to Concessionaire's use of other areas within the ConRAC. Without limiting the generality of the foregoing, Concessionaire shall, at Concessionaire's expense, comply with any Legal Requirement that requires repairs or Alterations within the Demised Premises so as to cause the Demised Premises to comply with the ADA, and any other Legal Requirements regarding access of disabled persons to the Demised Premises. Further, Concessionaire shall comply and cooperate with City in City's efforts to ensure compliance with all applicable Legal Requirements, including Legal Requirements regarding access of disabled persons to the ConRAC, and any governmental agency mandates and activities organized by City, including recycling programs. City will not be liable to Concessionaire, nor shall Concessionaire be entitled to terminate the Rental Car CLA in whole or in part, by reason of any diminution or deprivation of Concessionaire's rights or benefits under the Rental Car CLA that may result from any amendments to applicable Legal Requirements or Concessionaire's obligation to comply with Legal Requirements.

Section 16. City Approvals.

Any approvals or consents required from or given by City under the Rental Car CLA shall be approvals of LAWA acting as the landlord, and shall not relate to, constitute a waiver of, supersede or otherwise limit or affect the rights or prerogatives of the City of Los Angeles as a government, including the right to grant or deny any permits required for construction in the Demised Premises or maintenance of the Demised Premises and the right to enact, amend or repeal Legal Requirements, including those relating to zoning, land use, and building and safety. No approval or consent on behalf of City will be deemed binding upon City unless approved in writing as to form by the City Attorney. Any approvals or consents required from or given by City under the Rental Car CLA shall be approvals of the CEO within the legal authority of the CEO, subject to the approval of the Office of the City Attorney as to form; provided, however, if the approval or consent by City is in excess of the CEO's legal authority, then such matter shall be approved by the Board or the City Council, as applicable. Except as otherwise expressly set forth in the Rental Car CLA, with respect to any matter that is subject to the approval or consent of the CEO, the Board or the City Council, as applicable, such approval or consent may be given or withheld in the CEO's, the Board's or the City Council's sole and absolute discretion.

Section 17. Damage or Destruction

- 17.1. Concessionaire to Give Notice. Concessionaire shall promptly give a notice to City in writing promptly of any damage or destruction to the Demised Premises or any part of the ConRAC resulting from fire, earthquake, or any other identifiable event of a sudden, unexpected, or unusual nature ("Casualty").
- 17.2. Concessionaire to Restore. If the Demised Premises is damaged by Casualty (and if the Rental Car CLA is not terminated pursuant to Section 17.5), then, whether or not (i) the damage or destruction shall have resulted from the fault or neglect of Concessionaire or any other Person, or (ii) the

insurance proceeds shall be available or adequate, Concessionaire shall repair the damage, and restore the Demised Premises at Concessionaire's expense, promptly and expeditiously and with reasonable continuity, to the same or better condition as existed before the Casualty and in such a manner as is otherwise consistent with the Rental Car CLA and Concessionaire's uses of the Demised Premises, in each case subject to all then existing Legal Requirements provided, however, if any repair or restoration of the Base Building Elements of the ConRAC is necessary for Concessionaire to perform its obligations under this Section 17.2, Concessionaire's performance shall be conditioned upon City's election to restore or repair such Base Building Elements. Concessionaire's repair obligation under this Section 17.2 shall include Concessionaire's improvements, fixtures, equipment, and systems, which are not included in the Base Building Elements, serving only the Demised Premises installed by or on behalf of Concessionaire, regardless of whether such improvements, fixtures, equipment, and systems are located within or outside the Demised Premises, including electrical and plumbing connection to the Demised Premises. Any repair or restoration by Concessionaire of the Demised Premises following a Casualty shall be considered an Alteration subject to provisions of Section 8. Notwithstanding the foregoing sentence, Concessionaire shall not be required to obtain City's consent for the reasonably detailed Concept Request and Final Alterations Plans pursuant to Section 8.2 if such Concept Request are for repair or restoration to return the Demised Premises to substantially the same condition that existed immediately prior to the Casualty. If as a result of the repairs or restoration, a new certificate of occupancy shall be necessary for the Demised Premises, Concessionaire shall obtain and deliver to City a certificate of occupancy before the damaged portions of the Demised Premises shall be reoccupied for any purpose.

- 17.3. City to Repair Damage. If the Base Building Elements of the ConRAC are damaged by a Casualty (provided that the Casualty was not caused by the negligence or willful misconduct of any Concessionaire or Concessionaire Party) and if neither City nor Concessionaire has elected to terminate the Rental Car CLA under Sections 17.3.1 and 17.5 below, City shall promptly and diligently restore such Base Building Elements to substantially the same condition as existed before the Casualty, except for modifications required by building codes and other laws and except for any other modifications to the Base Building Elements considered desirable by City. City's obligation to restore is subject to reasonable delays for insurance adjustment and other matters beyond City's reasonable control and subject to other provisions of Section 17. City shall promptly determine the full extent of the damage caused by the Casualty and the extent of the insurance proceeds available to effectuate repairs, and provide written notice to Concessionaire indicating the anticipated period for repairing the Casualty ("Repair Period Notice"). The Repair Period Notice shall also state, if applicable, City's election either to repair or to terminate the Lease under Section 17.5. If such damage or destruction to the ConRAC is caused by the negligence or willful misconduct of any Concessionaire or Concessionaire Party, then City shall have the right to require Concessionaire, at Concessionaire's expense, to promptly and diligently repair and restore such Base Building Elements to substantially the same condition as existed before the Casualty. Nothing herein shall be construed to limit Concessionaire's liability under Sections 12.1 and 13.2 and elsewhere under the Rental Car CLA.
 - 17.3.1. City's Option to Terminate or Repair. Notwithstanding City's obligation under Section 17.3 above, City may elect either to terminate the Rental Car CLA or to effectuate repairs if: (a) the Repair Period Notice estimates that the period for repairing the Casualty exceeds six (6) months from the date of the commencement of the repair; (b) the estimated repair cost exceeds the insurance proceeds, if any, available for such repair (not including the deductible), plus any amount that ConRAC Concessionaires are obligated or elect to pay for such repair, (c) the estimated repair cost of the Demised Premises or any part of the ConRAC exceeds fifty percent (50%) of the full replacement cost; or (d) the Demised Premises or any part of the ConRAC cannot be restored except in a substantially different structural or architectural form than existed before the Casualty.
- 17.4. Relocation of Concessionaire. If the Casualty is such that it renders the Demised Premises unusable, City may, but shall not be obligated to, relocate Concessionaire to comparable alternative

facilities (in size and functionality), either within the ConRAC or otherwise, during such repair and restoration.

17.5. Termination of Agreement.

- 17.5.1. Destruction at End of Term. If damage or destruction to all or a substantial portion of the Demised Premises shall occur during the last eighteen (18) months of the Term, and the repair or restoration necessitated by the substantial damage or destruction, under normal construction procedures would, in City's reasonable judgment, require more than three (3) months to complete, then City will so notify Concessionaire, and City or Concessionaire may terminate the Rental Car CLA. If either City or Concessionaire elects to terminate the Rental Car CLA, the proceeds of the fire or other casualty insurance policies required to be maintained pursuant to the Rental Car CLA shall be payable to City.
- 17.5.2. Substantial Destruction of ConRAC. In addition to Section 17.3.1 above, if at any time during the Term, as such may be extended, all or substantial portion of the ConRAC shall be damaged by a Casualty, City may terminate the Rental Car CLA upon a written notice to Concessionaire.
- 17.5.3. Effect of Termination. In the event of the termination of the Rental Car CLA under the provisions of Section 17.5, the termination shall be effective thirty (30) days after delivery of notice of such election. Concessionaire shall pay Monetary Obligations, apportioned up to the date of the Casualty. After the effective date of the termination, City and Concessionaire shall be discharged of all future obligations under the Rental Car CLA, except for those provisions that, by their terms, survive the expiration or earlier termination of the Rental Car CLA. If Concessionaire elects to terminate the Rental Car CLA under the provisions of Section 17.5, Concessionaire shall (at Concessionaire's expense), unless otherwise directed by City, demolish all damaged improvements in the Demised Premises that were installed by Concessionaire and remove and properly dispose of the debris.
- 17.6. Waiver. City and Concessionaire intend that all of their rights and obligations arising out of any damage to or destruction of any part of the ConRAC shall be governed by the provisions of the Rental Car CLA. Concessionaire, therefore, waives the rights to terminate the Rental Car CLA under the provisions of California Civil Code Sections 1932 and 1933 (as such may be amended), and any other similar Legal Requirements.
- 17.7. No Abatement of Monetary Obligations. Except as provided in Section 17.5.3, Concessionaire's obligation to pay Monetary Obligations under the Rental Car CLA shall not be abated during the period of any damage, destruction or restoration. Concessionaire acknowledges that Concessionaire is solely responsible for obtaining business interruption insurance to insure itself against loss during any period of damage, destruction or restoration.

Section 18. Eminent Domain

- 18.1. Total Taking. If there shall occur a Taking (other than for temporary use) of the whole of the ConRAC (a "Total Taking"), the Rental Car CLA shall terminate as of the earlier of (a) the date upon which title to the condemned property passes to and vests in the condemnor; (b) the date on which the condemnor takes possession of the condemned property ("Date of Taking").
- 18.2. Partial Taking. If there shall occur a Taking (other than for temporary use) of (i) any portion of the ConRAC that provides Concessionaire with its access to the ConRAC and that, if taken, would

eliminate Concessionaire's access to the ConRAC, or (ii) the Taking includes fifty percent (50%) or more of the Demised Premises ("Partial Taking"), Concessionaire may elect to terminate the Rental Car CLA if the Partial Taking shall be of a portion of the ConRAC such that, in Concessionaire's commercially reasonable judgment (taking into account any alternatives proposed by City), the remaining portion of the Demised Premises shall not be economically feasible for Concessionaire's operations. If Concessionaire determines that the remaining portion of the Demised Premises is not economically feasible, Concessionaire may, at its option, terminate the Rental Car CLA by delivery of written notice to City within 60 days from the Date of Taking, and the termination shall be effective 30 days from such notice of Concessionaire's election to City. If Concessionaire does not elect to terminate the Rental Car CLA as provided above, the Rental Car CLA shall nonetheless be considered terminated with respect to the portion of the Demised Premises subject to the Partial Taking and Concessionaire's rental obligation hereunder shall be adjusted accordingly to account for such Partial Taking.

- 18.3. Compensation. Upon termination of the Rental Car CLA as a result of a Taking, Concessionaire's obligation to pay Monetary Obligations shall continue up until the date of termination, and thereafter shall cease, and City shall be entitled to the entire compensation, sums or value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise received from the condemnor ("Award"), including any portion of the compensation made for the value of the leasehold estate created by the Rental Car CLA, and Concessionaire shall have no Claim against City for the value of any unexpired term of the Rental Car CLA. However, Concessionaire may make a separate Claim to the condemnor for Concessionaire's relocation expenses, loss of business goodwill and/or trade fixtures.
- 18.4. Restoration. In the event of any Taking of any portion of the ConRAC that does not result in a termination of the Rental Car CLA, Concessionaire shall repair, alter and restore the remaining part of the Demised Premises, at Concessionaire's expense, promptly and expeditiously and with reasonable continuity, so as to constitute (to the maximum extent feasible) a complete and tenantable Demised Premises that shall be substantially comparable in quality and service to the Demised Premises, as they existed immediately before the Taking; provided, however, that if such Taking is exercised by City, such repairs, alterations and restoration shall be made at City's expense. Except for Concessionaire's repair, alteration and restoration of the remaining part of the Demised Premises as set forth in this Section 18.4, Concessionaire shall not be responsible to repair, alter and restore the remaining portions of the ConRAC affected by Taking. All repairs, alterations or restoration resulting from a Taking shall be performed in substantially the same manner and subject to the same conditions as provided in Section 17 relating to damage or destruction.
- 18.5. Temporary Taking. Notwithstanding anything to the contrary in Section 18, if a Taking occurs with respect to all or any part of the ConRAC for a limited period of time not to exceed 180 consecutive days, the Rental Car CLA shall remain in effect, and Concessionaire shall continue to pay Monetary Obligations and to perform all of the terms, conditions and covenants under the Rental Car CLA. If City receives compensation of such temporary taking, an equitable portion of such compensation as determined by City will be credited against Concessionaire's Land Rent obligation during the period of such temporary taking.

Section 19. Transfer.

19.1. Transfer Prohibited. Concessionaire shall not, in any manner, directly or indirectly, by operation of law or otherwise, hypothecate, assign or transfer the Rental Car CLA, the Demised Premises or any portion thereof or any interest therein, in whole or in part or any right or privilege appurtenant thereto, or allow any other Person (the employees and invitees of Concessionaire excepted) to occupy or use the Demised Premises, or any portion thereof ("Transfer"), without the prior written consent of City, which may be granted, denied or conditioned in City's sole discretion. The Rental Car CLA shall not nor

shall any interest therein, be assignable as to the interest of Concessionaire by operation of law without the prior written consent of City. For purposes of the Rental Car CLA, the term "Transfer" shall include but not be limited to, the following: (i) if Concessionaire is a corporation, any cumulative or aggregate sale, transfer, assignment or hypothecation of fifty percent (50%) or more of the voting shares of Concessionaire; (ii) if Concessionaire is a joint venture, a limited liability company, or a partnership, the transfer of fifty percent (50%) or more of the interest or membership in such entity; (iii) the dissolution by any means of Concessionaire; and, and (iv) any transaction or series of transactions (by way of merger, sale of stock, sale of assets, acquisition, financing, refinancing, transfer, corporate restructure, leveraged buyout or otherwise) which results in or will result in either (a) the direct or indirect transfer of fifty percent (50%) or more on a cumulative basis of the voting power, membership interest or other ownership interest in Concessionaire, or (b) a material reduction of Concessionaire's net worth as stated in the most current financial statements.

- 19.2. Requesting Consent to a Transfer. A request by Concessionaire for consent to a Transfer shall be submitted to City in writing at least ninety (90) days before the anticipated Transfer date, together with (i) a fully executed copy of the proposed Transfer agreement, (ii) the name and address of the proposed transferee, (iii) a description of the nature and character of the business of the proposed transferee, (iv) current and 3 years prior financial statements for the proposed transferee, which financial statements shall be audited to the extent available and shall in any event be prepared in accordance with generally accepted accounting principles, and (v) a check made payable to City in the amount of the processing fee described in Section 19.4 below (collectively, a "Transfer Request").
- 19.3. No Further Consent Implied; No Release. Any Transfer without the consent required by Section 19 shall be void, and shall, at the option of City, constitute a Default under the Rental Car CLA. A consent to one Transfer shall not be deemed to be a consent to any subsequent Transfer. Notwithstanding any Transfer, Concessionaire shall at all times remain fully and primarily responsible and liable for the payment of the Monetary Obligations and for compliance with all of Concessionaire's other obligations under the Rental Car CLA, regardless of whether City's approval has been obtained for any such Transfer.
- 19.4. Payment of City's Costs. In connection with any Transfer, Concessionaire shall pay to City hereunder an administrative processing fee in the amount of \$______ (which amount shall be increased by two percent (2%) on each DBO Anniversary), plus all attorneys' fees and costs (including, without limitation, the fees and costs attributable to City's in-house City Attorneys) incurred by City in connection with City's review and processing of any Transfer Request.
- 19.5. Incorporation of Terms. Each Transfer pursuant to Section 19 shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in the Rental Car CLA and each of the covenants, agreements, terms, provisions and conditions of the Rental Car CLA shall be automatically incorporated therein. If City shall consent to, or withhold its consent to, any proposed Transfer, Concessionaire shall indemnify, defend and hold harmless City and City Parties from and against and from any and all Claims that may be made against City or any City Parties in connection with or arising from the proposed Transfer.
- 19.6. Right to Collect Monetary Obligations Directly. If the Rental Car CLA is transferred or assigned, whether or not in violation of the provisions of the Rental Car CLA, City may collect Monetary Obligations from such transferee or assignee. If the Demised Premises or any part thereof is sublet or used or occupied by anyone other than Concessionaire, whether or not in violation of the Rental Car CLA, City may, after a Default by Concessionaire, collect Monetary Obligations from the occupant. In either event, City may apply the net amount collected to Monetary Obligations, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of its rights under Section 19, or the acceptance of the assignee, occupant as Concessionaire, or a release of Concessionaire from the further performance by Concessionaire of Concessionaire's obligations under the Rental Car CLA.

Reasonableness of Restrictions. Concessionaire acknowledges and agrees that the restrictions, conditions and limitations imposed by Section 19 on Concessionaire's ability to Transfer the Rental Car CLA or any interest herein, the Demised Premises or any part thereof, to Transfer any right or privilege appurtenant to the Demised Premises, or to allow any other person to occupy or use the Demised Premises or any portion thereof, are, for the purposes of California Civil Code Section 1951.4, as amended from time to time, and for all other purposes, reasonable at the time of the Rental Car CLA, and shall be deemed to be reasonable at the time Concessionaire seeks to Transfer the Rental Car CLA or any interest herein, the Demised Premises or any part thereof, to Transfer any right or privilege appurtenant to the Demised Premises, or to allow any other person to occupy or use the Demised Premises or any portion thereof. Concessionaire's sole remedy if City withholds its consent to any Transfer in violation of Concessionaire's rights under the Rental Car CLA shall be injunctive relief, and Concessionaire hereby expressly waives California Civil Code Section 1995.310, which permits all remedies provided by law for breach of contract, including, without limitation, the right to contract damages and the right to terminate the Rental Car CLA if City withholds consent to a Transfer in violation of Concessionaire's rights under the Rental Car CLA, and any similar or successor statute or law in effect or any amendment thereof during the Term.

Section 20. Events of Default; Remedies.

- 20.1. Events of Default. The occurrence of any one of the following events shall constitute a default on the part of Concessionaire ("Default" or "Event of Default"):
 - 20.1.1. Failure to Pay Monetary Obligations. Failure to pay any Monetary Obligations or any other monies due and payable and the failure continues for a period of five (5) days after same is due:
 - 20.1.2. Non-Monetary Breach. Failure in the performance of any of Concessionaire's covenants, agreements or obligations hereunder, which failure continues for thirty (30) days after written notice thereof, provided that, if Concessionaire has commenced such cure within thirty (30) days after written notice, and has exercised reasonable diligence to cure such failure and such failure cannot be cured within such thirty (30) day period despite reasonable diligence, Concessionaire shall not be in default under this Section 20.1.2 so long as Concessionaire thereafter diligently and continuously prosecutes the cure without interruption to completion and actually completes such cure within ninety (90) days after the giving of the aforesaid written notice;
 - 20.1.3. Unauthorized Transfer; Operation by Unauthorized Affiliate. Any assignment, sublease or other Transfer of the Rental Car CLA without City's prior written consent, or operation within the ConRAC by an Affiliate that has not been authorized pursuant to Section 4.3;
 - 20.1.4. Termination of Insurance. Any insurance required to be maintained by Concessionaire under the Rental Car CLA shall be cancelled or terminated or shall expire (and if replacement insurance complying with the terms of Section 13.3 shall not have been effected prior to the cancellation, termination or expiration), or shall be amended or modified, except, in each case, as permitted by the terms of Section 13;
 - 20.1.5. Liens. Any failure by Concessionaire to discharge any lien or encumbrance placed on the Demised Premises or the ConRAC, or any part thereof in violation of the Rental Car CLA within thirty (30) days after the date such lien or encumbrance is filed or recorded against the Demised Premises, the ConRAC or any part thereof;

- 20.1.6. Faithful Performance Guaranty. Failure of Concessionaire to provide and maintain the Faithful Performance Guaranty as required under the Rental Car CLA for a period of five (5) days after written notice;
- 20.1.7. Filing of Bankruptcy Petition. (a) Filing voluntary or involuntary petition for relief in bankruptcy for reorganization or arrangement or for liquidation, or to take advantage of any bankruptcy or insolvency law of any jurisdiction, said petition remaining undischarged for a period of ninety (90) days; (b) making an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts when due, (c) receivership, attachment, or other judicial seizure of substantially all of Concessionaire's assets at the Demised Premises, such attachment or other seizure remaining undismissed or undischarged for a period of ninety (90) days after the levy thereof, (d) adjudication of Concessionaire as insolvent or liquidated, or order for liquidation or reorganization of Concessionaire by a court of competent jurisdiction, or (e) taking corporate action related to any of the foregoing;
- 20.1.8. Abandonment. Vacation or abandonment the Demised Premises for a period of five (5) consecutive days or, any vacation or abandonment of any portion of the ConRAC by Concessionaire which would cause any insurance policy to be invalidated or otherwise lapse, in each of the foregoing cases irrespective of whether or not Concessionaire is then in monetary default under the Rental Car CLA.
- 20.1.9. Revocation of Licenses. An act occurs which results in the suspension or revocation of the rights, powers, licenses, permits and authorities necessary for the conduct and operation of the business authorized herein for a period of more than thirty (30) days;
- 20.1.10. Adverse to Operation. Concessionaire's service ceases or deteriorates for any period which materially and adversely affects the operation of service required to be performed by Concessionaire under the Rental Car CLA;
- 20.1.11. Default Under Other Agreements. Concessionaire or any of its Affiliates shall be in default beyond the expiration of any applicable notice and cure periods under any other lease, license, permit or contract to which LAWA is a party;
- 20.1.12. Hazardous Materials. Unauthorized use and storage of any Hazardous Materials at the ConRAC, Release of any Hazardous Materials, failure to perform any Remediation Work, or any failure by Concessionaire to comply with Concessionaire's obligations under Section 23;
- 20.1.13. Failure in Environmental Compliance. Failure to comply with any obligations and covenants set forth in Section 23;
- 20.1.14. Failure to Collect and Pay CFC. Failure to collect any CFC or failure to pay CFC to City when due pursuant to Section 7.1 or violation of Section 7.8;
- 20.1.15. Incomplete Records. Concessionaire fails to maintain adequate and accurate books and records and accounts reflecting its business as required hereunder (including without limitation, books and records and information regarding Gross Revenues, Transaction Days, and CFC collection); and
- 20.1.16. Failure to Deliver Ancillary Documents. Failure of Concessionaire to execute and deliver to City any estoppel certificate, subordination agreement, reports (including, without limitation, reports required under Section 6.2.3), financial statement or other document required

under the Rental Car CLA within the time periods and in the manner provided hereunder (or if no time period is provided, within five (5) Business Days after receipt of written notice from City of delinquency).

20.1.17. False Records. Any financial statement or other materials provided by Concessionaire under the Rental Car CLA shall prove to be untrue or inaccurate in any material respect, or any such financial statements or other materials shall have omitted any material fact. Concessionaire agrees that Monetary Obligations shall be subject to and recoverable pursuant to Ch. 4 (commencing with Sec. 1159) of Title 3 of Part 3 of the Code of Civil Procedure, or its successor statute, and any notice given by City pursuant to Section 20.1 shall satisfy the requirements for notice under California Code of Civil Procedure Section 1161, and City shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding.

20.2. City's Remedies.

- 20.2.1. Termination. In the event of any Default by Concessionaire, then in addition to any other remedies available to City at law or in equity and under the Rental Car CLA, City may terminate the Rental Car CLA immediately and all rights of Concessionaire hereunder by giving written notice to Concessionaire of such intention to terminate. If City shall elect to so terminate the Rental Car CLA, then City may recover from Concessionaire:
 - (a) the worth at the time of award of any unpaid Monetary Obligations and any other sums due and payable which have been earned at the time of such termination; plus
 - (b) the worth at the time of award of the amount by which the unpaid Monetary Obligations and any other sums due and payable which would have been earned after termination until the time of award exceeds the amount of such rental loss Concessionaire proves could have been reasonably avoided; plus
 - (c) the worth at the time of award of the amount by which the unpaid Monetary Obligations and any other sums due and payable for the balance of the term of the Rental Car CLA after the time of award exceeds the amount of such rental loss that Concessionaire proves could be reasonably avoided; plus
 - (d) any other amount necessary to compensate City for all the detriment proximately caused by Concessionaire's failure to perform its obligations under the Rental Car CLA or which in the ordinary course would be likely to result therefrom, including, without limitation, (A) any costs or expenses incurred by City (i) in retaking possession of the Demised Premises; (ii) in maintaining, repairing, preserving, restoring, replacing, cleaning, altering, remodeling or rehabilitating the Demised Premises or any affected portions of the ConRAC, including, without limitation, such actions undertaken in connection with the reletting or attempted reletting of the Demised Premises to a new concessionaire or tenant; (iii) for brokerage commissions, advertising costs and other expenses of reletting the Demised Premises; or (iv) in carrying the Demised Premises, including, without limitation, taxes, insurance premiums, utilities and security precautions; (B) any unearned brokerage commissions paid in connection with the Rental Car CLA; (C) reimbursement of any previously waived or abated Monetary Obligations or any free rent or reduced rental rate granted hereunder; and (D) any concession made or paid by City for

the benefit of Concessionaire including, without limitation, any moving allowances or contributions; plus

- (e) such reasonable attorneys' fees incurred by City as a result of a Default, and costs in the event suit is filed by City to enforce such remedy; and plus
- (f) at City's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable Legal Requirements.

As used in Subsections (a) and (b) above, the "worth at the time of the award" is computed by allowing interest at the annual rate of ten (10) percent; as used in Subsection (c), the "worth at the time of the award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, expressed as an annual rate of interest, plus one percent; as used in Subsections (a), (b) and (c) above, the "worth at the time of the award" is computed to the extent necessary on the basis of reasonable estimates of all of the factors unknown at the time of computation and necessary for the computation. If, before presentation of proof of final damages to any court, commission or tribunal, the Demised Premises, or any part thereof; shall have been relet by City for the period that otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of rent reserved upon the reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Demised Premises so relet during the term of the reletting.

- 20.2.2. Continuation of Agreement. In the event of any Default by Concessionaire, then in addition to any other remedies available to City at law or in equity and under the Rental Car CLA, City shall have the remedy described in California Civil Code Section 1951.4, and the following provision from such Civil Code Section is hereby repeated: "The Lessor has the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations)." In addition, City shall not be liable in any way whatsoever for its failure or refusal to relet the Demised Premises. For purposes of this Section 20.2.2, the following acts by City will not constitute the termination of Concessionaire's right to possession of the Demised Premises:
 - (a) Acts of maintenance or preservation or efforts to relet the Demised Premises, including, without limitation, alterations, remodeling, redecorating, repairs, replacements or painting as City shall consider advisable for the purpose of reletting the Demised Premises or any part thereof, or
 - (b) The appointment of a receiver upon the initiative of City to protect City's interest under the Rental Car CLA or in the Demised Premises.

Even if Concessionaire has abandoned the Demised Premises, the Rental Car CLA shall continue in effect for so long as City does not terminate Concessionaire's right to possession, and City may enforce all its rights and remedies under the Rental Car CLA, including, without limitation, the right to recover rent as it becomes due. Any such payments due City shall be made upon demand therefor from time to time and Concessionaire agrees that City may file suit to recover any sums falling due from time to time. Notwithstanding the exercise by City of its right under this Section 20.2.2 to continue the Agreement without termination, City may do so without prejudice to its right at any time thereafter to terminate the Rental Car CLA in accordance with the other provisions contained in Section 20.

20.2.3. Re-entry. In the event of any Default by Concessionaire, City shall also have the right, with or without terminating the Rental Car CLA, in compliance with applicable law, to re-

enter the Demised Premises, by force if necessary, and remove all persons and property from the Demised Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Concessionaire.

- 20.2.4. Reletting. In the event of the abandonment of the Demised Premises by Concessionaire or in the event that City shall elect to re-enter or shall take possession of the Demised Premises pursuant to legal proceeding or pursuant to any notice provided by law, then if City does not elect to terminate the Rental Car CLA as provided in Section 20.2.1, City may from time to time, without terminating the Rental Car CLA, relet the Demised Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as City in its sole discretion may deem advisable with the right to make alterations and repairs to the Demised Premises in City's sole discretion. In the event that City shall elect to so relet, then rentals received by City from such reletting shall be applied in the following order: (a) to reasonable attorneys' fees incurred by City as a result of a Default and costs in the event suit is filed by City to enforce such remedies; (b) to the payment of any indebtedness other than Monetary Obligations due hereunder from Concessionaire to City; (c) to the payment of any costs of such reletting; (d) to the payment of the costs of any alterations and repairs to the Demised Premises; (e) to the payment of Monetary Obligations due and unpaid hereunder; and (f) the residue, if any, shall be held by City and applied in payment of future Monetary Obligations and other sums payable by Concessionaire hereunder as the same may become due and payable hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of Monetary Obligations hereunder, be less than the Monetary Obligations payable during the month by Concessionaire hereunder, then Concessionaire shall pay such deficiency to City. Such deficiency shall be calculated and paid monthly. Concessionaire shall also pay to City, as soon as ascertained, any costs and expenses incurred by City in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.
- 20.2.5. No Termination. Neither re-entry nor taking of possession of the Demised Premises by City pursuant to Section 20.2 shall be construed as an election to terminate the Rental Car CLA unless a written notice of such intention is given to Concessionaire or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by City because of any Default by Concessionaire, City may at any time after such reletting elect to terminate the Rental Car CLA for any such Default.
- 20.3. Cumulative Remedies. The remedies herein provided are not exclusive and City shall have any and all other remedies provided herein or by law or in equity including, without limitation, any and all rights and remedies of City under California Civil Code Section 1951.8, California Code of Civil Procedure Section 1161 et seq., or any similar, successor or related provision of Legal Requirements.
- 20.4. No Surrender. No act or conduct of City, whether consisting of the acceptance of the keys to the Demised Premises, or otherwise, shall be deemed to be or constitute an acceptance of the surrender of the Demised Premises by Concessionaire prior to the expiration of the Term, and such acceptance by City of surrender by Concessionaire shall only flow from and must be evidenced by a written acknowledgment of acceptance of surrender signed by City.
- 20.5. Security Interest. In addition to any statutory lien City has, Concessionaire hereby grants to City a continuing security interest for all sums of money becoming due hereunder upon personal property of Concessionaire situated on or about the Demised Premises and such property will not be removed therefrom without the consent of City until all sums of money then due City have been first paid and discharged. If a default occurs under the Rental Car CLA, City will have, in addition to all other remedies provided herein or by law, all rights and remedies under the Uniform Commercial Code, including, without

limitation, the right to sell the property described in this Section 20.5 at public or private sale upon fifteen (15) days' notice to Concessionaire. This contractual lien will be in addition to any statutory lien for rent. Nothing in this Section 20.5 shall, however, be interpreted as a limitation on Concessionaire's ability to lease and/or finance its vehicle fleet and pledge, encumber or otherwise hypothecate title to its vehicles for such purpose; and City expressly hereby subordinates, in a favor of any such vehicle lessor or lender, any interest it may have in such vehicles, whether arising under the Rental Car CLA or as a matter of law.

- 20.6. Concessionaire's Waiver of Redemption. Concessionaire hereby waives for Concessionaire and for all those claiming under Concessionaire all right now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Concessionaire's right of occupancy of the Demised Premises after any termination of the Rental Car CLA, specifically, Concessionaire waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other pertinent present or future laws, in the event Concessionaire is evicted or City takes possession of the Demised Premises by reason of any Default of Concessionaire hereunder.
- 20.7. Acceptance Is Not a Waiver. No acceptance by City of the fees and charges for other payments specified herein, in whole or in part, and for any period or periods, after a default of any of the terms, covenants and conditions to be performed, kept or observed by Concessionaire, other than the default in the payment thereof, shall be deemed a waiver of any right on the part of City to cancel or terminate the Rental Car CLA on account of such default.
- 20.8. No Waiver Construed. No waiver by City at any time of any default on the part of Concessionaire in the performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by Concessionaire shall be or be construed to be a waiver at any time thereafter by City of any other or subsequent default in performance of any of said terms, covenants or conditions.
- 20.9. Survival of Concessionaire's Obligations. Unless expressly provided to the contrary, the obligations of Concessionaire hereunder shall survive, to the extent previously accrued, the termination of the Rental Car CLA, expiration of the Term or the exercise by City any of its remedies for any Default by Concessionaire of the provisions of the Rental Car CLA.
- 20.10. Security. Following the occurrence and during the continuance of an Event of Default, City may apply the amount held by it under the Faithful Performance Guaranty toward any obligation of Concessionaire under the Rental Car CLA. Concessionaire hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of any successor or similar provision of law, now or hereafter in effect, that provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by the tenant or to clean the demised premises, Concessionaire having agreed in the Rental Car CLA that City may, in addition, claim those sums due and owing under the Rental Car CLA. Neither the Faithful Performance Guaranty nor any other security or guaranty for the performance of Concessionaire's obligations that City may now or hereafter hold shall constitute a bar or defense to any action initiated by City for unlawful detainer or for the recovery of the Demised Premises, for the enforcement of any obligation of Concessionaire, or for the recovery of damages suffered by City as a result of any Event of Default.
- 20.11. Other Remedies. Upon the occurrence of an Event of Default by Concessionaire of any of the provisions of the Rental Car CLA, City shall have the right of injunction and the right to invoke any remedy permitted at law or in equity in addition to any other remedies specifically mentioned in the Rental Car CLA. The remedies specified herein are cumulative, and the exercise of one remedy shall not preclude the exercise of any other remedy available to City herein. No exercise by City of any remedy specifically mentioned in the Rental Car CLA or otherwise permitted by law shall be construed, alone or in combination, as the exercise by City of its right to terminate the Rental Car CLA unless City has in fact given written

notice of the termination of the Rental Car CLA. Notwithstanding the exercise of any other remedy, City may at any later time exercise its right to terminate the Rental Car CLA.

20.12. City's Right to Perform Concessionaire's Covenants. If Concessionaire shall default in the observance or performance of any term or covenant on Concessionaire's part to be observed or performed under the terms of the Rental Car CLA, and if Concessionaire fails to remedy such Default, City may, without being under any obligation to do so, and without waiving the Default, remedy the Default for the account of Concessionaire. If City makes any expenditures or incurs any obligations for the payment of money in connection with the remedy of any such Default, the actual sums paid and obligations incurred (together with a charge of twenty five percent (25%) of the actual sums paid and obligations incurred for City's related administrative costs and overhead) shall be deemed to be Monetary Obligations hereunder and shall be reimbursed by Concessionaire to City promptly after submission of a statement to Concessionaire therefor, together with interest at the then highest permitted rate from the date of payment by City to the date of reimbursement. In the case of City's remedy of any default by Concessionaire of Concessionaire's obligations under Section 12 (Maintenance and Repair), or any other default requiring the performance of work at the Demised Premises or other parts of the ConRAC, City shall also charge a surcharge of 15% of City's out-of-pocket costs.

Section 21. Faithful Performance Guaranty

- 21.1. Faithful Performance Guaranty, Purpose. Concessionaire, at its sole cost and expense, shall keep in full force and effect and available from one (1) month prior to the DBO and continuing throughout the complete term of the Rental Car CLA (including any unauthorized hold over period) and for thirty (30) days after the surrender of possession in accordance with the requirements of the Rental Car CLA, a "Faithful Performance Guaranty" to secure the faithful and timely performance by Concessionaire of all terms, provisions, and covenants contained in the Rental Car CLA, including, but not limited to, the payment of the any Monetary Obligations and any other monies payable to City. The initial amount of the Faithful Performance Guaranty shall be an amount equal to (i) three (3) times the sum of the amount of the initial estimated monthly installments of the Minimum Annual Guarantee, Land Rent, O&M Fee, and Tenant Improvement Rent, plus (ii) one (1) months' installment of the Concessionaire CTS Contribution ("Faithful Performance Guaranty Amount"). The Faithful Performance Guaranty shall not be in lieu of any other guaranty required by City in connection with the Rental Car CLA, nor shall any other guaranty in favor of City relating to any obligation of Concessionaire, whether in connection with the Rental Car CLA or otherwise, stand wholly or partly in lieu of the Faithful Performance Guaranty.
- 21.2. Increases to Faithful Performance Guaranty; Replenishment. Whenever under the terms of the Rental Car CLA the sum of the monthly installments of the Minimum Annual Guarantee, Land Rent, O&M Fee, Concessionaire CTS Contribution and Tenant Improvement Rent increases, such that the amount of the aggregate increase shall exceed ten percent (10%) of the then existing Faithful Performance Guaranty Amount, Concessionaire shall, within 30 days of a notice from City, deliver a new, increased Faithful Performance Guaranty to City in the amount equal to (i) three (3) times the sum of then current monthly installments of the Minimum Annual Guarantee, Land Rent, O&M Fee, and Tenant Improvement Rent increases, plus (ii) one (1) months' installment of the Concessionaire CTS Contribution increase, as provided in the notice from City. City's notice shall include a computation of the new, increased Faithful Performance Guaranty amount. Upon the application by City of any portion of the Faithful Performance Guaranty under the terms of Section 21, Concessionaire shall immediately deliver a new, increased Faithful Performance Guaranty to City in the amount of the Faithful Performance Guaranty immediately before the application. Further, to the extent City may require as part of City's construction approval process that Alterations installed by Concessionaire are to be removed upon the expiration or earlier termination of the Rental Car CLA, then the Faithful Performance Guaranty Amount may be increased by the amount

reasonably estimated as the cost to remove such Alterations and to restore any damage to the Demised Premises caused thereby.

- 21.3. Form of Faithful Performance Guaranty. The Faithful Performance Guaranty shall be in the form of an irrevocable standby bank letter of credit, which shall be self-renewing with an "evergreen clause" that renews the credit from year to year without amendment, subject to termination upon sixty (60) days written notice to City, and issued by an issuer acceptable to City, with offices in Los Angeles, California. The letter of credit shall allow for partial and multiple drawings by City, and must have an expiry date consistent with the ability to make such drawings for the full period required hereunder. The Faithful Performance Guaranty and all amendments increasing the Faithful Performance Guaranty Amount must be approved as to form by City. If, at any time during the term of the Rental Car CLA, the issuer of the Faithful Performance Guaranty becomes unacceptable, City shall have the right to require a replacement letter of credit which Concessionaire shall furnish to the satisfaction of City within thirty (30) days after written notice for same.
- 21.4. Time and Place to Remit. Concessionaire shall provide to City the Faithful Performance Guaranty no later than one (1) year prior to the DBO, and any amendments to the Faithful Performance Guaranty relating to the adjustment of the Faithful Performance Guaranty Amount shall be delivered to City within thirty (30) days following the effective date of such adjustment. If, for any reason, said Faithful Performance Guaranty is not provided by Concessionaire or is not thereafter maintained in sufficient amount throughout the Term hereof, City may terminate the Rental Car CLA at any time upon giving Concessionaire ten (10) days prior written notice. Following the expiration or earlier termination of the Rental Car CLA, and if Concessionaire has satisfied all of its obligations to City hereunder, City shall relinquish to Concessionaire said Faithful Performance Guaranty following such expiration or earlier termination and satisfaction of all obligations to City.

Section 22. End of Term

22.1. Surrender. Concessionaire agrees that upon expiration of the Term or earlier termination of the Rental Car CLA, or upon reallocation of Concessionaire's Demised Premises and other relevant areas of the ConRAC pursuant to the terms of the Rental Car CLA, Concessionaire shall surrender the Demised Premises, the Joint Use Space, or such reallocated areas thereof (as the case may be), including all improvements, to City (a) in good order, condition and repair (normal wear and tear excepted but with all interior walls repaired, any carpets cleaned, and all floors cleaned and waxed), and (b) free of any Hazardous Materials. Normal wear and tear shall not include any damage or deterioration that would have been prevented by proper maintenance by Concessionaire or Concessionaire otherwise performing all of its obligations under the Rental Car CLA. On or before the expiration or sooner termination of the Rental Car CLA, or such date that Concessionaire shall vacate and surrender possession of reallocated space pursuant to the applicable provisions of the Rental Car CLA, (i) Concessionaire shall remove all of Concessionaire's personal property, equipment or facilities installed in the Demised Premises or elsewhere in the ConRAC (or the affected areas thereof in the event of reallocation) by or on behalf of Concessionaire (provided City may require that such removal shall be performed by a contractor or telecom provider designated by City), and Concessionaire's signage from the Demised Premises or elsewhere in the ConRAC (or the affected areas thereof in the event of reallocation), and Concessionaire shall repair any damage caused by such removal, and (ii) City may (at its option), by notice to Concessionaire given not later than ninety (90) days prior to the expiration of the Term (except in the event of a termination of the Rental Car CLA prior to the expiration of the Term or reallocation event pursuant to the terms of the Rental Car CLA, in which event no advance notice shall be required), require Concessionaire at Concessionaire's expense to remove any or all Alterations and to repair any damage caused by such removal. Any of Concessionaire's personal property not so removed by Concessionaire as required herein shall be deemed abandoned and may be stored, removed, and disposed of by City at Concessionaire's expense, and Concessionaire waives all

Claims against City for any damages resulting from City's retention and disposition of such property; provided, however, that Concessionaire shall remain liable to City for all costs incurred in storing and disposing of such abandoned property of Concessionaire. All improvements and Alterations, except those which City requires Concessionaire to remove shall remain in the Demised Premises as the property of City. On the expiration of the Term or earlier termination of the Rental Car CLA, all rights of Concessionaire under the Rental Car CLA shall terminate. No expiration or earlier termination of the Rental Car CLA shall release Concessionaire from any liability or obligation hereunder, whether of indemnity or otherwise, resulting from any acts, omissions, or events occurring prior to Concessionaire surrendering the Demised Premises to City.

22.2. Holdover Rent. If Concessionaire remains in possession of the Demised Premises or any part of the ConRAC after the expiration or earlier termination of the Rental Car CLA without express consent of City, such holdover shall constitute a Default, and without limiting City's remedies under the Rental Car CLA, such holdover shall be construed a month to month tenancy, during which Concessionaire shall continue to pay the Monetary Obligations then in effect immediately before the expiration or termination of the Rental Car CLA, except, in CEO's discretion, the Land Rent may be increased to two hundred percent (200%) of the Land Rent effective immediately before the expiration or termination of the Rental Car CLA, and shall otherwise be on the terms and conditions herein specified, so far as applicable. Acceptance by City of holdover rent after the expiration or termination of the Rental Car CLA shall not be deemed to create a new term agreement or evidence a renewal of the Rental Car CLA. If the Demised Premises are not surrendered at the end of the Term or earlier termination of the Rental Car CLA, in addition to the obligations under this Section 22.2, Concessionaire shall indemnify, defend and hold harmless City and City Parties from and against any and all Claims resulting from delay by Concessionaire in so surrendering the Demised Premises or any ConRAC area, together with attorneys' fees and costs. Nothing contained in this Section 22.2 shall be construed as a consent by City to any holding over by Concessionaire, and City expressly reserves all its rights under the Rental Car CLA, including but not limited to, its right of regain possession and recover damages from Concessionaire.

Section 23. Environmental Matters

23.1 Concessionaire's Covenant. Concessionaire is authorized and permitted to store, handle and use at the ConRAC or any part of the ConRAC Land the following: (i) usual and customary vehicle maintenance products consistent with the performance of Light Vehicle Maintenance and (ii) usual and customary janitorial and cleaning products consistent with the Permitted Uses so long as such uses and activities are in compliance with applicable Environmental Requirements and the ConRAC Operating Rules (collectively, the "Permitted Hazardous Material Uses"). Except for the Permitted Hazardous Material Uses, Concessionaire shall not use, produce, process, manufacture, generate, treat, handle, store or dispose of any Hazardous Material in, on or under the ConRAC Land or ConRAC, or use the ConRAC Land or ConRAC for any such purposes, without City's prior written consent (which consent may be withheld in City's sole discretion). Concessionaire shall not Release any Hazardous Material into any air, soil, surface water or ground water at, on or about the ConRAC Land or ConRAC, or permit any person using or occupying the ConRAC Land or ConRAC or any part thereof to do any of the foregoing, which are in violation of any Environmental Requirements. Concessionaire assumes the risk associated with any of Concessionaire's Hazardous Material activities and the risk that Environmental Requirements may change in the future. Concessionaire shall comply, and shall cause all Concessionaire Parties using the ConRAC Land or ConRAC or any part thereof to comply, with all Environmental Requirements applicable to the ConRAC Land or ConRAC, or the use or occupancy thereof, or any operations or activities therein or thereon at Concessionaire's sole cost. Concessionaire shall obtain all permits, licenses and approvals required by all applicable Environmental Requirements for the use and occupancy of, and all operations and activities in, the ConRAC Land, comply fully with all such permits, licenses and approvals, and keep all such permits, licenses and approvals in full force and effect. City's consent in allowing Concessionaire

to permit or engage in any activity relating to Hazardous Material (including any Permitted Hazardous Material Use) shall not be construed to mean City in any way approves of the manner in which Concessionaire is engaging in such activities, or that City has determined that such activity or manner of activity is safe. In the event that Concessionaire shall permit Hazardous Material upon the ConRAC Land or ConRAC, or engage in activities relating to Hazardous Material on, about or above the ConRAC Land or ConRAC, Concessionaire shall, at Concessionaire's expense, procure and maintain insurance coverage insuring Concessionaire and City against any and all liability arising from such Hazardous Material or activities relating thereto. Concessionaire shall duly provide City with a certificate of such insurance coverage, in such amounts and from such carriers as City shall require.

- 23.2. Presence of Hazardous Material. In the event that any Hazardous Material is present or Released, or there is a threatened Release of Hazardous Material on, about or under the ConRAC which has violated or which may violate an Environmental Requirements, or that any violation of any Environmental Requirements may have occurred at the ConRAC, Concessionaire shall immediately give notice to City thereof. Additionally, Concessionaire shall immediately furnish to City copies of all written communications received by Concessionaire from any Person or given by Concessionaire to any Person concerning any Release or threatened Release of Hazardous Material in, on or under the ConRAC, or any violation of any Environmental Requirements which may affect the ConRAC Land. City shall have the right, but not the obligation, to obtain from Concessionaire, at any time, any additional information regarding Hazardous Material generated, produced, brought onto, used, stored, treated or disposed of by Concessionaire or any other person on or about the ConRAC, and/or activities relating thereto, on or about the ConRAC. Concessionaire shall immediately comply with City's requests regarding written communications and additional information.
- 23.3. Deliverables to City; Right to Inspection. At City's request, Concessionaire shall deliver to City within ten (10) days of the receipt of request, copies of (i) all permits, manifests, notices, (ii) all material safety data sheets, safety data sheets, and technical data sheets and (iii) all other documents relating to Concessionaire use, storage or disposal of Hazardous Materials at or about the ConRAC. In addition, whether or not City makes a request, Concessionaire shall deliver to City copies of all documents relating to (a) any Release of Hazardous Materials at or about the ConRAC, or (b) Remediation Work related to any Release of Hazardous Materials at or about the ConRAC. City shall have the right, but not the obligation, to investigate at any time the presence of Hazardous Material, and/or the compliance with Environmental Requirements, and/or to take all actions reasonably necessary to remediate any threat or breach of any Environmental Requirements, or from any Release of Hazardous Material in, on, about or under the ConRAC. As requested from time to time by City, but no more than once a year, Concessionaire, at Concessionaire's sole expense, shall perform or cause to be performed an environmental audit with regards to Concessionaire's operation at the ConRAC; provided, however, in the event of a Release or threatened Release of Hazardous Material or in such event that City is notified of any violation of the Environmental Requirements by Concessionaire, City shall have the right to require Concessionaire to perform or cause to be performed an environmental audit at its sole expense notwithstanding that City may have already required an environmental audit in such given year. In addition, City shall have the right to perform or cause to be performed an environmental audit at its cost; provided, however, in the event that such environmental audit discloses a Release or threatened Release of Hazardous Material by Concessionaire and/or the failure of Concessionaire to comply with any Environmental Requirements, the cost of such environmental audit shall be paid by Concessionaire. Concessionaire acknowledges that any such inspections or reports undertaken by Concessionaire and City are solely for the protection of City.
- 23.4. Remediation Work. If any Release or threatened Release of Hazardous Material in, on, about or under the ConRAC as the result of the acts or omission of Concessionaire or any Concessionaire Party: (i) Concessionaire shall immediately give notice of the condition or violation to City; (ii) Concessionaire shall promptly investigate, define, clean up and remove all Hazardous Material (and in no event may

Concessionaire leave any Hazardous Material on or under the ConRAC) with all applicable governmental agency oversight and approval and restore the ConRAC Land (or the ConRAC as the case may be) to the same condition as such ConRAC Land (or ConRAC as the case may be) was prior to such Release of Hazardous Material, so that the ConRAC Land (or ConRAC as the case may be) may be used for any and all future unrestricted uses, unless City elects to perform as provided below; and (iii) Concessionaire shall restore and cause the ConRAC Land (or ConRAC as the case may be) to be in full compliance with all applicable Environmental Requirements (collectively, the "Remediation Work"). Concessionaire shall comply with any and all orders and directives of all persons and/or governmental agencies having jurisdiction in connection with the Remediation Work. Concessionaire shall provide to City and City may review any and all correspondence, documents, communications, plans, applications, reports, work orders, manifests, orders, directives and/or specifications in connection with or relating to the Remediation Work before such Remediation Work is performed. Any such plans or specifications shall be prepared by a qualified, licensed engineer or contractor, which City shall have the right to approve, and shall comply with all applicable Environmental Requirements, and all other laws, ordinances, rules and regulations. Concessionaire shall obtain a "No Further Action" letter, or its equivalent, from the appropriate governmental agency(ies) in connection with the Remediation Work. Concessionaire shall be responsible at Concessionaire's sole expense to obtain all permits, licenses, oversight, and approvals for the Remediation Work and to complete the Remediation Work diligently and in a timely manner. Concessionaire shall pay for all Remediation Work, including, without limitation, the cost of plans, fixing any damage to the ConRAC Land (or the ConRAC as the case may be), oversight costs, utilities, permits, fees, taxes and insurance premiums in connection therewith. Concessionaire shall furnish to City promptly upon receipt, copies of all reports, studies, analysis, investigations, contracts, orders, directives, applications, manifests, permits, licenses, authorizations, correspondence, Claims, complaints, pleadings and other information and communications received or prepared by Concessionaire at any time in connection with any Remediation Work. If the Remediation Work affects any other part of the ConRAC in addition to the Demised Premises, then City may elect at any time, and from time to time, to perform (or contract for the performance of) any Remediation Work which is Concessionaire's responsibility, and in such event Concessionaire shall promptly reimburse City for any costs thereof as same are incurred. Concessionaire shall provide City with ten (10) days' prior written notice of any Remediation Work performed on or about the ConRAC Land (or the ConRAC as the case may be). City may observe any Remediation Work.

23.5. Right to Participate by City. City shall have the right, but not the obligation, to participate in any action or proceeding and governmental or agency meeting relating to any Release or threatened Release of any Hazardous Material caused by Concessionaire or any Concessionaire Party in, on or under the ConRAC Land or the ConRAC, or any violation of any Environmental Requirements caused by Concessionaire or any Concessionaire Party at the ConRAC Land or the ConRAC. Concessionaire shall provide immediate notice upon receipt to City and allow City to participate in any negotiations or discussions with any federal, state or local governmental agency, including environmental, occupational or public health and safety agencies with regard to Hazardous Material or any Environmental Requirements, including all settlement or discussions regarding abatement or Remediation Work.

23.6. Indemnification by Concessionaire. Concessionaire shall indemnify, reimburse, defend and hold harmless City and City Parties against all Claims in any way arising from, relating to, or connected with: (i) the existence, location, nature, use, generation, manufacture, storage, disposal, handling, or Release or threatened Release of any Hazardous Material in, on or under the ConRAC Land by Concessionaire or any Concessionaire Party; (ii) any violation of Environmental Requirements Concessionaire or any Concessionaire Party; (iii) any breach of any duty to perform Remediation Work required of Concessionaire under Section 23.4, and/or (iv) any breach of any covenant, representation or warranty made by Concessionaire hereunder, or any failure of Concessionaire to perform any of Concessionaire's covenants or obligations in accordance with Section 23. The foregoing indemnification shall include, without

limitation, all expenses of investigation and monitoring, costs of containment, abatement, removal, repair, clean up, restoration and remedial work, penalties and fines, attorneys' fees and disbursements, environmental engineering fees and costs, oversight and observations costs, and other response costs. The foregoing indemnification shall also include any lost rental amounts which City does not receive from any person, including Concessionaire (including any lost rental amounts after the term of the Rental Car CLA), diminution in the value of the ConRAC Land or ConRAC, and other damages. If Concessionaire fails to perform any obligation of Concessionaire under Section 23, City shall have the right, but not the obligation, to perform such obligation on behalf of Concessionaire and at Concessionaire's expense. It is agreed that Concessionaire's duties and obligations of indemnification, reimbursement, defense and hold harmless under this Section 23.6 specifically permit City to hire (at Concessionaire's costs) attorneys and environmental engineers to monitor and supervise and to advise City as to any remediation and clean-up activities and to perform and monitor any environmental studies of the ConRAC Land (or ConRAC) related to Concessionaire's operation at and use of the ConRAC, and to engage such attorneys and environmental engineers to represent and assist City in the event of any litigation (or threat thereof), administrative proceedings or other governmental or private party actions. Concessionaire shall, on demand, pay to City all sums expended by City in the performance of any such obligations of Concessionaire, together with interest thereon after such demand at the maximum rate of interest then provided by law.

Section 24. Fuels and Fluids.

Concessionaire acknowledges and agrees that the ConRAC Concessionaires, acting by and through the Concessionaire Majority, are solely responsible for the purchase, delivery and dispensing of the automotive fuel and fluids used by the ConRAC Concessionaires for the operation and maintenance of their respective rental vehicles. ConRAC Concessionaires, acting by and through the Concessionaire Majority shall coordinate with City (or its designated Developer) the date and time of deliveries of such automotive fuel and fluids, which coordination may include providing a periodic schedule of deliveries and adjusting same upon City's (or its Developer's) reasonable requests. At all times, Concessionaire shall use the same grade of fuel as the other ConRAC Concessionaires. During the Term, the ConRAC Concessionaires shall, at their sole cost and expense, maintain a contract (the "Fuel Contract") with a qualified and reputable third party fuel provider (the "Fuel Provider") to provide fuel and fluids to the ConRAC Concessionaires for their use at the ConRAC. The ConRAC Concessionaires shall be solely responsible to pay directly to the Fuel Provider the costs of all fuel and fluids delivered to the ConRAC. The Fuel Provider shall be subject to the reasonable approval of City. The form of the Fuel Contract shall be reasonably satisfactory to City (including provisions relating to delivery protocols, release of liens, insurance and indemnification), and the ConRAC Concessionaires shall provide to City for review and approval the proposed form of the Fuel Contract (including any amendments, renewals or replacement contracts) no later than ninety (90) days prior to its intended date of execution. The ConRAC Concessionaires shall cause the initial Fuel Contract to be fully executed and in effect no later than thirty (30) days prior to the DBO and shall cause the Fuel Contract (or renewal or replacement thereof approved by City) to be continuously maintained during the Term. Access to and use of the fuel facilities at the ConRAC will commence following the initial commissioning of such fuel facilities by City following installation. Concessionaire (together with the other ConRAC Concessionaires) shall be jointly and severally liable to indemnify, defend and hold City and City Parties harmless from and against any Claims arising from or in connection with the activities of the Fuel Provider on or about the ConRAC, including, without limitation, any Claims relating to the breach or non-performance of the Fuel Contract by any party thereto, any Claims relating to damage to or misuse of the fuel storage and dispensing equipment located at the ConRAC or other acts or omissions, and any release or disposal of fuels and fluids into the environment.

Section 25. Other Covenants

- 25.1. Quiet Enjoyment. Upon Concessionaire's payment of the Monetary Obligations, including but not limited to, the Land Rent, and upon observing and performing all the other terms, covenants and conditions on Concessionaire's part to be observed and performed under the Rental Car CLA, Concessionaire shall peaceably and quietly enjoy the Demised Premises, subject to the terms and conditions of the Rental Car CLA.
- 25.2. Rights of Flight. City reserves for itself and its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the ConRAC, including the right to cause any noise and vibration inherent in the operation of any aircraft through the airspace or landing at, taking off from, or operating at the Airport. Concessionaire agrees not to make any Claim against City under any theory of recovery for any interference with Concessionaire's use and enjoyment of Demised Premises that may result from noise or vibration emanating from the operation of aircraft to, from, or upon the Airport, and Concessionaire hereby waives any Claims against City and City Parties arising therefrom.
- 25.3. Regulation of Other Activities in Common Use Areas. Concessionaire acknowledges that the ConRAC is a public facility essential to regional and national transport and economy and that City is a political subdivision with a public responsibility for the proper functioning of the Airport and the ConRAC. In order to carry out its responsibilities (including its obligations to comply with the requirements of the Federal Aviation Administration, the U.S. Transportation Security Administration, and other Legal Requirements), City must therefore have broad power to regulate activities in the Airport and in the areas of the ConRAC not part of the Demised Premises. Without limiting any other specific provisions of the Rental Car CLA, City shall have the right to adopt from time to time rules and regulations, and may make other specific orders, for the conduct of operations in the Common Use Areas. Concessionaire shall at all times comply with any rules and regulations from time to time so adopted and any specific orders so made by City (and of which Concessionaire shall have received a copy in writing), provided only that the rules and regulations are adopted, and the orders made, by City in the good faith discharge of its public responsibilities and do not unreasonably discriminate against the business operations of Concessionaire in the Demised Premises.
- 25.4. Representations by City. Except as expressly otherwise provided in the Rental Car CLA, Concessionaire agrees to accept the Demised Premises and the ConRAC "as is", in their condition and state of repair existing on the date possession or access is provided to Concessionaire to construct the Pre-DBO Tenant Improvements as provided in Section 2.2. City makes no representations, express or implied, as to the condition of the ConRAC or the Demised Premises, or the equipment and systems serving the ConRAC, the Airport or the Demised Premises. To the maximum extent permitted by law, Concessionaire waives the right to make repairs at the expense of City and the benefit of the provisions of Sections 1941 and 1942 of the California Civil Code.
- 25.5. Communications Equipment and Antennae. Concessionaire shall have no right to install or use any telecommunications equipment or antennae on the roof or exterior of the ConRAC, unless (a) City Network (as defined below) is not implemented pursuant to Section 25.5.1 below, (b) the installation and use are directly related to the conduct of Concessionaire's business at the Demised Premises and are in full compliance with City's permit process and telecommunications policies, as established in the discretion of City and from time to time in effect, and (c) the installation is effected in compliance with the requirements of Section 8. Concessionaire shall not license, sublease or in any other manner permit any other Person to use any telecommunications equipment or antennae installed by Concessionaire at the ConRAC; provided, however, that Concessionaire may permit Concessionaire's Approved Affiliates to use any telecommunications equipment or antennae installed by Concessionaire at the ConRAC so long as (i) such use is for its authorized business hereunder and (ii) neither Concessionaire or its Approved Affiliates receive

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compensation from such use. City shall have the right, without compensation to Concessionaire, to install or use telecommunications equipment or antennae on the roof or exterior of the Demised Premises and to install and attach cables, wires and conduits on, over or under the Demised Premises in connection with telecommunications equipment or antennae, or to license or otherwise permit others to do so.

- 25.5.1. Installation and Maintenance of City Network. City will design and deploy a Wi-Fi network for the use of the ConRAC customers, the public and such other users as may be authorized by City ("City Network") in the following areas of the ConRAC: the Customer Service Building plaza (including the area from the common plaza/public areas up to each ConRAC Concessionaires' counter), the APM Station, the Ready/Return Space, and other public areas, as reasonably determined by City.
- 25.5.2. Installation and Maintenance of Concessionaire Network. Subject to compliance with the terms and provisions of the Rental Car CLA, Concessionaire, at its sole cost and expense, shall have the right to install and maintain its own Wi-Fi network for internal corporate business use ("Concessionaire Network") within the following areas of the Demised Premises: the office space and counters in the Customer Service Building Space, the Ready/Return Space, the VSA, the Vehicle Corral Space, and the QTA Space. Concessionaire acknowledges that the use of the Concessionaire Network shall be for internal corporate business purposes only, and Concessionaire shall not offer, permit or otherwise make available to its customers, the public or others the use of Concessionaire Network as long as the City Network is in service at the ConRAC. Design and installation of Concessionaire Network shall be subject to City's prior written approval in accordance with the provisions of Section 8. Without limiting the generality of the immediately preceding sentence, Concessionaire shall submit to City for its review and approval the Wi-Fi design plan consisting of, location, installation, frequency use, channel use, transmit power level, ability to broadcast SSIDs and such other information reasonably necessary to determine the layout, performance and system requirement of Concessionaire Network (collectively, "Concessionaire Network Plans") prior to each occurrence of the initial installation and system change after the initial installation. In installing and maintaining Concessionaire Network, Concessionaire shall comply with all applicable Legal Requirements, including the U.S. and international cyber security laws and privacy laws, which includes, without limitations, Cal. Civ. C. Sections 1798.29, 1798.82 and 1798.84, as such may be amended or any successor statutes, and Concessionaire shall be solely responsible for any and all civil or criminal liabilities resulting from its failure to comply with any Legal Requirements (including privacy laws). At all times, Concessionaire Network shall also comply with all current and updated City cyber security requirements in effect, as well as City's third party risk management and network vulnerability audits and reporting process.
- 25.5.3. Coordination of Networks. City and Concessionaire will cooperate in designing, developing, deploying and maintaining the City Network and the Concessionaire Network to ensure that such systems can co-exist and to mitigate the risk of co-channel interference that would affect the service levels of the systems. In the event that no design and implementation can be achieved that allows the City Network and the Concessionaire Network to co-exist in the Ready/Return Space and the City Network actually does interfere with the Concessionaire Network, City will modify the City Network in the Ready/Return Space so that it does not interfere with the Concessionaire Network in such area.
- 25.5.4. Termination of City Network. At any time, based on a reasonable assessment of then available technology, City determines that Wi-Fi is an obsolete technology (which determination shall be final), City shall have the right to terminate and remove the City Network. In such event, Concessionaire, at its sole cost, shall have the right to design and install

Concessionaire Network within certain areas of the ConRAC, as may be approved by City, and provide its customers with access to the Concessionaire Network.

- 25.5.5. Disclaimer of Warranties. Unless otherwise provided, the City Network and materials available through the City Network and any third party are provided on an "as-is" and "as-available" basis and without any warranties of any kind. To the fullest extent permitted by applicable law, City disclaims all warranties, express or implied, including but not limited to, implied warranties of merchantability, and fitness for particular purpose. City further expressly disclaims any warranty that (i) the City Network will be uninterrupted or error free or accurate, (ii) the City Network will be free of viruses, spyware, worms or other harmful and destructive codes, or (iii) the City Network is secure. Moreover, City makes no warranty regarding any goods or services or the delivery of any goods or services purchased or obtained through or from the City Network or advertised through the City Network, or regarding any transactions entered into through the City Network. No advice or information, whether oral or written, obtained through the City Network shall create any warranty not expressly stated herein. Any personal or confidential information transmitted through the City Network is at such user's own risk and City takes no responsibility for such personal or confidential information.
- 25.5.6. Limitation on Liability. To the fullest extent permitted by applicable law, under no circumstances, including, but not limited to, negligence, shall City be liable for any direct, indirect, incidental, special or consequential damages, including but not limited to, damages for loss of profits or loss of file, use, data or other intangibles, even if City has been advised of the possibility of such damages, that result from the use or the inability to use the City Network or the Concessionaire Network, from any changes to the City Network or the Concessionaire Network, or from unauthorized access to or alteration of any user's transmissions or data. Moreover, City shall not be responsible or liable to Concessionaire or any Person for any threatening, defamatory, obscene, offensive, tortious, or illegal conduct of Concessionaire or of any other party or any infringement of another's rights, including intellectual property rights, arising on, from, or in connection with the City Network or the Concessionaire Network.
- 25.5.7. Indemnity. To the maximum extent permitted by law, Concessionaire shall defend, indemnify, and hold City harmless from and against any Claims related to, (i) Concessionaire's breach of any provision under Section 25.5, (ii) (ii) the Concessionaire Network, and (iii) Concessionaire's installation, operation and maintenance of the Concessionaire Network.
- 25.5.8. Proprietary Interest. The City Network shall be owned and licensed by City, and the City Network and the design, structure, organization and code of such system are valuable intellectual property of City.

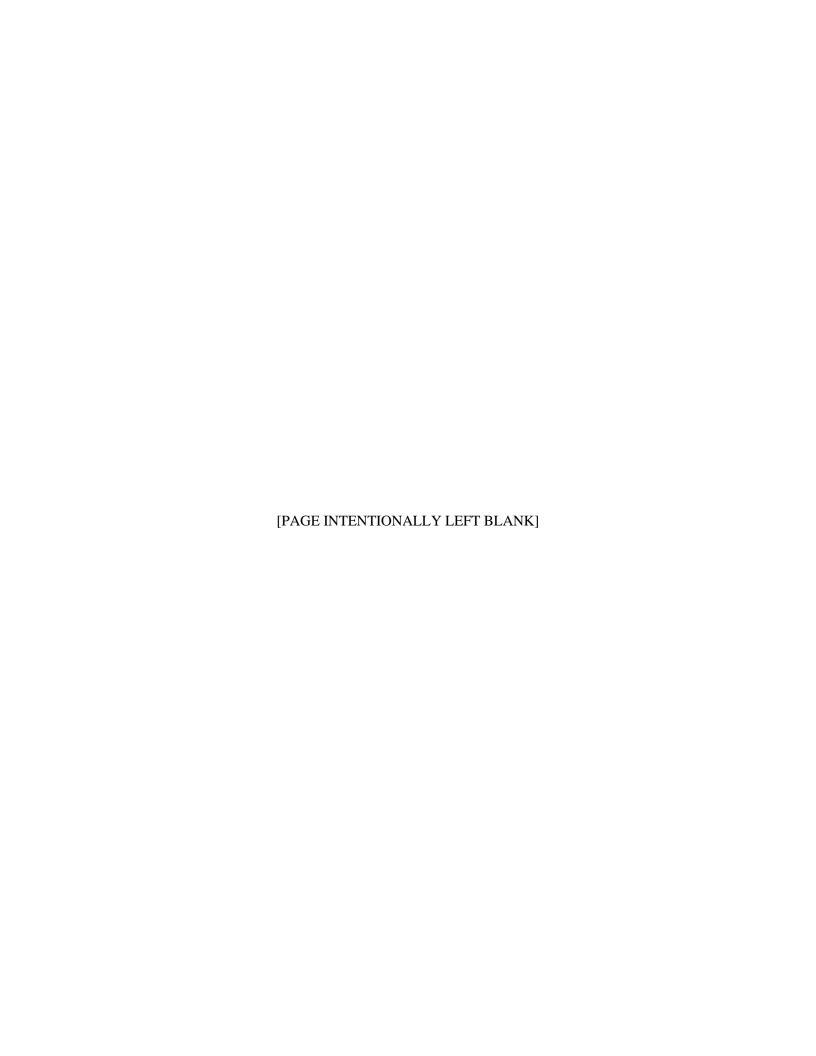
25.6. Signs and Advertising Materials.

25.6.1. Except as set forth in this Section 25.6, Concessionaire shall not place any signs or advertising materials in any location at the ConRAC without the prior consent of City, which consent may be withheld in the discretion of City. Any request for the approval of identification signs or advertising materials for Concessionaire's operations shall be accompanied by illustrative drawings and design dimensions together with information about the type of identification signs proposed by Concessionaire and the locations in which the signs are proposed to be installed. Concessionaire shall comply with any conditions to the installation or use of signs that City may require as a condition of approval. Concessionaire shall keep all counter space and podiums used by Concessionaire free of all signs, advertising materials, credit card application dispensing units, posters, and banners. Without limiting the generality of the foregoing:

- 25.6.2. Specific pricing information on advertising signs is prohibited (except for pricing for customer fuel costs consistent with standard industry practices).
- 25.6.3. In the event Concessionaire fails or refuses to remove any unauthorized signs or advertising materials after receiving a written request to do so from the CEO or his or her designee, City shall have any and all of the following options (without limiting City's other rights and remedies set forth elsewhere in the Rental Car CLA):
 - (a) City may without notice remove any unauthorized signs or advertising materials, and may store them at Concessionaire's expense, and may dispose of them if they are not promptly claimed by Concessionaire after notice from City;
 - (b) City may terminate the Rental Car CLA; and/or
 - (c) Concessionaire shall pay as additional Monetary Obligations ______ Dollars (\$_____) per day for each day that such unauthorized sign or advertising material continues to be displayed. The acceptance of such additional Monetary Obligations by City from Concessionaire shall not be viewed as a waiver of any breach of the terms of the Rental Car CLA or waiver of any of City's other rights or remedies under the Rental Car CLA.
- 25.7. Security. Concessionaire shall fully comply with all Legal Requirements relating to airport security. Concessionaire shall comply fully with applicable provisions of the Transportation Security Administration Regulations, 49 CFR Sections 1500 through 1550, as may be amended from time to time, or any successor statute, including the establishment and implementation of procedures acceptable to City to control access from the Demised Premises to air operation areas in accordance with the Airport Security Program required by 49 CFR Part 1542, as may be amended from time to time, or any successor statute. Concessionaire shall exercise exclusive security responsibility for the Demised Premises. Without limiting the generality of the foregoing, Concessionaire shall keep gates and doors in the Demised Premises that permit entry to restricted areas at the ConRAC locked at all times when not in use or under Concessionaire's constant security surveillance. Concessionaire shall report gate or door malfunctions that permit unauthorized entry into restricted areas to City's operations center without delay, and Concessionaire shall maintain the affected gate or door under constant security surveillance until repairs are effected by Concessionaire or City and the gate or door is properly secured. Concessionaire shall pay all civil penalties levied by the Transportation Security Administration for violation of Transportation Security Administration Regulations pertaining to security gates or doors in the Demised Premises or otherwise controlled by Concessionaire.
- 25.8. Concessionaire Acknowledgement and Waiver. Concessionaire expressly represents, acknowledges and agrees that: (a) in connection with the Rental Car CLA, the rights granted to Concessionaire pursuant to the Rental Car CLA, any reallocation of the Demised Premises, or any total or partial termination or expiration of the Rental Car CLA, Concessionaire has no right or entitlement whatsoever to receive any relocation assistance, moving expenses, goodwill or other payments or compensation under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, 42 U.S.C. Section 4601 et seq., the California Relocation Assistance Law, as amended, California Government Code Section 7260 et seq., California Eminent Domain Law (California Code of Civil Procedure Section 1230.010 et seq.), the law of inverse condemnation, and/or under any other relocation, eminent domain, condemnation or similar law now or hereafter in effect (collectively, "Compensation Claims") from City; (b) Concessionaire is not entitled to assert against City any Compensation Claims arising out of or in connection with Concessionaire's surrender or vacation of the Demised Premises or any portion thereof; and (c) nothing in the Rental Car CLA shall create, or otherwise

give rise to, any rights for Concessionaire or any Concessionaire Party to receive any relocation assistance, moving expenses, goodwill or other payments or compensation from City under the foregoing laws, all of which rights and Compensation Claims (to the extent the same may be applicable) are hereby waived and relinquished by Concessionaire and Concessionaire Parties.

25.9. Formation of an Airport Ground Transportation Policy. The parties acknowledge that an Airport ground transportation policy may, among other factors, have an impact on the Rental Car Concession business and the Transaction Days at the ConRAC. City will provide the ConRAC Concessionaires the opportunity to participate in connection with City's promulgation of an Airport ground transportation policy regarding access to the ConRAC, the intermodal facility (west) and the CTA by ground transportation providers (other than the ConRAC Concessionaires). The parties acknowledge that ground transportation providers include, but are not limited to, transportation network companies, hotel/motel and parking courtesy shuttle buses, and charter vehicles. The ConRAC Concessionaires' participation will consist of at least two events of meet and confer with City, where the ConRAC Concessionaires may present, among other things, any consequences the Airport ground transportation policy may have on the Rental Car Concession business and the Transaction Days at the ConRAC. Subject to the Board approval, City will impose certain regulations and fees for all operators of rental car businesses (as such businesses may be defined under the Los Angeles International Airport Rules and Regulations, as may be amended from time to time and which businesses will include peer-to-peer rentals) at the Airport not operating under a CLA, which will include providing such operators the opportunity to operate as a non-concessionaire permittee under a non-exclusive license Agreement. Such non-exclusive license agreement will provide certain terms and conditions of operation, including but not limited to: (1) a requirement to pick-up and drop-off their customers only at the ConRAC; (2) restrictions on access to any City-owned facility other than the ConRAC; (3) imposition and payment of CFC at such rate permitted under the CFC Statutes or any applicable Legal Requirements; and (4) an industry standard nonconcessionaire privilege fee charged as a percentage of gross revenues generated under rental car contracts with customers who use the Airport in an amount to be reasonably determined by City.



APPENDIX D

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

Department of Airports of the City of Los Angeles Los Angeles, California

\$546,015,000

Department of Airports of the City of Los Angeles, California
Los Angeles International Airport
Customer Facility Charge Revenue Bonds
(Consolidated Rental Car Facility Project)
2022 Series A
(Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Department of Airports of the City of Los Angeles (the "Department"), acting through the Board of Airport Commissioners of the City of Los Angeles (the "Board"), in connection with the Department's issuance and sale of \$546,015,000 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) (the "Series 2022A Bonds"). The Series 2022A Bonds are being issued under the terms of the Charter of the City of Los Angeles, relevant ordinances of the City of Los Angeles, and the Los Angeles Administrative Code (collectively, the "Charter"), the Trust Indenture, dated as of March 1, 2022 (the "Indenture"), by and between the Department and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Issuance of the Series 2022A Bonds has been authorized by Resolution No. 27386 adopted by the Board on November 18, 2021 and approved by the City Council of the City of Los Angeles on January 11, 2022 and by the Mayor of the City of Los Angeles on January 13, 2022, and Resolution No. 27426 adopted by the Board on February 3, 2022 (collectively, the "Resolutions"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In connection with the issuance of the Series 2022A Bonds, we have examined: (a) the Charter; (b) certified copies of the Resolutions; (c) an executed copy of the Indenture; (d) certifications of the Department, the Trustee, the City Clerk of the City of Los Angeles, and others; (e) opinions of the City Attorney, counsel to the Trustee and counsel to the Underwriters; and (f) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. 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 the validity against, any parties, other than the Department, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

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 whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Department, the security provided therefor, as contained in the Series 2022A Bonds and the Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2022A Bonds or the Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated March 2, 2022, or any other offering material relating to the Series 2022A Bonds and express no opinion relating 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 Series 2022A Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Series 2022A Bonds have been fulfilled.
- 2. The Series 2022A Bonds constitute the valid and binding special limited obligations of the Department secured by a pledge of and lien upon and are a charge upon and are payable from the Trust Estate.
- 3. The Indenture has been duly authorized, executed and delivered by the Department and, assuming the due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the Department, enforceable against the Department in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2022A Bonds, of the Trust Estate, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.
- 4. The Series 2022A Bonds are not general obligations of the Department. No revenues of the Department, other than the Customer Facility Charges, are pledged to the payment of the Series 2022A Bonds. Neither the faith and the credit nor the taxing power of the City of Los Angeles, the State of California or any public agency, other than the Department, to the extent described in the Indenture, is pledged to the payment of the principal of or interest on the Series 2022A Bonds. The Department has no power of taxation. Neither the ConRAC Project nor any other properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2022A Bonds.
- 5. Under existing laws, interest on the Series 2022A Bonds is exempt from present State of California personal income taxes.

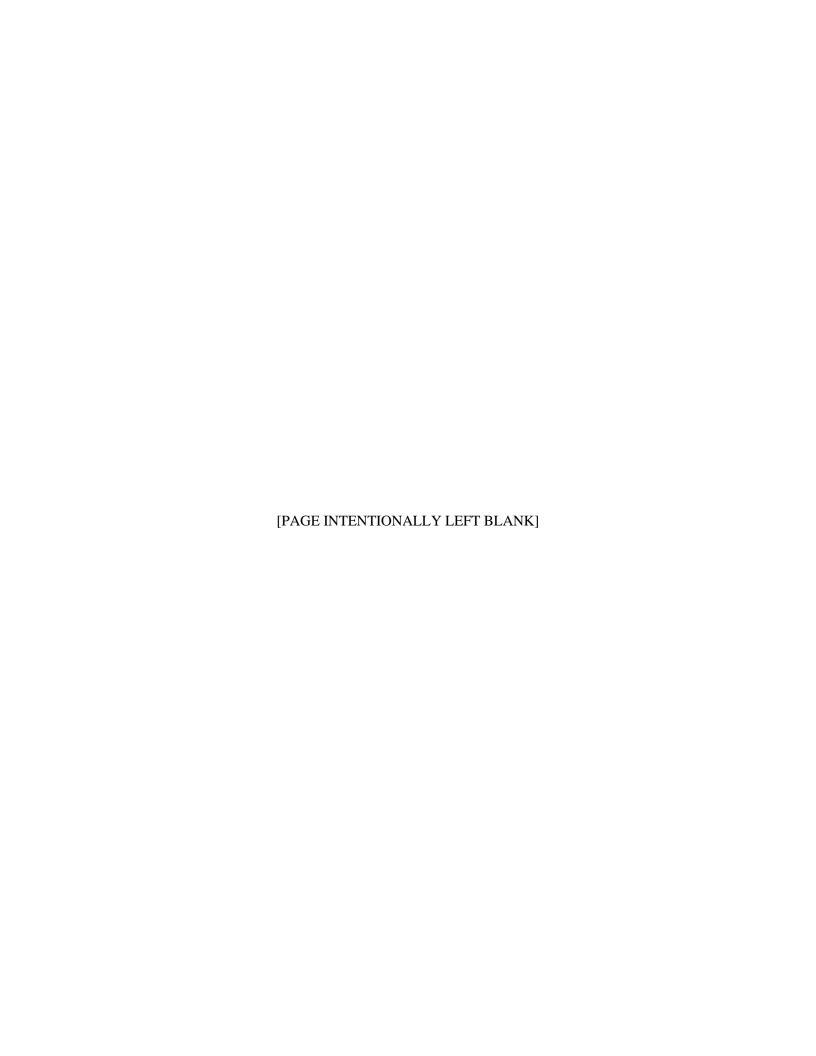
Interest on the Series 2022A Bonds is included in gross income for federal income tax purposes. Except as provided in numbered paragraph 5 above, we express no opinion regarding the tax consequences relating to the ownership of, receipt of interest on or disposition of the Series 2022A Bonds. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

Our engagement with respect to the Series 2022A Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

APPENDIX E

SECOND PARTY OPINION REGARDING GREEN BONDS





Second Party Opinion EXECUTIVE SUMMARY

ISSUER

Department of Airports of the City of Los Angeles, California

OPINION ON

Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) (Green Bonds)

GREEN STANDARD AND CATEGORIES



- Clean Transportation
- Green Buildings

KEYWORDS

LEED Silver, transportation emission reductions, transition enabling, electric vehicle fleet, solar

EVALUATION DATE

February 15, 2022

SUMMARY

Kestrel Verifiers is of the opinion that the Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) ("Series 2022A Bonds") issued by the Department of Airports of the City of Los Angeles (the "Department") conform with the four core components of the Green Bond Principles 2021 as follows:

Use of Proceeds

The Series 2022A Bonds will pay and reimburse the Department for a portion of the costs of the development and construction of the Consolidated Rental Car facility at Los Angeles International Airport ("the ConRAC Project" or "the Project") which will alleviate traffic congestion in and around Los Angeles International Airport and prepare for the transition to fully electrified rental car fleets. The building is expected to achieve at least LEED Silver certification and align with sustainability goals of the Department and the City of Los Angeles. The Series 2022A Bonds align with the *Clean Transportation* and *Green Buildings* eligible project categories under the Green Bond Principles.

Process for Project Evaluation and Selection

A documented need for improved landside airport access and a comprehensive vision for sustainability have shaped the Series 2022 Bond project. The Department's commitment to sustainability in operations, design and construction requirements informed the Project's ambitious sustainability targets.

Management of Proceeds

Proceeds from the Series 2022A Bonds will pay and reimburse the Department for a portion of the costs of the development and construction of the Project, refund a portion of the Department's commercial paper notes which were also used to finance a portion of the Project, make deposits to certain funds and accounts, and pay costs of issuance. Proceeds will be held in separately managed accounts and may be held in temporary Permitted Investments, as defined by the Indenture.

Reporting

The Department will post continuing disclosures to the Municipal Securities Rulemaking Board ("MSRB") annually through the Electronic Municipal Market Access ("EMMA") system. The Department provides annual comprehensive reporting on progress toward sustainability goals in annual Sustainability Reports.

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In connection with the Series 2022A Bonds, the Department intends to add a Green Bonds subsection to their annual Sustainability Report in 2023.

Impact and Alignment with United Nations Sustainable Development Goals

The Series 2022A Bonds support UN Sustainable Development Goals 7: Affordable and Clean Energy, 11: Sustainable Cities and Communities and 13: Climate Action by financing a facility built to robust green building standards, incorporating renewable energy, and supporting the transition to a zero-emission transportation sector.



Second Party Opinion

Issuer: Department of Airports of the City of Los Angeles, California

Issue Description: Los Angeles International Airport, Customer Facility Charge Revenue Bonds

(Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable)

(Green Bonds)

Project: Consolidated Rental Car Facility

Green Standard: Green Bond Principles **Green Categories:** Clean Transportation

Green Buildings

Keywords: LEED Silver, transportation emission reductions, transition enabling, electric

vehicle fleet, solar

Par: \$546,015,000

Evaluation Date: February 15, 2022

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) ("Series 2022A Bonds") to evaluate conformance with the Green Bond Principles (June 2021) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight and conformance of the Series 2022A Bonds with the Green Bond Principles. In our opinion, the Series 2022A Bonds are aligned with the four core components of the Green Bond Principles and qualify for Green Bonds designation.

ABOUT THE ISSUER

The Department of Airports of the City of Los Angeles ("Department") is a self-supporting department of the City of Los Angeles (the "City"), managing two airports: Los Angeles International Airport and Van Nuys Airport. Los Angeles International Airport and Van Nuys Airport contribute significantly to the regional economy, collectively providing more than 4,000 jobs. The Los Angeles Economic Development Corporation estimated that each international flight landing at Los Angeles International Airport was worth up to \$623 million in economic activity of passengers, cargo, employment and operational activities. In 2019, Los Angeles International Airport served more than 88 million passengers. The Department was recognized as a "Business Leader in Air Quality" by the South Coast Air Quality Management District and awarded the

¹ "Airport Basics," Los Angeles World Airports, accessed January 21, 2022, https://www.lawa.org/lawa-our-lax/airport-basics.

² "10-Year Summary of Passengers," Los Angeles World Airports, accessed January 7, 2022, https://www.lawa.org/lawa-investor-relations/statistics-for-lax/10-year-summary/passengers.

2018 Clean Air Award. The Department also received the 2018 Green Fleet Award from the Green Fleet Awards Forum.

The Department has robust environmental commitments which are addressed through energy management, reduction of greenhouse gas emissions, water and waste management, noise management, land use planning, and regulatory compliance. The 2019 Sustainability Action Plan³ highlights the Department's history as a leader in airport sustainability and outlines plans to reach zero carbon emissions by 2045 and reduce environmental impacts. The Department has updated its Sustainability



Green Buildings

Action Plan to align with the Los Angeles mayor's updated Sustainable City pLAn. Major capital projects have been strategically selected and designed to minimize energy use and reduce the Department's carbon footprint. In 2019, Van Nuys Airport built the first of its solar projects and also became the first general aviation airport to offer sustainable alternative jet fuel. Other notable programs and policies include:

- Sustainable Design and Construction Requirements All new buildings and projects at the airports must be built to at least LEED Silver standards or the Los Angeles City Green Building Code.
- Alternative Fuel Program at Los Angeles International Airport All airport lessees and operators are required to drive vehicles that are not powered by petroleum-derived gasoline or diesel fuel. As of 2019, 100% of airport operators drive compliant vehicles.
- Electric Vehicle Purchasing Policy Adopted in 2017, the Electric Vehicle Purchasing Policy aims to improve air quality in and around the airports as the Department increases electric vehicle purchases to 100% by 2035.
- Single-use Plastic Water Bottle Phase-out Policy Starting in June 2023, the Department will not allow sale or distribution of single-use plastic water bottles at all airports.
- Food Donation Program at Los Angeles International Airport All businesses that provide or sell food are required to participate in a food donation program.
- Los Angeles International Airport Dunes Restoration The Department began the Los Angeles International Airport Sand Dunes Restoration Project in 1986 by dedicating 307 acres on the western portion of the airport as a natural wildlife preserve. Since then, the Department has planted native species, eliminated invasive plants, and removed approximately 32,000 square feet of hardscape including old streets and sidewalks.
- El Segundo Blue Butterfly Habitat Management In 1976, the US Department of Fish and Wildlife placed the El Segundo Blue Butterfly on the endangered species list. This butterfly was later found in the Los Angeles International Airport Sand Dunes Habitat. As of 2020, populations of the endangered butterfly within the habitat restoration area had grown to 5,300-6,500.

ALIGNMENT TO GREEN STANDARDS

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles (International Capital Market Association definition).

Use of Proceeds

The Series 2022A Bonds will pay and reimburse the Department for a portion of the costs of the development and construction of the Consolidated Rental Car facility at Los Angeles International Airport ("the ConRAC Project" or "the Project"). The ConRAC Project will bring together several rental car companies under one roof. The building will hold up to 18,000 rental cars and features a Quick Turn Around area for basic vehicle maintenance such as washing and oil changes. The Project is expected to achieve at least LEED Silver certification and incorporate enough electric vehicle ("EV") chargers and infrastructure to support a large fleet of EVs acquired by rental car companies. The Series 2022A Bonds will finance payments to the developer for facility construction and offsite infrastructure improvements including those necessary for

³ "Boldly Moving to Zero: Sustainability Action Plan," Los Angeles World Airports, 2019, https://www.lawa.org/lawa-sustainability.

stormwater and utility system upgrades. The Project is an eligible project as defined by the Green Bond Principles in the *Clean Transportation* and *Green Buildings* project categories.

Clean Transportation

The Project is part of Los Angeles International Airport's Landside Access Modernization Program which aims to alleviate traffic congestion and improve customer experience and airport connectivity. The Program also includes an Automated People Mover train system which will be connected directly to ConRAC and will transport customers to and from the airport—eliminating approximately 3,200 rental car shuttle trips per day.

The ConRAC is also expected to have the following features: 224 electric vehicle chargers with the ability to expand the number of chargers by an additional 149 chargers, LED interior and exterior lighting, drought-resistant landscaping and employee conveniences, such as bike racks. The Department is showing leadership by anticipating this paradigm shift in transportation infrastructure and directly advancing the City's goal to achieve zero carbon on-road transportation by 2045.

Transportation accounts for 29% of greenhouse gas ("GHG") emissions in the US and efficient, accessible transportation systems are critical to reducing these emissions. The Project will reduce transportation-related GHG emissions by eliminating roughly 3,200 daily shuttle trips, centralizing rental car companies and customers, alleviating traffic congestion, and developing robust infrastructure to support an expanded EV rental fleet.

Green Building Construction

The Project is aligned with the Department's goal to achieve carbon neutrality by 2045 and will meet the Department's Sustainable Design and Construction Requirements. The project supports the transition to carbon neutrality in the building sector by incorporating renewable energy and energy-efficient design features. To achieve, at a minimum, a LEED Silver rating for the Consolidated Rental Car facility, the Department has incorporated sustainable elements such as:

- Native drought-tolerant landscaping
- EV chargers
- Diversion of 50-75% of waste from the landfill
- 4.7 MW solar array which will support 63% of the facility's total energy needs

Environmental benefits include reduced greenhouse gas emissions in line with targets, diverting waste from landfills and water conservation.

Climate Risk and Transition Alignment

Climate change poses significant systemic risks to US financial systems and municipal issuers. These risks may broadly be divided into *physical risk* and *transition risk*. Physical risks include effects of climate change on physical assets, such as extreme weather events and sea level rise. Transition risk includes market and technology risks, reputational risks, policy risks and legal risks. Transition and physical risk factors may interact in complex ways.

Mitigation of transition risk requires planning for the necessary structural changes to address climate change and the transition to a low carbon economy, with recognition of the risks associated with inaction. The Consolidated Rental Car facility is mitigating climate transition risks in the transportation sector and regional systemic risks associated with unabated GHG emissions from vehicles. The Department is facilitating the climate transition by intentionally integrating infrastructure for EVs now and in the future, thereby enabling and accelerating the transition to a fully electrified transportation system.

The Series 2022A Bonds also finance activities which align with a *just transition*, characterized by the equitable inclusion and accommodation of all individuals, with a special focus on disadvantaged groups who may be directly or indirectly affected by the structural changes necessary to transition to a low carbon economy. A project that aligns with the *just* transition works to balance a sustainable society, environment

⁴ "Sources of Greenhouse Gas Emissions," Environmental Protection Agency, 2019, https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions.

and economy and will consider the intersections of racial, socioeconomic, religious, cultural, intergenerational or environmental justice. The Los Angeles International Airport is located west of communities considered to be especially vulnerable to pollution based on environmental, health and socioeconomic data. By reducing transportation emissions at the Airport, the Department is reducing negative health impacts related to air pollution on vulnerable communities in the area. These are primarily Latinx neighborhoods in Southeast Los Angeles. Compared to predominantly white neighborhoods, communities of color in the US have historically faced higher levels of overall pollution and experienced poorer health outcomes in consequence. While the Project does not directly confront environmental justice concerns, reduced GHG emissions in the area will effectively improve air quality for the surrounding vulnerable communities, thus facilitating a just transition.

Process for Project Evaluation and Selection

The Department's comprehensive vision for sustainability has shaped the Consolidated Rental Car facility and its primary objectives to reduce congestion and improve transit connectivity. The Project is one of five major projects in the Department's Landside Access Modernization Program, and is designed to resolve significant congestion and unpredictable travel times caused by the lack of direct connection with larger public transportation networks and dispersed rental car facilities.

The Project's ambitious sustainability targets have two main drivers: the City of Los Angeles' climate action goals and the Department's strong commitment to sustainability in operations and capital projects.

The Department's comprehensive vision of sustainability—including energy management, water management, air emissions management, material resources management, noise management, natural resources management, and corporate responsibility—have been directly applied to Project design and construction. Further, the Project aligns with Los Angeles International Airport Design Guidelines which require life cycle assessments to minimize environmental impact, as well as steps to improve energy efficiency, increase use of renewables, conserve water, increase use of recycled materials, and improve health and comfort for building occupants.

The Project was directly informed by, and advances, targets shared by the Department and the City of Los Angeles to reach carbon neutrality by 2045, adopted in the 2019 Sustainability Action Plan and the City's Sustainable City pLAn.

Management of Proceeds

Proceeds from the Series 2022A Bonds will pay and reimburse the Department for a portion of the costs of the development and construction of the Project, refund a portion of the Department's commercial paper notes which were also used to finance a portion of the Project, make deposits to certain funds and accounts, and pay costs of issuance. Proceeds will be held in separately managed accounts. Prior to allocation, proceeds may be held temporarily in Permitted Investments, as defined by the Indenture. Permitted Investments include, but are not limited to, government obligations, highly rated obligations of any state, money market funds and prime commercial paper.

Reporting

The Department will submit continuing disclosure reports to the Municipal Securities Rulemaking Board ("MSRB") so long as the Series 2022A Bonds are outstanding. The Department will also provide reports in the event of material developments. This reporting will be done annually and at other required times on the Electronic Municipal Market Access ("EMMA") system operated by the MSRB.

The Department provides annual comprehensive reporting on progress toward sustainability goals in Sustainability Reports available at https://www.lawa.org/lawa-sustainability. Reported metrics include

⁵ "CalEnviroScreen," California Office of Environmental Health Hazard Assessment and California Environmental Protection Agency, https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30.

⁶ "The Most Pressing Environmental Health Conditions for Latinx Communities in Southeast L.A.," Neighborhood Data for Social Change, KCET, September 9, 2021, https://www.kcet.org/neighborhood-data-for-social-change/the-most-pressing-environmental-health-conditions-for-latinx-communities-in-southeast-l-a.

greenhouse gas emissions (MTCO₂e), tons of materials recycled, square footage of construction built to green building standards, fuel usage and energy usage.

In connection with the Series 2022A Bonds, the Department intends to add a subsection to the annual Sustainability Report for updates on the ConRAC Project. The Department expects to provide annual updates until receipt of the LEED certification. Updates are expected to include: the status of construction, project-related metrics including total number of EV chargers installed, total capacity of the installed solar array, percent of waste diverted from the landfill, and confirmation of LEED certification, when available.

IMPACT AND ALIGNMENT WITH UN SDGS

The Project is helping to address UN SDGs 7, 11 and 13. By financing the construction of a rental car facility expected to achieve LEED Silver certification, the Series 2022A Bonds address Target 7.3. Incorporation of a large solar array advances Target 7.2, and utility upgrades to support an electrified fleet of rental cars advance Target 13.2. The anticipated reduction of traffic congestion and associated greenhouse gas emissions advance Target 11.6. Full text of the Targets for Goals 7, 11 and 13 is available in Appendix A, with additional information available on the United Nations website: www.un.org/sustainabledevelopment





Affordable and Clean Energy (Targets 7.2, 7.3)

Possible Indicators

- Reduced greenhouse gas emissions as a result of energy efficiency features
- Renewable energy produced



Sustainable Cities and Communities (Target 11.6)

Possible Indicators

- Annual mean levels of fine particulate matter in cities reduced
- Metric tons of greenhouse gas emissions avoided



Climate Action (Target 13.2)

Possible Indicators

- Adoption and continued implementation of long-term climate action targets
- Ongoing expansion of infrastructure to facilitate the emission reductions in the transportation sector

CONCLUSION

Based on our independent external review, the Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) conform, in all material respects, with the Green Bond Principles (2021) and are in complete alignment with two eligible project categories: *Clean Transportation* and *Green Buildings*. The Series 2022A Bonds are directly advancing climate action goals shared by the Department and the City of Los Angeles by financing the construction of a rental car facility built to robust green building standards and facilitating the transition to a zero-emission transportation sector.

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ABOUT KESTREL VERIFIERS



For over 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (January-February 2022) only. By providing this Opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. Kestrel Verifiers relied on information provided by the Department and publicly available information. The Opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the Department, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the Department or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.



Appendix A. UN SDG TARGET DEFINITIONS

Target 7.2

By 2030 increase the share of renewable energy in the global energy mix

Target 7.3

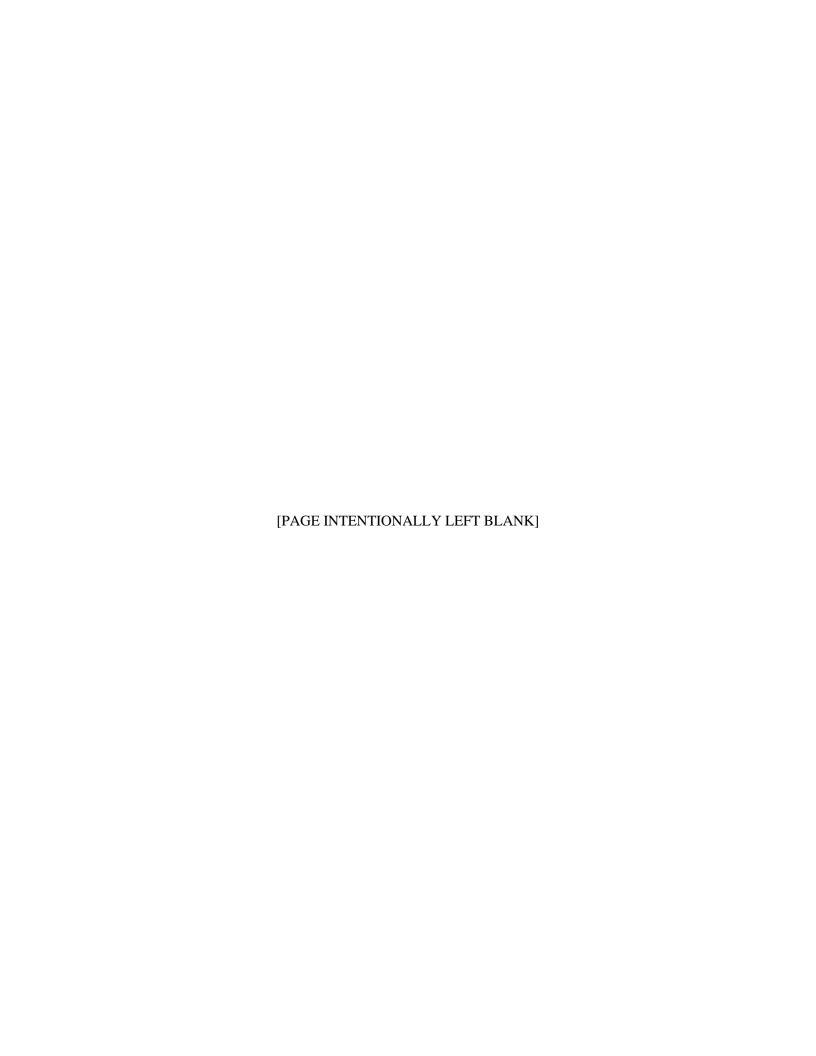
By 2030, double the global rate of improvement in energy efficiency

Target 11.6

By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Target 13.2

Integrate climate change measures into national policies, strategies and planning



APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Department of Airports of the City of Los Angeles, acting through the Board of Airport Commissioners of the City of Los Angeles (the "Department") in connection with the issuance by the Department of its Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable) (the "Series 2022A Bonds"). The Series 2022A Bonds are being issued pursuant to the Trust Indenture, dated as of March 1, 2022 (the "Indenture"), by and between the Department and U.S. Bank Trust Company, National Association, as trustee. The Department hereby covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate 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 Department pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2022A Bonds (including persons holding Series 2022A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2022A Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Department, acting in its capacity as Dissemination Agent hereunder, or any other successor Dissemination Agent designated in writing by the Department, and which has filed with the Department a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Department as its Fiscal Year.

"Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"GASB" shall mean the Governmental Accounting Standards Board.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any successor thereto.

"Official Statement" shall mean the final official statement of the Department relating to the Series 2022A Bonds.

"Owner" shall mean a registered owner of the Series 2022A Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2022A Bonds required to comply with the Rule in connection with offering of the Series 2022A Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of California.

Section 2. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Department for the benefit of the Owners and Beneficial Owners of the Series 2022A Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

- (a) The Department shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Department, to, not later than 180 days following the end of each Fiscal Year of the Department (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year ending June 30, 2022, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB and/or the Rule, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements 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 Fiscal Year for the Department changes, the Department shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.
- (b) If in any year, the Department does not provide the Annual Report to the MSRB by the time specified above, the Department shall file a notice with the MSRB through the EMMA System in substantially the form attached as Exhibit A hereto.
 - (c) If the Dissemination Agent is not the Department. the Dissemination Agent shall:
 - 1. file a report with the Department certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and
 - 2. take any other actions mutually agreed to between the Dissemination Agent and the Department.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The Department's audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by GASB and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB, provided however that the Department may from time to time, in order to comply with federal or State legal requirements, modify the basis upon which such financial statements are provided notice. Notice of any such modification shall be provided to the MSRB and shall include a reference to the applicable law or requirement describing such accounting basis. If the

Department'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 comparable information derived from unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

- (b) Information in form and substance similar to the following tables set forth in the Official Statement for the most recently completed Fiscal Year:
 - 1. Table 2 Department of Airports of the City of Los Angeles, Los Angeles International Airport, Market Share of Rental Car Brands;
 - 2. Table 3 Department of Airports of the City of Los Angeles, Los Angeles International Airport, Historical Rental Car Demand and CFC Collections;
 - 3. Table 5 Department of Airports of the City of Los Angeles, Los Angeles International Airport, Air Traffic Data; and
 - 4. Table 8 Department of Airports of the City of Los Angeles, Los Angeles International Airport, Forecasted Debt Service Coverage on the Series 2022A Bonds (only historical information with respect to the most recently completed Fiscal Year will be reported; no forecasted information will be reported).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Department or related public entities that have been submitted to the MSRB through the EMMA System. In the event that information necessary to prepare the tables listed above becomes unavailable due to changes in accounting practices, legislative changes or organizational changes, the Department shall state in its Annual Report that such table will no longer be included in the Annual Report and the reason therefore and the Department will provide comparable information if available.

Section 5. Reporting of Significant Events.

- (a) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2022A 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, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
 - 6. Tender offers;
 - 7. Defeasances;
 - 8. Rating changes;

- 9. Bankruptcy, insolvency, receivership or similar event of the Department; or
- 10. Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Department, if any such event reflects financial difficulties.

Note: for the purposes of the event identified in Section 5(a)(9) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Department 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 Department, or if such jurisdiction has been assumed by leaving the existing governing 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 Department.

- (b) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2022A Bonds, if material, not later than ten business days after the occurrence of the event:
 - 1. Non-payment related defaults;
 - 2. 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 Series 2022A Bonds or other material events affecting the tax status of the Series 2022A Bonds;
 - 3. Modifications to rights of the Owners of the Series 2022A Bonds;
 - 4. Bond calls:
 - 5. Release, substitution or sale of property securing repayment of the Series 2022A Bonds;
 - 6. The consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, 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;
 - 7. Appointment of a successor or additional trustee or the change of name of a trustee; or
 - 8. Incurrence of a Financial Obligation of the Department or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Department, any of which affect security holders.
- (c) The Department shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.
- (d) If the Department learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Department shall within ten business days of occurrence file a

notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(4) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2022A Bonds pursuant to the Indenture.

- (e) As used in this Disclosure Certificate, the term "Financial Obligation" will be interpreted so as to comply with applicable federal securities laws guidance as of the date of this Disclosure Certificate, including that provided by the Securities and Exchange Commission in its Release No. 34-83885, dated August 20, 2018.
- **Section 6. Termination of Obligation**. The Department's obligations under this Disclosure Certificate with respect to the Series 2022A Bonds shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series 2022A Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Department with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Department's obligations hereunder shall terminate to a like extent.
- **Section 7. Dissemination Agent.** The Department may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Department shall be the dissemination agent. The initial dissemination agent shall he the Department.
- **Section 8. Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Certificate, without the consent of the Owners of the Series 2022A Bonds, the Department may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is not prohibited by the Rule. The Department shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e) hereof.
- **Section 9. Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Department chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Department shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.
- **Section 10. Default.** In the event of a failure of the Department to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series 2022A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Disclosure Certificate; provided that any such Owner or Beneficial Owner may not take any enforcement action without the consent of the Owners of not less than 25% (twenty-five percent) in aggregate principal amount of the Series 2022A Bonds that at the time are Outstanding. A default under this Disclosure Certificate shall not be deemed a default under the Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the Department to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Department to comply with this Disclosure Certificate. No Owner or Beneficial Owner

of the Series 2022A Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Department satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Department shall have refused to comply therewith within a reasonable time.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Department and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Department, the Dissemination Agent, if any, and the Owners and Beneficial Owners from time to time of the Series 2022A Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 13. Notices. Any notices or communications to the Department may be given as follows:

Los Angeles World Airports One World Way Los Angeles, California 90045 Attention: Tatiana Starostina, Chief Financial Officer

Fax: (310) 646-9223

Telephone: (424) 646-5251

Section 14. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Department shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Series 2022A Bonds shall retain all the benefits afforded to them hereunder. The Department hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 15. Governing Law. This Disclosure Certificate was made in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Los Angeles, without regard to conflict of law principles. Any litigation, action or proceeding to enforce or interpret any provision of this Disclosure Certificate or otherwise arising out of, or relating to this Disclosure Certificate, shall be brought, commenced or prosecuted in a State or Federal court in the County of Los Angeles in the State of California. By its acceptance of the benefits hereof, any person or entity bringing any such litigation, action or proceeding submits to the exclusive jurisdiction of the State of California and waives any defense of forum non conveniens.

IN WITNESS	WHEREOF, the	e undersigned has	executed this	Disclosure	Certificate	this	16^{th}	day
of March, 2022.								

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, ACTING THROUGH THE BOARD OF AIRPORT COMMISSIONERS OF THE CITY OF LOS ANGELES

By _		
_	Chief Executive Officer	

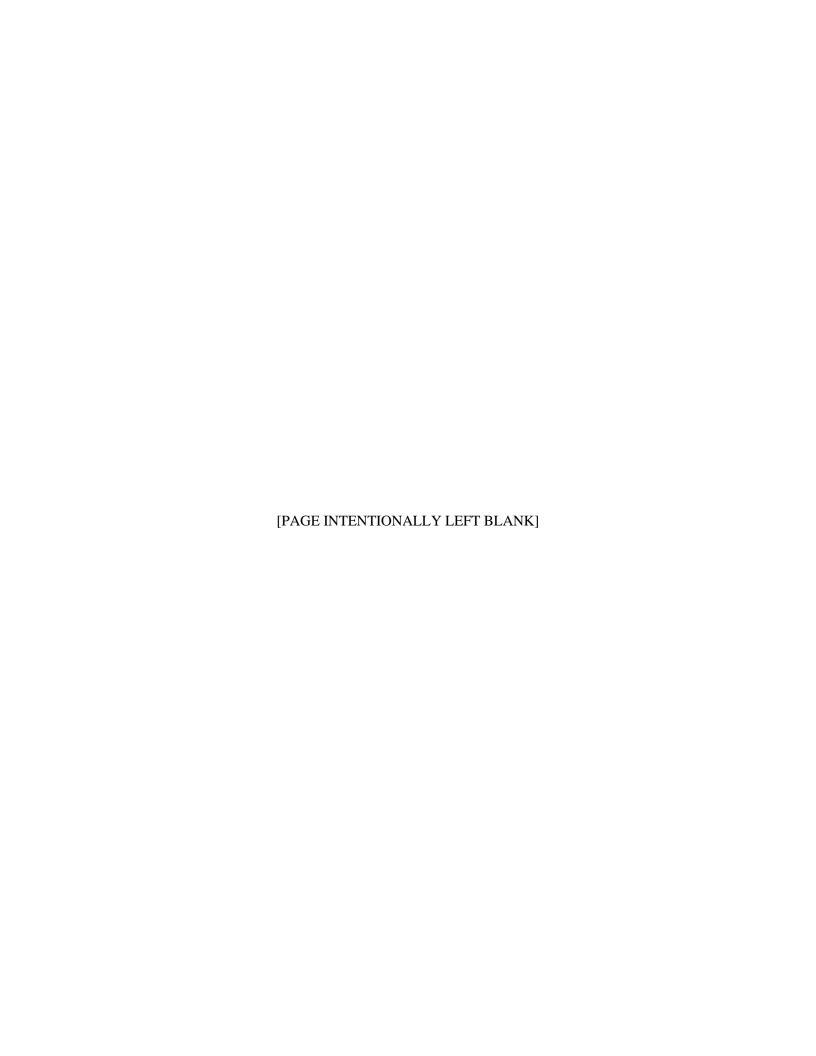
EXHIBIT A

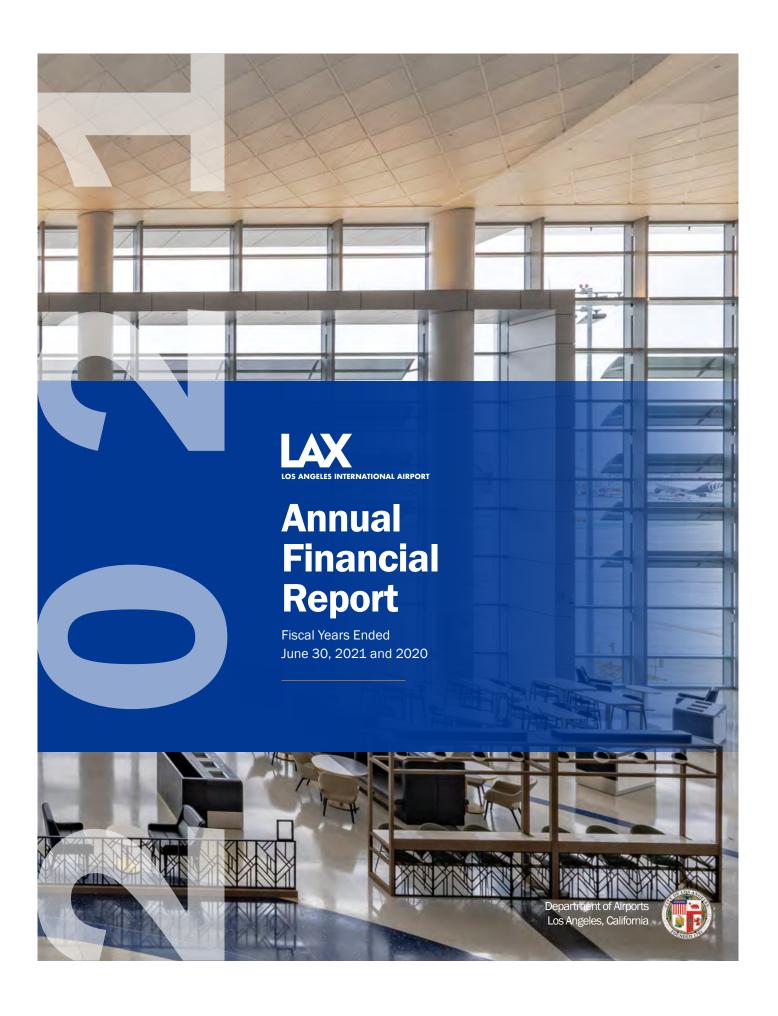
NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Department of Airports of the City of Los Angeles, California					
Name of Bond Issue:	Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Customer Facility Charge Revenue Bonds (Consolidated Rental Car Facility Project) 2022 Series A (Federally Taxable)					
Date of Issuance:	March 16, 2022					
CUSIP:	54445C					
California (the "Departi Series 2022A Bonds as 2022 executed by the I	EREBY GIVEN that the Department of Airports of the City of Los Angeles, ment") has not provided an Annual Report with respect to the above referenced required by Section 3 of the Continuing Disclosure Certificate, dated March 16, Department for the benefit of the Owners and Beneficial Owners of the above A Bonds. The Department anticipates that the Annual Report will be filed by					
	DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES					
	ByAuthorized Representative					

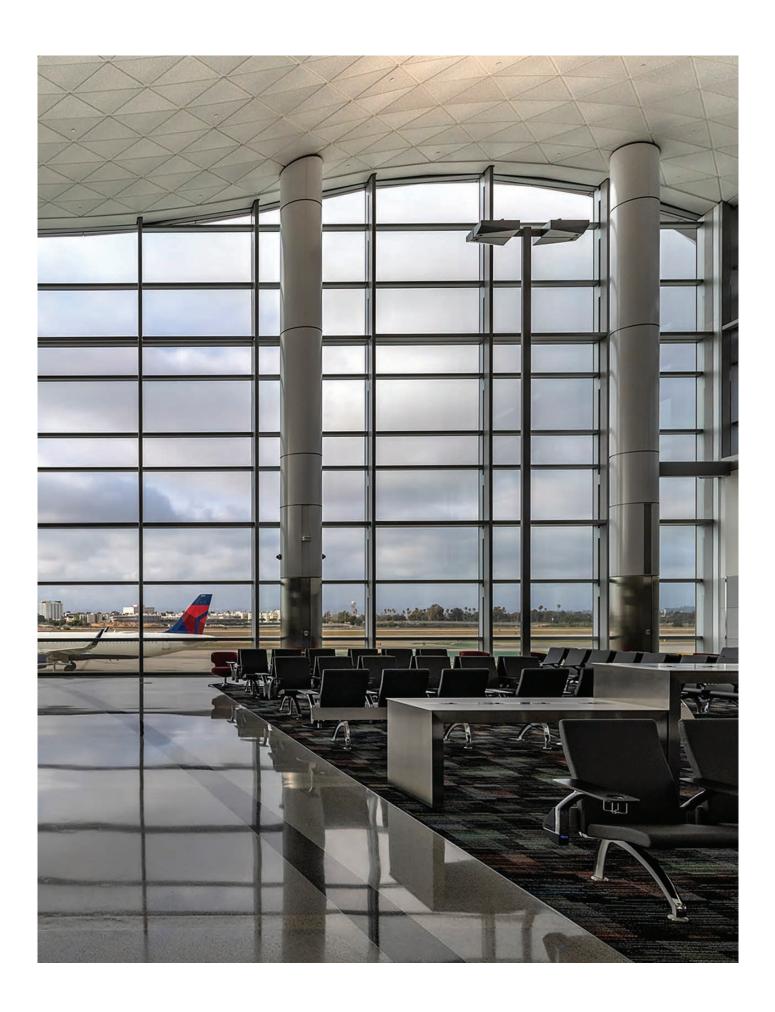
APPENDIX G

ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020









Board of Airport Commissioners, Elected City Officials, and Los Angeles World Airports Executive Staff



Beatrice C. Hsu President



Valeria C. Velasco Vice President



Gabriel L. Eshaghian Commissioner



Cynthia A. Telles Commissioner¹



Sean O. Burton Commissioner



Nicholas Roxborough Commissioner



Karim Webb Commissioner



Justin Erbacci
Chief Executive Officer

CITY OF LOS ANGELES ELECTED OFFICIALS

Eric Garcetti, Mayor² Michael N. Feuer, City Attorney Ron Galperin, City Controller

CITY COUNCIL

Gilbert Cedillo, District 1
Paul Krekorian, District 2
Bob Blumenfield, District 3
Nithya Raman, District 4
Paul Koretz, District 5

Nury Martinez, District 6 Monica Rodriguez, District 7 Marqueece Harris-Dawson, District 8 Curren D. Price, Jr., District 9 Mark Ridley-Thomas, District 10 Mike Bonin, District 11 John Lee, District 12 Mitch O'Farrell, District 13 Kevin De Leon, District 14 Joe Buscaino, District 15

LOS ANGELES WORLD AIRPORTS EXECUTIVE STAFF

Justin Erbacci, Chief Executive Officer

Tatiana Starostina, Chief Financial Officer
Vacant, Chief Corporate Strategy and Affairs Officer
Samantha Bricker, Chief Sustainability and Revenue Management Officer
Vacant, Chief Development Officer
Michael Christensen, Deputy Executive Director, Operations and Maintenance
Cecil W. Rhambo Jr., Acting Deputy Executive Director, Law Enforcement and Homeland Security
Jacob Adams, Deputy Executive Director, Landside Access Modernization Program Executive
Becca Doten, Deputy Executive Director, Public and Government Affairs
Robert Falcon, Deputy Executive Director, Planning and Development Group
Aura Moore, Deputy Executive Director, Information Technology
David Reich, Deputy Executive Director, Mobility Planning and Strategy
Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program
David Jones, Deputy Executive Director, Commercial Development
Brian C. Ostler, General Counsel

¹ On June 15, 2021, President Biden nominated Dr. Telles for Ambassador Extraordinary and Plenipotentiary to the Republic of Costa Rica. If confirmed by the U.S. Senate, Dr. Telles is expected to vacate her board seat to serve as ambassador.

² On July 9, 2021, President Biden nominated Mr. Garcetti for Ambassador Extraordinary and Plenipotentiary to the Republic of India. If confirmed by the U.S. Senate, Mr. Garcetti is expected to resign to serve as ambassador. The City Council would then have the option to appoint an interim mayor or call a special election.



Message from the Chief Executive Officer

I am pleased to present Los Angeles International Airport's (LAX) Annual Financial Report for the fiscal year ended June 30, 2021.

Moss Adams LLP, Certified Public Accountants (Moss Adams), audited LAX's financial statements. Based upon its audit, Moss Adams rendered an unmodified opinion that LAX's financial statements, as of and for the fiscal years ended June 30, 2021 and 2020, were fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). Moss Adams' report is on pages 1 and 2.

Moss Adams conducted an additional audit to determine LAX's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAX complied in all material respects with the requirements that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2021. Moss Adams' report is on pages 129 and 130.

Moss Adams also conducted a third audit to determine LAX's compliance with the requirements described in the California Civil Code Section 1939, as amended by Assembly Bill 2051, and concluded that LAX complied in all material respects with the requirements applicable to and that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2021. Moss Adams' report is on pages 135 and 136. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is on pages 5 through 39.

The financial condition of LAX depends largely upon the demand for air transportation within the geographical area (the Air Trade Area) served by LAX and management decisions regarding operations and capital investment as they relate to market demand for travel. The Air Trade Area comprises the following five counties: Los Angeles, Orange, Riverside, San Bernardino, and Ventura. LAX is the largest airport in the Air Trade Area. Passenger and cargo traffic at LAX depend on the demographic characteristics and economic activity of the Air Trade Area. LAX is part of a system of Southern California airports - along with Van Nuys Airport and property retained for future aeronautical uses in the City of Palmdale - that are owned and operated by Los Angeles World Airports.

No airline dominates in shares of enplaned passengers or provides formal 'hubbing' activity at LAX. Delta Air Lines and American Airlines accounted for 22.1% and 20.2%, respectively, of all enplaned passengers at LAX for fiscal year 2021. For fiscal year 2020, an estimated 82.4% of passengers at LAX represented originating and destination (O&D) passengers (that is, all passengers beginning or ending their trips at LAX). The remaining estimated 17.6% of passengers represented connections to or from regional markets as well as domestic connections to or from international markets. Historically, the level of connecting passengers at LAX is due primarily to: (i) LAX's role as a major gateway to numerous international markets; (ii) the geographical location of LAX in relation to numerous markets along the west coast of the United States; (iii) the significant number of nonstop flights to and from domestic markets; and (iv) the alliances among airlines serving LAX.

COVID-19 Pandemic Issues and Impacts

The outbreak of COVID-19, the disease caused by the novel coronavirus SARS-CoV2, and related restrictions and measures adopted to contain the spread of the virus have had a negative impact on both international and domestic travel and travel-related industries, including airlines serving LAWA and LAWA's concessionaires, and have caused unemployment and a contraction of global and national economies. In the first several months of the pandemic, airlines reported an unprecedented decrease in domestic and international air traffic, causing the cancellation of numerous flights, as well as expectations for continued reduced levels of traffic. Many of LAWA's retail concessionaires temporarily closed or reported substantial declines in sales. These concession arrangements

include gross sales payment mechanisms and, accordingly, such reductions in sales reduced LAWA's revenues from these concessionaires. The concession arrangements also include minimum annual guarantee (MAG) payments, some of which were temporarily waived by LAWA. In addition to the impact on concessionaires, the reduction in air travel had an adverse effect on parking, transportation network companies (TNC), ground transportation (such as taxi and limousine) and rental car revenues throughout LAWA. LAX traffic has been gradually coming back since the initial disruption, and as of the end of fiscal year 2021, LAX passenger traffic was 29.1 million passengers, which is 53.7% below fiscal year 2020 and 67.0% below the pre-pandemic level in fiscal year 2019.

The widespread distribution of effective vaccines is expected to have a positive impact on demand for domestic and international air travel. The length of the pandemic itself will likely depend on the effectiveness of the COVID-19 vaccine roll-outs in the United States and abroad. LAWA cannot predict the ultimate impact of the COVID-19 vaccines and other vaccines on domestic or international air travel.

LAWA management has taken proactive measures to mitigate the financial and operational impacts of COVID-19 pandemic and has also implemented a series of new multiyear strategic objectives to stabilize LAX's financial operations and strengthen the competitive position of LAX in the route network of domestic and international airlines during and after the COVID-19 pandemic. In addition to LAWA's actions, the federal government passed the following legislation which, among other things, includes the award of certain grants to the operators of all U.S. airports to assist with managing the financial effects of the COVID-19 pandemic: Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriation Act, and the American Rescue Plan Act.

Government Stimulus and Relief Measures in Response to the COVID-19 Pandemic

LAWA was allocated approximately \$323.6 million of federal grant assistance for LAX under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which became law on March 27, 2020. As of June 30, 2021, LAWA had drawn all \$323.6 million CARES Act grant funds for LAX to pay LAX maintenance and operation expenses and debt service.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which became law on December 27, 2020, provides additional direct aid for airports. This includes a total of \$1.75 billion in federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens), and debt service payments, and a total of \$200.0 million for airports to provide relief from rent and MAG to on-airport car rental, on-airport parking, and in-terminal airport concessions located at 'primary' airports, such as LAX. The funding for concessions relief is to be distributed based on the eligible concession's proportionate share of total rent for all eligible concessions, with prioritization given to minority-owned businesses. On February 12, 2021, the FAA announced that LAX was eligible to receive up to \$72.3 million in Airport Coronavirus Response Grant Program funds pursuant to CRRSAA. The Airport Coronavirus Response Grant Program funds may be drawn from the FAA on a reimbursement basis for eligible expenditures as described above. The Airport Coronavirus Response Grant Program funds may also be used to reimburse airports for rent and MAG relief programs for concessions as described above, and LAWA may retain up to two percent of the allocation amount for relief program administration costs. Of the total \$72.3 million in CRRSAA grant funding for which LAX is eligible, \$63.1 million must be used for operational relief and \$9.2 million for concessions relief. As of June 30, 2021, LAWA has not drawn any of the \$72.3 million in CRRSAA grant funding.

The American Rescue Plan Act (ARPA), which became law on March 11, 2021, provides additional direct aid for airports. On June 22, 2021, the FAA announced \$8 billion in Airport Rescue Grants under ARPA to keep U.S. airport workers employed and construction projects going and to help U.S. airports recover from the impacts of the COVID-19 pandemic. The FAA also announced that LAX is eligible to receive \$303.8 million in American Rescue Grants pursuant to ARPA. Closely paralleling the structure and requirements of the Airport Coronavirus Response Grant Program, American Rescue Grants may be drawn from the FAA on a reimbursement basis for eligible expenditures, such as costs for operations, personnel, cleaning, sanitization, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens) and debt service payments. The American Rescue Grants also allow for the reimbursement to airports of rent relief programs targeted to in-terminal airport concessions. Unlike CRRSAA, on-airport car rental and parking concessionaires are not eligible for rent relief under ARPA; provided that, per the FAA, an on-airport car rental concessionaire may be eligible for rent relief under ARPA if it has a service desk located within the terminal. Furthermore, ARPA does not provide for the reimbursement of administrative expenses for providing relief to airport concessionaires, though such expenses are eligible for reimbursement under CRRSAA. Of the total \$303.8 million in American Rescue grant funding for which LAX is eligible, \$267 million must be used for operational relief and \$36.8 million for concessions relief. As of June 30, 2021, LAWA has not drawn any of the \$303.8 million in American Rescue grant funding.

Economic Relief Grant Allocations from the Federal Aviation Administration to LAX:

	Α	Amount			
Federal Program	<u>(in</u>	(in millions)			
CARES Act	\$	323.6			
CRRSAA		72.3			
ARPA		303.8			
Total	\$	699.7			

LAWA must draw down and spend its Airport Coronavirus Response Grant Program funds awarded pursuant to CRRSAA and its American Rescue Grants awarded pursuant to ARPA within four years. As noted above, LAWA has already drawn all of its LAX CARES Act grant funds to pay LAX maintenance and operation expenses and debt service.

Airports in the United States have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic activity reductions resulting from the COVID-19 pandemic. Airlines serving LAX have reduced or cancelled flights and curtailed their overall capacity due to the drop in demand for both domestic and international air travel in an attempt to match capacity to the modified demand for air travel. Passenger traffic at LAX decreased by 53.7% in fiscal year 2021 as compared to fiscal year 2020. The continuing impact of the COVID-19 pandemic on air travel through LAX and on LAX's operations, budget and finances will heavily depend on future events outside of the control of LAWA. As a result of these uncertainties, LAWA expects to regularly review revenue projections and make adjustments throughout fiscal year 2022.

Passenger and other traffic activity highlights at LAX, together with analysis of LAX's financial activities during the last three fiscal years, are discussed in the MD&A.

LAWA's Mitigation Measures in Response to COVID-19

In response to the COVID-19 pandemic, LAWA has implemented measures intended to mitigate operational and financial impacts, including: hiring limits, except for specific critical positions; deferring non-essential discretionary spending; limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks; limiting overtime to those activities that are necessary for safety, critical operations or emergency management; encouraging voluntary furloughs or reduced work schedules for certain hourly employees; collaborating with the CDC on enhanced screening and increasing sanitation procedures at LAX. LAWA was one of the first U.S. airports to implement austerity and other measures in response to the COVID-19 pandemic. LAWA also implemented a Separation Incentive Program (SIP) as part of the fiscal year 2021 budget plan to manage headcount. Under the SIP, cash payments were provided for eligible LAWA employees who chose to voluntarily retire from the City of Los Angeles. A total of 334 employees chose to participate in the program to voluntarily terminate their employment with LAWA, and departed by the end of April 2021.

Passenger Airline Temporary Relief Program and Concessionaires and Services Temporary Relief Program

LAWA provided temporary relief to airlines and concessionaires and service providers at LAX. A temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program) permitted eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief, which relief included deferral of terminal and airfield fees payable from April through May 2020. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program. LAWA also implemented a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program), which provided for the waiver of the minimum annual guarantees (MAGs), lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

Airline Cost Stabilization and Recovery Plan

LAWA has developed a multi-year plan (Airline Cost Stabilization and Recovery Plan) to enhance the competitive position of LAX during and after the COVID-19 pandemic by lowering annual fixed costs at LAX through, among other things, a restructuring of certain debt service costs and managing rates and charges at LAX from calendar year 2020 through fiscal year 2023. The key objectives of the Airline Cost Stabilization and Recovery Plan are to: (i) mitigate the increase in rates and charges for airlines due to reduced activity; (ii) harmonize common use costs across LAX; and (iii) achieve stability in LAX financial operations. Specifically, the proposed annual fixed cost reductions and corresponding reductions in airline rates and charges would be achieved by: (i) using some of the U.S. government stimulus funds to pay certain LAX maintenance and operation expenses and other eligible costs such as debt service, (ii) refunding and restructuring approximately \$379.7 million in outstanding principal and interest on the outstanding existing senior bonds and existing subordinate bonds, and (iii) deferring and restructuring annual amortization charges of LAWA cash that has been spent on capital projects in airline cost centers.

Debt Service Restructuring

Through the Airport Terminal Tariff or terminal leases, LAWA passes through debt service, among certain other costs, to its aeronautical users. The restructuring of certain debt service costs allows LAWA to lower, for certain periods, the annual cost and related airline rates and charges associated with terminal buildings, airfields, and other airline-used facilities at LAX to better match the current and anticipated-near term utilization levels of those facilities.

Other Cost Management Measures

The Airline Cost Stabilization and Recovery Plan included LAWA's completion of the transition of a lease between LAWA and an airline consortium to a third-party service contract, which occurred in May 2021. This transition gives LAWA control of the rates and fees charged for the use of certain common facilities, reduces near-term costs, unifies the baggage system cost rate for domestic and international aeronautical users and eliminates the current system of rates which differs amongst terminals. Unifying the baggage system cost rate also allows LAWA to coordinate airline use in the terminals and facilitate growth in aviation activity.

COVID-19 Recovery Task Force

In May 2020, the Department created a COVID-19 Recovery Task Force that includes seven work streams to address LAWA's operations and communications during the pandemic. The work streams include: (1) improving the Department's fiscal position, (2) engaging and communicating with stakeholders, (3) completing construction and repairs faster, (4) making the airports safer, (5) setting up the Department for success, (6) bringing employees back to work, and (7) preparing the airports for the resumption of travel. The COVID-19 Recovery Task Force was convened and is led by the Chief Executive Officer. Each work stream is led by an executive team member, and work stream teams are comprised of staff throughout LAWA. LAWA will continue to review its efforts and measures to best deal with and mitigate any lasting effects of the COVID-19 pandemic on LAWA operations and financial condition as well as the continuing recovery efforts.

LAX's operations are supported solely by revenues generated by the department. LAX strives to balance revenues generated from cost recovery formulas applied to aeronautical users and those generated from fluctuating non-aeronautical revenues driven by passenger traffic and commercial opportunities. At the same time, management must control operating expenses in order to achieve the levels of net revenues outlined in financial forecasts provided to investors sufficient to cover obligations for debt service and fund planned capital expenditures.

In April 2019, LAWA started an environmental review process on an Airfield and Terminal Modernization Project (ATMP). On Oct 7, 2021, the Board certified the Final Environmental Impact Report (FEIR) for the ATMP, adopted the associated documents; approved the LAX Specific Plan Compliance Review Determination; and approved the LAX ATMP as described in the FEIR. The environmental review process of the ATMP is expected to conclude in December 2021. The ATMP would be designed to elevate the passenger experience and to increase efficiency and safety within the north airfield at LAX. The ATMP includes several individual components, including, among others, reconfiguration of taxiways, a new terminal and a new concourse. Specifically, the proposed terminal improvements could include the construction of (i) Concourse "0" as an easterly extension of Terminal 1; (ii) Terminal 9, a new passenger terminal located south of Century Boulevard and east of Sepulveda Boulevard; (iii) new arrival and departures roadways; and (iv) a new station on the planned APM System. If approved, these new projects could be targeted for completion by 2028.

Justin Erbacci

Chief Executive Officer November 8, 2021



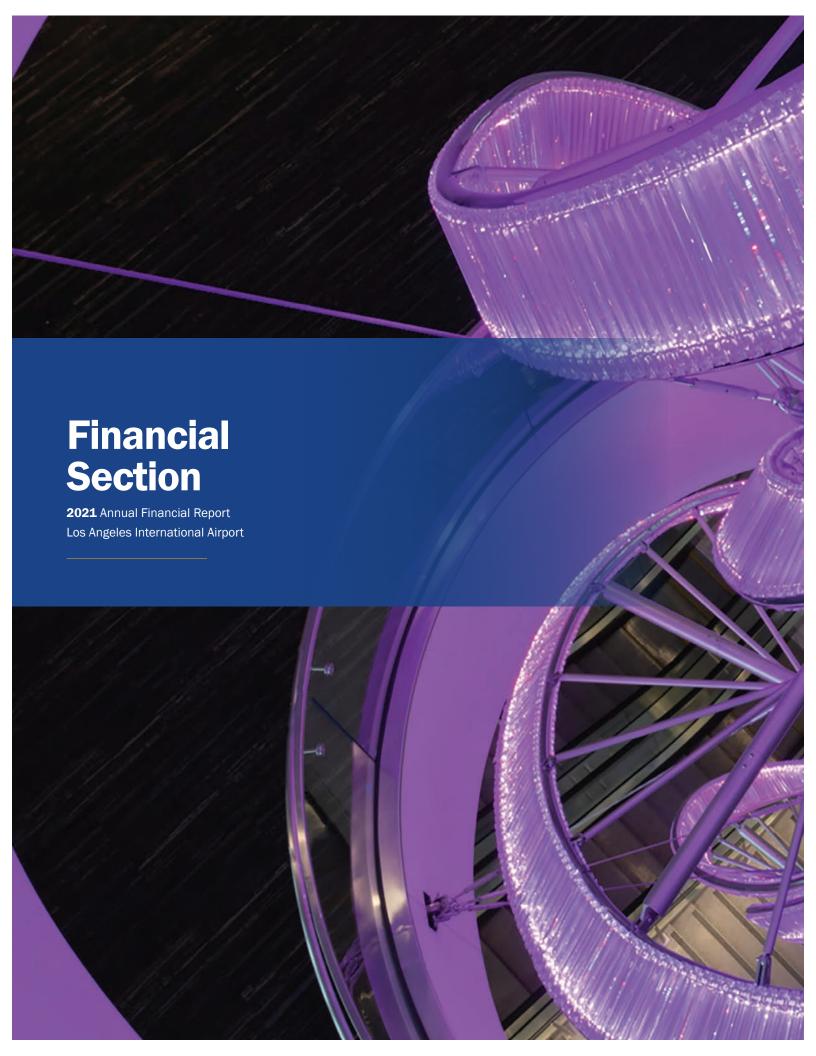
Los Angeles World Airports(Department of Airports of the City of Los Angeles, California) **Los Angeles International Airport**

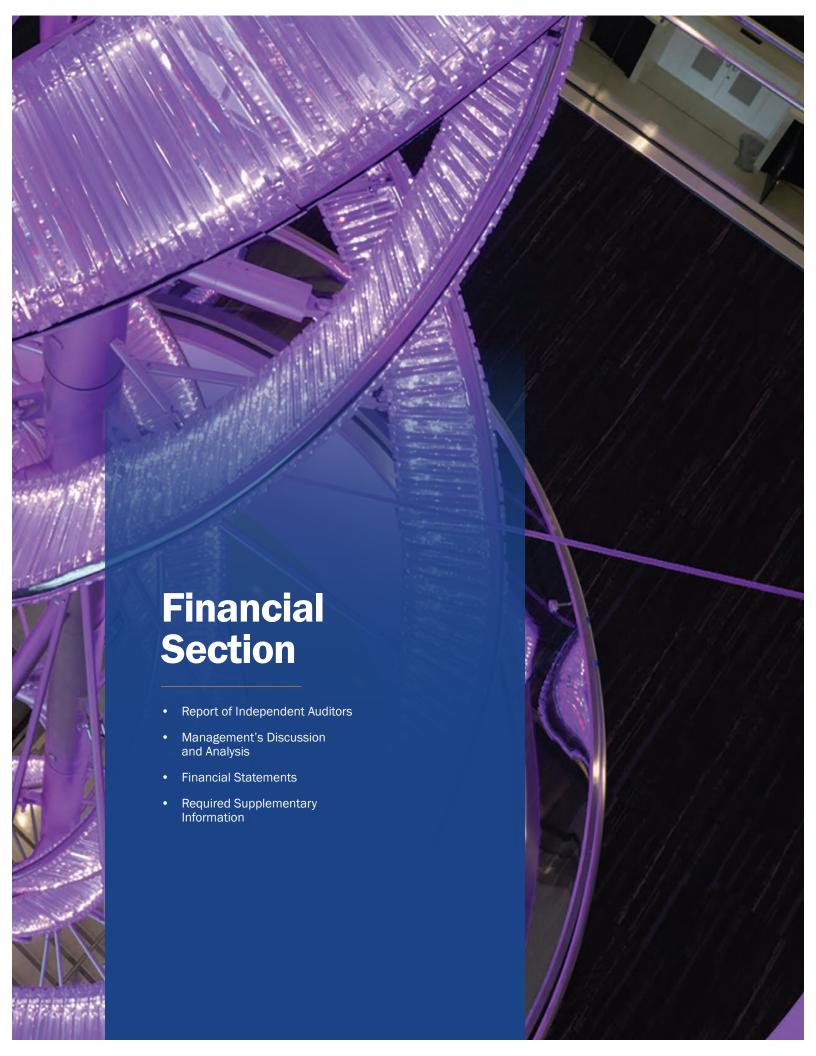
Annual Financial Report Fiscal years ended June 30, 2021 and 2020

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Report of Independent Auditors

To the Members of the Board of Airport Commissioners City of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles International Airport ("LAX"), a department of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles ("City"), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of LAX as of June 30, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Basis of Presentation

As discussed in Note 1, the financial statements of LAX are intended to present the net position, the changes in net position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAX. They do not purport to, and do not, present fairly the net position of LAWA or the City as of June 30, 2021 and 2020, the changes in City's net position, or, where applicable, City's cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. 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, the schedule of LAX's proportionate share of the net pension liability, the schedule of contributions – pension, the schedule of LAX's proportionate share of the net other postemployment benefit (OPEB) liability, and the schedule of contributions – OPEB be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of LAX. The accompanying compliance section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of LAX'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 solely 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 effectiveness of LAX's 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 LAX's internal control over financial reporting and compliance.

Moss Adams HP
Los Angeles, California
November 8, 2021





Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport

Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020

Los Angeles World Airports (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles, California (City). LAWA is an enterprise fund that owns and operates Los Angeles International Airport (LAX) and Van Nuys Airport (VNY). LAWA also owns approximately 17,750 acres of land located east of United States Air Force (USAF) Plant 42 in the City of Palmdale, and retains the rights for future development of the Palmdale property. The management of LAWA presents the following narrative overview of LAX's financial activities for the fiscal years ended June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with LAX's financial statements that begin on page 43.

Using This Financial Report

LAX's financial report consists of this management's discussion and analysis (MD&A), and the financial statements that follow after the MD&A. The financial statements include:

The Statements of Net Position present information on all of LAX's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2021 and 2020. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAX's financial condition is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present the results of LAX's operations and information showing the changes in net position for the fiscal years ended June 30, 2021 and 2020. These statements can, among other things, be useful indicators of how LAX recovered its costs through rates and charges. All changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded and reported in these statements for some items that will result in cash flows in future periods.

The Statements of Cash Flows relate to the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. Consequently, only transactions that affect LAX's cash and cash equivalents accounts are recorded in these statements. At the end of the statements, a reconciliation is provided to assist in understanding the difference between operating income and cash flows from operating activities.

The *Notes to the Financial Statements* present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of LAX's financial activities.

Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020

(continued)

Passenger and Other Traffic Activity Highlights

The following table presents a summary of passenger and other traffic for the last three fiscal years:

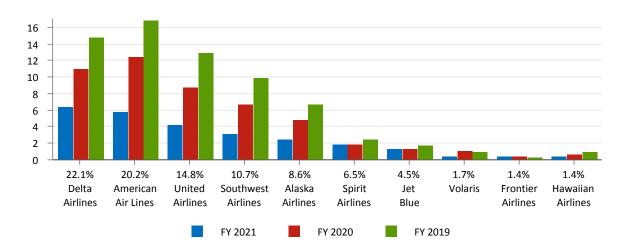
			_	% Change	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Total passengers	29,050,631	62,715,070	87,905,468	-53.7%	-28.7%
Domestic passengers	24,688,871	44,801,765	61,983,392	-44.9%	-27.7%
International passengers	4,361,760	17,913,305	25,922,076	-75.7%	-30.9%
Departing passengers	14,593,791	31,429,457	44,207,464	-53.6%	-28.9%
Arriving passengers	14,456,840	31,285,613	43,698,004	-53.8%	-28.4%
Passenger flight operations					
Departures	152,896	245,003	316,179	-37.6%	-22.5%
Arrivals	152,702	244,825	315,939	-37.6%	-22.5%
Landing weight					
(thousand lbs)	40,055,175	53,270,947	64,746,783	-24.8%	-17.7%
Air cargo (tons)					
Mail	130,952	134,515	117,094	-2.6%	14.9%
Freight	2,686,358	2,150,930	2,284,337	24.9%	-5.8%

Note: Prior years' data may change because of updated available information, however, in order to remain comparable and consistent with the published data, the passenger and other traffic numbers for prior fiscal years are not changed.

Passenger Traffic

The following chart presents the top ten airlines, by number of passengers, for fiscal year 2021 and the comparative passengers for fiscal years 2020 and 2019.

FY 2021 Top Ten Carriers and FY 2021 Percentage of Market Share (passengers in millions)



Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020

(continued)

Passenger Traffic, Fiscal Year 2021

Passenger traffic at LAX decreased by 53.7% in fiscal year 2021 as compared to fiscal year 2020. Of the 29.1 million passengers that moved in and out of LAX, domestic passengers accounted for 85.0%, while international passengers accounted for 15.0%. Delta Airlines ferried the largest number of passengers at 6.4 million with a 41.8% decrease in passenger traffic. American Airlines, ranked second with 5.9 million passengers posted a 52.8% decrease in passenger traffic. United Airlines, ranked third with 4.3 million passengers posted a 51.1% decrease in passenger traffic. Southwest Airlines (3.1 million and Alaska Airlines (2.5 million complete the top five air carriers operating at LAX. Volaris was the top foreign flag carrier with 0.5 million passengers and was ranked eighth overall.

The downturn in passenger traffic was mainly caused by the outbreak of COVID-19, a respiratory disease which was first reported in December 2019. The COVID-19 pandemic continued to cause significant disruptions to domestic and international passenger travel at LAX. Restrictions imposed by governments around the world, including, but not limited to, mandatory 14-day quarantine periods, proof of a negative COVID-19 test, or bans on non-essential travel have more severely curtailed international travel than domestic travel.

Passenger Traffic, Fiscal Year 2020

Passenger traffic at LAX decreased by 28.7% in fiscal year 2020 as compared to fiscal year 2019. Of the 62.7 million passengers that moved in and out of LAX, domestic passengers accounted for 71.4%, while international passengers accounted for 28.6%. American Airlines ferried the largest number of passengers at 12.5 million with a 26.0% decrease in passenger traffic. Delta Airlines, ranked second with 11.0 million passengers posted a 26.2% decrease in passenger traffic. United Airlines, ranked third with 8.8 million passengers posted a 31.8% decrease in passenger traffic. Southwest Airlines (6.7 million and Alaska Airlines (4.8 million complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.1 million passengers and was ranked eighth overall.

The downturn in passenger traffic was mainly caused by the outbreak of COVID-19. The COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the United States State Department and the Centers for Disease Control and Prevention (CDC, and the issuance of 'stay at home' or 'shelter in place' orders by many state and local governments in the United States and governments abroad. Accordingly, LAX has been acutely impacted by the reductions in passenger volumes and flight operations.

Passenger Flight Operations, Fiscal Year 2021

Departures and arrivals at LAX decreased by 184,230 flights or 37.6% during fiscal year 2021 when compared to fiscal year 2020. Revenue landing pounds were down 24.8%. The top three carriers in terms of landing pounds were Delta Airlines, American Airlines and United Airlines. In total, these three airlines contributed 36.6% of the total revenue pounds at LAX.

Passenger Flight Operations, Fiscal Year 2020

Departures and arrivals at LAX decreased by 142,290 flights or 22.5% during fiscal year 2020 when compared to fiscal year 2019. Revenue landing pounds were down 17.7%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines, and United Airlines. In total, these three airlines contributed 39.8% of the total revenue pounds at LAX.

Air Cargo (tons), Fiscal Year 2021

Freight and mail cargo at LAX increased by 23.3% in fiscal year 2021 as compared to fiscal year 2020. Freight was up by 535,428 tons, and mail was down by 3,563 tons. Domestic cargo was up by 199,245 tons or 23.3% and international cargo was up by 332,620 tons or 23.3%. Federal Express was the top air freight carrier accounting for 13.7% of total freight cargo, followed by Kalitta Air LLC with 9.9%. Kalitta Air LLC was the top mail carrier accounting for 42.9% of total mail cargo.

Air Cargo (tons), Fiscal Year 2020

Freight and mail cargo at LAX decreased by 4.8% in fiscal year 2020 as compared to fiscal year 2019. Freight was down by 133,407 tons and mail was up by 17,421 tons. Domestic cargo was down by 48,853 tons or 5.4% and international cargo was down by 67,133 tons or 4.5%. Federal Express was the top air freight carrier accounting for 15.9% of total freight cargo, followed by Kalitta Air LLC with 5.1%. Kalitta Air LLC was the top mail carrier accounting for 45.1% of total mail cargo.

Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020

(continued)

Overview of LAX's Financial Statements

Financial Highlights, Fiscal Year 2021

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.7 billion.
- Bonded debt had a net increase of \$1.5 billion.
- Operating revenue totaled \$1.0 billion.
- Operating expenses (including depreciation and amortization of \$439.3 million) totaled \$1.2 billion.
- Net nonoperating expenses totaled \$214.9 million.
- Federal and other government capital grants totaled \$313.0 million (including CARES Act grant of \$271.2 million).
- Net position decreased by \$64.8 million.

Financial Highlights, Fiscal Year 2020

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.8 billion.
- Bonded debt had a net increase of \$261.8 million.
- Operating revenue totaled \$1.3 billion.
- Operating expenses (including depreciation and amortization of \$445.9 million) totaled \$1.3 billion.
- Net nonoperating expenses totaled \$6.4 million.
- Federal and other government capital grants totaled \$86.0 million (including CARES Act grant of \$52.4 million).
- Net position increased by \$86.7 million.

Management's Discussion and Analysis (Unaudited) June 30, 2021 and 2020

(continued)

Net Position Summary

A condensed summary of net position for fiscal years as of June 30, 2021, 2020, and 2019 is presented below:

Condensed Net Position (amounts in thousands)

				FY 2021	FY 2020
				increase	increase
	FY 2021	FY 2020	FY 2019	(decrease)	(decrease)
Assets					
Unrestricted current assets	\$ 1,595,567	\$ 1,228,523	\$ 1,067,124	\$ 367,044	\$ 161,399
Restricted current assets	1,316,887	2,110,235	2,997,978	(793,348)	(887,743)
Capital assets, net	14,255,646	12,086,167	10,799,574	2,169,479	1,286,593
Other noncurrent assets		21,204	28,179	(21,204)	(6,975)
Total assets	17,168,100	15,446,129	14,892,855	1,721,971	553,274
Deferred outflows of resources					
Loss on debt refundings	33,681	35,732	37,806	(2,051)	(2,074)
Pension and OPEB	320,967	181,271	211,160	139,696	(29,889)
Total deferred outflows of resources	354,648	217,003	248,966	137,645	(31,963)
Liabilities					
Current liabilities payable from unrestricted assets	771,240	577,838	441,547	193,402	136,291
Current liabilities payable from restricted assets	232,619	209,432	212,876	23,187	(3,444)
Noncurrent liabilities	9,598,211	8,105,706	7,828,006	1,492,505	277,700
Net pension liability	1,006,766	807,685	773,419	199,081	34,266
Net OPEB liability	80,411	68,484	77,769	11,927	(9,285)
Total liabilities	11,689,247	9,769,145	9,333,617	1,920,102	435,528
Deferred inflows of resources					
Gain on debt refundings	40,508	24,271	3,681	16,237	20,590
Pension and OPEB	55,399	67,305	88,810	(11,906)	(21,505)
Total deferred inflows of resources	95,907	91,576	92,491	4,331	(915)
Net Position					
Net investment in capital assets	5,205,879	4,940,094	4,782,855	265,785	157,239
Restricted for capital projects	335,431	788,862	814,098	(453,431)	(25,236)
Restricted for operations and maintenance reserve	236,443	240,776	221,137	(4,333)	19,639
Restricted for federally forfeited property & protested funds	2,242	1,978	1,526	264	452
Unrestricted	(42,401)	(169,299)	(103,903)	126,898	(65,396)
Total net position	\$ 5,737,594	\$ 5,802,411	\$ 5,715,713	\$ (64,817)	\$ 86,698

Net Position, Fiscal Year 2021

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2021 and 2020, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.7 billion and \$5.8 billion, respectively, representing a decrease of 1.1% or \$64.8 million.

The largest portion of LAX's net position (\$5.2 billion or 90.7%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position (\$574.1 million or 10.0%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by \$126.9 million from \$(169.3) million in fiscal year 2020 to \$(42.4) million in fiscal year 2021.

Unrestricted current assets increased by \$367.0 million or 29.9%, from \$1.2 billion at June 30, 2020 to \$1.6 billion at June 30, 2021. The increase was primarily driven by an increase in cash and pooled investments held in City Treasury of \$501.6 million or 50.9%, and an increase in unbilled receivables of \$35.9 million, offset by a decrease in accounts receivable balance of \$91.9 million or 90.7%, and a decrease in grants receivable of \$69.2 million or 94.5%, in fiscal year 2021.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2021) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions and transfers to fiscal agents for debt service.

The increase in cash and pooled investments held in City Treasury of \$501.6 million was due to higher cash inflows than outflows in fiscal year 2021. The decrease in accounts receivable of \$91.9 million at June 30, 2021 was a result of LAX's mitigation measures in response to COVID-19. Unbilled receivables, which represented the year-end accrual for unbilled revenue, increased as a result of higher passenger level in June 2021 as compared to June 2020. Also, accrual activities were minimal at June 30, 2020 due to LAWA's mitigation measures in response to COVID-19.

In response to the COVID-19 pandemic, LAWA has implemented measures intended to mitigate operational and financial impacts, including: hiring limits, except for specific critical positions; deferring non-essential discretionary spending; limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks; limiting overtime to those activities that are necessary for safety, critical operations or emergency management; encouraging voluntary furloughs or reduced work schedules for certain hourly employees; collaborating with the CDC on enhanced screening and increasing sanitation procedures at LAX. LAWA was one of the first U.S. airports to implement austerity and other measures in response to the COVID-19 pandemic. LAWA also implemented a Separation Incentive Program (SIP)³ as part of the fiscal year 2021 budget plan to manage headcount. Under the SIP, cash payments were provided for eligible LAWA employees who chose to voluntarily retire from the City of Los Angeles. A total of 334 employees chose to participate in the program to voluntarily terminate their employment with LAWA, and departed by the end of April 2021.

³ LAWA made cash payments totaling \$17.6 million (LAX recognized \$17.3 million) under the SIP through June 30, 2021. There was no other SIP in fiscal year 2021.

(continued)

LAWA provided temporary relief to airlines and concessionaires and service providers at LAX. A temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program) permitted eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief, which relief included deferral of terminal and airfield fees payable from April through May 2020. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program.

LAWA also implemented a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program), which provided for the waiver of the minimum annual guarantees (MAGs), lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

The decrease in grants receivable of \$69.2 million at June 30, 2021 was primarily a result of the fully drawdown of grants awarded under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. LAX was awarded CARES Act grants in the amount of \$323.6 million, payable on a reimbursement basis. In LAX, the amount of \$271.2 million was fully drawn in fiscal year 2021 whereas the amount of \$52.4 million was recognized as grants receivable in fiscal year 2020.

Restricted current assets include cash and investments (including reinvested cash collateral in 2021) held in the City Treasury for future capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred at LAX and for bond principal and interest payments.

Restricted current assets decreased by \$793.3 million or 37.6%, from \$2.1 billion at June 30, 2020 to \$1.3 billion at June 30, 2021. The decrease was primarily driven by a decrease in restricted cash and pooled investments held in City Treasury of \$423.6 million, or 40.3%, and a decrease in year-end investment portfolio held by fiscal agents of \$390.0 million, or 37.0%.

The decrease in restricted cash and pooled investments held in City Treasury of \$423.6 million, or 40.3% from \$1.1 billion in fiscal year 2020 to \$627.5 million in fiscal year 2021 was due to higher cash outflows than inflows in fiscal year 2021. The decrease in year-end investment portfolio held by fiscal agents of \$390.0 million, or 37.0% from \$1.1 billion in fiscal year 2020 to \$664.8 million in fiscal year 2021 was mainly due to higher drawdown to reimburse on-going construction activities at LAX in fiscal year 2021.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by \$2.2 billion, or 18.0%. Ongoing construction and improvements to modernize LAX terminals and facilities, and the Landside Access Modernization Program (LAMP) including the construction of Automated People Mover System (APM) and Consolidated Rental Car Facility (ConRAC), together with the completed Bradley West Gates (formerly known as Midfield Satellite Concourse) were the primary reasons for the increase.

Other noncurrent assets decreased by \$21.2 million or 100.0% primarily due to the early payoff of the receivable from Ontario International Airport Authority (OIAA) in fiscal year 2021. Based on the Ontario International Airport (ONT) Settlement Agreement in 2016, LAX was to receive \$70.0 million (before discount for early repayment) from ONT, over a period of approximately 10 years. The total outstanding OIAA receivable balance was approximately \$30.6 million as of June 30, 2020.

Current liabilities payable from unrestricted assets increased by \$193.4 million or 33.5%. This was mainly due to an increase of \$170.0 million or 40.1% in contracts and accounts payable, and an increase of \$35.1 million or 55.6% in commercial paper, an increase of \$11.5 million or 37.5% in other current liabilities, and an increase of \$5.3 million or 83.3% in obligations under securities lending transactions, offset by a decrease of \$29.8 million or 77.2% in accrued salaries. The increase in contracts and accounts payable was primarily due to the year-end accruals of capital expenditures for the on-going construction projects including the APM milestones payment of \$149.6 million made in July 2021. The increase in commercial paper notes was primarily due to the increase in interim financing for the on-going construction projects. The increase in other current liabilities was primarily a result of the settlement of \$9.4 million credit memo issued in fiscal year 2020 as part of America Airlines' tenant acquisition, and an increase in LAWA's share of the City Treasury's year-end pending investment trade of \$22.8 million in fiscal year 2021. The decrease in accrued salaries was primarily a result of lower number of working days for accrual in fiscal year 2021, in addition to the accruals of \$17.0 million incentive payment for the SIP in fiscal year 2020 and none in fiscal year 2021.

Current liabilities payable from restricted assets increased by \$23.2 million or 11.1%. This was mainly due to an increase of \$15.9 million in accrued interest payable, an increase in LAWA's share of the City Treasury's yearend pending investment trade of \$6.5 million, and an increase of \$3.2 million in current maturities of bonded debt, offset by a decrease of \$2.4 million or 37.0% in obligations under securities lending transactions in fiscal year 2021. The increase in accrued interest payable was primarily due to the \$2.0 billion bond issuances in fiscal vear 2021.

The increase in noncurrent liabilities was \$1.7 billion or 19.0%. This was primarily a result of bond issuances of \$2.0 billion with net change in premium of \$433.1 million, offset by partial refunding and defease all of the outstanding Series 2010A senior revenue bonds, Series 2010B subordinate revenue bonds and Series 2010D senior revenue bonds in the amount of \$316.9 million, \$134.7 million and \$315.8 million, respectively; in addition to the recognition of \$144.2 million as current bonded debt in fiscal year 2021. The increase was also attributable to the recognition of additional proportionate share of net pension liability (NPL) of \$199.1 million or 24.6%, and net OPEB liability (NOL) of \$11.9 million or 17.4% in fiscal year 2021. The increase in additional proportionate share of NPL and NOL was primarily due to a return on the market value of retirement plan assets of 2.05% during fiscal year 2020 that was less than the assumption of 7.25% used in the June 30, 2019 valuation, and changes in the actuarial assumptions from 7.25% to 7.00% along with a reduction of inflation rate from 3.00% to 2.75% in fiscal year 2021.

(continued)

Net Position, Fiscal Year 2020

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2020 and 2019, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.8 billion and \$5.7 billion, respectively, representing an increase of 1.5% or \$86.7 million.

The largest portion of LAX's net position (\$4.9 billion or 85.1%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position (\$1.0 billion or 17.8%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position decreased by \$65.4 million from \$(103.9) million in fiscal year 2019 to \$(169.3) million in fiscal year 2020.

Unrestricted current assets increased by \$161.4 million or 15.1%, from \$1.1 billion at June 30, 2019 to \$1.2 billion at June 30, 2020. The increase was primarily driven by an increase in cash and pooled investments held in City Treasury of \$64.3 million or 7.0%, an increase in accounts receivable balance of \$97.5 million or 2,578.6%, and an increase in grants receivable of \$56.3 million or 331.8%, offset by a decrease in unbilled receivables of \$49.8 million or 100.0% in fiscal year 2020.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2020) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions, and transfers to fiscal agents for debt service.

The increase in cash and pooled investments held in City Treasury of \$64.3 million was due to higher cash inflows than outflows in fiscal year 2020. The increase in accounts receivable of \$97.5 million at June 30, 2020 was a result of LAX's mitigation measures in response to COVID-19. Unbilled receivables, which represented the year-end accrual for unbilled revenue, was reduced accordingly as such accrual activities were minimal at June 30, 2020 due to LAWA's mitigation measures in response to COVID-19.

On April 9, 2020, the Board adopted a temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program). The Passenger Airline Temporary Relief Program permits eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief. Key elements of the Passenger Airline Temporary Relief Program are as follows:

- Deferral of terminal and airfield fees payable from April through May 2020.
- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.
- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees included in accounts receivable was approximately \$93.0 million.

On April 16, 2020, the Board adopted a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program). The Concessionaires and Services Temporary Relief Program permits concessionaires and service providers to apply for relief. Key elements of the Concessionaires and Services Temporary Relief Program are as follows:

For the duration period beginning April 1, 2020 to June 30, 2020 (Duration Period):

- LAX only required payment of the specific percentage fees defined in each concessionaire or service
 provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable,
 deferred receipt of in-terminal concession storage rent.
- In the case of off-airport rental car companies, LAX only required payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.
- Accrued amounts are required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six-month payment period.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments included in accounts receivable was approximately \$3.0 million.

The increase in grants receivable of \$56.3 million at June 30, 2020 was primarily a result of the grants awarded under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. LAX was awarded CARES Act grants in the amount of approximately \$323.6 million, payable on a reimbursement basis. LAX has drawn approximately \$52.4 million of CARES Act moneys in fiscal year 2020 to stabilize cost increases in airline rates at LAX, while preserving the majority of the funds, approximately \$271.2 million, for fiscal year 2021. The drawn amount of \$52.4 million was recognized as grants revenue in fiscal year 2020.

Restricted current assets include cash and investments (including reinvested cash collateral in 2020) held in the City Treasury for future capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred and for bond principal and interest payments. Restricted current assets decreased by \$887.7 million or 29.6%, from \$3.0 billion at June 30, 2019 to \$2.1 billion at June 30, 2020. The decrease in year-end investment portfolio held by fiscal agents of \$879.5 million, or 45.5% from \$1.9 billion in fiscal year 2019 to \$1.1 billion in fiscal year 2020 was mainly due to higher unspent bond proceeds in fiscal year 2019 as a result of the issuance of LAX subordinate revenue bond Series 2019 D and E on June 27, 2019.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue, and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by \$1.3 billion or 11.9%. Ongoing construction and improvements to modernize LAX terminals and facilities, construction of Bradley West Gates (formerly known as Midfield Satellite Concourse), and the LAMP including the construction of APM and ConRAC were the primary reasons for the increase.

(continued)

Other noncurrent assets decreased by \$7.0 million or 24.8% primarily due to the shift of the long-term receivable from OIAA to current assets. Based on the ONT Settlement Agreement in 2016, LAX was to receive \$70.0 million (before discount for early repayment) from ONT, over a period of approximately 10 years. The total outstanding OIAA receivable balance was approximately \$30.6 million and \$37.6 million as of June 30, 2020 and 2019, respectively.

Current liabilities payable from unrestricted assets increased by \$136.3 million or 30.9%. This was mainly due to an increase of \$148.3 million or 53.7% in contracts and accounts payable, an increase of \$15.4 million or 66.6% in accrued salaries, an increase of \$12.5 million or 69.4% in other current liabilities; offset by a decrease of \$36.6 million or 36.7% in commercial paper, and a decrease of \$3.5 million or 35.2% in obligations under securities lending transactions. The increase in contracts and accounts payable was primarily due to the year-end accruals of capital expenditures for the on-going construction projects. The increase in accrued salaries was primarily due to accruals of \$17.0 million incentive payment for the SIP in fiscal year 2020. The increase in other current liabilities was primarily a result of \$9.4 million credit memo issued in fiscal year 2020 as part of America Airlines' tenant acquisition, and an increase in LAWA's share of the City Treasury's year-end pending investment trade of \$2.2 million in fiscal year 2020. The decrease in commercial paper notes was primarily due to refinancing of \$83.4 million from the bond proceeds of the issuance of LAX's subordinate revenue bonds Series 2019F.

Current liabilities payable from restricted assets decreased by \$3.4 million or 1.6%. This was mainly due to a decrease of \$1.7 million or 10.3% in contracts and accounts payable, a decrease of \$2.2 million in current maturities of bonded debt, and a decrease of \$3.8 million or 36.5% in obligations under securities lending transactions; offset by an increase of \$2.3 million in accrued interest payable, and an increase in LAX's share of the City Treasury's year-end pending investment trade of \$2.3 million in fiscal year 2020.

The increase in noncurrent liabilities was \$0.3 billion or 3.5%. This was primarily a result of bond issuances of \$1.2 billion with net change in premium of \$238.6 million, offset by partial refunding of \$983.7 million LAX senior revenue bonds Series 2010A and 2010D, and the recognition of \$141.0 million as current bonded debt in fiscal year 2020. The increase was also attributable to the recognition of additional proportionate share of NPL of \$34.3 million or 4.4%, offset by the decrease in NOL of \$9.3 million or 11.9% in fiscal year 2020.

Changes in Net Position Summary

A condensed summary of LAX's changes in net position for fiscal years ended June 30, 2021, 2020, and 2019 is presented below:

Condensed Changes in Net Position (amounts in thousands)

				FY 2021	FY 2020
				increase	increase
	FY 2021	FY 2020	FY 2019	(decrease)	(decrease)
Operating revenue	\$ 1,047,208	\$ 1,340,723	\$ 1,514,367	\$ (293,515)	\$ (173,644)
Less- Operating expenses	 770,785	 887,668	 798,374	(116,883)	89,294
Operating income before depreciation and amortization	 276,423	453,055	715,993	(176,632)	(262,938)
Less- Depreciation and amortization	 439,347	445,887	 402,646	(6,540)	43,241
Operating income	(162,924)	7,168	313,347	(170,092)	(306,179)
Other nonoperating revenue (expenses), net	(214,925)	(6,448)	85,172	(208,477)	(91,620)
Federal and other government grants	313,032	85,978	29,864	227,054	56,114
Changes in net position	(64,817)	86,698	428,383	(151,515)	(341,685)
Net position, beginning of year	5,802,411	5,715,713	5,287,330	86,698	428,383
Net position, end of year	\$ 5,737,594	\$ 5,802,411	\$ 5,715,713	\$ (64,817)	\$ 86,698

(continued)

Operating Revenue

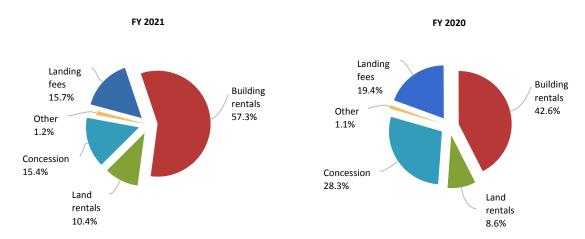
LAX derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2021, 2020, and 2019:

Summary of Operating Revenue (amounts in thousands)

							FY 2021		FY 2020
							increase	i	increase
	FY 2021	FY 2020		FY 2019		(decrease)		(0	decrease)
Aviation revenue									
Landing fees	\$ 164,693	\$	259,185	\$	295,724	\$	(94,492)	\$	(36,539)
Building rentals	600,399		571,478		581,946		28,921		(10,468)
Land rentals	109,556		115,523		118,145		(5,967)		(2,622)
Other aviation revenue	7,746		7,334		7,390		412		(56)
Total aviation revenue	882,394		953,520		1,003,205		(71,126)		(49,685)
Concession revenue	161,423		380,331		501,167		(218,908)		(120,836)
Other operating revenue	4,647		8,044		9,995		(3,397)		(1,951)
Total operating revenue before reliever fee	1,048,464		1,341,895		1,514,367		(293,431)		(172,472)
Reliever airport fee (landing fees offset)	(1,256)		(1,172)				(84)		(1,172)
Total operating revenue	\$ 1,047,208	\$	1,340,723	\$	1,514,367	\$	(293,515)	\$	(173,644)

Operating Revenue, Fiscal Year 2021

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fee, for fiscal years ended June 30, 2021 and 2020. Other aviation and other operating revenue were added and labeled "Other."



For the fiscal year ended June 30, 2021, total operating revenue before reliever airport fees was \$1.0 billion, a decrease of \$293.4 million or 21.9% from the prior fiscal year. Aviation related revenue decreased by \$71.1 million or 7.5%. Non-aviation revenue decreased by \$222.3 million or 57.2%, including a decrease in concession of \$218.9 million or 57.6%, and a decrease in other operating revenue of \$3.4 million, or 42.2%. The downturn in total operating revenue was mainly caused by the outbreak of COVID-19. The COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the CDC, and the issuance of 'stay at home' or 'shelter in place' orders by many state and local governments in the United States and governments abroad. Accordingly, LAX has been acutely impacted by the reductions in passenger volumes and flight operations.

As described in Note 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees for the fiscal year ended June 30, 2021 decreased by \$94.5 million, or 36.5%. The decrease in landing fees was primarily due to 24.8% reduction in landed weights in fiscal year 2021 as impacted by COVID-19 described above, offset by the application of federal funds to the landing fee cost centers at LAX.

Building rental increased by \$28.9 million or 5.1% from \$571.5 million in fiscal year 2020 to \$600.4 million in fiscal year 2021. The increase in building rentals was primarily attributable to increased costs of \$49.9 million or 10.2% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement, offset by decreases in terminal use fees of \$21.0 million or 24.7% as a result of the drop in passenger traffic as impacted by COVID-19 in fiscal year 2021, and reduction in common use activity.

(continued)

Land rental revenue decreased by \$6.0 million or 5.2% from \$115.5 million in fiscal year 2020 to \$109.6 million in fiscal year 2021. The decrease in land rental revenue was primarily due to an overall decrease in leased areas in fiscal year 2021 due to lease terminations, including the leases that were terminated in order to accommodate LAX-it (the opening of the auxiliary curb for taxis and rideshare), LAMP and other projects in November 2019.

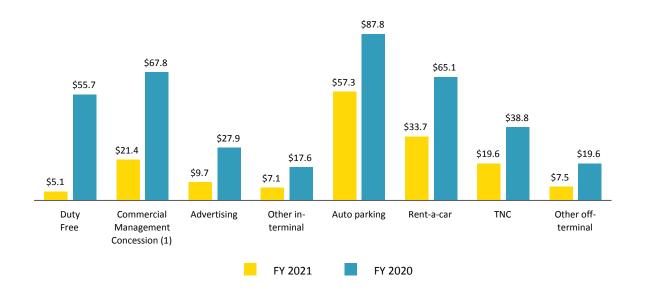
Total revenue from concessions was \$161.4 million in fiscal year 2021, a 57.6% reduction from \$380.3 million in fiscal year 2020. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental, and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, transportation network companies (TNC) and other commercial ground transportation operations.

In-terminal concession revenue in fiscal year 2021 had a net decrease of \$125.7 million or 74.4% as compared to fiscal year 2020. Duty free revenues decreased by \$50.6 million, or 90.8%; commercial management concession revenue⁴ decreased by \$46.4 million or 68.4%; other in-terminal revenue decreased by \$10.5 million or 59.7%; and advertising revenue decreased by \$18.2 million or 65.2%. The decreases in concession revenue were due to a waiver of minimum annual guarantees (MAGs) and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as impacted by the COVID-19 pandemic.

Off-terminal concession revenue at LAX in fiscal year 2021 was \$118.1 million as compared to \$211.3 million in fiscal year 2020, a decrease of \$93.2 million or 44.1%. The decrease was primarily caused by a decrease in TNC revenue of \$19.2 million or 49.5% from fiscal year 2020, a decrease in auto parking of \$30.5 million, or 34.7% from fiscal year 2020, and a decrease in rent-a-car revenue of \$31.4 million, or 48.2%. The decrease in TNC revenue was primarily due to the decline in ridership caused by the drop in passenger traffic as impacted by COVID-19. The decrease in auto parking revenue was primarily attributed to the decrease in passenger traffic. The decrease in rent-a-car revenue was due to a waiver of MAGs and a decrease in percentage rents based on sales due to passenger traffic reduction as impacted by the COVID-19 pandemic.

⁴ Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Comparative concession revenue by type for fiscal years 2021 and 2020 are presented in the following chart (amounts in millions).



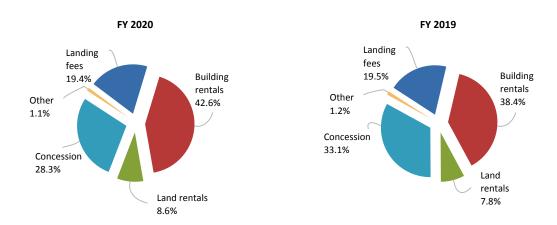
1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Other operating revenue, including airport sales and services, and other aviation and operating revenue, decreased by \$3.4 million or 42.2% in fiscal year 2021. The decrease was primarily due to \$2.1 million reduction in U.S. Customs and Border Protection (CBP) reimbursements caused by a lower passenger level as impacted by the COVID-19 pandemic.

(continued)

Operating Revenue, Fiscal Year 2020

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fees, for fiscal years ended June 30, 2020 and 2019. Other aviation and other operating revenue were added and labeled "Other."



For the fiscal year ended June 30, 2020, total operating revenue before reliever airport fees was \$1.3 billion, a decrease of \$172.5 million or 11.4% from the prior fiscal year. Aviation related revenue decreased by \$49.7 million or 5.0%. Non-aviation revenue decreased by \$122.8 million or 24.0%, including decrease in concession of \$120.8 million or 24.1% and decrease in other operating revenue of \$2.0 million, or 19.5%. The downturn in total operating revenue was mainly caused by the outbreak of COVID-19. The COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the CDC, and the issuance of 'stay at home' or 'shelter in place' orders by many state and local governments in the United States and governments abroad. Accordingly, LAX has been acutely impacted by the reductions in passenger volumes and flight operations.

As described in Notes 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees for the fiscal year ended June 30, 2020 decreased by \$36.5 million or 12.4%. The decrease in landing fees was primarily due to 17.7% reduction in landed weights in fiscal year 2020 as impacted by COVID-19 described above, offset by the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX.

Building rental decreased by \$10.5 million or 1.8%, from \$581.9 million in fiscal year 2019 to \$571.5 million in fiscal year 2020. The decrease in building rentals was primarily attributable to decreases in terminal use fees of \$32.3 million or 27.6% as a result of the drop in passenger traffic as impacted by COVID-19 in fiscal year 2020, and reduction in common use activity, offset by the increased costs of \$21.8 million or 4.7% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement.

Land rental revenue decreased by \$2.6 million or 2.2%, from \$118.1 million in fiscal year 2019 to \$115.5 million in fiscal year 2020. The decrease in land rental revenue was primarily due to an overall decrease in leased areas due to lease terminations, including the leases that were terminated in order to accommodate LAX-it (the opening of the auxiliary curb for taxis and rideshare), LAMP and other projects in fiscal year 2020.

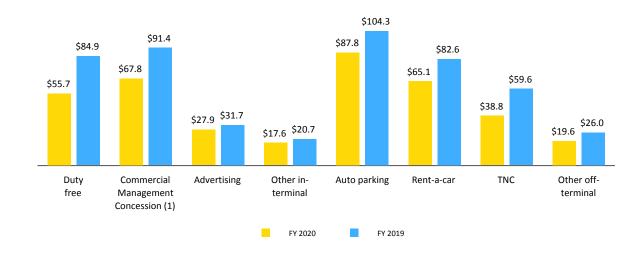
Total revenue from concessions was \$380.3 million in fiscal year 2020, a 24.1% reduction from \$501.2 million in fiscal year 2019. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, TNC and other commercial ground transportation operations.

In-terminal concession revenue during fiscal year 2020 had a net decrease of \$59.7 million or 26.1% as compared to fiscal year 2019. Duty free revenues decreased by \$29.2 million or 34.4%; commercial management concession revenue decreased by \$23.6 million or 25.8%; other in-terminal revenue decreased by \$3.1 million or 15.0%; and advertising revenue decreased by \$3.8 million or 12.0%. The decreases in concession revenue were due to a waiver of MAGs and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as a result of the COVID-19 pandemic in fiscal year 2020.

Off-terminal concession revenue at LAX in fiscal year 2020 was \$211.3 million as compared to \$272.5 million in fiscal year 2019, a decrease of \$61.2 million or 22.5%. The decrease was primarily caused by a decrease in TNC revenue of \$20.8 million or 34.9% from fiscal year 2019, a decrease in auto parking of \$16.5 million or 15.8% from fiscal year 2019, and a decrease in rent-a-car revenue of \$17.5 million or 21.2%. The decrease in TNC revenue was a result of a one-time penalty fees of \$4.7 million in fiscal year 2019 in addition to the decline in ridership caused by the drop in passenger traffic as impacted by COVID-19 in fiscal year 2020. The decrease in auto parking revenue was primarily attributed to decrease in passenger traffic offset by parking rates increase in the Central Terminal Area parking structures effective January 2019. The decrease in rent-a-car revenue was due to a waiver of MAGs and a decrease in percentage rents based on sales due to passenger traffic reduction as a result of the COVID-19 pandemic in fiscal year 2020.

(continued)

Comparative concession revenue by type for fiscal years 2020 and 2019 are presented in the following chart (amounts in millions).



1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Other operating revenue, including airport sales and services, and other aviation and operating revenue, decreased by \$2.0 million or 19.5% in fiscal year 2020. The decrease was primarily due to a drop in various reimbursements, refunds and penalty fees.

Operating Expenses

The following table presents a summary of LAX's operating expenses for the fiscal years ended June 30, 2021, 2020, and 2019. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

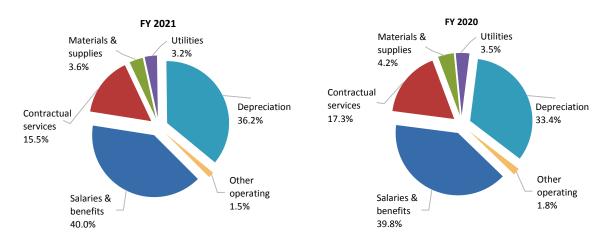
Summary of Operating Expenses (amounts in thousands)

		<u>-</u>				FY 2021		FY 2020	
					increase		increase		
	 FY 2021		FY 2020		FY 2019		(decrease)		decrease)
Salaries and benefits	\$ 484,581	\$	532,563	\$	456,948	\$	(47,982)	\$	75,615
Contractual services	188,105		230,647		220,990		(42,542)		9,657
Materials and supplies	43,536		55,493		53,414		(11,957)		2,079
Utilities	39,007		47,334		46,191		(8,327)		1,143
Other operating expenses	 18,465		24,719		23,559		(6,254)		1,160
Operating expenses before depreciation	773,694		890,756		801,102		(117,062)		89,654
Depreciation	 439,347		445,887		402,646		(6,540)		43,241
Total operating expenses	1,213,041		1,336,643		1,203,748		(123,602)		132,895
Less- allocation to VNY and PMD	 2,909		3,088		2,728		(179)		360
Net operating expenses	\$ 1,210,132	\$	1,333,555	\$	1,201,020	\$	(123,423)	\$	132,535

(continued)

Operating Expenses, Fiscal Year 2021

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2021 and 2020.



For the fiscal year ended June 30, 2021, operating expenses before allocation to other airports were \$1.2 billion, a \$123.6 million or 9.2% decrease from the prior fiscal year. All expense categories experienced notable reduction including decrease in salaries and benefits of \$48.0 million or 9.0%, decrease in contractual services of \$42.5 million or 18.4%, decrease in materials and supplies of \$12.0 million or 21.5%; decrease in utilities of \$8.3 million or 17.6%; decrease in other operating expenses of \$6.3 million or 25.3%, and decrease in depreciation of \$6.5 million or 1.5%.

Salaries and benefits expenses decreased by \$48.0 million or 9.0%. Within this category, salaries and overtime had a decrease of \$64.5 million or 19.3%. The decrease was mainly due to reduction in headcount from 3,499 in fiscal year 2020 to 3,031 in fiscal year 2021 primarily driven by the SIP, in addition to the recognition of approximately \$17.3 million under the SIP in fiscal year 2020. As a result of the reduction in headcount, the related benefits expenses were decreased. Retirement contributions decreased by \$2.3 million or 2.3%; healthcare subsidy decreased by \$3.2 million or 6.6%, and workers' compensation decreased by \$4.0 million or 27.0%. Non-cash pension and OPEB expenses increased by \$26.0 million to \$59.4 million in fiscal year 2021.

Contractual services decreased by 42.5 million or 18.4%. The decrease was primarily across the board among all contractual expenses, with the exception of an increase in City services of \$6.4 million caused by higher services provided by L.A. Fire Department and L.A. Police Department. Major contractual expenses experienced notable reduction include a decrease of \$12.7 million in landside parking and shuttle services, a decrease of \$6.8 million in ground transportation services for LAX-it (an auxiliary curb to provide a pickup area for taxis and ride apps), a decrease of \$6.0 million in IT airport system services, a decrease of \$4.1 million in merchant fees, a decrease of \$3.7 million in operations and emergency consulting services, a decrease of \$3.2 million in luggage carts and janitorial services, and a decrease of \$3.1 million in Flyaway bus services in fiscal year 2021.

Materials and supplies expenses were \$43.5 million and \$55.5 million in fiscal year 2021 and 2020, respectively. Major materials and supplies expenses experienced notable reduction include a decrease of \$2.2 million in automotive equipment expenses, a decrease of \$1.6 million in recycling, trash and waste disposal, and a decrease of \$1.7 million in fuel and petroleum services in fiscal year 2021.

Utilities expenses were \$39.0 million and \$47.3 million in fiscal year 2021 and 2020, respectively. The decrease in utilities was primarily driven by a decrease of \$4.9 million in water expenses and \$2.8 million in electricity as a result of lower passenger volume as impacted by COVID-19 and the shutdown of T3 for construction, in addition to a decrease of \$1.4 million in telephone expenses as a result of cost-saving measures including the cancellation of duplicate phone lines in fiscal year 2021.

Other operating expenses were \$18.5 million and \$24.7 million in fiscal year 2021 and 2020, respectively. Major other operating expenses experienced notable reduction include a decrease of \$3.9 million in bad debt expenses due to lower bad debt allowance driven by lower account receivable balance at year-end, a decrease of \$2.0 million in advertising and public relations expenses due to lower level of advertising and marketing activities as impacted by COVID-19, and a decrease of approximately \$1.0 million in property taxes due to the change of property usage to accommodate LAX-it. Within the other operating expenses categories, insurance expense increased by \$1.1 million; and lease expense increased by \$1.6 million primarily a result of a new lease of approximately \$0.8 million to relocate staff, and Skyview leasing commissions was higher by \$0.5 million in fiscal year 2021.

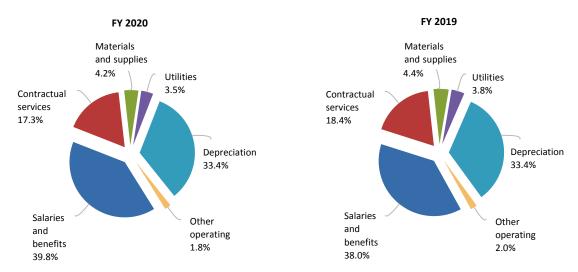
Depreciation charges decreased from \$445.9 million to \$439.3 million in fiscal year 2021. The decrease in depreciation charges was primarily due to a reduction of \$20.9 million as a result of fully depreciated and retired assets including the City of Inglewood residential sound insulation program, County of Los Angeles sound insulation program, and Inglewood Unified School District Program, offset by an addition of \$14.3 million in depreciation of newly capitalized assets including the Bradley West Gates (formerly known as Midfield Satellite Concourse) in fiscal year 2021.

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

(continued)

Operating Expenses, Fiscal Year 2020

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2020 and 2019.



For the fiscal year ended June 30, 2020, operating expenses before allocation to other airports were \$1.3 billion, a \$132.9 million or 11.0% increase from the prior fiscal year. Expense categories that experienced notable changes were increase in salaries and benefits of \$75.6 million or 16.5%, and increase in contractual services of \$9.7 million or 4.4%. Expense categories with moderate increase were materials and supplies, an increase of \$2.1 million or 3.9%; utilities, an increase of \$1.1 million or 2.5%; and other operating expenses, an increase of \$1.2 million or 4.9%. Depreciation increased by \$43.2 million or 10.7%.

Salaries and benefits expenses increased by \$75.6 million or 16.5%. Within this category, salaries and overtime before capitalized charges had an increase of \$31.3 million or 9.5%. This increase was mainly due to the terms of bargaining agreements with employee unions, in addition to the recognition of \$17.3 million under the SIP in fiscal year 2020. Retirement contributions increased by \$13.8 million or 15.9%; and healthcare subsidy increased moderately by \$0.7 million or 1.4%. Workers' compensation increased by \$9.1 million or 163.8% as additional projected year-end liability was recognized in fiscal year 2020 based on the actuarial report. Noncash pension and OPEB expenses increased by \$22.0 million to \$33.4 million in fiscal year 2020.

Contractual services increased by 9.7 million or 4.4%. The increase was mostly driven by the opening of the auxiliary curb, LAX-it, to provide a pickup area for taxis and ride apps in fiscal year 2020. Materials and supplies expenses were \$55.5 million and \$53.4 million in fiscal year 2020 and 2019, respectively. The increase in materials and supplies at LAX was mainly due to the rental of backup power generators in response to a power outage incident in the Central Terminal Area, and increased maintenance and services for the automated border control gates and kiosks. Utilities expenses were \$47.3 million and \$46.2 million in fiscal year 2020 and 2019, respectively. The increase in utilities expenses was mainly caused by an increase of \$1.3 million in telephone and \$2.4 million in water charges offset by a decrease in electricity of \$2.2 million. Increase in telephone charges was due to higher usage. Increase in water charges was due to rate hikes and a sewage billing of \$3.7 million in fiscal year 2020, of which \$1.6 million was related to prior year usage. Decrease in

electricity was a result of credit adjustments in fiscal year 2020 and lower usage due to Central Utility Plant (CUP) efficiency.

Other operating expenses were \$24.7 million and \$23.6 million in fiscal year 2020 and 2019, respectively. The increase in other operating expenses at LAX was mainly due to increase in bad debts of \$2.0 million and increase in insurance of \$2.1 million, offset by approximately \$3.0 million in aggregate decreases in travel, advertising and marketing, and miscellaneous administrative expenses. Increase in bad debts was a result of higher year-end bad debt allowance driven by a higher year-end accounts receivable balances due to the rent deferral program in fiscal year 2020. Increase in insurance premium was caused by rate hike and additional cybersecurity coverage of \$30.0 million in fiscal year 2020.

Depreciation charges increased from \$402.6 million to \$445.9 million in fiscal year 2020. The increase in depreciation charges was primarily due to capitalization of various terminals improvements and the Inglewood noise mitigation projects in fiscal year 2020.

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

(continued)

Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services or producing and delivering goods in connection with LAX's ongoing operations. The following table presents a summary of these activities during fiscal years 2021, 2020, and 2019.

Summary of Nonoperating Transactions (amounts in thousands)

					FY 2021		FY 2020	
							increase	increase
	FY 2021	FY 2020		FY 2019		(decrease)		 (decrease)
Nonoperating revenue								
Passenger facility charges	\$ 68,748	\$	118,023	\$	173,100	\$	(49,275)	\$ (55,077)
Customer facility charges	32,606		65,621		80,248		(33,015)	(14,627)
Interest and investment income	(6,166)		119,938		109,323		(126,104)	10,615
Other nonoperating revenue	10,265		14,286		23,996		(4,021)	(9,710)
	\$ 105,453	\$	317,868	\$	386,667	\$	(212,415)	\$ (68,799)
Nonoperating expenses								
Interest expense	\$ 311,701	\$	320,892	\$	294,767	\$	(9,191)	\$ 26,125
Other nonoperating expenses	8,677		3,424		6,728		5,253	(3,304)
	\$ 320,378	\$	324,316	\$	301,495	\$	(3,938)	\$ 22,821
Federal and other government grants	\$ 313,032	\$	85,978	\$	29,864	\$	227,054	\$ 56,114

Nonoperating Transactions, Fiscal Year 2021

PFCs decreased by \$49.3 million or 41.8% from \$118.0 million to \$68.7 million as a result of the decrease of 53.7% passenger traffic in fiscal year 2021 as impacted by COVID-19. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, decreased by \$33.0 million or 50.3% from \$65.6 million to \$32.6 million in fiscal year 2021. The decrease was primarily due to the decrease of passenger traffic as impacted by COVID-19.

Interest and investment income decreased by \$126.1 million from \$119.9 million to \$(6.2) million in fiscal year 2021. This was mainly due to the lower interest rate and average balance of cash and pooled investments held in City Treasury, as well as the decrease driven by the downward year-end net adjustment to the fair value of investment securities. Interest expenses decreased by \$9.2 million or 2.9% from \$320.9 million to \$311.7 million in fiscal year 2021. The decrease was mainly due to additional amortization of bond premium in the amount of \$29.6 million, offset by an increase of \$20.4 million bond interest expenses due to the net additional issuances of \$1.2 billion revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by \$4.0 million or 28.1% from \$14.3 million to \$10.3 million in fiscal year 2021 primarily due to \$2.9 million reimbursement billing for USO tenant improvement project in fiscal year 2020.

Other nonoperating expenses increased by \$5.3 million or 153.4% from \$3.4 million to \$8.7 million in fiscal year 2021. The increase was primarily due to an increase of \$2.8 million in bond issuance expenses in addition to the recognition of \$2.5 million loss in discount due to the early payoff of the OIAA receivable balance in fiscal year 2021.

Federal and other government grants increased by \$227.1 million, or 264.1% from \$86.0 million to \$313.0 million. LAX was awarded CARES Act grants in the amount of approximately \$323.6 million, payable on a reimbursement basis. The drawn amounts of \$271.2 million and \$52.4 million in LAX were recognized as grants revenue to stabilize cost increases in airline rates at LAX for fiscal year 2021 and 2020, respectively.

(continued)

Nonoperating Transactions, Fiscal Year 2020

PFCs decreased by \$55.1 million or 31.8%, from \$173.1 million to \$118.0 million as a result of the decrease of 28.7% passenger traffic in fiscal year 2020 as impacted by COVID-19. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, decreased by \$14.6 million or 18.2%, from \$80.2 million to \$65.6 million in fiscal year 2020. The decrease was primarily due to the decrease of passenger traffic as impacted by COVID-19.

Interest and investment income increased by \$10.6 million or 9.7%, from \$109.3 million to \$119.9 million in fiscal year 2020. This was mainly due to the higher interest rate and average balance of cash and pooled investments held in City Treasury, as well as the increase driven by the upward year-end net adjustment to the fair value of investment securities. Interest expenses increased by \$26.1 million or 8.9%, from \$294.8 million to \$320.9 million in fiscal year 2020 mainly due to the net additional issuances of \$166.4 million revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by \$9.7 million or 40.5%, from \$24.0 million to \$14.3 million in fiscal year 2020 primarily due to \$13.1 million noise mitigation funds returned to LAX in fiscal year 2019, offset by \$2.9 million reimbursement billing for USO tenant improvement project in fiscal year 2020.

Other nonoperating expenses decreased by \$3.3 million, or 49.1%, from \$6.7 million to \$3.4 million in fiscal year 2020. The decrease was mainly due to decrease in bond issuance expenses as a result of reduction in net bond issuance from \$1.6 billion in fiscal year 2019 to \$166.4 million in fiscal year 2020.

Federal and other government grants increased by \$56.1 million or 187.9%, from \$29.9 million to \$86.0 million mainly due to the CARES Act grants of \$52.4 million received in fiscal year 2020.

Long-Term Debt

As of June 30, 2021, LAX's outstanding long-term debt before unamortized premium was \$8.2 billion. Issuances during the year amounted to \$2.0 billion, redemption and refunding totaled \$767.4 million, and payments for scheduled maturities were \$123.2 million. Together with the unamortized premium, bonded debt of LAX increased by \$1.5 billion to a total of \$9.6 billion.

As of June 30, 2020, LAX's outstanding long-term debt before unamortized premium was \$7.2 billion. Issuances during the year amounted to \$1.2 billion, redemption and refunding totaled \$983.7 million, and payments for scheduled maturities were \$143.2 million. Together with the unamortized premium, bonded debt of LAX increased by \$261.8 million to a total of \$8.1 billion.

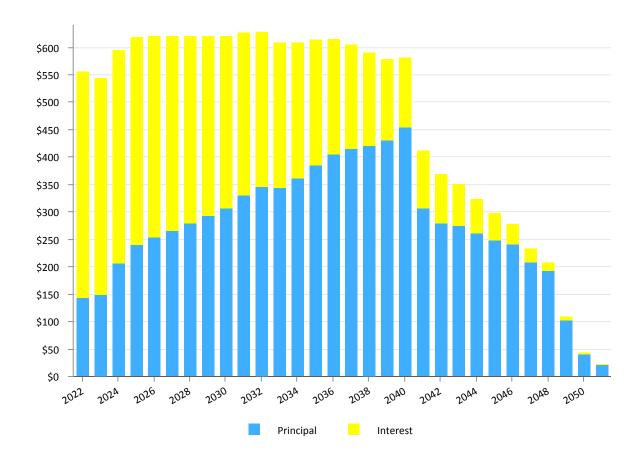
As of June 30, 2021 and 2020, LAX had \$630.6 million and \$701.2 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

LAX maintains credit ratings of AA, Aa2 and AA- on its senior revenue bonds and credit ratings of AA-, Aa3 and A+ on its subordinate revenue bonds from Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's Global Ratings (S&P), respectively. In August 2020, S&P downgraded LAX credit rating from AA to AA- for senior revenue bonds and from AA- to A+ for subordinate revenue bonds, while the other two agencies affirmed their ratings. According to S&P's press release, the downgrade was a result of the COVID-19 pandemic. It reflects S&P's outlook on the impact of the pandemic on the aviation industry overall and its effects on LAX, which is outside of management's control. In August 2021, Fitch revised the rating outlook, from negative to stable, and affirmed the ratings with respect to LAWA's outstanding senior bonds and subordinate bonds. Moody's and S&P maintain a stable rating outlook.

Additional information regarding LAX's bonded debt can be found in Note 6 of the notes to the financial statements.

(continued)

Outstanding principal, plus scheduled interest as of June 30, 2021, is scheduled to mature as shown in the following chart (amounts in millions).



Capital Assets

LAX's investment in capital assets, net of accumulated depreciation, as of June 30, 2021 and 2020 were \$14.3 billion and \$12.1 billion, respectively. This investment, which accounts for 83.0% and 78.2% of LAX's total assets as of June 30, 2021 and 2020, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress. LAX's policy affecting capital assets can be found in Note 1f of the notes to the financial statements. Additional information can be found in Note 4 of the notes to the financial statements.

Capital Assets, Fiscal Year 2021

Major capital expenditure activities during fiscal year 2021 included:

- \$827.6 million renovations at Terminals 1 to 8
- \$477.7 million construction of Automated People Mover System (APM)
- \$404.1 million construction of Consolidated Rental Car Facility (ConRAC)
- \$187.4 million construction of Bradley West Gates (formerly known as Midfield Satellite Concourse)
- \$166.2 million construction of Intermodal Transportation Facility West
- \$108.6 million construction of Airport Police Facility
- \$105.9 million construction of runways and taxiways
- \$103.5 million Baggage Optimization Project
- \$78.7 million interior improvements and security upgrades at Tom Bradley International Terminal (TBIT) and Bradley West
- \$43.5 million Receiving Station Project (RS-X)
- \$43.4 million construction of Secured Area Access Post Westside
- \$28.4 million IT network and system projects

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.

(continued)

Capital Assets, Fiscal Year 2020

Major capital expenditure activities during fiscal year 2020 included:

- \$430.0 million renovations at Terminals 1 to 8
- \$383.0 million construction of Bradley West Gates (formerly known as Midfield Satellite Concourse)
- \$200.1 million construction of APM
- \$166.5 million project costs related to LAMP
- \$139.8 million construction of ConRAC
- \$53.6 million interior improvements and security upgrades at TBIT and Bradley West
- \$44.7 million construction of runways and taxiways
- \$26.1 million residential acquisition, soundproofing and noise mitigation
- \$20.3 million IT network and system projects

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.

Landing Fees

The airline landing fees for fiscal year 2022, as approved by the LAWA Board of Commissioners on June 3, 2021 and became effective as of July 1, 2021, are as follows:

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	\$70.00	\$88.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds $$	136.00	170.00
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds	3.98	4.98
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds	5.42	6.78

Due to the financial impact of COVID-19 and as part of LAX's Airline Cost Stability and Recovery Plan, the landing fee rates charged from July 1, 2020 to December 31, 2020 were increased effective from January 1, 2021 to June 30, 2021. These rates are subject to a final fiscal year-end reconciliation, based on all actual costs and reported landing weights by air carriers.

The airline landing fees for fiscal year 2021, which became effective as of January 1, 2021 are as follows:

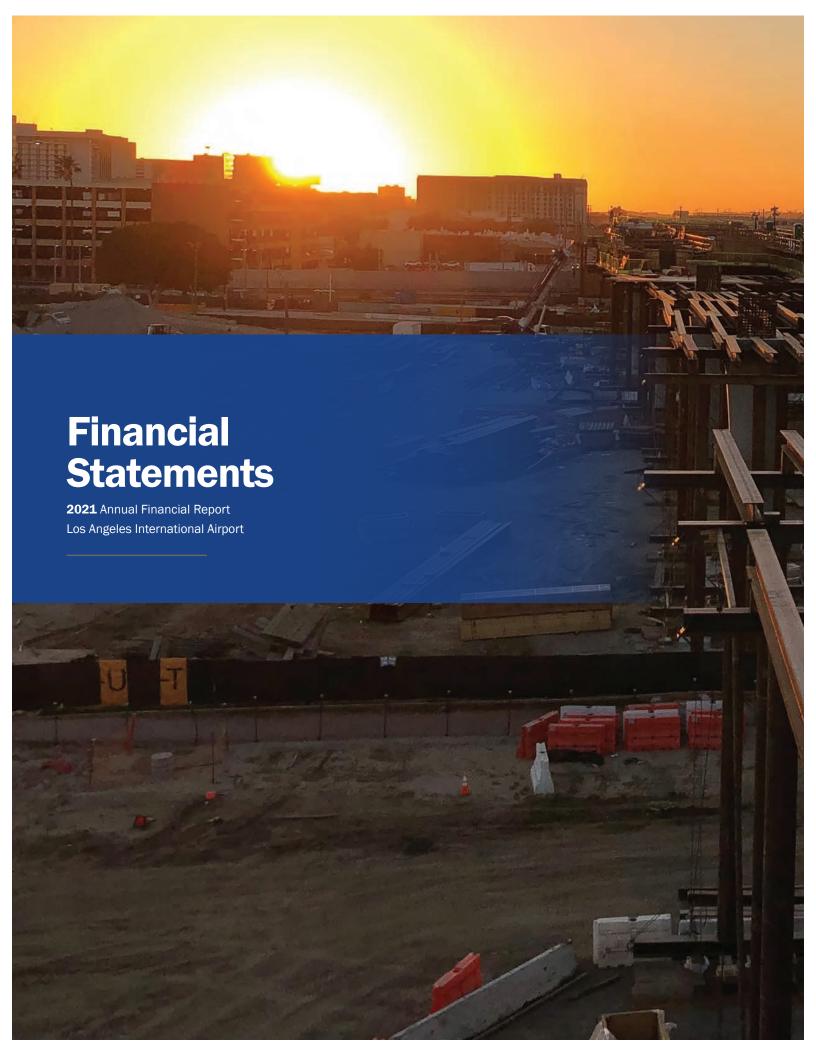
	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	\$93.00	\$116.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds $$	180.00	225.00
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds	5.61	7.01
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds	7.19	8.99

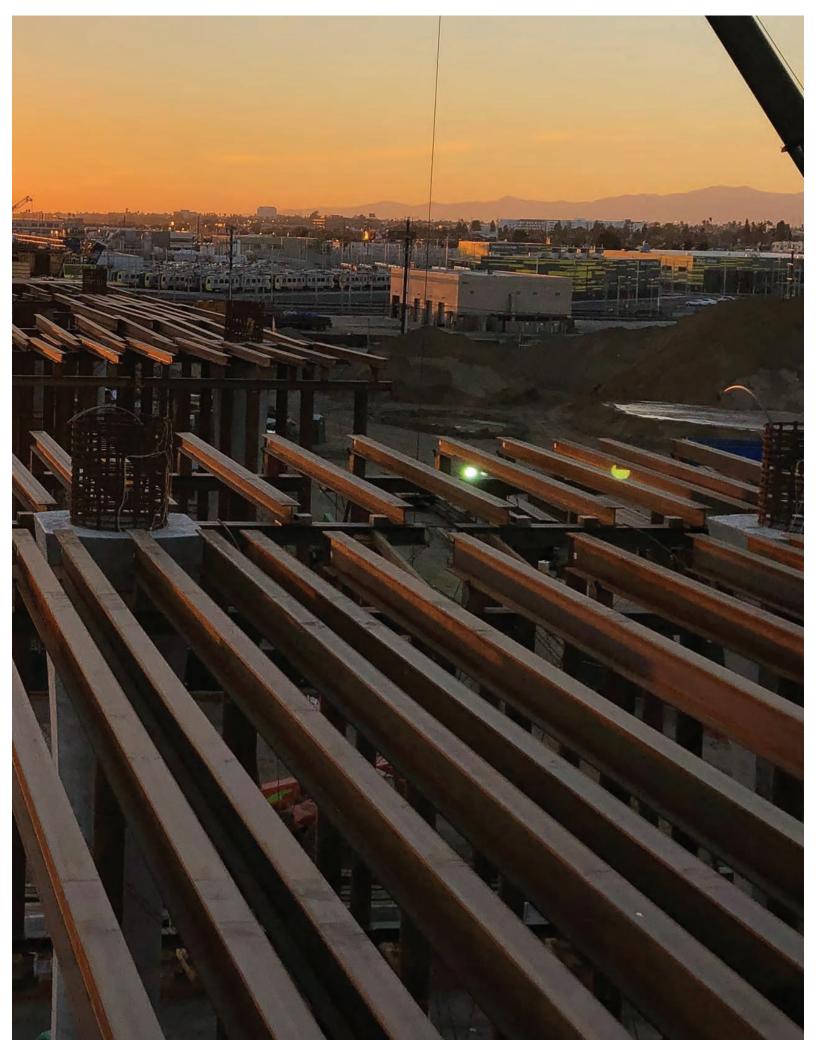
Landing fee rates were based on budgeted operating expenses and revenues. Mid-year rates effective January 1, 2021 reflected the application of federal grants and capital restructuring pursuant to the Airline Cost Stability and Recovery Plan. Reconciliation between actual revenues and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

(continued)

Request for Information

This report is designed to provide a general overview of the Los Angeles International Airport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.





Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Net Position June 30, 2021 and 2020

(amounts in thousands)

		2021	2020		
ASSETS					
Current Assets					
Unrestricted current assets					
Cash and pooled investments held in City Treasury	\$	1,486,486	\$	984,838	
Investments with fiscal agents		1,843		979	
Accounts receivable, net of allowance for					
uncollectible accounts: 2021 - \$193 ; 2020 - \$2,069		9,416		101,306	
Unbilled receivables		35,918		_	
Accrued interest receivable		4,788		4,690	
Grants receivable		4,011		73,230	
Receivable from Ontario International Airport Authority (OIAA)		_		9,361	
Due from other agencies		46,636		46,852	
Prepaid expenses		5,094		5,885	
Inventories		1,375		1,382	
Total unrestricted current assets		1,595,567		1,228,523	
Restricted current assets					
Cash and pooled investments held in City Treasury		627,517		1,051,139	
Investments with fiscal agents, includes cash and cash equivalents,					
related to bonded debt: 2021 - \$664,843; 2020 - \$1,047,564		664,843		1,054,833	
Accrued interest receivable		779		1,131	
Passenger facility charges receivable		19,169		1,412	
Customer facility charges receivable		4,579		1,720	
Total restricted current assets		1,316,887		2,110,235	
Total current assets		2,912,454		3,338,758	
Noncurrent Assets					
Capital assets					
Not depreciated		5,808,273		4,924,128	
Depreciated, net		8,447,373		7,162,039	
Total capital assets		14,255,646		12,086,167	
Other noncurrent assets					
Receivable from OIAA, net of current portion		- -		21,204	
Total other noncurrent assets				21,204	
Total noncurrent assets		14,255,646		12,107,371	
TOTAL ASSETS		17,168,100		15,446,129	
DEFERRED OUTFLOWS OF RESOURCES					
Loss on debt refundings		33,681		35,732	
Pension and OPEB		320,967		181,271	
TOTAL DEFERRED OUTFLOWS OF RESOURCES		354,648		217,003	

Statements of Net Position (continued) June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
LIABILITIES	,	
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 594,473	\$ 424,436
Accrued salaries	8,796	38,644
Accrued employee benefits	6,235	5,665
Estimated claims payable	9,643	8,912
Commercial paper	98,341	63,197
Obligations under securities lending transactions	11,654	6,359
Other current liabilities	42,098	30,625
Total current liabilities payable from unrestricted assets	771,240	577,838
Current liabilities payable from restricted assets		
Contracts and accounts payable	14,776	14,498
Current maturities of bonded debt	144,245	141,025
Accrued interest payable	60,530	44,630
Obligations under securities lending transactions	4,125	6,547
Other current liabilities	8,943	2,732
Total current liabilities payable from restricted assets	232,619	209,432
Total current liabilities	1,003,859	787,270
Noncurrent Liabilities		
Bonded debt, net of current portion	9,454,707	7,963,523
Accrued employee benefits, net of current portion	52,035	50,982
Estimated claims payable, net of current portion	90,584	90,315
Net pension liability	1,006,766	807,685
Net OPEB liability	80,411	68,484
Other long-term liabilities	885	886
Total noncurrent liabilities	10,685,388	8,981,875
TOTAL LIABILITIES	11,689,247	9,769,145
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	40,508	24,271
Pension and OPEB	55,399	67,305
TOTAL DEFERRED INFLOWS OF RESOURCES	95,907	91,576
NET POSITION		
Net investment in capital assets	5,205,879	4,940,094
Restricted for:		
Passenger facility charges eligible projects	238,703	352,440
Customer facility charges eligible projects	96,728	436,422
Operations and maintenance reserve	236,443	240,776
Federally forfeited property and protested funds	2,242	1,978
Unrestricted	(42,401)	(169,299)
TOTAL NET POSITION	 .	\$ 5,802,411

See accompanying notes to the financial statements.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Revenues, Expenses and Changes in Net Position For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
OPERATING REVENUE		
Aviation revenue		
Landing fees	\$ 164,693	\$ 259,185
Reliever airport fee	(1,256)	(1,172)
Building rentals	600,399	571,478
Land rentals	109,556	115,523
Other aviation revenue	7,746	7,334
Total aviation revenue	881,138	952,348
Concession revenue	161,423	380,331
Other operating revenue	4,647	8,044
Total operating revenue	1,047,208	1,340,723
OPERATING EXPENSES		
Salaries and benefits	484,581	532,563
Contractual services	188,105	230,647
Materials and supplies	43,536	55,493
Utilities	39,007	47,334
Other operating expenses	18,465	24,719
Allocated administrative charges	(2,909)	(3,088)
Total operating expenses before depreciation and amortization	770,785	887,668
Operating income before depreciation and amortization	276,423	453,055
Depreciation and amortization	439,347	445,887
OPERATING INCOME (LOSS)	(162,924)	7,168
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	68,748	118,023
Customer facility charges	32,606	65,621
Interest and investment income (loss)	(6,166)	119,938
Interest expense	(311,701)	(320,892)
Other nonoperating revenue	10,265	14,286
Other nonoperating expenses	(8,677)	(3,424)
Total nonoperating expenses, net	(214,925)	(6,448)
INCOME (LOSS) BEFORE CAPITAL GRANTS	(377,849)	720
Federal and other government grants	313,032	85,978
CHANGE IN NET POSITION	(64,817)	86,698
NET POSITION, BEGINNING OF YEAR	5,802,411	5,715,713
NET POSITION, END OF YEAR	\$ 5,737,594	\$ 5,802,411

See accompanying notes to the financial statements.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	 2021	 2020
CASH FLOWS FROM OPERATING ACTIVITIES	 	
Receipts from customers	\$ 1,131,795	\$ 1,304,798
Payments to suppliers	(167,999)	(186,081)
Payments for employee salaries and benefits	(451,635)	(468,642)
Payments for City services	(114,858)	(116,476)
Inter-agency receipts for services, net	 2,909	 3,088
Net cash provided by operating activities	 400,212	 536,687
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	 	
Noncapital grants received	10,129	10,860
Inter-agency transfers in	 216	 400
Net cash provided by noncapital financing activities	 10,345	11,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	1,807,435	520,679
Principal paid on revenue bonds and commercial paper notes	(190,696)	(231,510)
Interest paid on revenue bonds and commercial paper notes	(368,932)	(362,113)
Revenue bonds issuance costs	(2,292)	(1,591)
Acquisition and construction of capital assets	(2,456,019)	(1,631,751)
Proceeds from passenger facility charges	50,991	143,537
Proceeds from customer facility charges	29,747	71,062
Capital contributed by federal agencies	382,251	29,707
Net cash used for capital and related financing activities	 (747,515)	(1,461,980)
CASH FLOWS FROM INVESTING ACTIVITIES	 	
Interest income	29,386	78,735
Net change in fair value of investments	(35,706)	44,491
Cash collateral received (paid) under securities lending transactions	2,873	(7,209)
Sales of investments	29,305	4,495
Sales of investments held by fiscal agents	7,269	244,907
Net cash provided by investing activities	 33,127	365,419
NET DECREASE IN CASH AND CASH EQUIVALENTS	(303,831)	(548,614)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,084,520	3,633,134
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,780,689	\$ 3,084,520

		2021	2020
CASH AND CASH EQUIVALENTS COMPONENTS			
Cash and pooled investments held in City Treasury- unrestricted	\$	1,486,486	\$ 984,838
Investments with fiscal agents- unrestricted		1,843	979
Cash and pooled investments held in City Treasury- restricted		627,517	1,051,139
Investments with fiscal agents- restricted		664,843	1,047,564
Total cash and cash equivalents	\$	2,780,689	\$ 3,084,520
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED			
BY OPERATING ACTIVITIES			
Operating (loss)/income	\$	(162,924)	\$ 7,168
Adjustments to reconcile operating income to net cash			
provided by operating activities			
Depreciation and amortization		439,347	445,887
Change in provision for uncollectible accounts		(1,876)	(1,987)
Other nonoperating (expenses) revenues, net		(1,701)	4,076
Changes in operating assets and liabilities and			
deferred outflows and inflows of resources			
Accounts receivable		93,766	(95,537)
Unbilled receivables		(35,918)	49,795
Prepaid expenses and inventories		800	1,485
Notes receivable		30,565	7,078
Contracts and accounts payable		7,865	55,233
Accrued salaries		(29,848)	15,443
Accrued employee benefits		1,623	8,016
Other liabilities		(893)	6,665
Net pension and OPEB liability and related changes in deferred			
outflows and inflows of resources	_	59,406	33,365
Total adjustments	_	563,136	529,519
Net cash provided by operating activities	\$	400,212	\$ 536,687
SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES			
Acquisition of capital assets included in contracts and accounts payable	\$	431,465	\$ 269,015
Revenue bonds proceeds received in escrow trust fund		679,895	926,983
Debt defeased and related costs paid through escrow trust fund with revenue bonds		(679,895)	(926,983)
Net change in grants receivable		69,219	(56,271)
See accompanying notes to the financial statements.			

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Index to the Notes to the Financial Statements

The notes to the financial statements include disclosures that are necessary for a better understanding of the accompanying financial statements. An index to the notes follows:

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Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Notes to the Financial Statements June 30, 2021 and 2020

1. Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Reporting Entity

Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles (the City) established pursuant to Article XXIV, Section 238 of the City Charter. LAWA operates and maintains Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) general aviation airport. In addition LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property.

LAWA is under the management and control of a seven-member Board of Airport Commissioners (the Board) appointed by the City Mayor and approved by the City Council. Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop, and operate all property, plant, and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated, or controlled by the City; and (c) fix, regulate, and collect rates and charges for the use of the Airport System. An Executive Director administers LAWA and reports to the Board.

The accompanying financial statements present the net position and changes in net position and cash flows of LAX. These financial statements are not intended to present the financial position and changes in financial position of LAWA or the City, or cash flows of LAWA or the City's enterprise funds.

b. Basis of Accounting

LAX is reported as an enterprise fund and maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. Separate funds are used to account for each of the two airports referred to above, and the Palmdale property.

(continued)

c. Cash, Cash Equivalents, and Investments

LAX's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAX's portion of the pool is presented on the statements of net position as 'Cash and Pooled Investments Held in City Treasury'. Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period. LAX considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAX has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

As permitted by the California Government Code, the City engages in securities lending activities. LAX's share of assets and liabilities arising from the reinvested cash collateral has been recognized in the statements of net position.

d. Accounts Receivables and Unbilled Receivables

LAX recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAWA's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAWA policy. This policy requires that 2% of outstanding receivables plus 80% of all bankruptcy accounts and all referrals to City Attorney be reserved as uncollectible through a provisional month-end charge to operating expense.

Unbilled receivables balances are the result of revenue accrued for services that exceed \$5,000 each, but not yet billed as of year-end. This accrual activity occurs primarily at year-end when services provided in the current fiscal year period might not get processed through the billing system for up to sixty days into the next fiscal year.

e. Inventories

LAX's inventories consist primarily of general custodial supplies and are recorded at cost on a first-in, first-out basis.

f. Capital Assets

All capital assets are carried at cost, or at acquisition value when properties are acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAX has a capitalization threshold of \$5,000 for all capital assets other than internally generated computer software where the threshold is \$500,000.

Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are recorded in construction work in progress. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

Depreciation and amortization are computed on a straight-line basis. The estimated useful lives of the major property classifications are as follows: buildings and facilities, 10 to 40 years; airfield and other improvements, 10 to 35 years; equipment, 5 to 20 years; and computer software, 5 to 10 years. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed in service. Also, no depreciation is taken on land, air easements and emission reduction credits because they are considered inexhaustible.

g. Contracts Payable, Accounts Payable, and Other Liabilities

All transactions for goods and services obtained by LAX from City-approved contractors and vendors are processed for payment via its automated payment system. This procedure results in the recognition of expense in the period that an invoice for payment is processed through the system, or when a vendor first provided the goods and/or services. If the goods and/or services were received or if the invoice was received but not yet processed in the system, an accrual is made manually by journal voucher into the general ledger to reflect the liability to the vendor. When LAX makes agreements that require customers to make cash deposits, these amounts are then reflected as other current liabilities.

(continued)

h. Operating and Nonoperating Revenues and Expenses

LAX distinguishes between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with LAX's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. LAX derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAX's major operating expenses include salaries and employee benefits, fees for contractual services including professional services, parking operations and shuttle services, and other expenses including depreciation and amortization, maintenance, insurance, and utilities.

i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX. Landing fees are calculated annually to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified using allocation methods of relevant costs attributable to those facilities. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following each fiscal year end.

j. Terminal Rates and Charges

On September 17, 2012, the Board approved a methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The rates, which will recover the costs of acquiring, constructing, operating and maintaining terminal facilities, are as follows: terminal building rate, federal inspection services area (FIS) rate, common use holdroom rate, common use baggage claim rate, common use outbound baggage system rate, common use ticket counter rate, and terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

The rates were effective January 1, 2013 to airlines and airline consortia (signatory airlines) agreeing to the methodology and executing a rate agreement with LAWA. Agreements with signatory airlines terminate on December 31, 2022. The rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period; this program expired in fiscal year 2018 for the calendar 2018 rate setting. Signatory airlines in good standing are also eligible to participate to rate agreement revenue sharing programs.

Prior to fiscal year 2019, airlines with existing leases that opted not to sign an agreement under the methodology (non-signatory tenant airlines) continued to pay rates and charges based on their legacy leases. During fiscal year 2019, all such remaining aeronautical leases were transitioned to the rate agreement methodology.

In December 2019, the Board approved a ten year extension of the Rate Agreement ("Amended and Restated Rate Agreement," or "Rate Agreement Amendment") which would, among other things: (i) extend the term and terms of the Rate Agreement through December 2032; (ii) require airlines executing a Rate Agreement Amendment to pay an "extraordinary debt service coverage charge" to LAWA designed to maintain a debt service coverage ratio equal to not less than 1.40X; and (iii) under certain circumstances, eliminate the requirement that a participating airline provide a performance guarantee and instead pay to LAWA a 'bad debt surcharge', a pooled surcharge designed to compensate LAWA for bad debt costs. A signatory airline choosing not to sign the Rate Agreement Amendment will be governed by its Rate Agreement (unmodified by the Rate Agreement Amendment) and at the expiration of such Rate Agreement airlines not agreeing to a Rate Agreement Amendment will be subject to the Airport Terminal Tariff. Passenger airlines and approved airline consortium not currently operating at LAX and commencing operations in the future will have an opportunity to sign the new agreement during or prior to their first 30 days of passenger service at LAX.

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

In addition, LAX developed an Airline Cost Stability and Recovery Plan (ACSRP) aimed at managing rates and charges at LAX through fiscal year 2023. The key objectives of this plan are to: 1) make LAX rates and charges more competitive; 2) mitigate the increase in rates and charges for airlines due to reduced activity; 3) harmonize common use costs across the airport; and 4) achieve stability in LAX financial operations. As part of the ACSRP, LAX has completed taking over the operations and maintenance and rate setting responsibilities for the common use facilities from the Tom Bradley International Terminal Equipment Company, an airline consortium. LAX completed the following actions according to the Plan: (1) amended the methodology for establishing rates and charges for the use of terminal facilities and equipment (Amended Rate Methodology); (2) amended and restated the Amended and Restated Rate Agreement (Further Amended and Restated Rate Agreement or FARRA); (3) revised terminal rates and charges to include costs previously collected by the consortium and cost reduction and deferral measures per the ACSRP; (4) revised landing and apron fees to include cost deferrals, per the ACSRP.

In June 2021, the Board adopted the Amended Rate Methodology and the FARRA. The FARRA, which extends the current Agreement to fiscal year 2033, implements the Amended Rate Methodology and streamlines LAX's common use rate structure. Passenger airlines and approved airline consortiums that are party to the current Amended and Restated Rate Agreement must execute and deliver the Further Amended and Restated Agreement to LAX by September 30, 2021. Majority of the airlines have executed the FARRA. After said date, signatories under the existing ARRA will continue to operate under that agreement until its expiration on December 31, 2032.

(continued)

k. Concession Revenue

Concession revenues are generated through LAX terminal concessionaires, tenants or airport service providers who pay monthly fees or rents for using or accessing airport facilities to offer their goods and services to the general public and air transportation community. Payments to LAX are typically based on negotiated agreements with these parties to remit amounts based on either a Minimum Annual Guarantee (MAG) or on gross receipts. Amounts recorded to revenue are determined by the type of revenue category set up in the general ledger system and integrated with the monthly accounts receivable billing process. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The tenants' operations report and payment are due to LAX in the month following the activity. The timing of concessionaire reporting and when revenue earned is recorded, will determine when or if accruals are required for each tenant agreement.

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

I. Unearned Revenue

Unearned revenue consists of concessionaire rentals and payments received in advance and is recorded as other current liabilities.

m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leave. LAX employees accumulate annual vacation and sick leave in varying amounts based on length of service. Vacation and sick leave are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leave. Accrued employee benefits as of June 30, 2021 and 2020 are as follows (amounts in thousands):

Type of benefit	2021	2020			
Accrued vacation leave	\$ 36,416	\$	32,114		
Accrued sick leave	 21,853		24,533		
Sub-total	58,269		56,647		
Current portion	 (6,235)		(5,665)		
Noncurrent portion	\$ 52,034	\$	50,982		

As part of the 2021 budget plan to manage headcount, in May 2020, LAWA offered a Separation Incentive Program (SIP) that would provide cash payments for eligible LAWA employees who choose to voluntarily retire from the City of Los Angeles. A total of 334 employees have chosen to participate in the program to voluntarily terminate their employment with LAWA, with SIP departures beginning on June 6, 2020. LAX made cash payments totaling \$17.3 million under the SIP through June 30, 2021. There was no other SIP in fiscal year 2021.

(continued)

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAX reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and won't be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that won't be recognized as an inflow of resources until then. LAX has deferred charges on debt refunding to account for gain/loss on bond refunding transactions, and deferred outflows/inflows of resources related to pensions and other postemployment benefit (OPEB).

For fiscal years ended June 30, 2021 and 2020, LAX reported total net pension liability, deferred outflows/inflows of resources related to pensions, and pension expenses for Los Angeles City Employees' Retirement System (LACERS) and City of Los Angeles Fire and Police Pensions (LAFPP) as follows (amounts in thousands)1

		2020		
Net pension liability				
LACERS - proportionate shares	\$	1,004,450	\$	806,117
LAFPP - proportionate shares	<u> </u>	2,316		1,568
Total net pension liability	\$	1,006,766	\$	807,685
Deferred outflows of resources related to pensions				
LACERS - proportionate shares	\$	206,064	\$	147,072
LAFPP - proportionate shares	<u> </u>	1,781		3,157
Total deferred outflows of resources related to pensions	\$	207,845	\$	150,229
Deferred inflows of resources related to pensions				
LACERS - proportionate shares	\$	24,280	\$	36,161
LAFPP - proportionate shares		11		115
Total deferred inflows of resources related to pensions	\$	24,291	\$	36,276
Pension expenses				
LACERS - proportionate shares	\$	127,447	\$	110,852
LAFPP - proportionate shares	<u> </u>	1,994		1,271
Total pension expenses	\$	129,441	\$	112,123

For fiscal years ended June 30, 2021 and 2020, LAX reported total net OPEB liability, deferred outflows/ inflows of resources related to OPEB, and OPEB expenses for LACERS and LAFPP as follows (amounts in thousands):

	2021			2020		
Net OPEB liability						
LACERS - proportionate shares	\$	79,788	\$	67,889		
LAFPP - proportionate shares		623		595		
Total net OPEB liability	\$	80,411	\$	68,484		
Deferred outflows of resources related to OPEB						
LACERS - proportionate shares	\$	29,954	\$	29,924		
LAFPP - proportionate shares		362		1,118		
Total deferred outflows of resources related to OPEB	\$	30,316	\$	31,042		
Deferred inflows of resources related to OPEB						
LACERS - proportionate shares	\$	30,746	\$	30,779		
LAFPP - proportionate shares		362		250		
Total deferred inflows of resources related to OPEB	\$	31,108	\$	31,029		
OPEB expenses						
LACERS - proportionate shares	\$	11,679	\$	9,695		
LAFPP - proportionate shares		714		504		
Total OPEB expenses	\$	12,393	\$	10,199		

o. Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as nonoperating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.

(continued)

p. Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds. At the time of bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable bond premium or discount.

LAX amortizes bond premiums or discounts using the effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond premiums or discounts is calculated using the effective market interest rate at the time of issuances versus the coupon rate used in straight-line method.

a. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- Net Investment in Capital Assets This category groups all capital assets into one component of net
 position. Accumulated depreciation and the outstanding balances of debt that are attributable to
 the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted Net Position This category presents restricted assets reduced by liabilities and deferred
 inflows of resources related to those assets. Those assets are restricted due to external restrictions
 imposed by creditors, grantors, contributors, or laws or regulations of other governments and
 restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position This category represents net position of LAX that is not restricted for any project or other purpose.

r. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes of which both restricted and unrestricted resources are available, LAX's policy is to apply restricted resources first.

s. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

2. New Accounting Standards

LAX adopted GASB Statement No. 95, Postponement of The Effective Dates of Certain Authoritative Guidance (GASB 95), which provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. GASB 95 postponed the effective date of certain provisions in the Statements and Implementation Guides that first become effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions within the following pronouncements were postponed by one year: Statement No. 83, Certain Asset Retirement Obligations, Statement No. 84, Fiduciary Activities, Statement No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90, Majority Equity Interests, Statement No. 91, Conduit Debt Obligations, Statement No. 92, Omnibus 2020, and Statement No. 93, Replacement of Interbank Offered Rates. The effective date for GASB Statement No. 87, Leases, was postponed by 18 months.

LAX implemented the following GASB statements included within GASB 95 in prior fiscal years:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 84, Fiduciary Activities
- Statement No. 90, Majority Equity Interests

LAX has elected to postpone the implementation of the following GASB Statements included within GASB 95 and has disclosed the expected implementation dates as described in the paragraphs below.

- Statement 87, Leases
- Statement 91, Conduit Debt Obligations
- Statement 92, Omnibus 2020
- Statement 93, *Replacement of Interbank Offered Rates* (Non-LIBOR provisions), as a portion of GASB 93 was effective and implemented in fiscal year 2021 as described below.

Implementation of the following GASB statement is effective fiscal year 2021.

Issued in March 2020, GASB Statement No. 93, Replacement of Interbank Offered Rates establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. LAX implemented the non-LIBOR portion of this Statement in fiscal year 2021 without material impact.

Issued in October 2021, GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. LAX early implemented the Statement in fiscal year 2021.

(continued)

The GASB has issued several pronouncements that have effective dates that may impact future presentations. LAX is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in June 2017, GASB Statement No. 87, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2022.

Issued in May 2019, GASB Statement No. 91, Conduit Debt Obligations clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Implementation of this statement is effective fiscal year 2023.

Issued in January 2020, GASB Statement No. 92, *Omnibus 2020* aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and include specific provisions about individual statements including Statement No. 87, *Leases*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 84, *Fiduciary Activities*. Implementation of this statement is effective fiscal year 2022.

Issued in March 2020, GASB Statement No. 93, Replacement of Interbank Offered Rates establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. LAX implemented the non-LIBOR portion of this Statement in fiscal year 2021 without material impact.

Issued in March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Implementation of this statement is effective fiscal year 2023.

Issued in May 2020, GASB Statement No. 96, Subscription-Based Information Technology Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Implementation of this statement is effective fiscal year 2023.

Issued in June 2020, GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this statement is effective fiscal year 2022.

(continued)

3. Cash and Investments

a. Pooled Investments

Pursuant to the California Government Code and the Los Angeles City Council File No. 94-2160, the City Treasurer provides an Annual Statement of Investment Policy (the Policy) to the City Council. The Policy governs the City's pooled investment practices with the following objectives, in order of priority, safety of principal, liquidity, and rate of return. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted under California law.

Each investment transaction and the entire portfolio must comply with the California Government Code and the Policy. Examples of investments permitted by the Policy are obligations of the U.S. Treasury and government agencies, commercial paper notes, negotiable certificates of deposit, guaranteed investment contracts, bankers' acceptances, medium-term corporate notes, money market accounts, and the State of California Local Agency Investment Fund (LAIF).

LAX maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAX's share of \$2.1 billion and \$2.0 billion in the Pool as of June 30, 2021 and 2020 represented approximately 17.6% and 17.4%, respectively. There are no specific investments belonging to LAX. Included in LAX's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAX's allocated shares for fiscal years 2021 and 2020 were \$33.9 million and \$4.6 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are: safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility of the Investment Advisory Committee.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the fair value of the Pool is available for lending. The City receives cash, U.S. treasury securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 90 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

LAX participates in the City's securities lending program through the pooled investment fund. LAX recognizes its proportionate share of the cash collateral received for securities loaned and related obligation for the general investment pool. At June 30, 2021, LAX's portion of the cash collateral and the related obligation in the City's program was \$15.8 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2021 was \$15.8 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2021 was \$41.2 million. At June 30, 2020, LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2020 was \$12.9 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2020 was \$76.5 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102.0% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2021 and 2020 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

(continued)

c. Investments with Fiscal Agents

The investment practices of the fiscal agents that relate to LAX's portfolio are similar as those of the City Treasurer, and have similar objectives. LAX's investments held by fiscal agents are for the following purposes as of June 30 (amounts in thousands):

	2021		2020	
Unrestricted, current				
Commercial paper and cash at bank	\$	1,843	\$	979
Restricted, current and noncurrent				
Bond security funds		630,567		701,248
Construction funds	_	34,276		353,585
Subtotal		664,843		1,054,833
Total	\$	666,686	\$	1,055,812

The bond security funds are pledged for the payment or security of certain bonds. These investments are generally short-term securities and have maturities designed to coincide with required bond retirement payments. The construction funds are bond proceeds on deposit with the fiscal agents. They are used to reimburse LAX for capital expenditures incurred or to be incurred.

At June 30, 2021, the investments and their maturities are as follows (amounts in thousands):

			Investment	maturities	
		1 to 60		6	1 to 365
	 Amount		days		days
Money market mutual funds	\$ 516,224	\$	516,224	\$	_
State of California LAIF	148,619				148,619
Subtotal	664,843	\$	516,224	\$	148,619
Bank deposit accounts	1,843				
Total	\$ 666,686				

At June 30, 2020, the investments and their maturities are as follows (amounts in thousands):

				urities		
			1 to 60		6	1 to 365
		Amount		days		days
Money market mutual funds	\$	831,975	\$	831,975	\$	_
State of California LAIF		215,589		_		215,589
U.S. Treasury securities		7,269				7,269
Subtotal		1,054,833	\$	831,975	\$	222,858
Bank deposit accounts		979				
Total	\$	1,055,812				

Fair Value Measurements

The investments are categorized into its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

At June 30, 2021, the investments by fair value level are as follows (amounts in thousands):

	A	mount	Fair Value Measurements Using Level 1
Money Market Funds	\$	516,224	\$ 516,224
Total investments by fair value level		516,224	\$ 516,224
Investments not subject to fair value hierarchy			
State of California LAIF		148,619	
Bank deposit accounts		1,843	
Total	\$	666,686	

(continued)

At June 30, 2020, the investments by fair value level are as follows (amounts in thousands):

		Amount	Fair Value Measuremer Using Level 1			
Money Market Funds by fair value level	\$	831,975	\$	831,975		
U.S. Treasury securities		7,269		7,269		
Total investments by fair value level		839,244	\$	839,244		
Investments not subject to fair value hierarchy						
State of California LAIF		215,589				
Bank deposit accounts	-	979				
Total	\$	1,055,812				

Interest Rate Risk. LAX adopts the City's policy that limits the maturity of investments to five years for U.S. Treasury and government agency securities. The policy allows funds with longer term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2021 and 2020, the money market mutual funds were rated AAAm by Standard and Poor's, and Aaa by Moody's.

Concentration of Credit Risk. The City's policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds or mortgage passthrough securities. The policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies.

As of June 30, 2021, LAX's investments in the LAIF held by fiscal agents totaled \$148.6 million. The total amount invested by all public agencies in LAIF at that date was \$37.1 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2021, the investments in the PMIA totaled \$193.5 billion, of which 97.7% is invested in non-derivative financial products and 2.3% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 291 days as of June 30, 2021. LAIF is not rated. As of June 30, 2020, LAX's investments in the LAIF held by fiscal agents totaled \$215.6 million. The total amount invested by all public agencies in LAIF at that date was \$32.1 billion. The LAIF is part of the State's PMIA. As of June 30, 2020, the investments in the PMIA totaled \$101.8 billion, of which 96.6% is invested in non-derivative financial products and 3.4% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 191 days as of June 30, 2020.

The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State statute. The Pooled Money Investment Board whose members are the State Treasurer, Director of Finance, and State Controller, has oversight responsibility for PMIA. The value of the pool shares in LAIF, which may be withdrawn anytime, is determined on a historical basis, which is different than the fair value of LAX's position in the pool. The bank deposit accounts are covered by Federal depository insurance up to a certain amount. Financial institutions are required under California law to collateralize the uninsured portion of the deposits by pledging government securities or first trust deed mortgage notes. The collateral is held by the pledging institution's trust department and is considered held in LAX's name.

(continued)

4. Capital Assets

LAX had the following activities in capital assets during fiscal year 2021 (amounts in thousands):

	Balance at	Retirements					Balance at
	July 1, 2020		Additions	& disposals	Transfers		6/30/2021
Capital assets not depreciated							
Land and land clearance	\$ 1,169,294	\$	_	\$ -	\$ (980)	\$	1,168,314
Air easements	44,346		_	_	_		44,346
Emission reduction credits	2,772		_	_	_		2,772
Construction work in progress	3,707,716		2,600,905	(220)	(1,715,560)		4,592,841
Total capital assets not depreciated	4,924,128		2,600,905	(220)	(1,716,540)		5,808,273
Capital assets depreciated							
Buildings	3,571,813		_	_	1,697,363		5,269,176
Improvements	6,526,293		2,273	_	17,802		6,546,368
Equipment and vehicles	341,797		5,870	(2,859)	1,375		346,183
Intangible assets	64,062						64,062
Total capital assets depreciated	10,503,965	_	8,143	(2,859)	1,716,540	_	12,225,789
Accumulated depreciation							
Buildings	(939,787)	(118,712)	_	_		(1,058,499)
Improvements	(2,189,675)	(291,450)	_	_		(2,481,125)
Equipment and vehicles	(170,337)	(23,269)	2,521	_		(191,085)
Intangible assets	(42,127)	(5,580)				(47,707)
Total accumulated depreciation	(3,341,926)	(439,011)	2,521		_	(3,778,416)
Capital assets depreciated, net	7,162,039		(430,868)	(338)	1,716,540		8,447,373
Total	\$ 12,086,167	\$	2,170,037	\$ (558)	<u>\$</u>	\$	14,255,646

LAX had the following activities in capital assets during fiscal year 2020 (amounts in thousands):

	Balance at	Retirements			Balance at
	July 1, 2019	Additions	& disposals	Transfers	June 30, 2020
Capital assets not depreciated					
Land and land clearance	\$ 1,167,839	\$ -	\$ -	\$ 1,455	\$ 1,169,294
Air easements	44,346	_	_	_	44,346
Emission reduction credits	2,772	_	_	_	2,772
Construction work in progress	2,213,910	1,685,626		(191,820)	3,707,716
Total capital assets not depreciated	3,428,867	1,685,626		(190,365)	4,924,128
Capital assets depreciated					
Buildings	3,571,813	_	_	_	3,571,813
Improvements	6,359,860	3,696	_	162,737	6,526,293
Equipment and vehicles	300,685	43,303	(3,844)	1,653	341,797
Intangible assets	38,087			25,975	64,062
Total capital assets depreciated	10,270,445	46,999	(3,844)	190,365	10,503,965
Accumulated depreciation					
Buildings	(827,149)	(112,638)	_	_	(939,787)
Improvements	(1,885,933)	(303,742)	_	_	(2,189,675)
Equipment and vehicles	(150,224)	(23,814)	3,701	_	(170,337)
Intangible assets	(36,432)	(5,695)			(42,127)
Total accumulated depreciation	(2,899,738)	(445,889)	3,701		(3,341,926)
Capital assets depreciated, net	7,370,707	(398,890)	(143)	190,365	7,162,039
Total	\$ 10,799,574	\$ 1,286,736	\$ (143)	\$ –	\$ 12,086,167

(continued)

5. Commercial Paper

As of June 30, 2021 and 2020, LAX had outstanding commercial paper (CP) notes of \$98.3 million and \$63.2 million, respectively. The respective average interest rates in effect as of June 30, 2021 and 2020 were 0.11% and 0.96%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAX entered into letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Barclays Bank PLC (Barclays) for \$228.9 million, to expire on September 8, 2023; Sumitomo Mitsui Banking Corporation (Sumitomo); acting through its New York Branch for \$218.0 million, to expire on September 9, 2022; and Bank of America for \$98.1 million, to expire on September 9, 2021. LAX secured a new LOC with Bank of America for \$98.1 million on September 8, 2021, to expire on September 6, 2024.

As of June 30, 2021, LAX had undrawn LOC balances of \$228.9 million from Barclays, \$203.0 million from Sumitomo, and \$14.8 million from Bank of America. As of June 30, 2020, LAX had undrawn LOC balances of \$109.0 million from Barclays, \$218.0 million from Sumitomo, and \$154.8 million from Wells Fargo Bank.

In fiscal year 2021, LAX paid the LOC banks an annual commitment fee ranging from 0.80% and 0.85% on the stated amount of the LOC. In fiscal year 2020, LAX paid the LOC banks an annual commitment fee ranging from 0.30% and 0.32% on the stated amount of the LOC. LOC fees of \$3.7 million and \$1.8 million were paid for fiscal years 2021 and 2020, respectively.

LAX had the following CP activity during fiscal year 2021 (amounts in thousands):

	В	alance at						Balance at
	Ju	July 1, 2020		Additions		Reductions		June 30, 2021
Series A	\$	25,749	\$	26,426	\$	_	\$	52,175
Series B		4,562		40,226		(26,663)		18,125
Series C		32,886		36,038		(40,883)		28,041
Total	\$	63,197	\$	102,690	\$	(67,546)	\$	98,341

LAX had the following CP activity during fiscal year 2020 (amounts in thousands):

	Ва	lance at			В	alance at
	Jul	y 1, 2019	Additions	 Reductions	Jur	ne 30, 2020
Series A	\$	4,345	\$ 21,404	\$ _	\$	25,749
Series B		58,147	29,834	(83,419)		4,562
Series C		37,299	 438	(4,851)		32,886
Total	\$	99,791	\$ 51,676	\$ (88,270)	\$	63,197

6. Bonded Debt

Bonds issued by LAX are payable solely from revenues of LAX and are not general obligations of the City.

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2021 and 2020 are as follows (amounts in thousands):

			scheduled		Outstandir	ng principal
Bond issues	Issue date	Interest rate	maturity	Original principal	2021	2020
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	\$ 307,350	\$ 252,970	\$ 262,845
Issue of 2010, Series A	4/8/10	3.000% - 5.000%	2040	930,155	_	316,935
Issue of 2010, Series B	11/4/10	5.000%	2040	134,680	_	134,680
Issue of 2010, Series C	11/4/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	_	315,775
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	54,560	58,235
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	120,545	124,010
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	59,480	61,675
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	243,185	248,405
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	43,385	44,360
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2038	181,805	163,855	171,270
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	265,050	271,960
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	23,330	24,295
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	260,275	267,615
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	434,445	441,945
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	186,410	197,485
Issue of 2017, Series A	7/26/17	5.000%	2047	260,610	253,820	257,420
Issue of 2017, Series B	7/26/17	5.000%	2042	88,730	82,440	84,640
Issue of 2018, Series A	3/15/18	4.000% - 5.250%	2048	426,475	419,965	424,175
Issue of 2018, Series B	4/12/18	5.000%	2034	226,500	226,500	226,500
Issue of 2018, Series C	8/8/18	5.000% - 5.750%	2044	425,000	409,280	419,105
Issue of 2018, Series D	11/14/18	5.000%	2048	418,390	396,070	408,040
Issue of 2018, Series E	11/14/18	5.000%	2048	159,980	159,980	159,980
Issue of 2019, Series A	3/12/19	4.000% - 5.000%	2049	199,830	193,975	198,785
Issue of 2019, Series B	3/12/19	4.000% - 5.000%	2049	49,410	48,530	49,060
Issue of 2019, Series C	3/12/19	5.000%	2039	189,095	165,320	180,635
Issue of 2019, Series D	6/27/19	4.000% - 5.000%	2049	167,955	167,955	167,955
Issue of 2019, Series E	6/27/19	4.000% - 5.000%	2049	265,190	265,190	265,190
Issue of 2019, Series F	12/17/19	2.250% - 5.000%	2049	411,575	411,575	411,575
Issue of 2020, Series A	3/11/20	5.000%	2040	738,575	734,495	738,575
Issue of 2020, Series B	8/27/20	4.000% - 5.000%	2040	558,500	558,500	· <u>-</u>
Issue of 2020, Series C	8/27/20	5.000%	2050	380,000	380,000	_
Issue of 2020, Series D	8/27/20	4.000% - 5.000%	2048	120,000	120,000	_
Issue of 2021, Series A	2/17/21	5.000%	2051	405,405	405,405	_
Issue of 2021, Series B	2/17/21	5.000%	2048	395,005	395,005	_
Issue of 2021, Series C	2/17/21	0.698% - 2.213%	2036	92,945	92,945	_
Total principal				\$ 10,567,990	8,224,485	7,163,170
Unamortized premium					1,374,467	941,378
Net revenue bonds					9,598,952	8,104,548
Current portion of debt					(144,245)	(141,025)
Net noncurrent debt					\$ 9,454,707	\$ 7,963,523

(continued)

b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAX has agreed to certain covenants with respect to bonded indebtedness. The bonds are secured by a pledge of and lien on net pledged revenues as defined in the master senior and subordinate indentures, which pledge and lien remains in place until the bonds are no longer outstanding. Under the bond indentures, pledged revenues include substantially the total operating revenue with the Build America Bonds (BABs) subsidy, nonoperating Transportation Security Administration (TSA) revenue, interest income net of PFC, CFC and construction funds, but do not include PFC revenues, CFC revenues, and certain other nonoperating revenues.

LAX has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of \$73.5 million and \$144.7 million were used for debt service in fiscal years 2021 and 2020, respectively. In fiscal year 2021, CARES Act grants in the amount of \$21.9 million was used to apply against debt service payments, and \$249.3 million was used to apply against LAX maintenance and operation expenses. In fiscal year 2020, CARES Act grants in the amount of \$42.7 million was used to apply against debt service payments, and \$9.7 million was used to apply against LAX maintenance and operation expenses.

The total principal and interest remaining to be paid on the bonds is \$14.1 billion as of June 30, 2021. Principal and interest paid during fiscal year 2021 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the \$73.5 million PFCs funds and \$271.2 million CARES Act grants discussed in the preceding paragraph), were \$487.7 million and \$694.4 million, respectively. Principal and interest paid during fiscal year 2020 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the \$144.7 million PFCs funds and \$52.4 million CARES Act grants discussed in the preceding paragraph), were \$503.9 million and \$762.2 million, respectively.

c. Bond Issuances

Fiscal Year 2021

On August 27, 2020, LAX issued \$558.5 million of senior refunding revenue bonds Series 2020B with a premium of \$147.4 million, \$380.0 million senior revenue bonds Series 2020C with a premium of \$90.6 million, and \$120.0 million senior revenue bonds Series 2020D with a premium of \$29.1 million. The bonds were issued to fund certain capital projects at LAX, and to refund and defease all of the outstanding Series 2010A senior revenue bonds, Series 2010B subordinate revenue bonds and Series 2010D senior revenue bonds in the amount of \$316.9 million, \$134.7 million and \$315.8 million, respectively. This transaction resulted in cash flow savings of \$388.6 million, economic gain of \$265.1 million; and a net gain for accounting purposes of \$18.2 million, which is included in deferred inflows of resources and is being amortized over the remaining life of the bonds through May 2040.

On February 17, 2021, LAX issued \$405.4 million of subordinate revenue and refunding revenue bonds Series 2021A with a premium of \$123.8 million, \$395.0 million of subordinate revenue and refunding revenue bonds Series 2021B with a premium of \$133.7 million, and \$92.9 million of subordinate refunding revenue bonds Series 2021C with no premium. The bonds were issued to fund certain capital projects at LAX, and to refund a portion of outstanding bonds and subordinate commercial paper notes maturing in fiscal year 2021.

Fiscal Year 2020

On December 17, 2019, LAX issued \$411.6 million of subordinate revenue bonds Series 2019F with a premium of \$70.6 million. The bonds were issued to fund certain capital projects at LAX, and to fund the refinancing of certain outstanding subordinate commercial paper notes.

On March 11, 2020, LAX issued \$738.6 million of senior refunding revenue bonds, Series 2020A with a premium of \$239.6 million. The bonds were issued to refund and defease a portion of the Series 2010A senior revenue bonds in the amount of \$492.8 million, and to refund and defease a portion of the Series 2010D senior revenue bonds in the amount of \$491.0 million. This transaction resulted in cash flow savings of \$337.3 million, economic gain of \$298.0 million; and a net gain for accounting purposes of \$21.1 million, which is included in deferred inflows of resources and is being amortized over the remaining life of the bonds through May 2040.

(continued)

d. Principal Maturities and Interest

Scheduled annual principal maturities and interest are as follows (amounts in thousands):

Fiscal year(s) ending	 Principal		Interest	Total
2022	\$ 144,245	\$	413,267	\$ 557,512
2023	148,750		396,262	545,012
2024	206,450		389,128	595,578
2025	241,355		378,715	620,070
2026	253,800		366,882	620,682
2027 - 2031	1,477,045		1,634,094	3,111,139
2032 - 2036	1,845,770		1,231,892	3,077,662
2037 - 2041	2,031,625		741,465	2,773,090
2042 - 2046	1,307,625		315,635	1,623,260
2047 - 2051	567,820		54,341	622,161
Total	\$ 8,224,485	\$	5,921,681	\$ 14,146,166

e. Build America Bonds (BABs)

LAX subordinate revenue bonds 2009 Series C and 2010 Series C with par amounts of \$307.4 million and \$59.4 million, respectively, were issued as federally taxable BABs under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as "sequestration") for the federal fiscal years ending September 30, 2021 and September 30, 2020 reduced the subsidy. The interest subsidy on the BABs was \$7.2 million in both fiscal years 2021 and 2020. The BABs rates were 5.7% and 5.9% for fiscal years 2021 and 2020, respectively. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

f. Other Significant Obligations

Aside from LAX's debt obligations incurred under the Master Senior and Subordinate Indentures, LAX's other significant obligations include:

Commercial Paper Reimbursement Agreements

LAX's prior commercial paper reimbursement agreements contained a provision that upon the occurrence of an event of default by LAX, the applicable letter of credit (LOC) bank could, at its option, declare all obligations of LAX under the LOC to be immediately due and payable. This provision terminated on September 10, 2020, and is not included in the new reimbursement agreements entered into on September 9, 2020 with Barclays Bank PIC, Sumitomo Mitsui Banking Corporation, and Bank of America, N.A.

APM Agreement

The APM Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the APM Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement. Capital expenditures for the APM milestones payment of \$149.6 million was accrued in contracts and accounts payable as of June 30, 2021, and payment was made in July 2021.

ConRAC Agreement

The ConRAC Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the ConRAC Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement.

(continued)

7. Changes in Long-Term Liabilities

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2021 (amounts in thousands):

	E	Balance at				Balance at	Current
	Ju	ne 30, 2020	Additions	Reductions	J	une 30, 2021	Portion
Revenue bonds	\$	7,163,170	\$ 1,951,855	\$ (890,540)	\$	8,224,485	\$ 144,245
Unamortized premium		941,378	 524,614	(91,525)		1,374,467	
Net revenue bonds		8,104,548	2,476,469	(982,065)		9,598,952	144,245
Accrued employee benefits		56,647	7,288	(5,665)		58,270	6,235
Estimated claims payable		99,227	9,912	(8,912)		100,227	9,643
Net pension liability		807,686	199,080	_		1,006,766	_
Net OPEB liability		68,484	11,927	_		80,411	_
Other long-term liabilities		886	 	(1)		885	
Total	\$	9,137,478	\$ 2,704,676	\$ (996,643)	\$	10,845,511	\$ 160,123

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2020 (amounts in thousands):

	ı	Balance at				Balance at	Current
	J	uly 1, 2019	Additions	Reduction	J	une 30, 2020	Portion
Revenue bonds	\$	7,140,000	\$ 1,150,150	\$ (1,126,980)	\$	7,163,170	\$ 141,025
Add unamortized premium		702,777	310,258	(71,657)		941,378	
Net revenue bonds		7,842,777	1,460,408	(1,198,637)		8,104,548	141,025
Accrued employee benefits		48,631	13,365	(5,349)		56,647	5,665
Estimated claims payable		93,471	14,926	(9,170)		99,227	8,912
Net pension liability		773,419	34,267	_		807,686	_
Net OPEB liability		77,769	_	(9,285)		68,484	_
Other long-term liabilities		886				886	
Total	\$	8,836,953	\$ 1,522,966	\$ (1,222,441)	\$	9,137,478	\$ 155,602

(continued)

8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

LAX has entered into numerous rental agreements with concessionaires for food and beverage, gift and news, duty-free, rental car facilities, and advertisements. In general, the agreements provide for cancellation on a 30-day notice by either party; however, they are intended to be long-term in nature with renewal options. Accordingly, these agreements are considered operating leases for purposes of financial reporting.

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

Passenger Airline Temporary Relief Program

On April 9, 2020, the Board adopted a temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program). The Passenger Airline Temporary Relief Program permits eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief. Key elements of the Passenger Airline Temporary Relief Program are as follows:

- Deferral of terminal and airfield fees payable from April through May 2020.
- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.
- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees included in accounts receivable was approximately \$93.0 million. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program in fiscal year 2021.

Concessionaires and Services Temporary Relief Program

On April 16, 2020, the Board adopted a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program). The Concessionaires and Services Temporary Relief Program permits concessionaires and service providers to apply for relief. Key elements of the Concessionaires and Services Temporary Relief Program are as follows:

For the duration period beginning April 1, 2020 to June 30, 2020 (Duration Period):

- LAX only required payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable, deferred receipt of in-terminal concession storage rent.
- In the case of off-airport rental car companies, LAX only required payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.
- Accrued amounts are required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six-month payment period.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments included in accounts receivable was approximately \$3.0 million. All concessionaires' that received a deferral have repaid the same in accordance with the requirements of the Concessionaires and Services Temporary Relief Program in fiscal year 2021.

Second Relief Program

On October 1, 2020, the Board approved the Second Letter Agreements for the Concessionaire Relief Program that amends concession agreements at LAX as follows:

- abate or adjust the MAG through June 30, 2021 for certain concession agreements (collectively Concession Agreements),
- defer storage rent through December 31, 2020 and allow the payback of deferred storage rent to commence January 1, 2021 for certain concession agreements (collectively In-Terminal Concession Agreements),
- extend the current expiration dates of the respective individual In-Terminal Concession Agreements (as conditioned in the applicable Second Letter Agreements) and Terminal Media Operator Agreement (TMO Agreement) by twenty-four months, and
- authorize the Chief Executive Officer to have two consecutive twelve-month options to delay
 the required mid-term refurbishment dates for the respective individual In-Terminal Concession
 Agreements in his or her sole discretion.

The agreements provide for a concession fee equal to the greater of a MAG or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2021 and 2020, revenues from such agreements were approximately \$99.6 million and \$279.8 million, respectively. The respective amounts over MAG were \$94.3 million and \$81.8 million.

(continued)

Future rents for fiscal year 2022 are estimated in accordance with the Concessionaires and Services Temporary Relief Program offered to concessionaires, which only require payment of the specific percentage fees instead of the specific MAG as defined in the agreements. Future rents over the fiscal years 2023 to 2026 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

Fiscal year ending	_	Amount
2022	\$	106,087
2023		202,071
2024		167,954
2025		115,390
2026	_	19,829
Total	\$	611,331

On March 1, 2012, LAWA and URW, LLC (URW) (formerly Westfield Airports, LLC.) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date the same as the TBIT portion, which is no later than January 31, 2032.URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than \$81.9 million in initial improvements and \$16.4 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 3-1-12 Agreement, the MAG will be adjusted each year by the greater of (a) \$210 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA beginning January 1, 2014. For any year in which the number of enplaned passengers in TBIT and Terminal 2 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.

On June 22, 2012, LAWA and URW entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Under this agreement, the expiration dates of Terminal 1, 3, and 6 are June 30, 2032, June 30, 2029, and September 30, 2030, respectively. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than \$78.6 million in initial improvements and \$15.7 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 6-22-12 Agreement, the MAG will be adjusted each year by the greater of (a) \$240 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis beginning January 1, 2014.

On November 13, 2017, LAWA and URW entered into an amendment related to TBIT and Terminal 2 for additional concession space of up to 30,000 square feet in the Bradley West Gates (formerly known as Midfield Satellite Concourse). The construction of the new concourse started in February 2017 and was completed and commenced operation in May 2021.

On October 1, 2020, the Board approved to extend the URW agreements expiration dates for an additional 24 months to January 31, 2034 for LAA-8613 and Terminal 1 under LAA-8640, June 30, 2031 for Terminal 3 under LAA-8640, and September 30, 2032 for Terminal 6 under LAA-8640.

Future rents under these two agreements with URW for fiscal year 2022 are estimated in accordance with the Concessionaires and Services Temporary Relief Program offered to URW, which only require payment of the specific percentage fees instead of the specific MAG as defined in the agreements. Future rents under these two agreements with URW over the fiscal years 2023 to 2026 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

 Amount
\$ 38,922
39,895
40,892
41,914
 43,493
\$ 205,116

LAX also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2021 and 2024. Certain airlines and consortium of airlines also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2021 and 2020, revenues from these leases were \$710.0 million and \$687.0 million, respectively.

(continued)

Future rents under these land and terminal lease agreements over the next five years were based on the assumption that current agreements are carried to contractual termination. The estimated future rents are as follows (amounts in thousands):

Fiscal year ending	Amount		
2022	\$	587,443	
2023		559,361	
2024		522,808	
2025		431,064	
2026		336,445	
Total	\$	2,437,121	

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2021 and 2020 are as follows (amounts in thousands):

	2021			2020		
Buildings and facilities	\$	6,228,923	\$	6,225,464		
Accumulated depreciation		(1,767,601)		(1,516,428)		
Net		4,461,322		4,709,036		
Land		522,328		522,328		
Total	\$	4,983,650	\$	5,231,364		

b. Lease Obligations

LAX leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2021 and 2020 were \$9.2 million and \$7.5 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

Fiscal year(s) ending	Amount
2022	\$ 8,089
2023	8,166
2024	8,275
2025	8,387
2026	6,189
2027-2031	11,115
2032-2036	 1,983
Total	\$ 52,204

(continued)

9. Passenger Facility Charges

Passenger Facility Charges (PFCs) are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the Federal Aviation Administration (FAA). Airlines operating at LAX have been collecting PFCs on behalf of LAX. PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs is \$4.50 per enplaned passenger. PFCs collection authorities approved by FAA were \$6.0 billion as of June 30, 2021 and 2020. LAX has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of \$73.5 million and \$144.7 million were used for debt service in fiscal years 2021 and 2020, respectively.

The following is a summary of projects approved by FAA as of June 30, 2021 and 2020 (amounts in thousands):

	2021		2020
Terminal development	\$	4,891,679	\$ 4,891,679
Noise mitigation	1,064,015		1,057,476
Airfield development and equipment		83,620	83,620
Total	\$	6,039,314	\$ 6,032,775

PFCs collected and the related interest earnings through June 30, 2021 and 2020 were as follows (amounts in thousands):

	2021		2020
Amount collected	\$ 2,813,676		2,744,928
Interest earnings		232,703	 228,129
Total	\$	3,046,379	\$ 2,973,057

Cumulative expenditures on approved PFCs projects totaled \$2.8 billion and \$2.6 billion for fiscal years 2021 and 2020, respectively.

10. Customer Facility Charges

California CFC Legislation permits LAWA to require the collection by rental car companies of CFCs at a rate charged on a per-day basis up to \$9.00 per day (for up to 5 days), and CFCs collected by the rental car companies on behalf of LAWA are permitted under the California CFC Legislation to finance, design and construct the ConRAC; to finance, design, construct and operate the APM System, as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system.

In November 2001, in anticipation of constructing a consolidated rental car facility (ConRAC) identified in LAX's master plan, the Board approved collection of CFCs of \$10.00 per rental contract and began collections in August 2007. On October 5, 2017, the Board authorized collection of an updated CFC pursuant to the California CFC Legislation to fund costs of a ConRAC and its share of a common-use transportation system (CTS) at LAX. The Board authorized collection of CFCs of \$7.50 per day for the first five days of each car rental contract, effective January 1, 2018, by rental car companies serving LAX. On June 20, 2019, the Board authorized collection of \$9.00 per day for the first five days of each car rental contract, effective September 1, 2019, by rental car companies serving LAX.

CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2021		 2020
Amount collected	\$	500,903	\$ 468,297
Interest earnings		40,275	36,639
Subtotal		541,178	504,936
Expenditures			
ConRAC planning, design and construction		448,200	 83,683
Unexpended CFCs revenue and interest earnings	\$	92,978	\$ 421,253

LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to \$2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was \$364.5 million and \$80.7 million in fiscal years 2021 and 2020, respectively. LAX's cumulative expenditures on approved CFCs projects totaled \$448.2 million and \$83.7 million for fiscal years 2021 and 2020, respectively.

(continued)

11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled \$313.0 million and \$86.0 million in fiscal years 2021 and 2020, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

As previously mentioned, on March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. Airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of maintenance and operation expenses on or after January 20, 2020, and the payment of debt service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the agreement between the airport operator and the FAA is executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020.

LAX was awarded CARES Act grants in the amount of approximately \$323.6 million payable on a reimbursement basis. LAX's primary objective with the CARES Act funding will be to address near-term pressure caused by the COVID-19 pandemic, including maintenance of debt service coverage levels consistent with current ratings levels, mitigation of the reduction in revenues, continued funding of ongoing capital development projects and maintenance of operating cash on hand in fiscal years 2020 and 2021. The drawn amounts of \$271.2 million and \$52.4 million in LAX were recognized as grants revenue to stabilize cost increases in airline rates at LAX for fiscal year 2021 and 2020, respectively. In fiscal year 2021, CARES Act grants in the amount of \$21.9 million was used to apply against debt service payments, and \$249.3 million was used to apply against LAX maintenance and operation expenses. In fiscal year 2020, CARES Act grants in the amount of \$42.7 million was used to apply against debt service payments, and \$9.7 million was used to apply against LAX maintenance and operation expenses.

Personal Protective Equipment receipts

During fiscal year 2020, LAX received donations of personal protective equipment (PPE) from Federal Aviation Administration (FAA) and Federal Emergency Management Administration (FEMA) for distribution to its employees, customers and other airports. Total of 4.0 million of face masks were received valued at \$11.9 million, which represents estimated fair market values on the dates of donation receipts. No additional PPE was received from FAA and FEMA in fiscal year 2021. The remaining inventory of face masks were approximately 3.9 million (valued at \$11.7 million) and 4.0 million (valued at \$11.9 million) as of June 30, 2021 and 2020, respectively.

12. Related Party Transactions

The City provides services to LAX such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2021 and 2020 were \$113.5 million and \$115.9 million, respectively.

LAX collects parking taxes on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2021 and 2020 were \$5.5 million and \$11.1 million, respectively.

LAX shares certain administrative functions with VNY and PMD including, but not limited to, legal, human services, and financial services. Also, beginning fiscal year 2011, LAX pays VNY annual rent for the use of the land where the Flyaway Terminal resides. The rent is adjusted every July 1 of each year based on the consumer price index. The adjusted rent was \$1.3 million and \$1.2 million for fiscal years 2021 and 2020, respectively. The details are as follows (amounts in thousands):

	 2021	2020
Allocated administrative costs		
VNY	\$ 2,495	2,580
PMD	 414	508
Total	2,909	3,088
Land rental	 (1,260)	(1,243)
Net	\$ 1,649	\$ 1,845

(continued)

13. Pension Plan

- I. Los Angeles City Employees' Retirement System
- a. General Information

Plan Description

All full-time employees of LAX are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Pension Plan). LACERS serves as a common investment and administrative agent for City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by statutes in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Benefits and benefit changes are established by ordinance and approved by City Council and the Mayor.

All employees who became members of LACERS before July 1, 2013 are designated as Tier 1 members. On or after July 1, 2013, new employees became members of LACERS Tier 2. On July 9, 2015, Tier 2 was rescinded and a new tier of benefits was created. As a result, Ordinance No. 184134 was adopted on January 12, 2016, where all active Tier 2 members were transferred to Tier 1 as of February 21, 2016. Thereafter, new members became Tier 3 members of LACERS. Membership to Tier 1 is now closed to new entrants. In fiscal year 2018, LACERS became closed to Airport Peace Officers (APO) and all new APO hired after January 6, 2018 would be enrolled in City of Los Angeles Fire and Police Pensions (LAFPP) Tier 6, rather than in LACERS. Please refer to Note 13. II for more information.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website http://lacers.org/aboutlacers/reports/index.html. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related defined benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the Pension Plan's actuarial valuation study for fiscal year 2020 are not yet available.

Benefits Provided

LACERS provides for service and disability retirement benefits, as well as death benefits. Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member who has five or more years of continuous City service terminates employment, the member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

LACERS Tier 1 members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the member's average monthly pensionable salary during the member's last 12 months of service, or during any other 12 consecutive months of service designated by the member, multiplied by the member's years of service credit. Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater.

Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary will be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a \$2,500 funeral allowance is paid, and modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

LACERS Tier 3 members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provide that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Members also are eligible to retire with an age-based reduced benefits before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, LACERS also provides Tier 3 members an enhanced retirement benefits with a 2.0% retirement factor if the member retires at age 63 with at least 10 years of service; or a retirement factor of 2.1% if the member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the member's retirement factor (1.5% - 2.1%), with the member's last 36 months of final average compensation or any other 36 consecutive months designated by the member, and by the member's years of service credit.

Tier 3 members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater. Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a \$2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

(continued)

Retirement allowances are indexed annually for inflation. The LACERS Board of Administration has authority to determine the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a cost-of-living adjustment (COLA) to the benefits of eligible members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 members or 2.0% for Tier 3 members. The excess over the maximum will be banked for Tier 1 members only.

Membership

The components of LACERS membership in both tiers (Tier 1 and Tier 3) for the measurement dates as of June 30, 2020 and June 30, 2019, respectively, were as follows: (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

		2020	2019
0 - 1 - 1			
Active			
	Vested	17,722	17,812
	Non-vested	9,768	8,820
		27,490	26,632
Inactive			
	Non-vested	6,728	6,149
	Terminated entitled to benefits, not yet receiving benefits	2,479	2,439
	Retired	20,423	20,034
Total		57,120	55,254

Member Contributions

The current contribution rate for most of the Tier 1 members is 11% of their pensionable salary including a 1% increase in the member contribution rate pursuant to the 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP cost obligation is fully recovered, whichever comes first); and 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance. As of June 30, 2019 and June 30, 2018, all active Tier 1 members are now paying additional contributions, and are not subject to the retiree medical subsidy cap. The contribution rate for Tier 3 members is 11% of their pensionable salary including 4% of additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 members do not pay the ERIP contribution; therefore, Tier 3 members' contribution rate will not drop down when Tier 1 members cease to pay the 1% ERIP contribution.

Employer Contributions

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS actuary after the completion of the annual actuarial valuation. The average employer contribution rates were 24.75% and 23.06% of compensation as of June 30, 2020 (based on the June 30, 2018 valuation) and June 30, 2019 (based on the June 30, 2017 valuation), respectively. (Note: information for fiscal year 2021 is not yet available as of this report issue date).

The total City contributions to LACERS of \$814.2 million and \$817.2 million for the years ended June 30, 2021 and June 30, 2020, respectively, consisted of the following (amounts in thousands):

	 2021	 2020
Required contributions - Retirement Plan	\$ 554,856	\$ 553,118
Family death benefit Plan	 98	 104
Total City contributions	554,954	553,222
Member contributions - Retirement Plan	 259,284	 263,936
Total	\$ 814,238	\$ 817,158

The required City contribution of \$554.9 million was equal to 100% of the actuarially determined employer contribution. Member contributions of \$259.3 million were made toward the retirement and voluntary family death benefits for fiscal year 2021.

The required City contribution of \$553.1 million was equal to 100% of the actuarially determined employer contribution. Member contributions of \$263.9 million were made toward the retirement and voluntary family death benefits for fiscal year 2020.

LAX's Contributions to the Pension Plan

LAX's contributions to the Pension Plan for the year ended June 30 (amounts in thousands):

	 2021	2020		
LAX's required contributions to the Pension Plan	\$ 68,312	\$	73,229	

The LAX contributions made to the Pension Plan under the required contribution category in the amounts of \$68.3 million and \$73.2 million for fiscal years 2021 and 2020, respectively, were equal to 100% of the actuarially determined contribution of the employer.

(continued)

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the Pension Plan

LACERS' Net Pension Liability (NPL) for fiscal year 2021 was measured as of June 30, 2020 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2020.

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan and the plans basis of accounting, including policies with respect to benefit payments and valuation of investments. Detailed information about LACERS net position is available in the separately issued LACERS financial reports, which can be found on the LACERS website.

As of the reporting date June 30, 2021 (measurement date of June 30, 2020), LAX reported its proportionate shares of TPL, FNP and NPL as follows (amounts in thousands):

	Reporting date 6/30/21 Measurement date 6/30/20			
LAX's proportionate share:				
Total Pension Liability	\$	2,979,337		
Plan Fiduciary Net Position		(1,974,887)		
Net Pension Liability	\$	1,004,450		
Plan Fiduciary Net Position as a percentage of the Total Pension Liability		66.29%		

LAX's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAX during fiscal year 2020. The NPL was measured as of June 30, 2020 and determined based upon the Pension Plan's FNP (plan assets) and TPL from actuarial valuations as of June 30, 2020.

Change in LAX's proportionate share of the NPL as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) was as follows (amounts in thousands):

	 INPL	Proportion
Proportion - Reporting date June 30, 2021 (measurement date June 30, 2020)	\$ 1,004,450	13.23%
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	\$ 806,117	13.49%
Change - Increase (decrease)	\$ 198,333	(0.26)%

For the year ended June 30, 2021, LAX recognized pension expense of \$127.4 million. At June 30, 2021, LAX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows		Deferred inflows	
	of resources		of resources	
Pension contributions subsequent to measurement date	\$	68,312	\$	_
Differences between expected and actual experience		40,773		9,829
Changes of assumptions		93,567		_
Net difference between projected and actual earnings on pension plan investments		70,564		_
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,160		14,451
Total	\$	274,376	\$	24,280

\$68.3 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

Fiscal year ending	Amount
2022	\$ 39,062
2023	54,346
2024	48,656
2025	39,720
2026	_

(continued)

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study June 30, 2019 (July 1, 2016 through June 30, 2019)

Long-Term Expected Rate of Return 7.00%
Inflation 2.75%

Projected Salary Increases Ranges from 4.25% to 9.95% based on years of service, including inflation

Mortality Table for Healthy Retirees Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates

increased by 10% for males, projected generationally with the twodimensional mortality improvement scale MP-2019.

Mortality Table for Disabled Retirees Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables

with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement

scale MP-2019.

Mortality Table for Beneficiaries Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females,

Mortality Tables with rates increased by 10% for males and females projected generationally with the two- dimensional mortality

improvement scale MP-2019.

Percent Married/Domestic Partner 76% of male and 50% of female are assumed to be married or have a

qualified domestic partner.

Spouse Age Difference Male retirees are assumed to be three years older than their female

spouses. Female retirees are assumed to be two years younger than their

male spouses.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2020 and June 30, 2019.

The long-term expected rate of return on retirement plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

(continued)

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.50%
U.S. Small Cap Equity	3.99	6.30
Developed International Large Cap Equity	17.01	6.60
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.70
Emerging International Small Cap Equity	1.35	10.60
Core Bonds	13.75	1.20
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.60
Emerging Market Debt (Local)	2.25	4.80
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	6.00
Treasury Inflation Protected Securities	4.00	0.90
Commodities	1.00	3.30
Non-Core Real Assets	2.80	5.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	=

Sensitivity of LAX's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAX's proportionate share of the NPL as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (amounts in thousands):

	June 30, 2021
1% decrease	6.00%
Net Pension Liability	\$1,407,538
Current discount rate	7.00%
Net Pension Liability	\$1,004,450
1% increase	8.00%
Net Pension Liability	\$670,954

(continued)

II. City of Los Angeles Fire and Police Pensions

a. General Information

In November 2016, voters approved a ballot measure that allowed for approximately 500 sworn Airport Peace Officers (APO) to opt-out of the LACERS Plan and transfer to the City of Los Angeles Fire and Police Pensions (LAFPP) as Tier 6 members. On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn APO at LACERS an option to transfer to Tier 6 of LAFPP Plan or to remain in the LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. Under the ordinance, APO members who elect to remain in LACERS would be Tier 1 members, and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.3% (versus 2.16% for all other Tier 1 members), contingent upon a mandatory additional contribution payment of \$5,700 per remaining member to LACERS. The enhanced benefits was effective from January 7, 2018.

Plan Description

LAFPP operates under the City of Los Angeles Charter and Administrative Code provisions as a single-employer defined benefit pension plan covering all full-time active sworn firefighters, police officers, certain LAWA APO and Harbor Port Police officers of the City of Los Angeles. LAFPP is composed of six tiers.

Tier 6 is the current tier for all LAWA APO hired on or after January 7, 2018. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension System, 701 East 3rd Street, Suite 200, Los Angeles, CA 90013, (213) 279-3000 or LAFPP's website https://www.lafpp.com/financial-reports. As of the completion date of LAWA's financial statements, the LAFPP's financial statements and the plan's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided by the LAFPP Plan

Information about benefits for Tiers 1 through 5 members is available in the separately issued LAFPP financial report. Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus LAFPP Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Member Contributions to the LAFPP Plan

The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP regardless of tier in which they are included. For fiscal years 2020 and 2019, the average employer contribution rates for pension benefits are 26.20% and 26.63%, respectively, of covered payroll.LAX has made 100% of the actuarially determined contributions for both fiscal years.

LAX's Contributions to the LAFPP Plan

In fiscal year 2021, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 28.30% of covered payroll. Based on LAX's reported covered payroll of \$7.9 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was \$2.2 million. In fiscal year 2020, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 27.49% of covered payroll. Based on LAX's reported covered payroll of \$6.1 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was \$1.7 million.

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2021, LAX recognized its proportionate shares of NPL of \$2.3 million and pension expense of \$2.0 million for the LAFPP plan. LAX also reported deferred outflows of resources and deferred inflows of resources related to pensions for the LAFPP plan from the following resources (amounts in thousands):

	Deferr	ed outflows	ı	Deferred inflows
	of r	esources		of resources
Pension contributions subsequent to measurement date	\$	1,559	\$	_
Differences between expected and actual experience		1,259		11
Changes of assumptions		328		_
Net difference between projected and actual earnings on pension plan investments		194		
Total	\$	3,340	\$	11

\$1.6 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2022.

(continued)

14. Other Postemployment Benefit Plan (OPEB)

- I. Los Angeles City Employees' Retirement System
- a. General Information

Plan Description

Los Angeles City Employees' Retirement System (LACERS) provides other postemployment health care benefits under a Postemployment Health Care Plan to eligible retirees and their eligible spouses/ domestic partners who participate in the Pension Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. These benefits may also extend to the coverage of other eligible dependent(s). To be eligible for health care benefits, member must: 1) be at least age 55; 2) had at least 10 whole years of service with LACERS; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website http://lacers.org/aboutlacers/reports/index.html. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related OPEB benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2020 are not yet available.

Benefits Provided

The maximum subsidies are set annually by the LACERS Board of Administration. Both Tier 1 and Tier 3 members will be eligible for 40% of maximum medical plan premium subsidy for 1-10 whole years of service credit, and the eligible members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Pension Plan members are entitled to LACERS' postemployment health care benefits after the retired member's death. During fiscal year 2011, the City adopted an ordinance (Subsidy Cap Ordinance) to limit the maximum medical subsidy at \$1,190 for those members who retire on or after July 1, 2011; however, members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2019, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

Membership

As of the measurement dates June 30, 2020 and June 30, 2019, the components of membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows: (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

	2020	2019
Retirement members/Surviving spouses (1)	16,107	15,791
Vested terminated members entitled to,		
but not yet receiving benefits (2)	1,526	1,474
Retired members and surviving spouses		
not yet eligible for health benefits	142	146
Active members	27,490	26,632
Total	45,265	44,043

⁽¹⁾ Total participants including married dependents and dependent children receiving benefits were 21,572 and 21,115 as of June 30, 2020 and 2019, respectively.

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2020, was 4.91% of covered payroll, determined by the June 30, 2018 actuarial valuation. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2019, was 5.10% of covered payroll, determined by the June 30, 2017 actuarial valuation. (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Postemployment Health Plan. The required annual contribution amount is composed of two components: normal cost which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the unfunded actuarial accrued liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are closed as each layer of the UAAL is systematically amortized over a fixed period.

⁽²⁾ Including terminated members due a refund of employee contributions.

(continued)

The total OPEB contributions to LACERS for the years ended June 30, 2020 and 2019 was \$112.1 million and \$107.9 million, representing 100% of the Actuarially Determined Contribution (ADC) of the employer as defined by GASB Statement No. 74^5 . (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

LAX's Contributions to the Postemployment Health Care Plan

LAX's contributions to the Postemployment Health Care Plan for the years ended June 30 (amounts in thousands):

	2021		2020	
LAX's required contributions to the Postemployment Health Care Plan	\$	12,064	\$	14,245

LAX's contributions made for the Postemployment Health Care Plan, in the amounts of \$12.1 million and \$14.2 million for fiscal years 2021 and 2020, respectively, represent 100% of the ADC as defined by GASB Statement No. 74. The Postemployment Health Care Plan is administered through a trust that meets the criteria of GASB Statement No. 75^6 .

 $^{^{5}}$ GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in June 2015

⁶ GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in June 2015

b. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the OPEB Plan

LACERS' Net OPEB Liability (NOL) for fiscal year 2021 was measured as of June 30, 2020 and determined based upon the Plan Fiduciary Net Position (FNP) and Total OPEB Liability (TOL) from actuarial valuation as of June 30, 2020.

As of the reporting date June 30, 2021 (measurement date of June 30, 2020), LAX reported its proportionate shares of TOL, FNP and NOL as follows (amounts in thousands):

	porting date 6/30/21 surement date
	 6/30/20
LAX's proportionate share:	
Total OPEB Liability	\$ 437,859
Plan Fiduciary Net Position	 (358,071)
Plan's Net OPEB Liability	\$ 79,788

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability

81.78 %

LAX's NOL was measured as the proportionate share of the NOL based on the employer contributions made by LAWA during fiscal year 2020. The NOL was measured as of June 30, 2020 and determined based upon the Postemployment Health Care Plan's FNP (plan assets) and TOL from actuarial valuations as of June 30, 2020.

Change in LAX's proportionate share of the NOL as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) was as follows (amounts in thousands):

	 NOL	Proportion
Proportion - Reporting date June 30, 2021 (measurement date June 30, 2020)	\$ 79,788	12.56%
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	\$ 67,889	13.00%
Change - Increase (Decrease)	\$ 11,899	(0.44)%

(continued)

For the year ended June 30, 2021, LAX recognized the Postemployment Health Care Plan's OPEB expense of \$11.7 million. At June 30, 2021, LAX reported deferred outflows of resources and deferred inflows of resources related to the Postemployment Health Care Plan from the following resources (amounts in thousands):

	Defe	rred outflows	Deferred inflows
	of resources		of resources
OPEB contributions subsequent to measurement date	\$	12,064	\$ _
Differences between expected and actual experience		923	26,249
Changes of assumptions		20,856	_
Net difference between projected and actual earnings			
on OPEB plan investments		8,175	_
Changes in proportion and			
differences between employer contributions and			
proportionate share of contributions			 4,497
Total	\$	42,018	\$ 30,746

\$12.1 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to net OPEB liability will be recognized as OPEB expense as follows (amounts in thousands):

Fiscal year ending	Amount	
2021	\$	(3,265)
2022		955
2023		2,675
2024		877
2025		(1,715)
2026		(319)

Actuarial Assumptions

Spouse Age Difference

Rates

The total OPEB liability as of June 30, 2021 was determined by actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Projected Salary Increases	Range from 4.25% to 9.95% based on years of service, including inflation
Mortality Table for Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have

Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

a qualified domestic partner and elect dependent coverage.

Surviving Spouse With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death. Coverage

Healthcare Cost Trend Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected

Medical Premium Trend Rates to be applied to fiscal year 2021 are:

First Fiscal Year (July 1, 2020 through June 30, 2021)

<u>Carrier</u>	<u>Under Age 65</u>	Age 65 & Over
Kaiser HMO	3.37%	3.12%
Anthem Blue Cross HMO	4.85%	N/A
Anthem Blue Cross PPO	3.71%	4.45%
UHC Medicare HMO	N/A	3.12%

Dental Premium Trend to be applied is 4.00% for all years.

Medicare Part B Premium Trend is 4.50% for all years.

(continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of both June 30, 2020 and June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.50%
U.S. Small Cap Equity	3.99	6.30
Developed International Large Cap Equity	17.01	6.60
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.70
Emerging International Small Cap Equity	1.35	10.60
Core Bonds	13.75	1.20
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.60
Emerging Market Debt (Local)	2.25	4.80
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	6.00
Treasury Inflation Protected Securities	4.00	0.90
Commodities	1.00	3.30
Non-Core Real Assets	2.80	5.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, employer contributions are intended only to fund the benefits of current plan members and their beneficiaries. Based on those assumptions, LACERS fiduciary net position was projected to be available to make all projected future benefit payments for current plan Members and their beneficiaries. Therefore, in accordance with the GASB Statement No. 74, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

(continued)

Sensitivity of LAX's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

	June 30, 2021
1% decrease	6.00%
Net OPEB Liability	\$142,897
Current discount rate	7.00%
Net OPEB Liability	\$79,788
1% increase	8.00%
Net OPEB Liability	\$28,271

Sensitivity of LAX's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2021, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current trend rate⁷ (dollar in thousands):

	June 30, 2021
1% decrease Net OPEB Liability	\$23,502
Current Healthcare Cost Trend Rates	
Net OPEB Liability 1% increase	\$79,788
Net OPEB Liability	\$150,095

⁷ Current healthcare cost trend rates: 6.62% graded down to 4.50% over 9 years for Non-Medicare medical plan costs, and 6.12% graded down to 4.50% over 7 years for Medicare medical plan costs. 4.00% for all years for Dental and 4.50% for all years for Medicare part B subsidy cost.

II. City of Los Angeles Fire and Police Pensions

a. Benefits Provided by the LAFPP Plan - OPEB

LAFPP provides other postemployment healthcare benefits to eligible members. Detailed information about the LAFPP OPEB plan is available in the separately issued LAFPP financial report.

b. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2021, LAX recognized its proportionate shares of NOL of \$0.6 million and OPEB expense of \$0.7 million for the LAFPP plan. LAX also reported deferred outflows of resources and deferred inflows of resources related to OPEB for the LAFPP plan from the following resources (amounts in thousands):

	Deferre	ed outflows	Deferred inflows			
	of resources			of resources		
OPEB contributions subsequent to measurement date	\$	665	\$	_		
Differences between expected and actual experience		411		303		
Changes of assumptions		106		59		
Net difference between projected and actual earnings on OPEB plan investments		51				
Total	\$	1,233	\$	362		

\$0.7 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2022.

(continued)

15. Risk Management

The Risk Management Division administers LAWA's risk and claims management program by implementing a comprehensive risk identification, assessment, regulation and insurance program. The program addresses key risks that may adversely affect LAWA's ability to meet its business goals and objectives and effectively insures against losses, transfers risk or otherwise mitigates risk losses.

LAWA maintains insurance coverage of \$1.3 billion for general aviation liability perils and \$1.0 billion for war and allied perils (Terrorism). Additional insurance coverage is carried for general all risk property insurance for \$2.5 billion, that includes \$250.0 million sub-limits for boiler and machinery, and \$25.0 million for earthquake perils. Deductibles for these policies are \$10,000 per claim for bodily injury and property damage, with no aggregate for general liability losses, and \$100,000 per occurrence and no aggregate for general property casualty. Historically, no liability or property claims have reached or exceeded the stated policy limits stated above.

LAX carries employment practices liability insurance coverage of \$10.0 million for protection against employment-related losses, including coverage for defense costs and damages. LAX is self-insured for up to \$2.5 million for employment practices liability losses. LAX carries cyber liability insurance with coverage limits of \$15.0 million for protection against cyber liability risks and technology errors and omissions. LAX maintains a self-insured retention of \$250,000 for cyber liability coverage.

Additionally, LAX maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. LAWA also monitors contractual transfer of risk by and through insurance review and requirements of contractors, tenants, airlines. For fiscal years 2021, 2020, and 2019, no claims were in excess of LAX's insurance coverage or approached a substantial portion of the overall coverage capacities.

A number of claims/lawsuits were pending against LAX that arose in the normal course of its operations. LAX recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Outside counsel provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The probability weighted liability for litigation and other claims for the fiscal years ended June 30, 2021 and 2020 was \$10.1 million.

LAX is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by LAWA under the City's workers compensation program. Liability and risk are retained by LAX. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAX's accrued workers' compensation liabilities at June 30, 2021 and 2020 were \$90.1 million and \$89.1 million, respectively.

The changes in LAX's estimated claims payable are as follows (amounts in thousands):

	June 30						
		2021		2020		2019	
Balance at beginning of year	\$	99,227	\$	93,471	\$	97,075	
Provision for current year's events and changes in provision for prior years' events		9,912		14,926		6,745	
Claims payments		(8,912)		(9,170)		(10,349)	
Balance at end of year	\$	100,227	\$	99,227	\$	93,471	
Current portion		(9,643)		(8,912)		(9,170)	
Noncurrent portion	\$	90,584	\$	90,315	\$	84,301	

(continued)

16. Commitments, Litigations, and Contingencies

a. Commitments

LAX has commitments for open purchase orders of approximately \$202.0 million and \$178.7 million as of June 30, 2021 and 2020, respectively.

LAX has commitments to make a series of Milestone Payments according to the terms of contract for Automated People Mover (APM) totaling approximately \$1.2 billion during the construction, based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of \$792.5 million were made through fiscal year 2021. Subject to certain conditions, additional four APM Milestone Payments are to be made. Additional commitments related to further Availability Payments are subject to project completion.

LAX has commitments to make a series of Consolidated Rental Car Facility (ConRAC) Milestone/Progress Payments of approximately \$748.3 million during the construction based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of \$487.4 million were made through fiscal year 2021. Additional commitments related to further Availability Payments are subject to project completion.

LAX has the following commitments on major construction contracts⁸:

Project	nount nillions)
Roadways, Utilities & Enabling Projects	\$ 305
TBIT Core & APM Interface	 139
Total	\$ 444

LAX has the following commitments on major tenant based acquisitions⁸:

Project	Amount (in millions)		
Terminals 4/5 Improvement	\$ 1,256		
Terminals 2/3 Improvement	1,207		
Terminal 6 Improvement	216		
TBIT/MSC Baggage System	 73		
Total	\$ 2,752		

⁸ Unpaid portion of total commitments.

b. Aviation Security

Concerns about the safety and security of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in the light of existing international hostilities, potential terrorist attacks, and world health concerns, including epidemics and pandemics. As a result of terrorist activities, certain international hostilities and risk of violent crime, LAWA has implemented enhanced security measures mandated by the FAA, the Transportation Security Administration (TSA), the Department of Homeland Security and Airport management. Current and future security measures may create significantly increased inconvenience, costs and delays at LAX which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect LAWA's operations, expenses and revenues. LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. LAWA cannot predict whether LAX or any of LAWA's other airports will be actual targets of terrorists or other violent acts in the future.

c. Environmental Issues

LAX bears full responsibility for the cleanup of environmental contamination on property it owns. However, if the contamination originated based on contractual arrangements, the tenants are held responsible even if they declare bankruptcy. As property owner, LAX assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAX may become liable for cleaning up soil and groundwater contamination on a property in the event that the previous owner does not perform its remediation obligations. LAX accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays.

On November 7, 2019, the Board approved: (i) an update to the LAX Ground Support Equipment Emissions Reduction Policy (GSE ERP) with new emission reduction targets for 2023 and 2031; (ii) the LAX Air Quality Improvement Measures (AQIM), which consolidated existing air quality improvement programs or previously adopted policies into one plan to more efficiently track progress and align with LAWA's Sustainability Action Plan; and (iii) a Memorandum of Understanding (MOU) with the South Coast Air Quality Management District (SCAQMD) to quantify emission reductions associated with the following LAX AQIM measures identified in the MOU to assist SCAQMD in obtaining emission reductions for these measures to meet its obligations under the Clean Air Act:

- Updated Ground Support Equipment Emissions Reduction Policy
- Alternative Fuel Vehicle Incentive Program
- Zero-Emission Bus Program

LAX's primary obligations under the MOU are to implement the above measures and provide annual reports to SCAQMD on implementation of the measures, including equipment data and emission benefit calculations. In the event that actual emission reduction is less than the estimated emission reduction projected for these measures, LAX and SCAQMD will work together to consider potential new or enhanced programs, or better efforts to quantify existing programs, to help SCAQMD address any shortfalls.

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17. Subsequent Events

On July 8, 2021, the Board approved to accept grant offers and execute grant agreements with the Federal Aviation Administration (FAA) for economic relief funds provided from the American Rescue Plan Act of 2021, for the reimbursement of grant-eligible expenses incurred and payments made for LAX and VNY, and for rent relief for grant-eligible airport concessions at LAX. On June 22, 2021, the FAA announced that LAWA is eligible to receive up to \$303.9 million in formula-based grant allocations from the American Rescue Grant Program (ARPA). The American Rescue Grant Program is a result of the passage of the American Rescue Plan Act of 2021, and is the third funding round of economic relief grants provided by the FAA to eligible commercial service and reliever airports throughout the United States. The intent of the grant program is to address the impacts of the decrease in global air traffic and economic disruption at airports due to the COVID-19 pandemic. The first and second funding rounds of economic relief were provided under the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) and the Coronavirus Response and Relief Supplemental Appropriation Act of 2021 (CRRSAA), respectively. A summary of the three funding rounds of economic relief for LAX and VNY is provided below.

		LAX		VNY		LAWA
	Α	Amount		Amount		mount
Federal Program	(in	(in millions)		(in thousands)		millions)
CARES Act	\$	323.6	\$	157.0	\$	323.8
CRRSAA		72.3		57.0		72.3
ARPA		303.8		148.0		303.9
Total	\$	699.7	\$	362.0	\$	700.0

On July 8, 2021, the Board approved to appropriate funds in the amount of \$1.1 billion to acquire Terminal Improvements contemplated in the Terminal Facilities Lease and License Agreement LAA-9037 with American Airlines, Inc. at LAX; approved the Third Amendment to the Terminal Facilities Lease and License Agreement; and approved the direct disbursement of up to \$1.6 million for Concessions Buy-Outs or Convenience Termination Payments for concessionaires in Terminal 4 impacted by the American Airlines, Inc. development program in order to facilitate improvements and enhancements to the headhouse (an arrival and departure hall), concourse, and satellite at Terminals 4 and 5 at LAX.

On August 12, 2021, the Board approved the execution of amended agreements related to the extension of the Bank of America, N.A. direct-pay letter of credit that provides credit support for a portion of the LAX Commercial Paper Program, and all required actions to complete this financial transaction in order to provide credit support over three years for up to \$90.0 million of principal and \$8.1 million of interest, on commercial paper notes (CP) outstanding at any one time, to expire on September 6, 2024.

On September 2, 2021, the Board approved an award of contract to ABM Aviation, Inc. (ABM) to manage and operate remote employee parking lots and provide courtesy shuttle services for LAX employees and the public between the remote employee parking lots, LAX City Bus Center, and LAX Central Terminal Area (CTA), for a ten year term and total contract amount not to exceed \$160.0 million. The parking services include: web-based on-line parking permit sales, collection of parking revenue and deposit into LAWA's bank account, access control system maintenance and operation, cleaning of lots, and lot security patrols. In addition, ABM also is required to procure new buses to replace LAWA's aging bus fleet. The ABM bus fleet proposal includes procurement of 22 new Carbon Neutral Gas (CNG) buses and eleven new electric buses, in compliance with the California Air Resource Board (CARB) zero-emission airport shuttle (ZEAS) vehicle requirements for 33 percent electric vehicle (EV) replacements by December 31, 2027. Under the new agreement, ABM also will be required to maintain its own shuttle bus fleet, including repairs, cleaning, and fueling of the buses.

On September 2, 2021, the Board approved to adopt new public parking and electric vehicle charging rate ranges for LAX at the CTA garages, the new LAX Economy Parking facility (located at the Intermodal Transportation Facility West), and the Van Nuys FlyAway parking facility, and authorize the Chief Executive Officer, for a period of three years, to manage the setting of specific posted rates within the ranges and to offer discounted rates online. The LAWA staff were implementing an improved smart parking solution that will introduce a number of new functions for users, including automated payments, touchless entry and exit, pre-bookings, reservations, automated gates, a parking guidance system, new information technology systems, electric chargers, and other key passenger experience improvements. Smart Parking not only will greatly enhance the passenger experience, but will also provide LAWA the ability to better manage its parking inventory, optimize revenue, increase market share, and grow its customer base. In October 2020, the Board awarded a seven-year contract (DA -5466) to ABM to implement the new Smart Parking initiative to modernize parking services at LAX and VNY. ABM estimated that, based on (1) the proposed rates, (2) anticipated customer uptake of the pre-booking option, and (3) future passenger demand, LAWA will generate \$1.336 billion in revenue from the seven-year program (Calendar Year from 2021 through 2027).

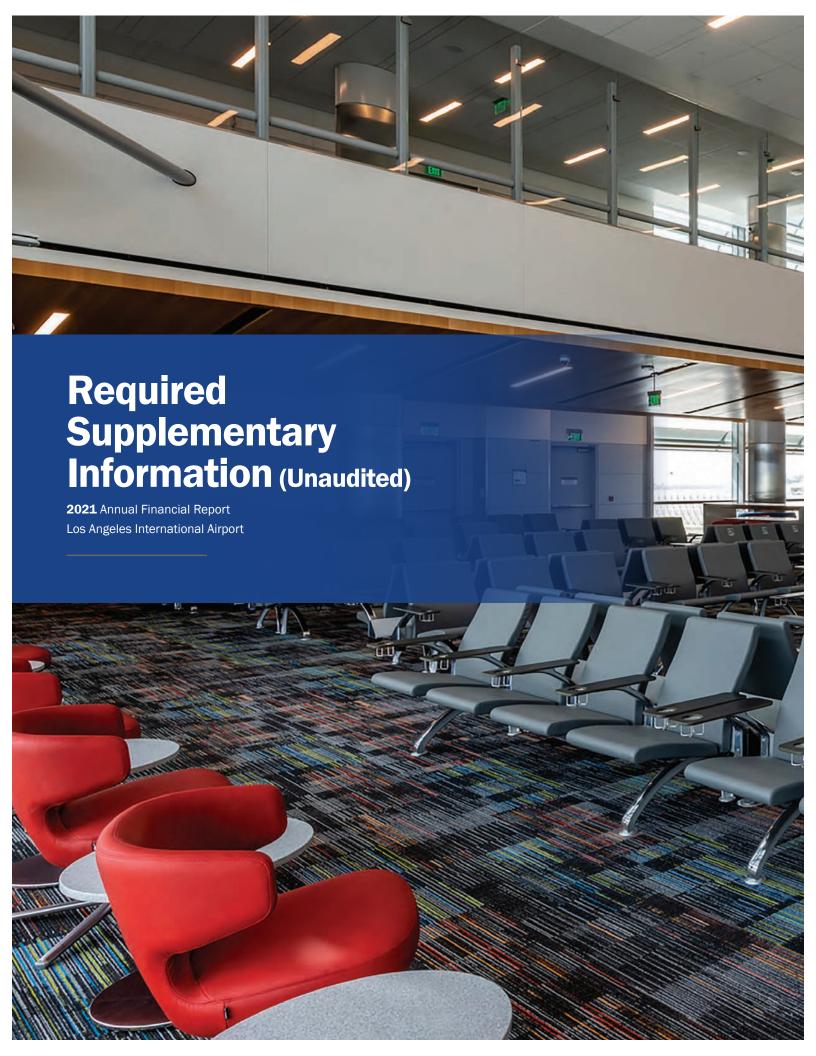
On October 6, 2021, LAWA issued \$753.2 million of LAX subordinate revenue bonds Series 2021D with a premium of \$178.4 million, and \$125.8 million of LAX subordinate refunding revenue bonds Series 2021E at par. The Series 2021D bonds were primarily issued to fund certain capital projects at LAX, refund a portion of the outstanding subordinate Commercial Paper Notes; refund and defease a portion of the outstanding LAX subordinate revenue bonds Series 2016A and a portion of the outstanding LAX senior refunding revenue bonds Series 2016C, in each case to realize debt service savings. The Series 2021E bonds were primarily issued to pay a portion of the interest due November 15, 2021 on certain existing senior bonds and existing subordinate bonds; and refund and defease a portion of the refunded series 2016A subordinate bonds and a portion of the refunded series 2016C senior bonds.

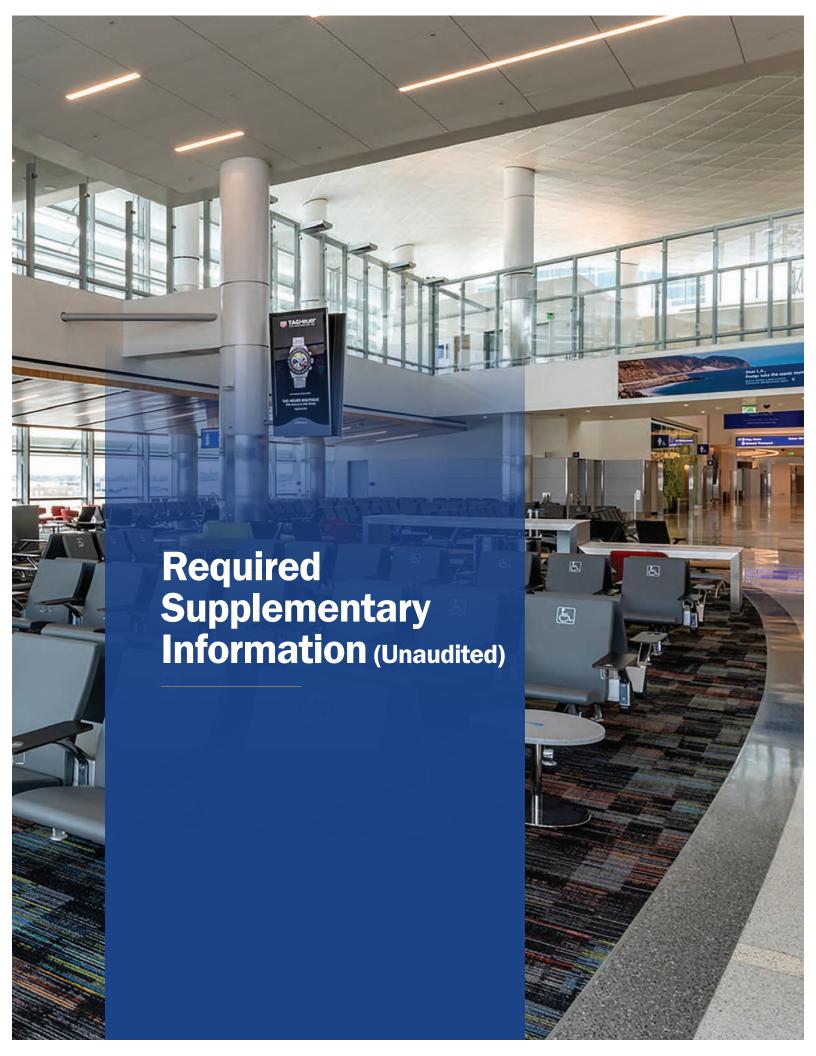
On Oct 7, 2021, the Board approved the LAX Airfield and Terminal Modernization Project (ATMP), certified the Final Environmental Impact Report (FEIR) for the ATMP, adopted the associated documents; approved the LAX Specific Plan Compliance Review Determination set forth in the Executive Director's Report; and approved the LAX ATMP as described in the FEIR. The ATMP focuses on airfield and terminal improvements within the airport's existing footprint, and landside (roadway) improvements that help reduce local traffic congestion. The approximate cost of the project is estimated to be \$6 billion. The actions taken on this item by the Board is subject to City Council approval.

(continued)

On October 21, 2021, the Board approved to amend the rental car concession agreements at LAX to establish a consistent period to recalculate the Minimum Annual Guarantee (MAG) amounts and sustainably reintroduce MAG rent provisions. Effective on July 1, 2021, the MAG was to be calculated based on the 12-month period March 1, 2020 through February 28, 2021. The Future Year MAG are to be recalculated annually based on revenue reports submitted for the previous 12-month period (beginning on the first day of March through the last day of February the following year). This amendment will ensure LAWA receive the greater of concessions fee revenue and MAG rents, as well as CFCs. Rental car concession fees revenue to LAWA is forecasted to be \$40.6 million in fiscal year 2022.

On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms to require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022. The approved amendments will reinstate MAG rents effective July 1, 2022, based on the greater of two calculations: (1) the contractually established percentage of the prior year's rent payments; and, (2) a temporary MAG calculated by multiplying the pre-COVID MAG by a ratio of current passenger levels to pre-COVID passenger levels. Thereafter, the MAG will reset annually as the greater of three calculations: (1) the contractually established percentage of prior year's rent payments; (2) the prior year MAG; and, (3) the pre-COVID MAG. This will reset MAG annually based on passenger levels, up to the point that traffic levels exceed the pre-COVID passenger levels, at which point the annual MAG reset will be handled in accordance with the original agreements. As a condition of the prior rent relief programs approved by the Board, the concessionaires contributed funds to extend health insurance for employees furloughed or laid off due to the impacts of COVID-19. The fiscal impact of this action is projected to be an additional loss of approximately \$130 million some of which may be eligible for the ARPA grant reimbursement, and has been budgeted in fiscal year 2022.





Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Required Supplementary Information (Unaudited)

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

Pension Plan

The schedules included in the Required Supplementary Information for the Pension Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, LAX presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

Schedule of LAX's Proportionate Share of the Net Pension Liability (1) (2)

Los Angeles City Employees' Retirement System (LACERS)

į	Fiscal Year	Proportion of the Net Pension Liability	S	oportionate hare of the Net Pension Liability	 Covered Payroll (3)	Proportionate share of the Net Pension Liability as a percentage of its Covered Payroll	Pe	oportionate share of nsion Plan's duciary Net Position	Pe	oportionate share of nsion Plan's otal Pension Liability	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
	2015	12.71 %	\$	566,613	\$ 229,535	246.85 %	\$	1,498,734	\$	2,065,347	72.57 %
	2016	12.87 %	\$	642,431	\$ 235,176	273.17 %	\$	1,534,875	\$	2,177,306	70.49 %
	2017	13.55 %	\$	761,187	\$ 256,833	296.37 %	\$	1,599,900	\$	2,361,087	67.77 %
	2019	13.47 %	\$	710,724	\$ 266,780	266.41 %	\$	1,774,969	\$	2,485,693	71.41 %
	2019	13.52 %	\$	771,926	\$ 274,167	281.55 %	\$	1,924,658	\$	2,696,584	71.37 %
	2020	13.49 %	\$	806,117	\$ 275,892	292.19 %	\$	1,997,900	\$	2,804,017	71.25 %
	2021	13.23 %	\$	1,004,450	\$ 287,623	349.22 %	\$	1,974,887	\$	2,979,337	66.29 %

Notes to schedule:

1. Changes of assumptions

The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability for fiscal years ended on June 30, 2014 is primarily due to the lowered assumed investment rate of return from 7.75% to 7.50%, and longer assumed life expectancies for Members and beneficiaries while the June 30, 2017 increase is primarily due to the lowered assumed investment rate of return from 7.50% to 7.25%. The June 30, 2018 calculations reflected changes in the actuarial assumptions adopted by the Board on August 14, 2018 based on the triennial experience study for the period from July 1, 2014 through June 30, 2017, including revising the mortality tables from static to generational to reflect future mortality improvement, contributing to increased total pension liability. The June 30, 2020 calculations reflected changes in the actuarial assumptions based on the actuarial experience study covering the period from July 1, 2016 to June 30, 2019, and adopted by the Board on June 23, 2020. The changes included lowered assumed investment rate of return from 7.25% to 7.00% along with an Inflation Rate reduction from 3.00% to 2.75%, changes in various demographic assumptions such as adjustments on retirement, termination, disability and mortality rates.

- In calculating the Pension Plan's Net Pension Liability, the Total Pension Liability and the Plan Fiduciary Net Position exclude amounts associated with Family Death, and Larger Annuity Benefits.
- 3. Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers and is reported based on measurement period.

Required Supplementary Information (Unaudited) (continued) Last Ten Fiscal Years Ended June 30

(amounts in thousands)

Schedule of Contributions - Pension

Los Angeles City Employees' Retirement System (LACERS)

	 2021	_	2020	 2019	2018	_	2017
Contractually required contribution (actuarially determined)	\$ 68,312	\$	73,229	\$ 64,737	\$ 60,948	\$	61,197
Contributions in relation to the actuarially determined contributions	68,312		73,229	64,737	60,948		61,197
Contribution deficiency (excess)	\$ 	\$		\$ 	\$ _	\$	
LAX's covered payroll	\$ 266,355	\$	287,623	\$ 275,892	\$ 274,167	\$	266,780
LAX's contributions as a percentage of covered payroll	25.65 %		25.46 %	23.46 %	22.23 %		22.94 %
	2016		2015				
Contractually required contribution (actuarially determined)	\$ 55,972	\$	49,043				
Contributions in relation to the actuarially determined contributions	55,972		49,043				
Contribution deficiency (excess)	\$ 	\$					
LAX's covered payroll	\$ 256,833	\$	235,176				
LAX's contributions as a percentage of covered payroll	21.79 %		20.85 %				

Notes to Schedules - Pension

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date June 30, 2020

Actuarial Cost Method Entry age actuarial cost method

Level percent of payroll **Amortization Method**

7.00% Investment Rate of Return Inflation 2.75 %

Projected Salary Increases Ranges from 4.25% to 9.95% based on years of service

Required Supplementary Information (Unaudited) (continued) Last Ten Fiscal Years Ended June 30

(amounts in thousands)

Other Postemployment Benefit Plan (OPEB)

The schedules included in the Required Supplementary Information for the Postemployment Health Care Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, LAX presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

Schedule of LAX's Proportionate Share of the Net OPEB Liability

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Postemployment Health Care (OPEB) Liability	sh	oportionate are of the Net OPEB Liability	Covered Payroll (1)	Proportionate share of the Net OPEB Liability as a percentage of its Covered Payroll	Pos I Pla	roportionate share of stemployment Health Care an's Fiduciary Net Position	Ро	Proportionate share of stemployment Health Care In's Total OPEB Liability	Postemployment Health Care Plan's Fiduciary Net Position as a percentage of the Total OPEB Liability
2018	13.46 %	\$	76,310	\$ 266,780	28.60 %	\$	328,269	\$	404,579	81.14 %
2019	13.28 %	\$	77,056	\$ 274,167	28.11 %	\$	355,290	\$	432,346	82.18 %
2020	13.00 %	\$	67,889	\$ 275,892	24.61 %	\$	365,588	\$	433,477	84.34 %
2021	12.56 %	\$	79,788	\$ 287,623	27.74 %	\$	358,071	\$	437,859	81.78 %

Notes to schedule:

1. Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers and is reported based on measurement period.

Schedule of Contributions - OPEB

Los Angeles City Employees' Retirement System (LACERS)

	 2021	 2020	2019		2018		
Contractually required contribution (actuarially determined)	\$ 12,064	\$ 14,245	\$	14,212	\$	13.586	
Contributions in relation to the actuarially determined contributions	12,064	14,245		14,212		13.586	
Contribution deficiency (excess)	\$ 	\$ 	\$		\$		
LAX's covered payroll	\$ 266,355	\$ 287,623	\$	275,892	\$	274,167	
LAX's contributions as a percentage of covered payroll	4.53 %	4.95 %		5.15 %		4.96 %	

Required Supplementary Information (Unaudited) (continued) Last Ten Fiscal Years Ended June 30

(amounts in thousands)

Notes to Schedules - OPEB

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date June 30, 2020

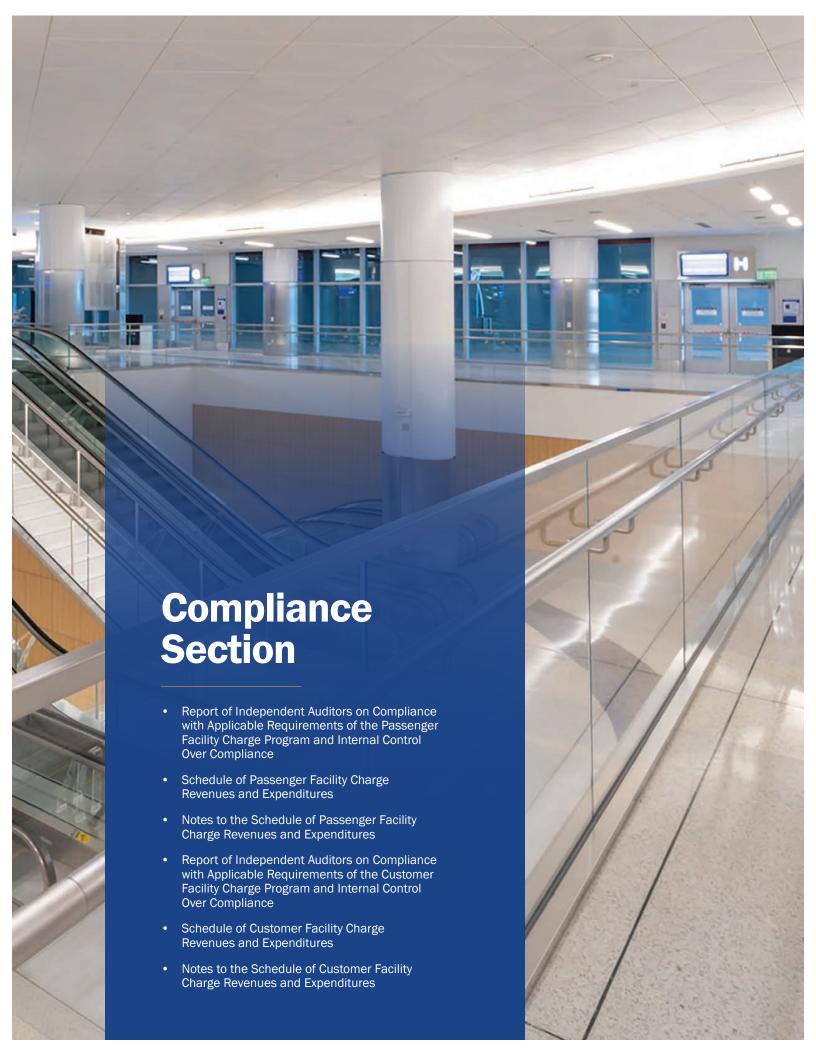
Actuarial Cost Method Entry age actuarial cost method

Amortization Method Level percent of payroll

Investment Rate of Return 7.00%
Inflation 2.75 %

Projected Salary Increases Ranges from 4.25% to 9.95% based on years of service







Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Passenger Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide for Public Agencies, and Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

The Members of the Board of Airport Commissioners City of Los Angeles, California

Report on Compliance for the Passenger Facility Charge Program

We have audited Los Angeles International Airport's (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *Passenger Facility Charge Program Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), that could have a direct and material effect on its Passenger Facility Charge ("PFC") program for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to the PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program occurred. An audit includes examining, on a test basis, evidence about LAX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program. However, our audit does not provide a legal determination of LAX's compliance.

Opinion on PFC Program

In our opinion, LAX complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended June 30, 2021.

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Passenger Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide for Public Agencies, and Report on the Schedule of Passenger Facility Charge Revenues and Expenditures (continued)

Report on Internal Control Over Compliance

Management of LAX is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise LAX's basic financial statements. We have issued our report thereon dated November 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Los Angeles, California November 8, 2021

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Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of July 1, 2019	\$ 2,626,905	\$ 220,660	\$ 2,847,565	\$ 2,468,828	\$ 378,737
Fiscal year 2019-20 transactions					
Quarter ended September 30, 2019	42,461	1,710	44,171	36,242	7,929
Quarter ended December 31, 2019	38,942	2,026	40,968	46,217	(5,249)
Quarter ended March 31, 2020	32,872	2,017	34,889	8,044	26,845
Quarter ended June 30, 2020	3,748	1,716	5,464	71,264	(65,800)
Program to date as of June 30, 2020	2,744,928	228,129	2,973,057	2,630,595	342,462
Fiscal year 2020-21 transactions					
Quarter ended September 30, 2020	5,921	1,525	7,446	28,573	(21,127)
Quarter ended December 31, 2020	17,680	1,062	18,742	21,481	(2,739)
Quarter ended March 31, 2021	7,858	1,185	9,043	18,377	(9,334)
Quarter ended June 30, 2021	37,289	802	38,091	110,870	(72,779)
Unexpended passenger facility charge revenues and interest earned June 30, 2021	\$ 2,813,676	\$ 232,703	\$ 3,046,379	\$ 2,809,896	\$ 236,483

See accompanying notes to the schedule of passenger facility charge revenues and expenditures.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Los Angeles International Airport

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2021 and 2020

1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. The current PFC rate is \$4.50 per enplaned passenger. PFCs collection authorities approved by FAA were \$6.0 billion as of June 30, 2021 and 2020.

The details are as follows (amounts in thousands):

Application number	Charge effective date*	2021 Amount oved for use	2020 Amount approved for use		
96-02-U-00-LAX, closed 6/2/03	6/1/1993	\$ 116,371	\$	116,371	
96-03-C-00-LAX, closed 10/1/08	7/1/1993	50,223		50,223	
97-04-C-02-LAX	2/1/1998	90,000		90,000	
97-04-C-03-LAX	2/1/1998	700,000		700,000	
97-04-C-04-LAX	2/1/1998	88,334		88,334	
05-05-C-00-LAX	12/1/2005	229,750		229,750	
05-05-C-01-LAX	12/1/2005	468,030		468,030	
07-06-C-00-LAX	10/1/2009	85,000		85,000	
10-07-C-01-LAX	6/1/2012	1,848,284		1,848,284	
11-08-C-00-LAX	3/1/2019	27,801		27,801	
13-09-C-00-LAX	6/1/2019	44,379		44,379	
14-10-C-00-LAX	10/1/2019	516,091		516,091	
15-11-U-00-LAX	3/1/2019	3,115		3,115	
20-12-C-00-LAX	1/1/2029	 1,771,936		1,765,397	
Total		\$ 6,039,314	\$	6,032,775	

^{*} Based on FAA's Final Agency Decision and subject to change with actual collections and future collection authorities approved by FAA.

Note:

- a. In February 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-03-LAX by \$90.0 million for the land acquisition component of the Noise Mitigation Project.
- b. In August 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-04-LAX by \$88.3 million for updated cost of the Residential Soundproofing Project.
- c. In March 2020, FAA approved application number 20-12-C-00-LAX for a total amount of \$1.8 billion for the Bradley West Gates (formerly known as Midfield Satellite Concourse) Phase 1, Inglewood High School Soundproofing Program, and PFC consulting fees.

d. In April 2021, FAA approved LAWA's amendment request that increased application number 20-12-C-01-LAX by \$6.5 million for the Inglewood High School Soundproofing Program.

The general description of the approved projects and the expenditures to date are as follows (amounts in thousands):

Taxiway C Easterly Extension, Phase II 13,440 13,440 13,440 Remote Aircraft Boarding Gates 9,355 9,355 9,355 Interline Baggage Remodel - TBIT 2,004 2,004 2,004 Southside Taxiways Extension S & Q 9,350 9,350 9,350 TBIT Improvements 4,455 4,455 4,455 ONT Airport Drive West End 3,462 3,462 3,462 ONT Access Control Monitoring System 808 808 80 ONT Access Control Monitoring System 808 80 80 Noise Mitigation - Land Acquisitions 178,33 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,873 1,412		Amount approved for	•	Expenditures to date June 30			
Taxiway C Easterly Extension, Phase II 13,440 13,440 13,440 Remote Aircraft Boarding Gates 9,355 9,355 9,355 Interline Baggage Remodel - TBIT 2,004 2,004 2,004 Southside Taxiways Extension S & Q 9,350 9,350 9,350 TBIT Improvements 4,455 4,455 4,455 ONT Airport Drive West End 3,462 3,462 3,462 ONT Access Control Monitoring System 808 808 80 ONT Access Control Monitoring System 808 80 80 Noise Mitigation - Land Acquisitions 178,33 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,873 1,412	Approved projects	collection					
Remote Aircraft Boarding Gates 9,355 9,355 9,355 Interline Baggage Remodel - TBIT 2,004 2,004 2,004 Southside Taxiways Extension S & Q 9,350 9,350 9,350 TBIT Improvements 4,455 4,455 4,455 ONT Airport Drive West End 3,462 3,462 3,462 ONT Access Control Monitoring System 808 808 80 ONT Taxiway North Westerly Extension 7,349 7,349 7,349 Noise Mitigation - Under Acquisitions 575,000 562,849 562,84 Noise Mitigation - Other Local Jurisdictions 178,334 178,335 87,48 Apron Lighting Upgrade 1,873 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 1,38 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxillane C-10 Reconstruction 780 2 2 Lax Master Plan 1,050 — — — Aircraft Rescue and Firefighting Vehicles 75,183	ONT Terminal Development Program	\$ 116,371	\$ 116,371	\$ 116,371			
Interline Baggage Remodel - TBIT	Taxiway C Easterly Extension, Phase II	13,440	13,440	13,440			
Southside Taxiways Extension S & Q 9,350 9,350 9,350 TBIT Improvements 4,455 4,455 4,455 4,455 0,455 0,455 0,455 0,455 0,455 0,455 0,455 0,455 0,455 0,456 0,460 <td>Remote Aircraft Boarding Gates</td> <td>9,355</td> <td>9,355</td> <td>9,355</td>	Remote Aircraft Boarding Gates	9,355	9,355	9,355			
TBIT Improvements	Interline Baggage Remodel - TBIT	2,004	2,004	2,004			
ONT Airport Drive West End 3,462 3,462 3,462 ONT Access Control Monitoring System 808 808 80 ONT Taxiway North Westerly Extension 7,349 7,349 7,349 Noise Mitigation - Land Acquisitions 575,000 562,849 562,849 Noise Mitigation - Soundproofing 125,000 125,000 125,000 Noise Mitigation - Other Local Jurisdictions 178,334 178,335 87,48 Apron Lighting Upgrade 1,873 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxilane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,183 Aircraft Rescue and Firefighting Vehicles 975 444 444 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,655 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 <td>Southside Taxiways Extension S & Q</td> <td>9,350</td> <td>9,350</td> <td>9,350</td>	Southside Taxiways Extension S & Q	9,350	9,350	9,350			
ONT Access Control Monitoring System 808 808 80 ONT Taxiway North Westerly Extension 7,349 7,528 7,528 7,528 7,518	TBIT Improvements	4,455	4,455	4,455			
ONT Taxiway North Westerly Extension 7,349 7,349 7,349 Noise Mitigation - Land Acquisitions 575,000 562,849 562,849 Noise Mitigation - Soundproofing 125,000 125,000 125,000 Noise Mitigation - Other Local Jurisdictions 178,334 178,335 87,488 Apron Lighting Upgrade 1,873 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 1,381 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxilane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,18 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,65 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBTI Interior Improvements and Baggage Screening System 468,030	ONT Airport Drive West End	3,462	3,462	3,462			
Noise Mitigation - Land Acquisitions 575,000 562,849 562,849 Noise Mitigation - Soundproofing 125,000 125,000 125,000 Noise Mitigation - Other Local Jurisdictions 178,334 178,335 87,48 Apron Lighting Upgrade 1,873 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 1,381 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxilane C-10 Reconstruction 780 2 1 LAX Master Plan 122,168 75,183 75,18 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,65 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Residential Soundproofing Phase II	ONT Access Control Monitoring System	808	808	808			
Noise Mitigation - Soundproofing 125,000 125,000 125,000 Noise Mitigation - Other Local Jurisdictions 178,334 178,335 87,48 Apron Lighting Upgrade 1,873 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 1,381 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxiliane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,183 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Air Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdi	ONT Taxiway North Westerly Extension	7,349	7,349	7,349			
Noise Mitigation - Other Local Jurisdictions 178,334 178,335 87,48 Apron Lighting Upgrade 1,873 1,412 1,41 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 1,381 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxilane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,18 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,807 Residential Soundproofing Phase II 50,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II	Noise Mitigation - Land Acquisitions	575,000	562,849	562,849			
Apron Lighting Upgrade 1,873 1,412 1,412 South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 1,381 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxilane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,183 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,807 Residential Soundproofing Phase II 50,000 50,000 51,088 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,086 Bradley West 1,848,284	Noise Mitigation - Soundproofing	125,000	125,000	125,000			
South Airfield Improvement Program (SAIP) and NLA Integrated Study 1,381 1,381 1,381 Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxilane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,183 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27	Noise Mitigation - Other Local Jurisdictions	178,334	178,335	87,487			
Century Cargo Complex - Demolition of AF3 1,000 880 88 Taxilane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,188 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000<	Apron Lighting Upgrade	1,873	1,412	1,412			
Taxillane C-10 Reconstruction 780 2 LAX Master Plan 122,168 75,183 75,183 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,655 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609	South Airfield Improvement Program (SAIP) and NLA Integrated Study	1,381	1,381	1,381			
LAX Master Plan 122,168 75,183 75,183 Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 50,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfiel	Century Cargo Complex - Demolition of AF3	1,000	880	880			
Aircraft Rescue and Firefighting Vehicles 975 444 44 PMD Master Plan 1,050 — — Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,807 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960	Taxilane C-10 Reconstruction	780	2	2			
PMD Master Plan 1,050 —	LAX Master Plan	122,168	75,183	75,183			
Aircraft Noise Monitoring and Management System 3,450 3,652 3,652 SAIP - Airfield Intersection Improvement 28,000 8,987 8,98 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 50,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,00 Midfield Satellite Concourse North Project 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 <	Aircraft Rescue and Firefighting Vehicles	975	444	444			
SAIP - Airfield Intersection Improvement 28,000 8,987 8,988 SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 50,000 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — —	PMD Master Plan	1,050	_	_			
SAIP - Remote Boarding 12,500 8,218 8,21 TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,00 Midfield Satellite Concourse North Project 5,960 5,960 5,96 Central Utility Plant Replacement 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 <	Aircraft Noise Monitoring and Management System	3,450	3,652	3,652			
TBIT Interior Improvements and Baggage Screening System 468,030 364,738 456,87 Implementation of IT Security Master Plan 56,573 32,807 32,80 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — —	SAIP - Airfield Intersection Improvement	28,000	8,987	8,987			
Implementation of IT Security Master Plan 56,573 32,807 32,807 Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — — </td <td>SAIP - Remote Boarding</td> <td>12,500</td> <td>8,218</td> <td>8,218</td>	SAIP - Remote Boarding	12,500	8,218	8,218			
Residential Soundproofing Phase II 35,000 34,141 34,14 Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — —	TBIT Interior Improvements and Baggage Screening System	468,030	364,738	456,873			
Noise Mitigation - Other Local Jurisdictions Phase II 50,000 50,000 51,08 Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 5,96 Central Utility Plant Replacement 190,000 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — — —	Implementation of IT Security Master Plan	56,573	32,807	32,807			
Bradley West 1,848,284 724,513 571,25 Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — —	Residential Soundproofing Phase II	35,000	34,141	34,141			
Lennox Schools Soundproofing Program 27,801 23,946 21,21 Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — — —	Noise Mitigation - Other Local Jurisdictions Phase II	50,000	50,000	51,086			
Inglewood USD Soundproofing Program 44,379 40,000 26,70 Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — — Midfield Satellite Concourse - Phase I 1,750,000 — — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — — —	Bradley West	1,848,284	724,513	571,258			
Terminal 6 Improvements 210,131 100,609 88,22 Elevators/Escalators/Moving Walkways Replacement 110,000 110,000 110,000 Midfield Satellite Concourse North Project 5,960 5,960 5,960 5,960 Central Utility Plant Replacement 190,000 190,000 190,000 190,000 Lennox Schools Soundproofing Program - Future Sites 3,115 — — Midfield Satellite Concourse - Phase I 1,750,000 — — PFC Consulting Fees 250 245 24 Inglewood High School Soundproofing Program 21,686 — — —	Lennox Schools Soundproofing Program	27,801	23,946	21,214			
Elevators/Escalators/Moving Walkways Replacement110,000110,000110,000Midfield Satellite Concourse North Project5,9605,9605,96Central Utility Plant Replacement190,000190,000190,000Lennox Schools Soundproofing Program - Future Sites3,115——Midfield Satellite Concourse - Phase I1,750,000——PFC Consulting Fees25024524Inglewood High School Soundproofing Program21,686——	Inglewood USD Soundproofing Program	44,379	40,000	26,700			
Midfield Satellite Concourse North Project5,9605,9605,960Central Utility Plant Replacement190,000190,000190,000Lennox Schools Soundproofing Program - Future Sites3,115——Midfield Satellite Concourse - Phase I1,750,000——PFC Consulting Fees25024524Inglewood High School Soundproofing Program21,686——	Terminal 6 Improvements	210,131	100,609	88,222			
Central Utility Plant Replacement190,000190,000190,000Lennox Schools Soundproofing Program - Future Sites3,115——Midfield Satellite Concourse - Phase I1,750,000——PFC Consulting Fees25024524Inglewood High School Soundproofing Program21,686——	Elevators/Escalators/Moving Walkways Replacement	110,000	110,000	110,000			
Lennox Schools Soundproofing Program - Future Sites3,115—-Midfield Satellite Concourse - Phase I1,750,000—-PFC Consulting Fees25024524Inglewood High School Soundproofing Program21,686—-	Midfield Satellite Concourse North Project	5,960	5,960	5,960			
Midfield Satellite Concourse - Phase I1,750,000—-PFC Consulting Fees25024524Inglewood High School Soundproofing Program21,686—-	Central Utility Plant Replacement	190,000	190,000	190,000			
PFC Consulting Fees25024524Inglewood High School Soundproofing Program21,686——	Lennox Schools Soundproofing Program - Future Sites	3,115	_	_			
PFC Consulting Fees25024524Inglewood High School Soundproofing Program21,686——				_			
Inglewood High School Soundproofing Program 21,686 — -	PFC Consulting Fees			245			
	Inglewood High School Soundproofing Program	21,686	_	_			
Total \$ 6,039,314 \$ 2,809,896 \$ 2,630,59	Total	\$ 6,039,314	\$ 2,809,896	\$ 2,630,595			

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2021 and 2020 (continued)

2. Basis of Accounting - Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) represents amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports. The Schedule was prepared using the accrual basis of accounting.

3. Excess Project Expenditures

The expenditures for the Aircraft Noise Monitoring and Management System and the Noise Mitigation - Other Local Jurisdictions Phase II were in excess of authorized amounts. However, in accordance with FAA guidelines, if actual allowable project costs exceed the estimate contained in the PFCs application in which the authority was approved, the public agency may elect to increase the total approved PFCs revenue in that application by 15% or less.



Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Customer Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051,* and Report on the Schedule of Customer Facility Charge Revenues and Expenditures

The Members of the Board of Airport Commissioners City of Los Angeles, California

Report on Compliance for the Customer Facility Charge Program

We have audited Los Angeles International Airport's (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051* (the "Code"), that could have a direct and material effect on its Customer Facility Charge ("CFC") program for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions applicable to the CFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the CFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Code. Those standards and the Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the CFC program occurred. An audit includes examining, on a test basis, evidence about LAX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the CFC program. However, our audit does not provide a legal determination of LAX's compliance.

Opinion on CFC Program

In our opinion, LAX complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its CFC program for the year ended June 30, 2021.

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Customer Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051*, and Report on the Schedule of Customer Facility Charge Revenues and Expenditures (continued)

Report on Internal Control Over Compliance

Management of LAX is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the CFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Code. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise LAX's basic financial statements. We have issued our report thereon dated November 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of customer facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Code and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of customer facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams HP
Los Angeles, California
November 8, 2021

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of as of July 1, 2019	\$ 402,676	\$ 27,689	\$ 430,365	\$ 3,026	\$ 427,339
Fiscal year 2019-20 transactions					
Quarter ended September 30, 2019	22,588	2,023	24,611	_	24,611
Quarter ended December 31, 2019	22,633	2,216	24,849	_	24,849
Quarter ended March 31, 2020	16,697	2,370	19,067	_	19,067
Quarter ended June 30, 2020	3,703	2,341	6,044	80,657	(74,613)
Program to date as of as of June 30, 2020	468,297	36,639	504,936	83,683	421,253
Fiscal year 2020-21 transactions					
Quarter ended September 30, 2020	7,329	1,950	9,279	77,747	(68,468)
Quarter ended December 31, 2020	7,332	1,033	8,365	94,597	(86,232)
Quarter ended March 31, 2021	4,830	480	5,310	92,219	(86,909)
Quarter ended June 30, 2021	13,115	173	13,288	99,954	(86,666)
Unexpended customer facility charge revenues and interest earned June 30, 2021	\$ 500,903	\$ 40,275	\$ 541,178	\$ 448,200	\$ 92,978

See accompanying notes to the schedule of customer facility charge revenues and expenditures.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2021 and 2020

General

California law (California Government Code Sections 50474.3, 50474.21 and 50474.22, collectively, CFC Legislation), which authority was previously contained in California Civil Code Section 1936 et seq., allows airport operators to require rental car companies to collect a fee from rental car customers on behalf of the airport operator to pay for certain costs incurred by an airport operator for a consolidated rental car facility (ConRAC) and a common-use transportation system (CTS) that moves passengers between airport terminals and the ConRAC. The fee is referred to as Customer Facility Charges (CFCs). Revenue from the CFCs may not exceed the reasonable costs to finance, design, construct, operate, maintain or otherwise improve, as applicable, those facilities, systems and modifications. California CFC Legislation permits LAWA to require the collection by rental car companies of a CFC at a rate charged on a per-day basis up to \$9.00 per day (for up to 5 days), and CFCs collected by the rental car companies on behalf of LAWA are permitted under the California CFC Legislation to finance, design and construct the ConRAC; to finance, design, construct and operate the APM System, as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system.

LAWA is modernizing LAX to improve passenger quality-of-service and provide world class facilities for its customers. To further transform LAX and to address increasing levels of traffic congestion at and around LAX, LAWA is working on the Landside Access Modernization Program (LAMP) to implement a ground access system to LAX, which would include a seamless connection to the regional rail and transit system.

The LAMP program includes the following major project components:

- An Automated People Mover System (APM), including the acquisition of vehicles for the use in such System, with six APM stations connecting the Central Terminal Area (CTA) via an above-grade fixed guideway to new proposed ground transportation facilities (serving as the CTS for the ConRAC)
- A ConRAC designed to meet the needs of rental car companies serving LAX with access to the CTA via the APM
- Two Intermodal Transportation Facilities (ITFs) providing airport parking and pick-up and drop-off areas outside the CTA for private vehicles and commercial shuttles
- Roadway improvements designed to improve access to the proposed ConRAC, ITFs, the CTA, and other facilities and reduce traffic congestion in neighboring communities

In November 2001, in anticipation of constructing a ConRAC identified in LAX's master plan, the Board approved collection of CFCs of \$10.00 per rental contract and began collections in August 2007. On October 5, 2017, the Board authorized collection of an updated CFC pursuant to the California CFC Legislation to fund costs of a ConRAC and its share of a common-use transportation system (CTS) at LAX. The Board authorized collection of CFCs of \$7.50 per day for the first five days of each car rental contract, effective January 1, 2018, by rental car companies serving LAX. On June 20, 2019, the Board authorized collection of \$9.00 per day for the first five days of each car rental contract, effective September 1, 2019, by rental car companies serving LAX.

CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

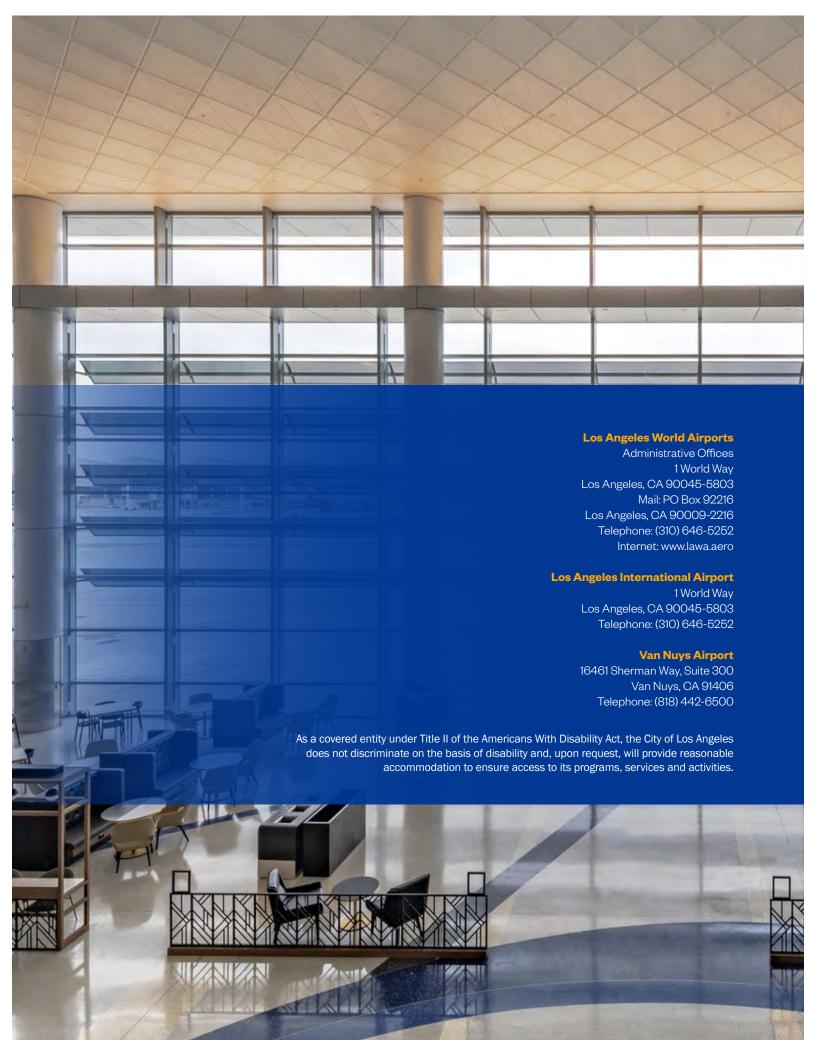
	2021		2020
Amount collected	\$	500,903	\$ 468,297
Interest earnings		40,275	36,639
Subtotal		541,178	504,936
Expenditures			
ConRAC planning, design and construction		448,200	 83,683
Unexpended CFCs revenue and interest earnings	\$	92,978	\$ 421,253

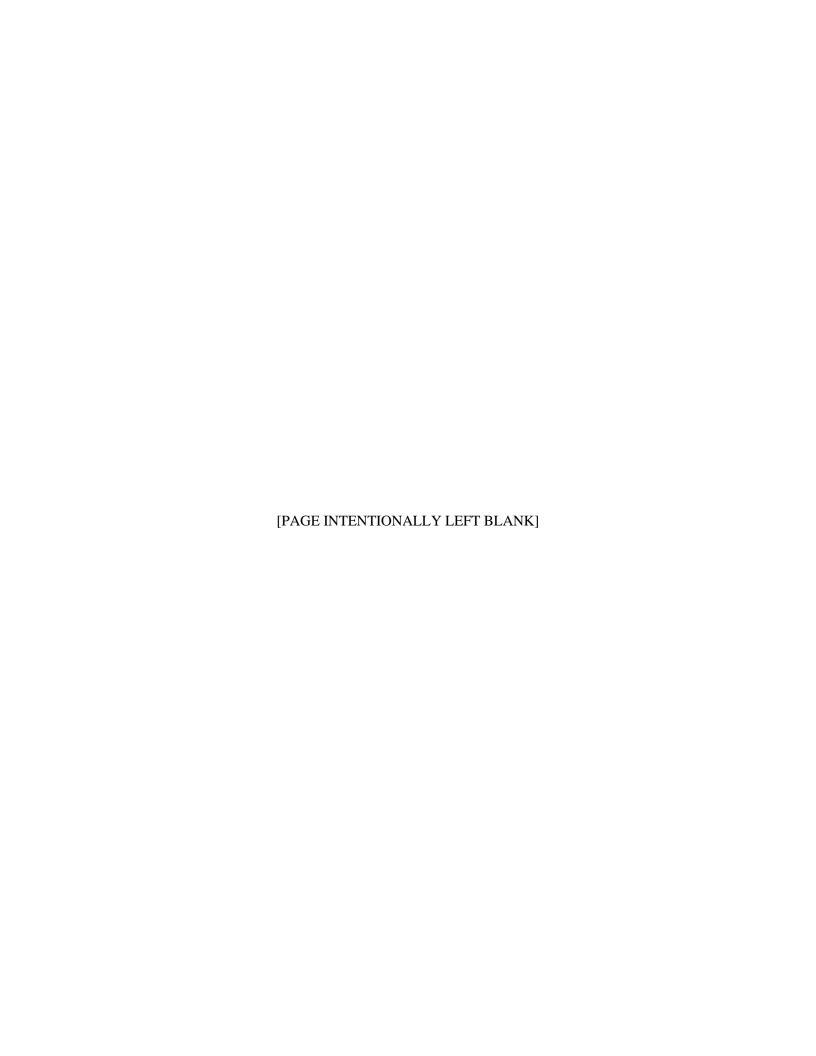
LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to \$2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was \$364.5 million and \$80.7 million in fiscal years 2021 and 2020, respectively. LAX's cumulative expenditures on approved CFCs projects totaled \$448.2 million and \$83.7 million for fiscal years 2021 and 2020, respectively.

2. **Basis of Accounting - Schedule of Customer Facility Charge Revenues and Expenditures**

The accompanying Schedule of Customer Facility Charge Revenues and Expenditures was prepared using the accrual basis of accounting.

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APPENDIX H

BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set forth in this Appendix G is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the "Clearing Systems") currently in effect. The information in this Appendix G concerning the Clearing Systems has been obtained from sources believed to be reliable, but the Department does not take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix G. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Department will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in the Series 2022A Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

So long as Cede & Co. is the registered owner of the Series 2022A Bonds, as nominee for DTC, references herein and in the Indenture to the Bondholders, registered owners or owners (or similar terms) of the Series 2022A Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2022A Bonds.

DTC Book-Entry-Only System

Introduction. The Beneficial Owners of the Series 2022A Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE DEPARTMENT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2022A BONDS UNDER THE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2022A BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2022A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2022A BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General. DTC will act as securities depository for the Series 2022A Bonds. The Series 2022A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2022A Bond certificate will be issued for each maturity of the Series 2022A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5

million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2022A Bonds, except in the event that use of the book-entry system for the Series 2022A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2022A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2022A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2022A Bond documents. For example, Beneficial Owners of Series 2022A Bonds may wish to ascertain that the nominee holding the Series 2022A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2022A Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2022A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2022A 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 Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2022A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2022A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department, the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2022A Bonds at any time by giving reasonable notice to the Department or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2022A Bonds are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2022A Bonds will be printed and delivered to DTC.

The information in this Appendix G concerning DTC and DTC's book-entry system has been obtained from sources that the Department believes to be reliable, but neither the Department nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2022A BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

Global Clearance Procedures

Beneficial interests in the Series 2022A Bonds may be held through DTC, Clearstream Banking, S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have

established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. The Series 2022A Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series 2022A Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfer Procedures. Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Department will not impose any fees in respect of holding the Series 2022A Bonds; however, holders of book-entry interests in the Series 2022A Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

Initial Settlement. Interests in the Series 2022A Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2022A Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Bookentry interests in the Series 2022A Bonds will be credited to Euroclear and Clearstream participants'

securities clearance accounts on the business day following the date of delivery of the Series 2022A Bonds against payment (value as on the date of delivery of the Series 2022A Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2022A Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2022A Bonds following confirmation of receipt of payment to the Department on the date of delivery of the Series 2022A Bonds.

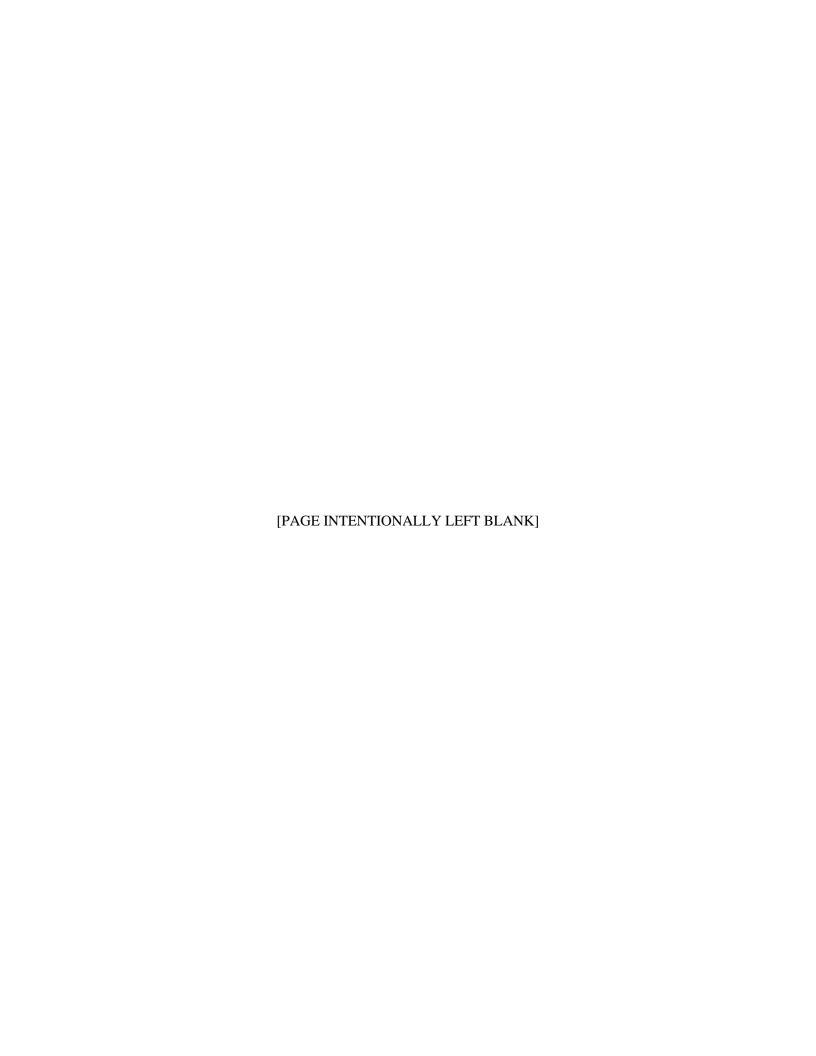
Secondary Market Trading. Secondary market trades in the Series 2022A Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the 2020B Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Series 2022A Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2022A Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series 2022A Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of timezone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series 2022A Bonds, or to receive or make a payment or delivery of the Series 2022A Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Series 2022A Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Series 2022A Bonds are set forth on the inside cover of the Official Statement.

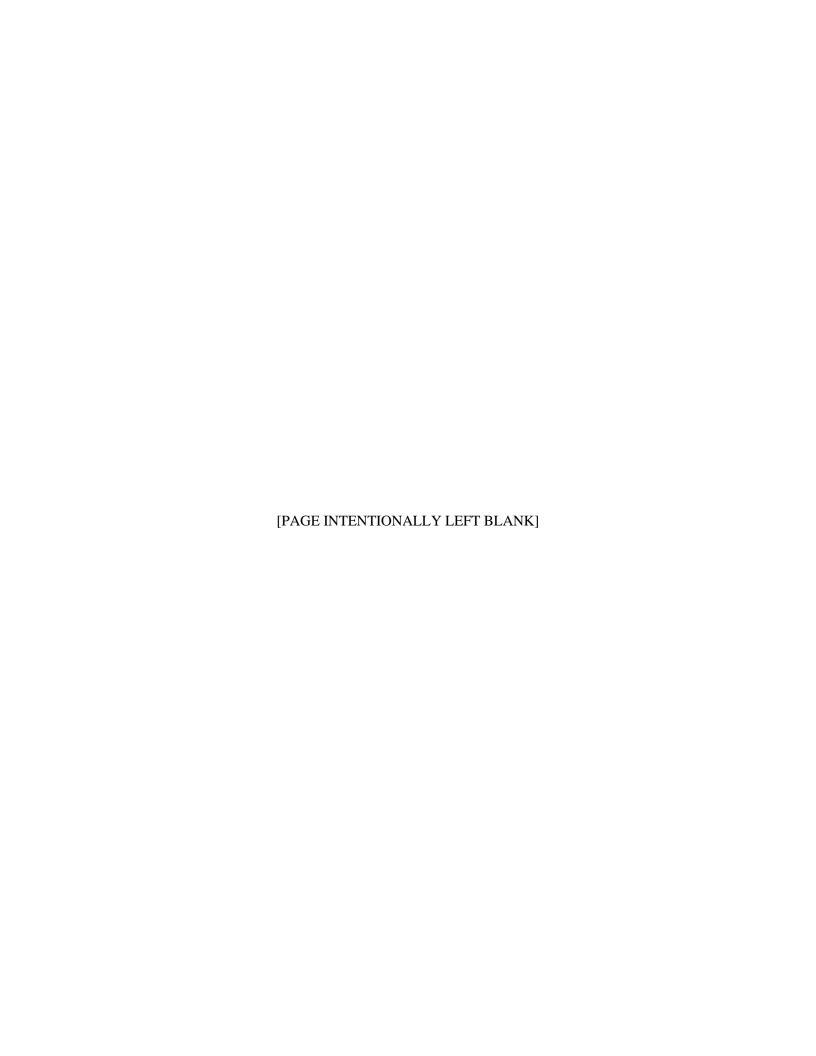
General. Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

NEITHER THE DEPARTMENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.



APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY





MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: \$ in aggregate principal amount of Effective Date:

Premium: \$

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 providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, 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.

On the later of the 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, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. 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 Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. 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.

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 or the Insurer's Fiscal Agent are 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 Trustee or, if there is no Trustee, 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 which recovered from been such Owner pursuant

Page 2 of 2 Policy No. -N

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 an Owner, 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 thereof, 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.

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 canceled 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.



A subsidiary of Assured Guaranty Municipal Holdings Inc. 1633 Broadway, New York, N.Y. 10019 (212) 974-0100

Form 500NY (5/90)





