NEW ISSUES **Ratings: See "RATINGS" herein.**
BOOK-ENTRY ONLY

In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2010A Bond for any period during which such Subordinate Series 2010A Bond is held by a "substantial user" of the facilities financed and refinanced by the Subordinate Series 2010A Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that interest on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Subordinate Series 2010C Bonds is included in gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Subordinate Series 2010 Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein.

$572,565,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds

$313,150,000	$44,055,000	$215,360,00
Series 2010A	Series 2010B	Series 2010C
(Non-AMT)	(Non-AMT)	(Federally Taxable – Build America Bonds – Direct Payment to Issuer)

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

The San Diego County Regional Airport Authority (the "Authority") is issuing its Subordinate Airport Revenue Bonds, Series 2010A (the "Subordinate Series 2010A Bonds"), Subordinate Airport Revenue Bonds, Series 2010B (the "Subordinate Series 2010B Bonds"), and Subordinate Airport Revenue Bonds, Series 2010C (the "Subordinate Series 2010C Bonds," and collectively with the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds, the "Subordinate Series 2010 Bonds"), to (a) finance certain capital improvements at San Diego International Airport, (b) fund a portion of the interest accruing on the Subordinate Series 2010 Bonds, (c) refund a portion of the Authority's outstanding Subordinate Commercial Paper Notes, (d) fund a reserve fund for the Subordinate Series 2010 Bonds, and (e) pay the costs of issuance of the Subordinate Series 2010 Bonds. See "PLAN OF FINANCE AND APPLICATION OF THE SUBORDINATE SERIES 2010 BOND PROCEEDS" herein.

The Subordinate Series 2010 Bonds are special obligations of the Authority, payable solely from and secured by (a) a pledge of Subordinate Net Revenues, which include certain income and revenue received by the Authority from the operation of the Airport System less all amounts that are required to pay the Operation and Maintenance Expenses of the Airport System and less all amounts necessary to pay debt service on and fund the reserves for the Senior Bonds; and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. The Subordinate Series 2010 Bonds are being issued with a pledge of and lien on Subordinate Net Revenues on a parity with the Authority's Subordinate Commercial Paper Notes, which as of September 1, 2010 were outstanding in the aggregate principal amount of $164,430,000 (including the Subordinate Commercial Paper Notes to be refunded with a portion of the proceeds of the Subordinate Series 2010 Bonds), and the Authority's payment obligations under the CP Reimbursement Agreement.

NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SUBORDINATE SERIES 2010 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OF SAN DIEGO, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SUBORDINATE SERIES 2010 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS."

The Subordinate Series 2010 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 Subordinate Series 2010 Bonds may be made in book-entry form only in denominations of $5,000 and integral multiplies thereof. Interest on the Subordinate Series 2010 Bonds will be payable on January 1 and July 1, commencing on January 1, 2011. So long as the Subordinate Series 2010 Bonds are held by DTC, the principal of and interest on the Subordinate Series 2010 Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Subordinate Series 2010 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

The Subordinate Series 2010 Bonds are subject to optional, extraordinary optional (Subordinate Series 2010C Bonds only) and mandatory sinking fund redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS—Redemption Provisions."

Purchasers of the Subordinate Series 2010 Bonds will be deemed to have irrevocably consented to certain amendments to the Master Senior Indenture and the Master Subordinate Indenture. See "INTRODUCTION—Amendments to Master Senior Indenture" and "—Amendments to Master Subordinate Indenture."

The purchase and ownership of Subordinate Series 2010 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 Subordinate Series 2010 Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Subordinate Series 2010 Bonds are offered, when, as and if issued by the Authority, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Authority, and to certain other conditions. Certain matters will be passed upon for the Authority by its General Counsel and by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, The Gibbs Law Group, P.C. Frasca & Associates, L.L.C. has served as Financial Advisor to the Authority. It is expected that the delivery of the Subordinate Series 2010 Bonds will be made through the facilities of DTC on or about October 5, 2010.

Siebert Brandford Shank & Co., LLC **J.P. Morgan**

Cabrera Capital Markets, LLC **Citi** **Jefferies & Company** **Loop Capital Markets, LLC**

Date of Official Statement: September 23, 2010.

MATURITY SCHEDULE

$313,150,000
San Diego County Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2010A
(Non-AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[1]
2014	$ 4,755,000	4.00%	1.48%	79739GBE5
2015	7,265,000	4.00	1.87	79739GBF2
2016	7,555,000	5.00	2.23	79739GBG0
2017	7,930,000	5.00	2.60	79739GBH8
2018	8,330,000	5.00	2.88	79739GBJ4
2019	8,745,000	5.00	3.09	79739GBK1
2020	9,180,000	5.00	3.27	79739GBL9
2021	9,640,000	5.00	3.40[C]	79739GBM7
2022	10,125,000	5.00	3.53[C]	79739GBN5
2023	$10,625,000	5.00%	3.64[C]%	79739GBP0
2024	11,160,000	5.00	3.72[C]	79739GBQ8
2025	11,720,000	5.00	3.79[C]	79739GBR6
2026	12,305,000	5.00	3.87[C]	79739GBS4
2027	12,915,000	5.00	3.95[C]	79739GBT2
2028	13,565,000	5.00	4.04[C]	79739GBU9
2029	14,245,000	5.00	4.13[C]	79739GBV7
2030	14,955,000	5.00	4.21[C]	79739GBW5

$61,300,000 5.00% Term Bonds due July 1, 2034, Yield: 4.47%[C]; CUSIP No.[1]: 79739GBX3

$76,835,000 5.00% Term Bonds due July 1, 2040, Yield: 4.57%[C]; CUSIP No.[1]: 79739GBY1

$44,055,000
San Diego County Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2010B
(Non-AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.[1]
2011	$ 715,000	2.00%	0.70%	79739GBZ8
2012	980,000	2.00	1.00	79739GCA2
2013	1,000,000	3.00	1.20	79739GCB0
2014	1,030,000	3.00	1.48	79739GCC8
2015	1,400,000	3.00	1.87	79739GCD6
2016	1,445,000	4.00	2.23	79739GCE4
2017	1,500,000	4.00	2.60	79739GCF1
2018	1,560,000	4.00	2.88	79739GCG9
2019	1,620,000	4.00	3.09	79739GCH7
2020	1,685,000	5.00	3.27	79739GCJ3
2021	1,775,000	3.50	100	79739GCK0
2022	1,785,000	5.00	3.53[C]	79739GCX2
2022	$ 50,000	3.625%	100%	79739GCL8
2023	1,775,000	5.00	3.64[C]	79739GCY0
2023	150,000	3.75	100	79739GCM6
2024	2,020,000	5.00	3.72[C]	79739GCN4
2025	2,120,000	5.00	3.79[C]	79739GCP9
2026	2,225,000	4.00	100	79739GCQ7
2027	2,315,000	5.00	3.95[C]	79739GCR5
2028	2,435,000	5.00	4.04[C]	79739GCS3
2029	2,055,000	5.00	4.13[C]	79739GDA1
2029	500,000	4.25	100	79739GCT1
2030	2,675,000	5.00	4.21[C]	79739GCU8

$1,390,000 4.50% Term Bonds due July 1, 2032, Price: 100%; CUSIP No.[1]: 79739GCW4

$750,000 4.75% Term Bonds due July 1, 2040, Price: 100%; CUSIP No.[1]: 79739GCV6

$7,100,000 5.00% Term Bonds due July 1, 2040, Yield: 4.57%[C]; CUSIP No.[1]: 79739GCZ7

[C] Priced to the par call date of July 1, 2020.

[1] Copyright 2010, American Bankers Association. CUSIP data was provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies Inc. CUSIP numbers are provided only for the convenience of the reader. Neither the Authority nor the Underwriters take any responsibility for any changes to or errors in this list of CUSIP numbers.

$215,360,000
San Diego County Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2010C
(Federally Taxable – Build America Bonds – Direct Payment to Issuer)

$215,360,000 6.628% Term Bonds due July 1, 2040, Price: 100%; CUSIP No.[1]: 79739GBD7

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Subordinate Series 2010 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Subordinate Series 2010 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements" herein.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the Subordinate Series 2010 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read 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 provision or section in this Official Statement.

THE SUBORDINATE SERIES 2010 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SUBORDINATE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SUBORDINATE SERIES 2010 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SUBORDINATE SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SUBORDINATE SERIES 2010 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD

Robert H. Gleason (Chair)[*]
Tom Smisek (Vice Chair)[*]
Greg Cox[*]
Bruce R. Boland
Mayor Jim Desmond
Ramona Finnila
Jim Panknin
Paul Robinson
Anthony Young
Laurie Berman, Ex-Officio Member
Colonel Frank A. Richie, Ex-Officio Member

[*]Member of the Executive Committee.

SAN DIEGO INTERNATIONAL AIRPORT MANAGEMENT

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

SUBORDINATE TRUSTEE

Deutsche Bank National Trust Company

BOND AND DISCLOSURE COUNSEL

Kutak Rock LLP

FEASIBILITY CONSULTANT

Unison Consulting, Inc.

FINANCIAL ADVISOR

Frasca & Associates, L.L.C.

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TABLE OF CONTENTS

OFFICIAL STATEMENT

$572,565,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds

$313,150,000	$44,055,000	$215,360,000
Series 2010A	**Series 2010B**	**Series 2010C**
(Non-AMT)	**(Non-AMT)**	**(Federally Taxable – Build America Bonds – Direct Payment to Issuer)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices, is to provide certain information concerning the sale and delivery by the San Diego County Regional Airport Authority (the "Authority") of its $313,150,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A (the "Subordinate Series 2010A Bonds"), $44,055,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010B (the "Subordinate Series 2010B Bonds"), and $215,360,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010C (the "Subordinate Series 2010C Bonds," and collectively with the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds, the "Subordinate Series 2010 Bonds"). The Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds are collectively referred to in this Official Statement as the "Tax-Exempt Subordinate Series 2010 Bonds." Capitalized terms used but not defined herein have the meanings ascribed to them in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE SECOND SUPPLEMENTAL SUBORDINATE INDENTURE."

The Authority

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

San Diego International Airport and Airport System

SDIA was owned and operated by the San Diego Unified Port District (the "Port District") until January 2003 at which time SDIA was transferred by long-term lease to the Authority (the "Transfer"). The Transfer included all obligations associated with SDIA, including bonds and commercial paper notes issued for the improvement of SDIA. SDIA is the busiest single-runway commercial airport in the United States and is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to Airports Council International ("ACI") statistics, for the year ended December 31, 2009, SDIA was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers. For the fiscal year ended June 30, 2010 ("Fiscal Year 2010"), SDIA enplaned approximately 8.45 million passengers, which represented an approximately 1.0% decrease in enplaned passengers from the fiscal year ended June 30, 2009. For the year ended December 31, 2009, approximately 96% of the enplanements at SDIA represented domestic origination and destination ("O&D") passengers (passengers beginning or ending their trips at SDIA, as opposed to passengers connecting through SDIA to other cities). See "THE AUTHORITY" and "SAN DIEGO INTERNATIONAL AIRPORT" herein.

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

Plan of Finance

The Subordinate Series 2010 Bonds are being issued to (a) finance certain capital improvements at SDIA, (b) fund a portion of the interest accruing on the Subordinate Series 2010 Bonds through and including January 1, 2013, (c) refund $142,176,000 aggregate principal amount of the Authority's outstanding Subordinate Commercial Paper Notes (the "Refunded Subordinate Commercial Paper Notes"), (d) fund the Subordinate Reserve Fund (as defined herein), and (e) pay the costs of issuance of the Subordinate Series 2010 Bonds.

See "—Green Build Program and 2011-15 CIP," "PLAN OF FINANCE AND APPLICATION OF SUBORDINATE SERIES 2010 BOND PROCEEDS" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT."

Subordinate Series 2010 Bonds

The Subordinate Series 2010 Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company, as trustee (the "Subordinate Trustee"), and the Second Supplemental Subordinate Trust Indenture, to be dated as of October 1, 2010 (the "Second Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture and all supplements thereto, the "Subordinate Indenture"), by and between the Authority and the Subordinate Trustee; a resolution adopted by the board of directors of the Authority (the "Board") on August 23, 2010 (the "Resolution"); the Act; and certain other provisions of State law (including Section 53580 et seq. of the California Government Code). See "DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS."

The Subordinate Series 2010 Bonds are secured by a pledge of and first lien on Subordinate Net Revenues (as defined herein) on a parity with the Subordinate Commercial Paper Notes (as defined herein), the payment obligations of the Authority under the CP Reimbursement Agreement (as defined herein), and any additional bonds or obligations issued or incurred on a parity with the Subordinate Series 2010 Bonds under the terms and provisions of the Master Subordinate Indenture (the "Additional Subordinate Obligations"). For purposes of this Official Statement, "Subordinate Obligations" means the Subordinate Series 2010 Bonds, the Subordinate Commercial Paper Notes, the payment obligations of the Authority under the CP Reimbursement Agreement and any Additional Subordinate Obligations. The

Subordinate Obligations (including the Subordinate Series 2010 Bonds) are payable from Revenues (as defined herein) on a basis subordinate to the payment of Operation and Maintenance Expenses of the Airport System and debt service and reserve and replenishment requirements on and relating to the Senior Bonds (as defined herein). At the time of this Official Statement, the only obligations the Authority has issued or incurred pursuant to the Master Subordinate Indenture are the Subordinate Commercial Paper Notes and the payment obligations under the CP Reimbursement Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Flow of Funds," "—Pledge of Subordinate Net Revenues," "—Use of PFCs to Pay Debt Service" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE."

The Subordinate Series 2010 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of (a) Subordinate Net Revenues, which include certain income and revenues received by the Authority from the operation of the Airport System less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System, the aggregate annual debt service on the Senior Bonds and the reserve and replenishment requirements on and relating to the Senior Bonds, and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2010 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2010 Bonds.

Outstanding Subordinate Obligations

The Authority is authorized to issue and have outstanding, from time to time, up to $250,000,000 in aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Commercial Paper Notes (the "Subordinate Commercial Paper Notes"). As of September 1, 2010, there was $164,430,000 aggregate principal amount of Subordinate Commercial Paper Notes outstanding (including the Refunded Subordinate Commercial Paper Notes). See "PLAN OF FINANCE AND APPLICATION OF SUBORDINATE SERIES 2010 BOND PROCEEDS" for a discussion of the Authority's plans to refund $142,176,000 aggregate principal amount of the outstanding Subordinate Commercial Paper Notes with a portion of the proceeds of the Subordinate Series 2010 Bonds. In connection with the Subordinate Commercial Paper Notes, the Authority entered into a Reimbursement Agreement, dated as of September 1, 2007 (the "CP Reimbursement Agreement"), with Lloyds TSB Bank plc, acting through its New York Branch (the "CP Bank"), pursuant to which the CP Bank issued an irrevocable transferable direct pay letter of credit (the "CP Letter of Credit") to secure the timely payment of the principal of and interest on the Subordinate Commercial Paper Notes. The Subordinate Series 2010 Bonds, the Subordinate Commercial Paper Notes, the Authority's payment obligations under the CP Reimbursement Agreement and any Additional Subordinate Obligations are secured on a parity basis by the Subordinate Net Revenues. The CP Letter of Credit expires on September 10, 2014, unless extended or terminated earlier in accordance with its terms. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS."

Designation of the Subordinate Series 2010C Bonds as Build America Bonds

The Authority currently intends to irrevocably elect to treat the Subordinate Series 2010C Bonds as "Build America Bonds" for the purposes of the Internal Revenue Code of 1986, as amended (the "Code"). Subject to the Authority's compliance with certain requirements of the Code, the Authority expects to receive cash subsidy payments from the United States Treasury equal to thirty-five percent of the interest payable on the Subordinate Series 2010C Bonds. Upon the effective date of the Master Senior Indenture Amendments (as defined herein), any such cash subsidy payments received by the Authority will not constitute Revenues, however, the Authority expects to apply such cash subsidy payments to the payment of debt service on the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and/or the Senior Bonds. See "—Amendments to Master Senior Indenture," "DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS—Designation of the Subordinate Series 2010C Bonds as Build America Bonds," "CERTAIN INVESTMENT CONSIDERATIONS—Considerations Regarding Subordinate Series 2010C Bonds ("Build America Bonds")" and "TAX MATTERS."

Senior Bonds

Pursuant to the Master Trust Indenture, dated as of November 1, 2005 (the "Master Senior Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as trustee (the "Senior Trustee"), and the First Supplemental Trust Indenture, dated as of November 1, 2005 (the "First Supplemental Senior Indenture," and collectively with the Master Senior Indenture and all supplements thereto, the "Senior Indenture"), by and between the Authority and the Senior Trustee, the Authority has previously issued and as of September 1, 2010 there was outstanding $41,225,000 aggregate principal amount of its Airport Revenue Refunding Bonds, Series 2005 (the "Senior Series 2005 Bonds"). The Senior Series 2005 Bonds are secured by a pledge of and first lien on Net Revenues senior to the Subordinate Obligations (including the Subordinate Series 2010 Bonds). "Net Revenues" are, for any given period, Revenues for such period, less Operation and Maintenance Expenses of the Airport System for such period. For purposes of this Official Statement, "Senior Bonds" means the Senior Series 2005 Bonds and any additional bonds or obligations issued or incurred under the terms and provisions of the Master Senior Indenture that are secured on a parity basis by the Net Revenues (the "Additional Senior Bonds"). At the time of issuance of the Subordinate Series 2010 Bonds, the only obligations the Authority will have issued pursuant to the Master Senior Indenture will be the Senior Series 2005 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE."

Green Build Program and 2011-15 CIP

In 2008, the Board approved the Airport Master Plan for SDIA (the "Master Plan") to address requirements for accommodating near term passenger growth at SDIA through 2015 and to consider conceptual improvements through 2030. Alternative A of the Master Plan included, among other projects, the construction of additional gates at SDIA, the expansion of vehicle circulation serving Terminal 2 at SDIA and expanded aircraft parking areas and aircraft taxi lanes. In 2009, the Board authorized the design, construction and funding of certain of the projects identified in Alternative A to the Master Plan (known as the "Green Build Program" or the "Terminal Development Program"). The Green Build Program has an estimated cost of approximately $865 million. In addition to the Green Build Program, the Authority maintains a 5-year capital improvement program that is intended to address critical improvements and asset preservation at SDIA. The Authority's current 5-year capital improvement program (the "2011-15 CIP") includes projects that are to be undertaken in Fiscal Year 2011 through Fiscal Year 2015 at an estimated cost of approximately $377 million. A portion of the proceeds of the Subordinate Series 2010 Bonds will be used to finance a portion of the construction of the Green Build Program and certain projects included in the 2011-15 CIP. In addition to the Subordinate Series 2010 Bonds, the Green Build Program and the 2011-15 CIP will be financed with a combination of Additional Senior Bonds, Additional Subordinate Obligations, federal grants, Passenger Facility Charges, available moneys of the Authority and Customer Facility Charges. See "PLAN OF FINANCE AND APPLICATION OF SUBORDINATE SERIES 2010 BOND PROCEEDS," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Financial Feasibility Report

Included as Appendix A to this Official Statement is a Financial Feasibility Report dated September 13, 2010 (the "Financial Feasibility Report"), prepared by Unison Consulting, Inc. (the "Feasibility Consultant"), in conjunction with the issuance of the Subordinate Series 2010 Bonds. The Financial Feasibility Report includes, among other things, a description of the underlying economic base of SDIA's air service area; a description of historical air traffic activity at SDIA; the Feasibility Consultant's projections for air traffic activity at SDIA through Fiscal Year 2016 and a description of the assumptions on which such projections were based; a description of existing and planned facilities at SDIA; and the Feasibility Consultant's projections of debt service, expenses and revenues through Fiscal Year 2016 and a description of the assumptions upon which such projections were based. No assurances can be given that the projections and expectations discussed in the Financial Feasibility Report will be realized. The Financial Feasibility Report is an integral part of this Official Statement and should be read in its entirety. The Financial Feasibility Report has not been revised subsequent to its date of publication (September 13, 2010) to reflect the final terms of the Subordinate Series 2010 Bonds. See "—Forward-Looking Statements" and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Continuing Disclosure

The Authority will covenant for the benefit of the owners and beneficial owners of the Subordinate Series 2010 Bonds to annually provide, or cause to be provided, certain financial information and operating data concerning the Authority and the Airport System, and to provide, or cause to be provided, notices of certain enumerated events, if material, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System (the "EMMA System") or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See "CONTINUING DISCLOSURE" and "APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Investment Considerations

The purchase and ownership of the Subordinate Series 2010 Bonds involve investment risks. Prospective purchasers of the Subordinate Series 2010 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Subordinate Series 2010 Bonds, see "CERTAIN INVESTMENT CONSIDERATIONS."

Amendments to Master Senior Indenture

The following is a description of certain amendments to the Master Senior Indenture and the conditions upon which such amendments may become effective. Once the amendments to the Master Senior Indenture become effective, certain rights of the owners of the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2010 Bonds) will change as described below. By the purchase and acceptance of the Subordinate Series 2010 Bonds, the owners of the Subordinate Series 2010 Bonds will be deemed to have irrevocably consented to the Master Senior Indenture Amendments as described below and in Appendix D-1.

The Second Supplemental Trust Indenture, to be dated as of October 1, 2010 (the "Second Supplemental Senior Indenture"), by and between the Authority and the Senior Trustee, will amend certain provisions of the Master Senior Indenture (the "Master Senior Indenture Amendments") that will not become effective until the Authority has received the consent of the owners of not less than a majority in aggregate principal amount of all of the Senior Bonds Outstanding, the consent of the bond insurer for the Senior Series 2005 Bonds (Ambac Assurance Corporation) (the "Senior Series 2005 Bond Insurer"), the consent of the owners of not less than a majority in aggregate principal amount of all of the Subordinate Obligations Outstanding, and the consent of the CP Bank, unless the CP Letter of Credit has otherwise terminated (collectively, the "Master Senior Indenture Consent Requirement").

The Master Senior Indenture Amendments include, among other amendments, changes to the definition of "Revenues". See "APPENDIX D-1—PROPOSED AMENDMENTS TO MASTER SENIOR INDENTURE" for a complete description of the Master Senior Indenture Amendments. One of the amendments being made to the definition of "Revenues" is to exclude "Federal Direct Payments" (the cash subsidy payments equal to thirty-five percent (or such other percentage as may be allowed by the Code) of the interest payable on Senior Bonds or Subordinate Bonds (including the Subordinate Series 2010C Bonds) issued as "Build America Bonds" that the Authority expects to receive from the United States Treasury) from Revenues. Even though Federal Direct Payments will be excluded from Revenues, the Authority still expects to apply the Federal Direct Payments to the payment of debt service on the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and/or the Senior Bonds. Pursuant to the Master Subordinate Indenture and the Master Senior Indenture, if Federal Direct Payments are excluded from Revenues but still applied to the payment of debt service on the Subordinate Obligations and/or the Senior Bonds, then such principal and/or interest may be excluded from the calculation of Subordinate Aggregate Annual Debt Service under the Master Subordinate Indenture or senior aggregate annual debt service under the Master Senior Indenture; thus decreasing Subordinate Aggregate Annual Debt Service under the Master Subordinate Indenture or senior aggregate annual debt service under the Master Senior Indenture and increasing debt service coverage for purposes of the rate covenant and the additional bonds test under the Master Subordinate Indenture and/or the Master Senior Indenture. Until the Master Senior Indenture Consent Requirement is met, Federal Direct Payments will continue to be included in Revenues.

By the purchase and acceptance of the Subordinate Series 2010 Bonds, the owners of the Subordinate Series 2010 Bonds will be deemed to have irrevocably consented to the Master Senior Indenture Amendments. To evidence the consent of the owners of the Subordinate Series 2010 Bonds, at the time of the issuance of the Subordinate Series 2010 Bonds, Siebert Brandford Shank & Co., LLC, as representative of the underwriters of the Subordinate Series 2010 Bonds, will deliver an irrevocable written consent to the Senior Trustee to the Senior Indenture Amendments.

At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects that the owners of a majority in aggregate principal amount of the Outstanding Subordinate Obligations and the CP Bank will have irrevocably consented to the Master Senior Indenture Amendments. At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects that the Senior Series 2005 Bond Insurer will have irrevocably consented to the amendments with respect to Customer Facility Charges (as described in Appendix D-1), but will not have irrevocably consented to the amendments with respect to the exclusion of the Federal Direct Payments from Revenues. Additionally, at the time of issuance of the Subordinate Series 2010 Bonds, the owners of a majority in aggregate principal amount of the outstanding Senior Bonds will not have irrevocably consented to the Master Senior Indenture Amendments. The Senior Series 2005 Bond Insurer has indicated that it will not give its consent to the amendments with respect to the exclusion of the Federal Direct Payments from Revenues. The Authority does not expect the amendments with respect to the exclusion of the Federal Direct Payments from Revenues will become effective while the Senior Series 2005 Bonds remain outstanding. The Senior Series 2005 Bonds have a final maturity date of July 1, 2020. The Authority also does not expect to receive the consent of the owners of a majority in aggregate principal amount of the outstanding Senior Bonds until sometime between calendar year 2011 and calendar year 2013, when it expects to issue one or more series of Additional Senior Bonds. See "PLAN OF FINANCE AND APPLICATION OF SERIES 2010 BOND PROCEEDS" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE

SCHEDULE—Future Financings" for a discussion of the Authority's plans to issue Additional Senior Bonds. However, there can be no assurance that the Authority will issue Additional Senior Bonds between calendar year 2011 and calendar year 2013 and that the Master Senior Indenture Consent Requirement will be met within this timeframe.

Amendments to Master Subordinate Indenture

The following is a description of certain amendments to the Master Subordinate Indenture and the conditions upon which such amendments may become effective. Once the amendments to the Master Subordinate Indenture become effective, certain rights of the owners of the Subordinate Obligations (including the Subordinate Series 2010 Bonds) will change as described below. By the purchase and acceptance of the Subordinate Series 2010 Bonds, the owners of the Subordinate Series 2010 Bonds will be deemed to have irrevocably consented to the amendments to the Master Subordinate Indenture as described below and in Appendix D-2.

The Second Supplemental Subordinate Indenture will amend certain provisions of the Master Subordinate Indenture (the "Master Subordinate Indenture Amendments") that cannot become effective until the Authority has received the consent of the owners of not less than a majority in aggregate principal amount of all of the Subordinate Obligations Outstanding and the consent of the CP Bank (collectively, the "Master Subordinate Indenture Consent Requirement"). By the purchase and acceptance of the Subordinate Series 2010 Bonds, the owners of the Subordinate Series 2010 Bonds will be deemed to have irrevocably consented to the Master Subordinate Indenture Amendments. To evidence the consent of the owners of the Subordinate Series 2010 Bonds, at the time of the issuance of the Subordinate Series 2010 Bonds, Siebert Brandford Shank & Co., LLC, as representative of the underwriters of the Subordinate Series 2010 Bonds, will deliver an irrevocable written consent to the Subordinate Trustee to the Subordinate Indenture Amendments. At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects to satisfy the Master Subordinate Indenture Consent Requirement by receiving the consent of the owners of a majority in aggregate principal amount of the Outstanding Subordinate Obligations and the consent of the CP Bank. Therefore, the Master Subordinate Indenture Amendments will become effective upon the issuance of the Subordinate Series 2010 Bonds.

The Master Subordinate Indenture Amendments include, among other amendments, changes to the definition of "Subordinate Aggregate Annual Debt Service" and certain changes to the additional bonds test under the Master Subordinate Indenture. See "APPENDIX D-2—PROPOSED AMENDMENTS TO MASTER SUBORDINATE INDENTURE" for a complete description of the Master Subordinate Indenture Amendments. Also see "—Amendments to Master Senior Indenture" for a discussion of the amendments being made to the definition of Revenues and how those amendments in conjunction with the amendments to the definition of Subordinate Aggregate Annual Debt Service will affect the debt service coverages under the rate covenant and the additional bonds test under the Master Subordinate Indenture. The amendments to Subordinate Aggregate Annual Debt Service with respect to the treatment of Federal Subsidy Payments cannot be fully utilized by the Authority until the amendments to the definition of Revenues (as described above under "—Amendments to Master Senior Indenture) become effective. As described under "—Amendments to Master Senior Indenture," the Authority does not expect the amendments with respect to the exclusion of the Federal Direct Payments from Revenues will become effective while the Senior Series 2005 Bonds remain outstanding. The Senior Series 2005 Bonds have a final maturity date of July 1, 2020.

Forward-Looking Statements

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

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

Changes from Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement, dated September 14, 2010 (the "Preliminary Official Statement"), including information relating to the amounts and maturities, interest rates, yields, redemption provisions and other terms of the Subordinate Series 2010 Bonds. Additionally, the Authority decided to issue a greater principal amount of Subordinate Series 2010 Bonds and to fund a greater amount of the Subordinate Series 2010 Projects with the Subordinate Series 2010 Bonds than was described in the Preliminary Official Statement. As a result, the amount of Additional Senior Bonds and/or Additional Subordinate Obligations that the Authority plans to issue in the future to finance the Green Build Program and the projects in the 2011-15 CIP has decreased from approximately \$621 million to approximately \$450 million. These changes are not reflected in the Feasibility Report, which has not been updated since its date of publication (September 13, 2010). In the Preliminary Official Statement, the Authority also indicated that it expected to receive the consent of the Senior Series 2005 Bond Insurer to all of the Master Senior Indenture Amendments. Subsequent to the date of the Preliminary Official Statement, the Senior Series 2005 Bond Insurer has informed the Authority that it will not give its consent to the amendments with respect to the exclusion of the Federal Direct Payments from Revenues. This Official Statement also contains certain other changes and additions, as well as information reflecting events occurring since the date of the Preliminary Official Statement, which have been included in order to make this Official Statement complete as of its date. Purchasers of the Subordinate Series 2010 Bonds should read this Official Statement in its entirety.

Additional Information

Brief descriptions of the Subordinate Series 2010 Bonds, the Master Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements (as defined herein) and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Subordinate Series 2010 Bonds. The Authority maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Subordinate Series 2010 Bonds.

PLAN OF FINANCE AND APPLICATION OF SUBORDINATE SERIES 2010 BOND PROCEEDS

Plan of Finance

The Subordinate Series 2010 Bonds are being issued to (a) finance certain capital improvements at SDIA, (b) fund a portion of the interest accruing on the Subordinate Series 2010 Bonds through and including January 1, 2013, (c) refund $142,176,000 aggregate principal amount of the outstanding Subordinate Commercial Paper Notes, (d) fund the Subordinate Reserve Fund, and (e) pay the costs of issuance of the Subordinate Series 2010 Bonds.

Subordinate Series 2010 Projects

The Subordinate Series 2010 Bonds are being issued to, among other things, finance a portion of the costs of the Green Build Program and certain projects included in the 2011-15 CIP (the "Subordinate Series 2010 Projects"). The projects in the Green Build Program to be financed with a portion of the proceeds of the Subordinate Series 2010 Bonds include, among others, construction of 10 new gates on Terminal 2 West and the expansion of vehicle circulation serving Terminal 2 East and West through the construction of a dual-level roadway featuring an arrivals curb on one level and a departures curb on the other level. The projects in the 2011-15 CIP to be financed with a portion of the proceeds of the Subordinate Series 2010 Bonds include, among others, improvement of the facilities in Terminal 2 East, certain airfield stormwater drainage projects, and various other maintenance projects. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

In addition to the Subordinate Series 2010 Bonds, the Authority expects to issue approximately $450 million of Additional Senior Bonds and/or Additional Subordinate Obligations between calendar years 2011 and 2013 to finance additional costs of the Green Build Program and certain other projects in the 2011-15 CIP. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Future Financings" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT."

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Subordinate Series 2010 Bonds:

	Subordinate Series 2010A Bonds	Subordinate Series 2010B Bonds	Subordinate Series 2010C Bonds	Total
Sources				
Principal Amount	$313,150,000.00	$44,055,000.00	$215,360,000.00	$572,565,000.00
Original Issue Premium	23,459,020.35	2,695,323.30	0.00	26,154,343.65
Release of Moneys from Subordinate Commercial Paper Notes Construction Fund	6,910,925.00	0.00	5,439,654.00	12,350,579.00
Total Sources	$343,519,945.35	$46,750,323.30	$220,799,654.00	$611,069,922.65
Uses				
Deposit to Construction Funds	$214,022,977.76	$ 0.00	$161,809,336.61	$375,832,314.37
Refund Subordinate Commercial Paper Notes	76,145,365.00	28,093,200.00	37,937,435.00	142,176,000.00
Deposit to Subordinate Series 2010A Interest Account[1]	22,392,475.91	0.00	0.00	22,392,475.91
Deposit to Subordinate Series 2010C Interest Account[2]	0.00	14,360,714.88	917,200.00	15,277,914.88
Deposit to Subordinate Reserve Fund	28,633,041.84	3,976,732.30	18,319,211.66	50,928,985.80
Costs of Issuance[3]	2,326,084.84	319,676.12	1,816,470.73	4,462,231.69
Total Uses	$343,519,945.35	$46,750,323.30	$220,799,654.00	$611,069,922.65

[1] Represents a portion of the interest accruing on the Subordinate Series 2010A Bonds.
[2] Represents a portion of the interest accruing on the Subordinate Series 2010C Bonds.
[3] Includes Underwriters' discount, legal and other costs of issuance.

DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS

General

The Subordinate Series 2010 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Subordinate Series 2010 Bonds will be dated their date of delivery, and will bear interest from that date, payable semi-annually on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing on January 1, 2011. Interest due and payable on the Subordinate Series 2010 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 Subordinate Series 2010 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Subordinate Series 2010 Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Subordinate Series 2010 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to December 15, 2010, in which event such Subordinate Series 2010 Bond will bear interest from its date of delivery. If interest on the Subordinate Series 2010 Bonds is in default, Subordinate Series 2010 Bonds issued in exchange for Subordinate Series 2010 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Subordinate Series 2010 Bonds surrendered.

The Subordinate Series 2010 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Subordinate Series 2010 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 Subordinate Series 2010 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Subordinate Series 2010 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Subordinate Series 2010 Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Subordinate Series 2010 Bonds.

So long as Cede & Co. is the registered owner of the Subordinate Series 2010 Bonds, principal of and interest on the Subordinate Series 2010 Bonds will be payable by wire transfer by the Subordinate Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants, as defined herein, for subsequent disbursement to the Beneficial Owners. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

Designation of the Subordinate Series 2010C Bonds as Build America Bonds

The Authority currently intends to irrevocably elect to treat the Subordinate Series 2010C Bonds as "Build America Bonds" for the purposes of the Code. Subject to the Authority's compliance with certain requirements of the Code, the Authority expects to receive cash subsidy payments from the United States Treasury equal to thirty-five percent of the interest payable on the Subordinate Series 2010C Bonds. Upon the effective date of the Master Senior Indenture Amendments, any such cash subsidy payments received by the Authority will not constitute Revenues. However, after the effective date of the Master Senior Indenture Amendments, the Authority expects to apply such cash subsidy payments to the payment of debt service on the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and/or the Senior Bonds. The amendments to the Master Senior Indenture excluding the cash subsidy payments from Revenues will not become effective at the time of issuance of the Subordinate Series 2010 Bonds. See "INTRODUCTION—Amendments to Master Senior Indenture," "CERTAIN INVESTMENT CONSIDERATIONS—Considerations Regarding Subordinate Series 2010C Bonds ("Build America Bonds")," "TAX MATTERS" and "APPENDIX D-1—PROPOSED AMENDMENTS TO MASTER SENIOR INDENTURE."

Redemption Provisions

Optional Redemption.

<u>*Tax-Exempt Subordinate Series 2010 Bonds*</u>. The Tax-Exempt Subordinate Series 2010 Bonds maturing on or before July 1, 2020 are not subject to optional redemption prior to maturity. The Tax-Exempt Subordinate Series 2010 Bonds maturing on or after July 1, 2021 are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2020 at a redemption price equal to 100% of the principal amount of the Tax-Exempt Subordinate Series 2010 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

<u>*Subordinate Series 2010C Bonds*</u>. On or after July 1, 2020, the Subordinate Series 2010C Bonds are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2020 at a redemption price equal to 100% of the principal amount of the Subordinate Series 2010C Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Extraordinary Optional Redemption of the Subordinate Series 2010C Bonds. Prior to July 1, 2020, the Subordinate Series 2010C Bonds are redeemable at the option of the Authority, in whole or in part at any time, from any moneys that may be provided for such purpose, upon the occurrence of an

Extraordinary Event (as defined below), and at a redemption price equal to the greater of (i) 100% of the principal amount of the Subordinate Series 2010C Bonds to be redeemed; and (ii) an amount calculated by a Designated Banking Institution equal to the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Subordinate Series 2010C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Subordinate Series 2010C Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points; plus, in each case, accrued and unpaid interest on the Subordinate Series 2010C Bonds to be redeemed to the date fixed for redemption.

An "Extraordinary Event" will have occurred if legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the Authority, would be to suspend, reduce or terminate all or a portion of the thirty-five percent cash subsidy payment from the United States Treasury to the Authority with respect to the Subordinate Series 2010C Bonds, or to state or local government issuers generally with respect to obligations of the general character of the Subordinate Series 2010C Bonds, pursuant to Sections 54AA or 6431 of the Code (the "Subsidy Payments"); provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the Authority to comply with the requirements of the Code to receive such Subsidy Payments. See "TAX MATTERS" herein.

"Treasury Rate" means, as of any redemption date of the Subordinate Series 2010C Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least seven Business Days prior to the date fixed for redemption (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data as selected by a Designated Banking Institution) most nearly equal to the period from the redemption date to the maturity date of the Subordinate Series 2010C Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Designated Banking Institution" means an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the Authority (which may be one of the underwriters of the Subordinate Series 2010C Bonds).

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Mandatory Sinking Fund Redemption.

Tax-Exempt Subordinate Series 2010 Bonds. The Subordinate Series 2010A Bonds maturing on July 1, 2034 (the "2034 Subordinate Series 2010A Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2031	$15,505,000
2032	15,020,000
2033	15,770,000
2034*	15,005,000

* Final Maturity.

The Subordinate Series 2010A Bonds maturing on July 1, 2040 (the "2040 Subordinate Series 2010A Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2035	$11,295,000
2036	11,860,000
2037	12,455,000
2038	13,075,000
2039	13,730,000
2040*	14,420,000

* Final Maturity.

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The Subordinate Series 2010B Bonds maturing on July 1, 2032 (the "2032 Subordinate Series 2010B Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2031	$680,000
2032*	710,000

* Final Maturity.

The Subordinate Series 2010B Bonds maturing on July 1, 2040 and bearing interest at 4.75% (the "2040-4.75% Subordinate Series 2010B Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2033	$ 75,000
2034	80,000
2035	85,000
2036	90,000
2037	95,000
2038	100,000
2039	110,000
2040*	115,000

* Final Maturity.

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The Subordinate Series 2010B Bonds maturing on July 1, 2040 and bearing interest at 5.00% (the "2040-5.00% Subordinate Series 2010B Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2033	$ 745,000
2034	780,000
2035	820,000
2036	860,000
2037	905,000
2038	950,000
2039	995,000
2040*	1,045,000

* Final Maturity.

At the option of the Authority, to be exercised by delivery of a written certificate to the Subordinate Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the 2034 Subordinate Series 2010A Term Bonds, the 2040 Subordinate Series 2010A Term Bonds, the 2032 Subordinate Series 2010B Term Bonds, the 2040-4.75% Subordinate Series 2010B Term Bonds or the 2040-5.00% Subordinate Series 2010B Term Bonds (collectively, the "Tax-Exempt Subordinate Series 2010 Term Bonds"), it may (a) deliver to the Subordinate Trustee for cancellation Tax-Exempt Subordinate Series 2010 Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (b) specify a principal amount of such Tax-Exempt Subordinate Series 2010 Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Subordinate Trustee at the request of the Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Tax-Exempt Subordinate Series 2010 Term Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Subordinate Trustee for cancellation will be credited by the Subordinate Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of such Tax-Exempt Subordinate Series 2010 Term Bond on such mandatory sinking fund redemption date.

Subordinate Series 2010C Bonds. The Subordinate Series 2010C Bonds are subject to mandatory sinking fund redemption prior to maturity in part (on a basis as described below under "Selection of Subordinate Series 2010C Bonds for Redemption; Subordinate Series 2010C Bonds Redeemed in Part"), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

[Remainder of page intentionally left blank.]

Redemption Date (July 1)	Principal Amount
2031	$13,110,000
2032	14,930,000
2033	15,580,000
2034	17,805,000
2035	23,030,000
2036	24,020,000
2037	25,055,000
2038	26,135,000
2039	27,260,000
2040*	28,435,000

* Final Maturity.

In the event that a portion, but not all, of the Subordinate Series 2010C Bonds are redeemed pursuant to optional redemption or extraordinary optional redemption (as described above under "Optional Redemption—Subordinate Series 2010C Bonds" and "Extraordinary Optional Redemption of the Subordinate Series 2010C Bonds"), then the principal amount of any remaining mandatory sinking fund redemptions applicable to the Subordinate Series 2010C Bonds will be proportionally reduced (subject to the Subordinate Trustee making such adjustments as it deems necessary to be able to effect future redemptions of the Subordinate Series 2010C Term Bonds in Authorized Denominations).

At the option of the Authority, to be exercised by delivery of a written certificate to the Subordinate Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Subordinate Series 2010C Bonds, it may (a) deliver to the Subordinate Trustee for cancellation Subordinate Series 2010C Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (b) specify a principal amount of such Subordinate Series 2010C Bonds or portions thereof (in Authorized Denominations) which prior to said date have been redeemed (otherwise than pursuant to mandatory sinking fund redemption) and previously cancelled by the Subordinate Trustee at the request of the Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Subordinate Series 2010C Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Subordinate Trustee for cancellation will be credited by the Subordinate Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of such Subordinate Series 2010C Bond on such mandatory sinking fund redemption date.

Notices of Redemption to Holders; Conditional Notice of Optional Redemption. The Subordinate Trustee will give notice of redemption, in the name of the Authority, to Holders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Subordinate Series 2010 Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each owner of a Subordinate Series 2010 Bond to be redeemed; each such notice will be sent to the owner's registered address.

Each notice of redemption will specify the Series, issue date, the maturity date, the interest rate and the CUSIP number of each Subordinate Series 2010 Bond to be redeemed, if less than all Subordinate Series 2010 Bonds of a Series, maturity date and interest rate are called for redemption the numbers assigned to the Subordinate Series 2010 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), the place or places of payment, the Subordinate Trustee's name, that payment will be made upon presentation and surrender of the Subordinate Series 2010 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Subordinate Series 2010 Bond will not affect the validity of the call for redemption of any Subordinate Series 2010 Bond in respect of which no failure occurs. Any notice sent as provided in the Subordinate Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Subordinate Series 2010 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 Subordinate Trustee sufficient for redemption, interest on the Subordinate Series 2010 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Upon surrender of a Subordinate Series 2010 Bond to be redeemed, in part only, the Subordinate Trustee will authenticate for the holder a new Subordinate Series 2010 Bond or Subordinate Series 2010 Bonds of the same Series, maturity date and interest rate equal in principal amount to the unredeemed portion of the Subordinate Series 2010 Bond surrendered.

The Authority may provide that if at the time of mailing of notice of an optional redemption or extraordinary optional redemption there has not been deposited with the Subordinate Trustee moneys sufficient to redeem all the Subordinate Series 2010 Bonds called for redemption, such notice may state that it is conditional and subject to the deposit of the redemption moneys with the Subordinate Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such Subordinate Series 2010 Bonds.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Subordinate Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, interest on such Subordinate Series 2010 Bonds will cease to accrue from and after such redemption date, such Subordinate Series 2010 Bonds will cease to be entitled to any lien, benefit or security under the Subordinate Indenture and the owners of such Subordinate Series 2010 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Subordinate Series 2010 Bonds which have been duly called for redemption and for the payment of the redemption price of which moneys will be held in trust for the holders of the respective Subordinate Series 2010 Bonds to be redeemed, all as provided in the Second Supplemental Subordinate Indenture will not be deemed to be Outstanding under the provisions of the Subordinate Indenture.

Selection of Tax-Exempt Subordinate Series 2010 Bonds for Redemption; Tax-Exempt Subordinate Series 2010 Bonds Redeemed in Part. Redemption of the Tax-Exempt Subordinate Series 2010 Bonds will only be in Authorized Denominations. The Tax-Exempt Subordinate Series 2010 Bonds are subject to redemption in such order of maturity and interest rate (except mandatory sinking fund payments on the Tax-Exempt Subordinate Series 2010 Term Bonds) as the Authority may direct and by lot within such maturity and interest rate selected in such manner as the Subordinate Trustee (or DTC, as long as DTC is the securities depository for the Tax-Exempt Subordinate Series 2010 Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Subordinate Trustee will proceed to select for redemption (by lot in such manner as the Subordinate Trustee may determine), from all Tax-Exempt Subordinate Series 2010 Term Bonds subject to such redemption, an aggregate principal amount of such applicable Tax-Exempt Subordinate Series 2010 Term Bonds equal to the amount for such year as set forth in the applicable table under "Mandatory Sinking Fund Redemption—Tax-Exempt Subordinate Series 2010 Bonds" above and will call such Tax-Exempt Subordinate Series 2010 Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

Selection of Subordinate Series 2010C Bonds for Redemption; Subordinate Series 2010C Bonds Redeemed in Part. Redemption of the Subordinate Series 2010C Bonds will only be in Authorized Denominations. If less than all of the Subordinate Series 2010C Bonds are called for prior redemption, the particular Subordinate Series 2010C Bonds or portions thereof to be redeemed will be selected by the Subordinate Trustee on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Subordinate Series 2010C Bonds are held in book-entry form, the selection for redemption of such Subordinate Series 2010C Bonds will be made in accordance with the operational arrangements of DTC then in effect. Neither the Authority nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Subordinate Series 2010C Bonds on such basis. If the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Subordinate Series 2010C Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the book-entry system through DTC for determining beneficial interests of the Direct Participants of the Subordinate Series 2010C Bonds is discontinued and less than all of the Subordinate Series 2010C Bonds of a maturity and interest rate are to be redeemed, the Subordinate Series 2010C Bonds to be redeemed will be selected by the Subordinate Trustee on a pro rata distribution of principal basis among all of the Holders of the Subordinate Series 2010C Bonds based on the principal amount of Subordinate Series 2010C Bonds owned by such Holders.

SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS

Flow of Funds

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

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

The Authority currently intends to irrevocably elect to treat the Subordinate Series 2010C Bonds as "Build America Bonds" for the purposes of the Code. Subject to the Authority's compliance with certain requirements of the Code, the Authority expects to receive cash subsidy payments from the United States Treasury equal to thirty-five percent of the interest payable on the Subordinate Series 2010C Bonds. Upon the effective date of the Master Senior Indenture Amendments, any such cash subsidy payments received by the Authority will not constitute Revenues. However, after the effective date of the Master Senior Indenture Amendments, the Authority expects to apply such cash subsidy payments to the payment of debt service on the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and/or the Senior Bonds. The amendments to the Master Senior Indenture excluding the cash subsidy payments from Revenues will not become effective at the time of issuance of the Subordinate Series 2010 Bonds. See "INTRODUCTION—Amendments to Master Senior Indenture," "CERTAIN INVESTMENT CONSIDERATIONS—Considerations Regarding Subordinate Series 2010C Bonds ("Build America Bonds")," "TAX MATTERS" and "APPENDIX D-1—PROPOSED AMENDMENTS TO MASTER SENIOR INDENTURE."

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

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

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

Senior Trustee in the amounts, at the times and in the manner provided for in the Master Senior Indenture, to provide for the payment of principal and interest to become due on the Outstanding Senior Bonds. Additionally, if provided for in a supplemental senior indenture, regularly scheduled swap payments on a qualified swap may be payable from Net Revenues on a parity basis with the Outstanding Senior Bonds.

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

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

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

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

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

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

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

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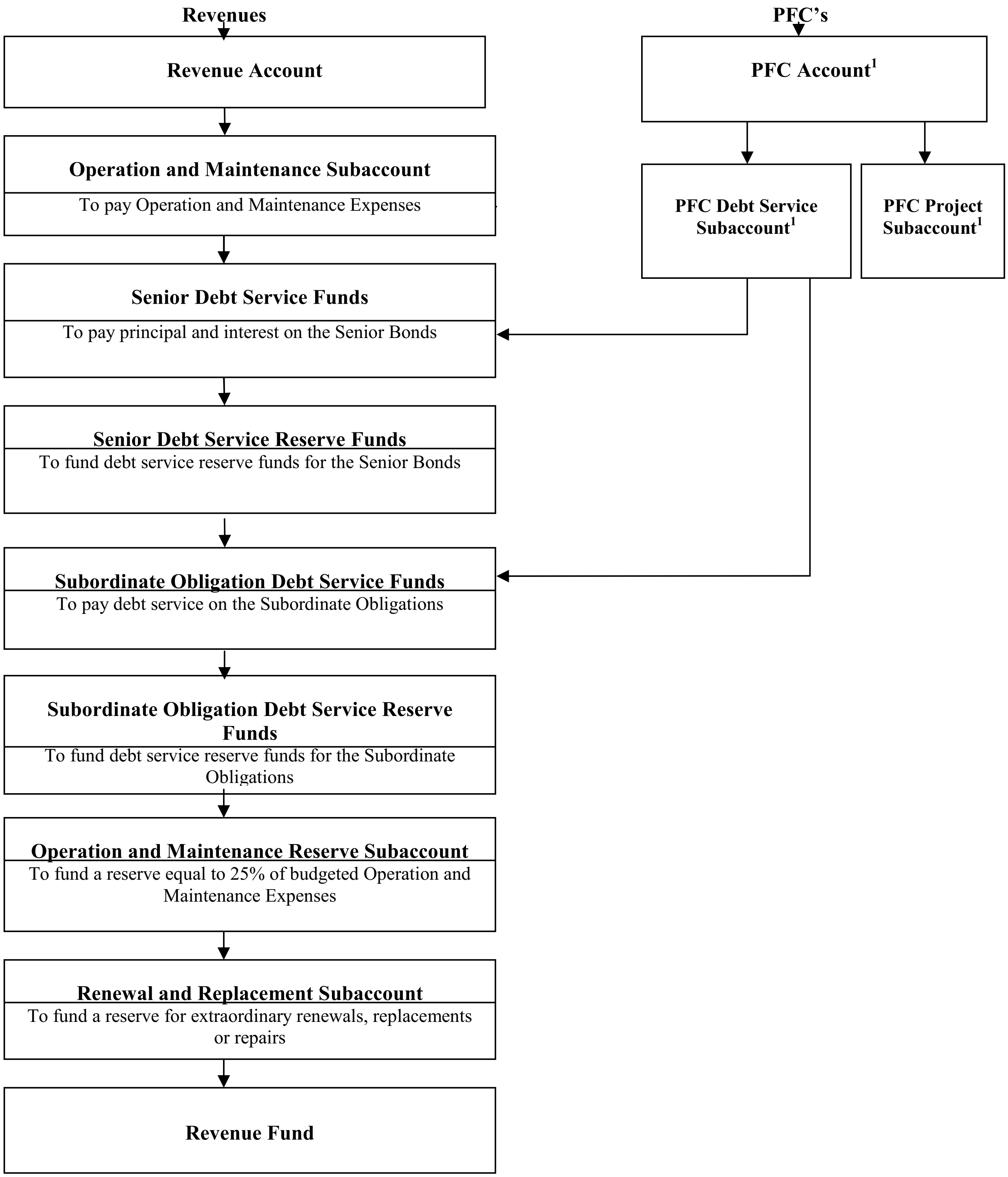
San Diego County Regional Airport Authority
Flow Of Funds



[1] During a Fiscal Year, all PFCs in the PFC Account will be first deposited to the PFC Debt Service Subaccount until an amount equal to the PFCs irrevocably committed by the Authority to the payment of debt service on the Senior Bonds and/or the Subordinate Obligations for such Fiscal Year have been deposited to the PFC Debt Service Subaccount. No PFCs will be deposited to the PFC Project Subaccount during a Fiscal Year until the PFC Debt Service Subaccount has been fully funded. See "—Use of PFCs to Pay Debt Service" below.

Pledge of Subordinate Net Revenues

The Subordinate Series 2010 Bonds are special obligations of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues. The Subordinate Series 2010 Bonds also are secured by a pledged of amounts held by the Subordinate Indenture in certain funds and accounts pursuant to the Subordinate Indenture, as further described herein. See "—Use of PFCs to Pay Debt Service" below for a discussion regarding the Authority's irrevocable commitment of a portion of the PFCs received by the Authority to pay debt service on PFC Bonds.

"Subordinate Net Revenues" are, for any given period, Revenues for such period, less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System for such period, the debt service on the Senior Bonds for such period, and the reserve and replenishment requirements on and relating to the Senior Bonds for such period. See "—Flow of Funds" above.

None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2010 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2010 Bonds.

Subordinate Net Revenues are available for the equal and proportionate benefit and security of all Subordinate Obligations. The Subordinate Series 2010 Bonds are secured by a pledge of and lien on Subordinate Net Revenues on parity with the Subordinate Commercial Paper Notes, the payment obligations of the Authority under the CP Reimbursement Agreement, and any Additional Subordinate Obligations issued in the future. See "—Additional Subordinate Obligations" below.

Subordinate Rate Covenant

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

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

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

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

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than Special Facility Obligations, Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

(b) The Authority has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Subordinate Net Revenues will be equal to at least 110% of the total Subordinate Annual Debt Service on the Outstanding Subordinate Obligations for such Fiscal Year (excluding the principal amount of Subordinate Commercial Paper Notes reissued during the Fiscal Year).

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

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

Pursuant to the Master Subordinate Indenture, the Authority may exclude from its calculation of Subordinate Aggregate Annual Debt Service with respect to Subordinate Obligations, for the purpose of determining compliance with the rate covenant described above, the payment of debt service or portions thereof on Subordinate Obligations whose debt service is payable from amounts not included in Revenues (including, but not limited to PFC revenues) which have been irrevocably deposited with and held by the Subordinate Trustee for the payment of debt service on such Subordinate Obligations. The exclusion of such debt service could result in higher debt service coverage ratios. The Authority expects to use PFC revenues to pay a portion of the debt service on the Subordinate Series 2010 Bonds and certain Additional Subordinate Obligations expected to be issued in the future. See "—Use of PFCs to Pay Debt Service," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Green Build Program and 2011-15 CIP—Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS—Availability of PFCs" for additional information about the Authority's expected use of PFC revenues. See also "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Subordinate Debt Service Deposits

The Subordinate Indenture currently provides that no later than the twentieth day of the month immediately preceding the month in which principal of and interest on the Subordinate Obligations is due, the Authority will transfer Revenues from the Revenue Account to the Subordinate Trustee in an amount sufficient to pay the principal of and/or interest due on the Subordinate Obligations on such principal and interest Payment Dates.

At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects to amend the provisions of the Master Subordinate Indenture with respect to the timing of deposits with the Subordinate Trustee so that the Authority will be required, not later than the 20th day of each calendar month, to transfer from the Revenue Account to the Subordinate Trustee for deposit in the Subordinate Debt Service Funds established in respect of each series of Outstanding Subordinate Obligations: (a) sums in equal fractional parts for each one half year so that at least the full amount required to pay the interest on the Subordinate Obligations, as it becomes due, will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date each installment of interest becomes due, (b) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due at maturity, the Principal Amount of the Subordinate Obligations, will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date such principal amount becomes due, and (c) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due, the sinking installment payment, if any, due with respect to the Subordinate Term Bonds will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date such sinking installment payment becomes due. These amendments to the Master Subordinate Indenture do not require the consent of the owners of the Subordinate Obligations, but do require the consent of the CP Bank. At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects to receive the irrevocable consent of the CP Bank to these amendments.

Subordinate Reserve Fund

Pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture, at the time of issuance of the Subordinate Series 2010 Bonds, the Authority will establish a Subordinate Debt Service Reserve Fund (the "Subordinate Reserve Fund") with the Subordinate Trustee to secure the Subordinate Series 2010 Bonds and any Additional Subordinate Obligations which the Authority elects to have participate in the Subordinate Reserve Fund.

The Subordinate Reserve Fund is required to be funded at all times in an amount equal to the Subordinate Reserve Requirement. The Subordinate Reserve Requirement is equal to the lesser of (a) Subordinate Maximum Aggregate Annual Debt Service for all Series of Subordinate Obligations participating in the Subordinate Reserve Fund; (b) 10% of the principal amount of all Subordinate Obligations participating in the Subordinate Reserve Fund, less the amount of original issue discount with respect to such Subordinate Obligations if such original issue discount exceeded 2% on such Subordinate Obligations at the time of their original sale; and (c) 125% of the average Subordinate Aggregate Annual Debt Service for all Subordinate Obligations participating in the Subordinate Reserve Fund. At the time of issuance of the Subordinate Series 2010 Bonds, the Subordinate Reserve Requirement will be met by depositing a portion of the proceeds of the Subordinate Series 2010 Bonds into the Subordinate Reserve Fund. At the time of issuance of the Subordinate Series 2010 Bonds, the Subordinate Reserve Requirement will be equal to $50,928,985.80.

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

Moneys or investments held in the Subordinate Reserve Fund may only be used to pay the principal of and interest on the Subordinate Series 2010 Bonds and any Additional Subordinate

Obligations the Authority has elected to participate in the Subordinate Reserve Fund. Moneys and investments held in the Subordinate Reserve Fund are not available to pay debt service on the Senior Bonds or any Subordinate Obligations for which the Authority has decided will not participate in the Subordinate Reserve Fund. The Subordinate Reserve Fund may be drawn upon if the amounts in the respective Subordinate Debt Service Funds for the Subordinate Series 2010 Bonds and any Additional Subordinate Obligations participating in the Subordinate Reserve Fund, are insufficient to pay in full any principal or interest then due on the Subordinate Series 2010 Bonds and any Additional Subordinate Obligations participating in the Subordinate Reserve Fund. In the event any amounts are required to be withdrawn from the Subordinate Reserve Fund, such amounts will be withdrawn and deposited *pro rata* to meet the funding requirements of the Subordinate Debt Service Funds for the Subordinate Series 2010 Bonds and any Additional Subordinate Obligations participating in the Subordinate Reserve Fund.

The Authority may fund all or a portion of the Subordinate Reserve Requirement with a Reserve Fund Insurance Policy. A Reserve Fund Insurance Policy may be an insurance policy, letter of credit, surety bond or other financial instrument deposited in the Subordinate Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, in one of the two highest long term rating categories. Any such Reserve Fund Insurance Policy must either extend to the final maturity of the Series of Subordinate Bonds for which the Reserve Fund Insurance Policy was issued, or the Authority must agree, by Supplemental Subordinate Indenture, that the Authority will replace such Reserve Fund Insurance Policy prior to its expiration with another Reserve Fund Insurance Policy, or with cash. Any such Reserve Fund Insurance Policy will be required to secure all of the Subordinate Bonds participating in the Subordinate Reserve Fund.

At the time of issuance of the Subordinate Series 2010 Bonds, the Subordinate Reserve Fund will be funded with cash and securities in the amount of $50,928,985.80, and no portion of the Subordinate Reserve Fund will be funded with a Reserve Fund Insurance Policy.

Additional Subordinate Obligations

Additional Subordinate Obligations may be issued under the Master Subordinate Indenture on a parity with the Subordinate Series 2010 Bonds, provided, among other things, that there is delivered to the Subordinate Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by an Authorized Authority Representative showing the Subordinate Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations or preceding the first issuance of the proposed Subordinate Program Obligations were at least equal to 110% of Subordinate Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and the proposed Series of Subordinate Obligations, calculated as if the proposed Series of Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding; or

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

(i) the Subordinate Net Revenues for the last audited Fiscal Year or for any 12 months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations or the establishment of a Subordinate Program, were at least equal to 110% of the sum of Subordinate Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations through and including the last Fiscal Year during any part of which interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof, the Consultant estimates that the Authority will be in compliance with the rate covenant under the Subordinate Indenture (see "—Subordinate Rate Covenant" above); and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations during which no interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Subordinate Obligations; or (B) the third full Fiscal Year during which no interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof, the estimated Subordinate Net Revenues for each such Fiscal Year, will be at least equal to 110% of the Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed Series of Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations, as applicable, were then Outstanding.

See "APPENDIX D-2—PROPOSED AMENDMENTS TO MASTER SUBORDINATE INDENTURE" for a description of certain amendments being made to clauses (ii) and (iii) above.

The certificate described in (b) above is expected to be delivered by the Feasibility Consultant at the time of issuance of the Subordinate Series 2010 Bonds. As described in "—Use of PFCs to Pay Debt Service" below, the Authority has irrevocably committed a certain amount of PFCs through July 1, 2016 to the payment of debt service on PFC Bonds. The Authority expects that a portion of the Subordinate Series 2010 Bonds will be PFC Bonds. When it delivers the certificate described in (b) above, the Feasibility Consultant expects to exclude debt service on the portion of the Subordinate Series 2010 Bonds to be paid from the irrevocably committed PFCs, which is expected to result in higher debt service coverage ratios.

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

Net Revenues, and will also set forth the calculations of Subordinate Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

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

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

(A) the Subordinate Obligations being issued are for the purpose of refunding then Outstanding Subordinate Obligations and there is delivered to the Subordinate Trustee, instead, a certificate of an Authorized Authority Representative showing that Subordinate Aggregate Annual Debt Service after the issuance of the Refunding Subordinate Obligations will not exceed the Subordinate Aggregate Annual Debt Service prior to the issuance of such Refunding Subordinate Obligations for each Fiscal Year;

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

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

Use of PFCs to Pay Debt Service

The definition of Revenues does not include, among other things, PFCs, except to the extent included in Revenues through the adoption of a supplemental indenture, which has not occurred to date.

However, pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, if PFCs have been irrevocably committed or are held by the Senior Trustee and/or the Subordinate Trustee, as the case may be, or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on the Senior Bonds and/or the Subordinate Obligations, as applicable, then such principal and/or interest may be excluded from the calculation of aggregate annual debt service on the Senior Bonds and/or the Subordinate Obligations, as applicable; thus decreasing aggregate annual debt service on the Senior Bonds and/or the Subordinate Obligations, and increasing debt service coverage for purposes of the rate covenants and the additional bonds tests under the Master Senior Indenture and the Master Subordinate Indenture, as applicable.

Pursuant to Resolution No. 2010-0088 adopted by the Board on August 23, 2010 (the "PFC Resolution"), the Authority has irrevocably committed a portion of the PFCs it has received and expects to receive to the payment and funding of debt service on Senior Bonds and/or Subordinate Obligations issued to finance projects authorized by the FAA to be financed with PFCs (collectively, the "PFC Bonds") through July 1, 2016. Approximately 72% of the Subordinate Series 2010 Bonds qualify as PFC Bonds.

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

TABLE 1
San Diego County Regional Airport Authority
Irrevocably Committed PFCs

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

Source: San Diego County Regional Airport Authority

If the Authority does not use the full amount of the irrevocably committed PFCs to pay debt service on PFC Bonds in a year (i.e., there is more irrevocably committed PFCs than there is debt service due on PFC Bonds in such year), any unused portion of the irrevocable commitment for such year is not required to be carried over for use in future years. The Authority currently expects to utilize all of the irrevocably committed PFCs to pay the debt service on the PFC Bonds (including the Subordinate Series 2010 Bonds).

As of the date of this Official Statement, the Authority has irrevocably committed PFCs only through July 1, 2016. In addition to the PFCs irrevocably committed pursuant to the PFC Resolution, the Authority can, in its sole discretion, use excess PFCs to pay additional debt service on PFC Bonds. In addition to the PFCs irrevocably committed by the Authority as described in Table 1 above, the Authority expects to irrevocably commit and/or use additional PFCs after July 1, 2016 to pay debt service on PFC Bonds (including the Subordinate Series 2010 Bonds).

In the Financial Feasibility Report, the Feasibility Consultant has assumed that PFCs will be used to pay a portion of the debt service on the Additional Senior Bonds to be issued in the future and a portion of the debt service on the Subordinate Series 2010 Bonds and the Additional Subordinate Obligations to be issued in the future. Consequently, debt service on such obligations is excluded from the calculation of the rate covenant for the Senior Bonds and the Subordinate Rate Covenant as set forth in the Financial Feasibility Report, which results in higher debt service coverage ratios. See "FINANCIAL FEASIBILITY REPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Permitted Investments

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

Events of Default and Remedies; No Acceleration

Events of Default under the Subordinate Indenture and related remedies are described in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE SECOND SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies." The occurrence of an Event of Default under the Subordinate Indenture does not grant any right to accelerate payment of the Subordinate Obligations (including the Subordinate Series 2010 Bonds) or the Senior Bonds to either the Subordinate Trustee or the Senior Trustee, or the Holders of the Subordinate Obligations (including the Subordinate Series 2010 Bonds) or the Senior Bonds. However, pursuant to the CP Reimbursement Agreement, the Authority granted to the CP Bank the right to accelerate any payments due the CP Bank, respectively, upon an event of default under the CP Reimbursement Agreement. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations." The Subordinate Trustee is authorized to take certain actions upon the occurrence of an Event of Default under the Subordinate Indenture, including proceedings to enforce the obligations of the Authority under the Subordinate Indenture. If there is an Event of Default under the Subordinate Indenture, payments, if any, on the Subordinate Obligations will be made after Operation and Maintenance Expenses of the Airport System and payments of debt service and reserve and repayment requirements on and relating to the Senior Bonds.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Outstanding Senior Bonds

Pursuant to the Master Senior Indenture and the First Supplemental Senior Indenture, the Authority has previously issued and as of September 1, 2010 there was outstanding $41,225,000 aggregate principal amount of the Senior Series 2005 Bonds. The Senior Series 2005 Bonds are secured by a pledge and lien on Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Flow of Funds." In addition to the pledge and lien on Net Revenues, the Senior Series 2005 Bonds are secured by a reserve fund, that as of the date of issuance of the Subordinate Series 2010 Bonds will be funded with approximately $5,394,062.50 of cash and securities. At the time of issuance of the Subordinate Series 2010 Bonds, no portion of the reserve fund for the Senior Series 2005 Bonds will be funded with a reserve fund insurance policy or reserve fund surety bond.

Outstanding Subordinate Obligations

Pursuant to the Master Subordinate Indenture and the First Supplemental Subordinate Trust Indenture, dated as of September 1, 2007 (the "First Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee, the Authority is authorized to issue and have outstanding, from time to time, up to $250,000,000 in aggregate principal amount of Subordinate Commercial Paper Notes. As of September 1, 2010, there was $164,430,000 aggregate principal amount of Subordinate Commercial Paper Notes outstanding (including the Refunded Subordinate Commercial Paper Notes). The Authority plans to refund $142,176,000 aggregate principal amount of the outstanding Subordinate Commercial Paper Notes with a portion of the proceeds of the Subordinate Series 2010 Bonds.

The Subordinate Commercial Paper Notes are issuable in maturities of 1 to 270 days. The Authority utilizes the proceeds of Subordinate Commercial Paper Notes to, among other things, finance capital projects at SDIA and to pay maturing Subordinate Commercial Paper Notes. In connection with the issuance of the Subordinate Commercial Paper Notes, the Authority entered into the CP Reimbursement Agreement with the CP Bank, pursuant to which the CP Bank issued the CP Letter of Credit to secure the timely payment of the principal of and interest on the Subordinate Commercial Paper Notes. In accordance with the CP Reimbursement Agreement, the CP Bank issued the CP Letter of Credit in the maximum stated amount of $272,500,000. The CP Letter of Credit expires on September 10, 2014, unless extended or terminated earlier in accordance with its terms. In the event the Authority does not immediately reimburse the CP Bank for any drawings under the CP Letter of Credit, the Authority is required pursuant to the CP Reimbursement Agreement to pay all principal of and interest due to the CP Banks as a result of such drawing within five years of the original date of such drawing. Upon the happening of an event of default under the CP Reimbursement Agreement (which include, among other events, the Authority's failure to pay the CP Bank any amounts due under the CP Reimbursement Agreement, the Authority's failure to pay principal of and interest on the Subordinate Commercial Paper Notes, the Authority's failure to comply with the covenants under the CP Reimbursement Agreement or the downgrading of Senior Bonds below "BBB-," "Baa3" and "BBB-" by Fitch Ratings ("Fitch"), Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively), all obligations of the Authority to the CP Bank under the CP Reimbursement Agreement will be immediately due and payable. Any repayment obligations of the Authority incurred pursuant to the CP Reimbursement Agreement and the CP Letter of Credit will have a parity lien on Subordinate Net Revenues along with the Subordinate Commercial Paper Notes, the Subordinate Series 2010 Bonds and any Additional Subordinate Obligations.

The Subordinate Series 2010 Bonds, the Subordinate Commercial Paper Notes, the Authority's payment obligations under the CP Reimbursement Agreement and any Additional Subordinate Obligations are secured on a parity basis by the Subordinate Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Flow of Funds."

Debt Service Requirements

The following table sets forth the debt service requirements on the Senior Series 2005 Bonds and the Subordinate Series 2010 Bonds.

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TABLE 2
San Diego County Regional Airport Authority
Debt Service Requirements
Senior Series 2005 Bonds and Subordinate Series 2010 Bonds[1]

Year Ended July 1	Total Debt Service on Senior Series 2005 Bonds[2]	Principal Requirements on Subordinate Series 2010A Bonds[3]	Interest Requirements on Subordinate Series 2010A Bonds[3,4]	Principal Requirements on Subordinate Series 2010B Bonds[3]	Interest Requirements on Subordinate Series 2010B Bonds[3,4]	Principal Requirements on Subordinate Series 2010C Bonds[3]	Interest Requirements on Subordinate Series 2010C Bonds[3,4,5]	Total Debt Service on Subordinate Series 2010 Bonds[3]	Total Debt Service[6]
2011	$ 5,354,225	–	$ 11,480,338	$ 715,000	$ 1,446,772	–	$ 10,546,945	$ 24,189,055	$ 29,543,280
2012	5,355,975	–	15,537,300	980,000	1,943,738	–	14,274,061	32,735,098	38,091,073
2013	5,364,475	–	15,537,300	1,000,000	1,924,138	–	14,274,061	32,735,498	38,099,973
2014	5,363,975	$ 4,755,000	15,537,300	1,030,000	1,894,138	–	14,274,061	37,490,498	42,854,473
2015	5,369,475	7,265,000	15,347,100	1,400,000	1,863,238	–	14,274,061	40,149,398	45,518,873
2016	5,375,113	7,555,000	15,056,500	1,445,000	1,821,238	–	14,274,061	40,151,798	45,526,911
2017	5,376,713	7,930,000	14,678,750	1,500,000	1,763,438	–	14,274,061	40,146,248	45,522,961
2018	5,381,763	8,330,000	14,282,250	1,560,000	1,703,438	–	14,274,061	40,149,748	45,531,511
2019	5,389,475	8,745,000	13,865,750	1,620,000	1,641,038	–	14,274,061	40,145,848	45,535,323
2020	5,394,063	9,180,000	13,428,500	1,685,000	1,576,238	–	14,274,061	40,143,798	45,537,861
2021	–	9,640,000	12,969,500	1,775,000	1,491,988	–	14,274,061	40,150,548	40,150,548
2022	–	10,125,000	12,487,500	1,835,000	1,429,863	–	14,274,061	40,151,423	40,151,423
2023	–	10,625,000	11,981,250	1,925,000	1,338,800	–	14,274,061	40,144,111	40,144,111
2024	–	11,160,000	11,450,000	2,020,000	1,244,425	–	14,274,061	40,148,486	40,148,486
2025	–	11,720,000	10,892,000	2,120,000	1,143,425	–	14,274,061	40,149,486	40,149,486
2026	–	12,305,000	10,306,000	2,225,000	1,037,425	–	14,274,061	40,147,486	40,147,486
2027	–	12,915,000	9,690,750	2,315,000	948,425	–	14,274,061	40,143,236	40,143,236
2028	–	13,565,000	9,045,000	2,435,000	832,675	–	14,274,061	40,151,736	40,151,736
2029	–	14,245,000	8,366,750	2,555,000	710,925	–	14,274,061	40,151,736	40,151,736
2030	–	14,955,000	7,654,500	2,675,000	586,925	–	14,274,061	40,145,486	40,145,486
2031	–	15,505,000	6,906,750	680,000	453,175	$ 13,110,000	14,274,061	50,928,986	50,928,986
2032	–	15,020,000	6,131,500	710,000	422,575	14,930,000	13,405,130	50,619,205	50,619,205
2033	–	15,770,000	5,380,500	820,000	390,625	15,580,000	12,415,570	50,356,695	50,356,695
2034	–	15,005,000	4,592,000	860,000	349,813	17,805,000	11,382,927	49,994,740	49,994,740
2035	–	11,295,000	3,841,750	905,000	307,013	23,030,000	10,202,812	49,581,574	49,581,574
2036	–	11,860,000	3,277,000	950,000	261,975	24,020,000	8,676,383	49,045,358	49,045,358
2037	–	12,455,000	2,684,000	1,000,000	214,700	25,055,000	7,084,338	48,493,038	48,493,038
2038	–	13,075,000	2,061,250	1,050,000	164,938	26,135,000	5,423,692	47,909,880	47,909,880
2039	–	13,730,000	1,407,500	1,105,000	112,688	27,260,000	3,691,465	47,306,652	47,306,652
2040	–	14,420,000	721,000	1,160,000	57,713	28,435,000	1,884,672	46,678,384	46,678,384
Total	$53,725,252	$313,150,000	$286,597,588	$44,055,000	$31,077,497	$215,360,000	$370,195,150	$1,260,435,235	$1,314,160,487

1 Numbers may not total due to rounding to nearest dollar.
2 The Senior Series 2005 Bonds have a lien on Net Revenues.
3 The Subordinate Series 2010 Bonds and the Subordinate Commercial Paper Notes have a parity lien on Subordinate Net Revenues. Principal of and interest on the Subordinate Series 2010 Bonds does not reflect the application of PFCs to the payment of debt service on the Subordinate Series 2010 Bonds. Debt Service on the Subordinate Commercial Paper Notes (which may be outstanding from time to time up to $250 million aggregate principal amount) and the payment obligations under the CP Reimbursement Agreement are not reflected in this table. $22,254,000 aggregate principal amount of Subordinate Commercial Paper Notes is expected to remain outstanding following the issuance of the Subordinate Series 2010 Bonds and the redemption of the Refunded Subordinate Commercial Paper Notes.
4 Includes interest on the Subordinate Series 2010 Bonds through January 1, 2013, to be paid from a portion of the proceeds of the Subordinate Series 2010 Bonds.
5 Interest on the Subordinate Series 2010C Bonds does not reflect the application of the cash subsidy payments the Authority expects to receive from the United States Treasury equal to thirty-five percent of the interest payable on the Subordinate Series 2010C Bonds.
6 Total debt service on the Senior Series 2005 Bonds and the Subordinate Series 2010 Bonds.

Source: San Diego County Regional Airport Authority and Siebert Brandford Shank & Co., LLC.

Future Financings

The Authority currently is reviewing plans to issue approximately $450 million of Additional Senior Bonds and/or Additional Subordinate Obligations (exclusive of the Subordinate Series 2010 Bonds) through calendar year 2013, to, among other things, complete the Green Build Program and certain of the projects set forth in the 2011-15 CIP. The forecasts in the Financial Feasibility Report assume the issuance of Additional Senior Bonds and Additional Subordinate Obligations in Fiscal Years 2012 and 2013, respectively. See "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

During the Feasibility Consultant's projection period (through Fiscal Year 2016), the Authority may pursue additional capital projects beyond those described in the preceding paragraph and Additional Senior Bonds and/or Additional Subordinate Obligations may be issued to fund such additional projects. These projects and the funding therefor are not included in the projections included in the Financial Feasibility Report. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources." See also the Financial Feasibility Report for a discussion of certain projects the Authority is considering undertaking. Additionally, the Authority continuously evaluates refunding opportunities and, when economically beneficial, may refund one or more Series of Senior Bonds and/or Subordinate Obligations.

Other Obligations

Subordinate Repayment Obligations. Under certain circumstances, the obligation of the Authority, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a "Subordinate Repayment Obligation") may be secured by a pledge of and lien on Subordinate Net Revenues on a parity with the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and any Additional Subordinate Obligations. See "—Outstanding Subordinate Obligations" above for further information on the pledge of and lien on Subordinate Net Revenues granted to the CP Bank in connection with the CP Bank's issuance of the CP Letter of Credit. If a Credit Provider or Liquidity Provider advances funds to pay the principal or purchase price of or interest on Subordinate Obligations, all or a portion of the Authority's Subordinate Repayment Obligation may be afforded the status of a Subordinate Obligation under the Subordinate Indenture. Any Subordinate Repayment Obligation created pursuant to the CP Reimbursement Agreement will be afforded the status of a Subordinate Obligation. The Authority currently does not have any Subordinate Repayment Obligations outstanding. See "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE SECOND SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Subordinate Repayment Obligations Afforded the Status of Subordinate Obligations."

Lease Commitments. In connection with the Transfer, the Authority entered into several leases with the Port District. The Authority is leasing from the Port District the land used for SDIA for $1 per year, for 66 years, through December 31, 2068. In addition, the Authority is required, by the Act, to lease from the Port District 89.79 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003 (the "General Dynamics Lease"). The General Dynamics Lease calls for rent payments of $6,750,000 annually through December 31, 2068. A portion of the land is leased back to the Port District for employee parking for Port District administration building employees and is leased back by the Port District at the same fair market value rent paid by the Authority. The Authority and the Port District also have entered into a lease for 47.54 acres on North Harbor Drive (the "TDY Property"), commencing January 1, 2005 and expiring December 31, 2068 (the "TDY Lease"). The Authority pays the Port District $3 million annually to lease the TDY Property. See "AIRPORT ENVIRONMENTAL MATTERS—TDY Property" and "LITIGATION—Litigation Relating to the Authority and SDIA—TDY Litigation."

The Authority leases three additional properties from the Port District that are adjacent to SDIA. As of June 30, 2010, these properties require monthly rentals of $86,083, $12,521 and $4,589, respectively, and expire in December 2013, December 2013 and April 2012, respectively.

The Authority also entered into a lease with the Port District, commencing September 1, 2006, for a property located at 2415 Winship Lane, known as the "Sky Chef" property. The term of the lease is 62 years with $350,000 in annual rental.

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

The Authority also has entered into several equipment leases due to expire in August 2014. These equipment leases require monthly payments of $8,259 and are treated as capital leases by the Authority.

Lease payments pursuant to the above-described leases (except any capital leases) constitute Operations and Maintenance Expenses of the Airport System, and thus payment thereof is senior in priority to payment of the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2010 Bonds). All such leases (except the equipment leases) are treated as operating leases by the Authority.

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As of September 1, 2010, the Authority estimated future rental commitments under the Authority's lease agreements to be as follows:

TABLE 3
San Diego County Regional Airport Authority
Future Rental Commitments

Fiscal Year	Rental Payments
2011	$11,437,000
2012	11,428,000
2013	11,382,000
2014	10,741,000
Total	$44,988,000
Five-Fiscal-Year Periods	
2015-2019	$ 50,500,000
2020-2024	50,500,000
2025-2029	50,500,000
2030-2034	50,500,000
2035-2039	50,500,000
2040-2044	50,500,000
2045-2049	50,500,000
2050-2054	50,500,000
2055-2059	50,500,000
2060-2064	50,500,000
2065-2069	45,450,000
Total	$550,450,000

Source: San Diego County Regional Airport Authority

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

The Authority currently does not have any Special Facility Obligations outstanding, and although such obligations may be issued in the future, the Authority does not currently plan to issue Special Facility Obligations or to designate a facility, existing or planned, as a Special Facility.

THE AUTHORITY

General

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

The Authority is vested with five principal responsibilities: (a) operating the Airport System (the main asset of which is SDIA); (b) planning and operating any future airport that could be developed as a supplement or replacement to SDIA; (c) developing a comprehensive land use compatibility plan as it may relate to the Airport System for the entire County; (d) serving as the region's airport land use commission, and (e) preparing a regional aviation strategic plan by June 30, 2011.

Board of Directors

The Authority is governed by a nine-member board of directors (the "Board"), with three additional members serving as non-voting, ex-officio board members. Board members serve three year terms. Three members of the Board serve as the Executive Committee. Pursuant to the Act, the members of the Board are appointed as follows: the Mayor of the City appoints three members (two of which are subject to confirmation by the City Council); the Chair of the Board of Supervisors of the County appoints two members (one of which was previously appointed by the Governor; beginning in 2011 both members will be appointed by the Chair of the Board of Supervisors of the County and will be subject to confirmation by the Board of Supervisors of the County); the mayors of the east county cities (El Cajon, La Mesa, Lemon Grove and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside and Solana Beach) appoint one member; the mayors of the north county inland cities (Escondido, Poway, San Marcos and Vista) appoint one member; and the mayors of the south county cities (Chula Vista, Coronado, Imperial Beach and National City) appoint one member. Two ex-officio members serving as the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission, are appointed by the Governor. The Board may provide for additional ex-officio members, including, but not limited to, representatives of the United States Navy and the United States Marine Corps.

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The current members of the Board are set forth below:

	Occupation	Appointing Authority	Current Term Expires
Executive Committee			
Robert H. Gleason (Chair)	Chief Financial Officer and General Counsel, Evans Hotels	Mayor, City of San Diego	January 31, 2011
Tom Smisek (Vice Chair)	Retired; Captain, Delta Air Lines	Mayors, South County Cities	January 31, 2012
Greg Cox	San Diego County Supervisor	Chair San Diego County Board of Supervisors	January 31, 2013
General Members			
Bruce R. Boland	Retired Rear Admiral, U.S. Navy	Mayor, City of San Diego	January 31, 2012
Jim Desmond	Mayor, City of San Marcos; Professional Pilot	Mayors, North County Inland Cities	January 31, 2012
Ramona Finnila	Founder, Finnila and Associates	Mayors, North County Coastal Cities	January 31, 2011
Jim Panknin	President, San Diego Executive Flight	Mayors, East County Cities	January 31, 2013
Paul Robinson	Partner, Hecht, Solberg, Robinson, Goldberg & Bagley	Governor, State of California	June 30, 2011
Anthony Young	President Pro Tem, San Diego City Council	Mayor, City of San Diego	January 31, 2013
Ex-Officio Members			
Laurie Berman	District Director for the California Department of Transportation, San Diego Region	District Director for the California Department of Transportation	N/A
Colonel Frank A. Richie	Commanding Officer, Marine Corps Air Station Miramar	U.S. Department of the Navy Representative	N/A
Vacant	Department of Finance representative on the State Lands Commission	Governor, State of California	N/A

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

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

Audit Committee. The Audit Committee is established to (a) review regularly the Authority's accounting, audit and performance monitoring processes; (b) recommend to the Executive Committee and the full Board on an annual basis its nomination for external auditor and compensation thereof; (c) give prior advice to the Executive Committee and the Board regarding the selection of the Auditor; (d) be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, Authority policies and procedures; (e) be responsible for overseeing the annual audit by the external auditors and the joint audit required under the Act; and (f) make recommendations to the full Board with regard to all of the foregoing.

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

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

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

Regional Aviation Strategic Plan ("RASP") Committee. The RASP Committee oversees the preparation of the Regional Aviation Strategic Plan as required by State law. The RASP will identify workable strategies to improve the performance of each of the 12 civilian airports in the County by June 2011, which the San Diego Regional Planning Agency ("SANDAG") will incorporate into its Airport Multimodal Accessibility Plan to formulate an appropriate surface transportation plan for each airport.

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

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

Executive Management

Thella F. Bowens, President and CEO/Executive Director. In March 2003, Thella F. Bowens was appointed President and CEO/Executive Director of the Authority. As President and CEO/Executive Director, Ms. Bowens is responsible for management oversight of the Authority, the Authority's $147 million annual operating budget, the Authority's approximately $1.2 billion five-year capital improvement program, and approximately 355 employees. Prior to 2003, when the Port District operated SDIA, she was the Port District's Senior Director of Aviation for seven years. From September 2001 through December 2002, Ms. Bowens served simultaneously as Interim Executive Director/President of the Authority as required by the enabling legislation. In her role as Interim Executive Director, she led the planning and implementation of the transfer of SDIA from the Port District. Prior to coming to San Diego, she served as the Deputy Executive Director of Kansas City's Aviation Department, which included Kansas City International Airport and the city's two general aviation airports. Ms. Bowens previously served as Budget Administrator of the Dallas/Fort Worth International Airport ("DFW") in Texas. She has more than 30 years of experience in public administration, with the last 23 years in the aviation industry. Ms. Bowens holds a Bachelor of Arts from Barnard College of Columbia University and has done graduate work at the University of North Texas and University of Missouri-Kansas City.

She is also a graduate of the Executive Leadership Institute sponsored by the National Forum for Black Public Administrators. In addition to her professional associations, Ms. Bowens is the second vice chair of the Board of Airports Council International – North America. She also is a member of the American Association of Airport Executives Policy Review Committee, the San Diego World Trade Center, the San Diego Regional Economic Development Corporation, and the San Diego Regional Chamber of Commerce. In June 2010, Ms. Bowens was appointed by the Secretary of the Department of Transportation, Ray LaHood, as one of three airport representatives to the Future of Aviation Advisory Committee. Previously, she was a member of the board of the San Diego United Way, the San Diego Symphony, and the National Conflict Resolution Center.

Brent Buma, Vice President, Marketing & Communications. Mr. Buma is the Vice President, Marketing & Communications. He has held senior level management positions with various firms, including a 23-year career with Delta Air Lines. As Regional Director of Operations, Eastern Division, he was a contributor in establishing Salt Lake City as a major hub. Mr. Buma later held the position of Senior Director of Sales & Marketing with responsibility for marketing, advertising and sales in 64 cities. He was also the Vice President of Marketing for the Reno/Tahoe Convention Authority. Mr. Buma also served as the Vice President of Marketing for the Howard Hughes Corporation. He was the owner/managing partner of Shonkwiler/Marcoux Advertising, an agency he helped grow into a leading gaming, hotel and tourism marketing firm for more than 20 casino companies worldwide. Prior to joining the Authority, Mr. Buma served as Vice President of Marketing at Viejas Enterprises.

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

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

Association of Black Accountants, and the Fort Worth Chapter of the Texas Society of Certified Public Accountants. He also has served on various accounting advisory boards, including the University of North Texas and Tarrant County College, Howard University and Texas Christian University. In 1989, Mr. Evans founded the Association of Airport Internal Auditors and served as its president for two years. The association has grown to include 64 airports. Most recently, he was inducted into the American Institute of CPA's Business and Industry Hall of Fame. Mr. Evans was the first African American chairman of the Board of Directors of the Fort Worth Metropolitan YMCA in 1992 and 1993. He also served on the board of directors of the Fort Worth Metropolitan Black Chamber of Commerce, Day Care Association, and the Fort Worth McDonald YMCA. In 1999, Mr. Evans served on the Area Metropolitan Ambulance Authority Board of Fort Worth. He currently serves as Chairman of the Jackie Robinson YMCA of San Diego and Vice President of the Financial Executives International. Mr. Evans graduated from the University of North Texas (formerly North Texas State University) with both a Bachelor's and Master's Degree in Accounting.

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

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

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

Breton K. Lobner, General Counsel. Breton K. Lobner serves as General Counsel for the Authority. Prior to his current position, Mr. Lobner served as Sr. Assistant City Attorney and General Counsel for Los Angeles World Airports, operator of Los Angeles International, LA/Ontario International, Van Nuys and Palmdale Regional Airports. For the past 34 years, his practice has specialized in airport matters dealing with aircraft noise, rates and charges, transportation, the environment, eminent domain, contracts and concessions, revenue diversion and real property. He drafted and successfully defended in federal court one of only two new airport noise laws in the U. S. adopted following passage of the Airport Noise and Capacity Act of 1990. He graduated from the University of California (Davis) and received his Juris Doctor from the University of Pacific, McGeorge School of Law, where he was a member of Law Review and the Honor Society. He is admitted to practice in the State of California and before the United States Supreme Court.

Employees and Labor Relations

The Authority employs approximately 355 full-time employees. Approximately 94 of these employees (primarily maintenance workers, airport traffic officers and certain supervisors) are organized. Labor relations with respect to those 94 employees are governed by a labor agreement between the Authority and Teamsters Local 911, which will expire on September 13, 2013.

Approximately 61 of the Authority's employees are members of a classified service group. Labor relations with respect to these employees is governed by state law applicable to classified service employees. The remaining employees of the Authority are not subject to any collective bargaining agreement.

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

SAN DIEGO INTERNATIONAL AIRPORT

Introduction

SDIA is located approximately three miles northwest of downtown San Diego on approximately 661 acres of land. SDIA is bounded by San Diego Bay, military facilities and residential areas. Dedicated on August 16, 1928, SDIA was originally named "San Diego Municipal Airport—Lindbergh Field." SDIA gained international airport status in 1934 when it became the first federally certified airfield to serve all aircraft types, including seaplanes. World War II brought significant change to the airfield when the U.S. Army Air Corps took it over in 1942 to support the war effort. The infrastructure of SDIA was improved to handle the heavy bombers being manufactured in the region during the war.

This transformation, including an 8,750-foot runway (now 9,401 feet), made SDIA jet-ready long before jet passenger planes came into widespread service.

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

According to ACI statistics, SDIA is the busiest single-runway commercial airport in the United States. SDIA is classified by the FAA as a "large air traffic hub" (an airport that enplanes over 1.0% of the total domestic passengers in the United States). As of July 1, 2010, SDIA handled air transportation for more than 19 major and commuter airlines. In Fiscal Year 2010, SDIA enplaned approximately 8.45 million passengers (which represented an approximately 1.0% decrease in enplaned passengers from the fiscal year ended June 30, 2009). For the year ended December 31, 2009, approximately 96% of the enplanements at SDIA represented domestic O&D passengers. According to ACI statistics, for the year ended December 31, 2009, SDIA was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers.

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

Existing Facilities

The existing airfield consists of one east-west runway (Runway 9/27), which is 9,401 feet long and 200 feet wide. Most arrivals are from the east and most departures are to the west. Runway 9/27 has sufficient capacity and is of sufficient strength to permit the operation of most existing commercial aircraft, including most large widebody aircraft. However, natural and man-made obstructions, including rising terrain, trees and buildings to the west and east of SDIA limit the effective length of the runway for certain aircraft. This limitation reduces range and/or payload capability depending on the aircraft type and the operating rules of a given carrier. Each aircraft is different with respect to, among other things, its empty weight, engine type, thrust variant, desired payload capability, and desired range. For example, a fully loaded 777 would not be affected if it were flying to Dallas but it would be affected if it were flying to New York. The Authority expects future generations of aircraft, such as the 787, to be less affected by these runway limitations due to improved airfield performance capabilities. Runway 9/27 is equipped with high-intensity runway lighting and supports both precision and non-precision approaches. SDIA has a system of taxiways leading to and from the terminal area on the south side of SDIA, and to and from the north side of SDIA which is used by cargo and general aviation aircraft. See "CERTAIN INVESTMENT CONSIDERATIONS—Restrictions on Airport Facilities and Operations."

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

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

Cargo facilities at SDIA provide approximately 70,000 square feet of building space in three buildings on approximately 270,000 square-feet of land. Rental car company facilities, a control tower, central utilities plant and fuel facilities are located at SDIA or on land located near SDIA.

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Air Carriers Serving SDIA

As of July 1, 2010, 19 passenger airlines provided daily service from SDIA to a total of 43 U.S. cities and 3 foreign cities, and 6 air carriers provided scheduled all-cargo service at SDIA. The following table sets forth the air carriers serving SDIA as of July 1, 2010. See "AIRLINE INDUSTRY INFORMATION."

TABLE 4
San Diego International Airport
Air Carriers Serving San Diego International Airport
(As of July 1, 2010)

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

[1] An affiliate of and doing business as American Airlines.
[2] On May 2, 2010, the board of directors of United Airlines and Continental Airlines approved a stock-swap transaction that will combine the two airlines. The transaction received approval from the United States Justice Department in August 2010 and from the shareholders of each company on September 17, 2010. The transaction is expected to be completed by the first week of October 2010.
[3] An affiliate of and doing business as US Airways.
[4] An affiliate of and doing business as Frontier Airlines.
[5] An affiliate of and doing business as United Express and Delta Connection.
[6] Sun Country filed for bankruptcy protection in October 2008, but continues to operate at SDIA while it reorganizes under bankruptcy protection
Source: San Diego County Regional Airport Authority

Aviation Activity

In Fiscal Year 2010, SDIA enplaned approximately 8.45 million passengers (which represented an approximately 1.0% decrease in enplaned passengers from the fiscal year ended June 30, 2009). For the year ended December 31, 2009, approximately 96% of the enplanements at SDIA represented domestic O&D passengers. According to ACI statistics, for the year ended December 31, 2009, SDIA was ranked as the 28th busiest airport in the country as measured by total number of enplaned and deplaned passengers. As of August 1, 2010, passenger airlines and cargo carriers were operating approximately 240 departures daily at SDIA.

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

TABLE 5
San Diego International Airport
Total Enplanements

	Domestic		International[1]		Total Enplanements	
Fiscal Year	Enplanements	Percent of Total	Enplanements	Percent of Total	Enplanements	Percent Change
2006	8,690,765	99.3%	58,969	0.7%	8,749,734	3.6%
2007	8,797,153	98.9	94,916	1.1	8,892,069	1.6
2008	9,302,073	99.1	87,254	0.9	9,389,327	5.6
2009	8,479,221	99.3	56,553	0.7	8,535,774	(9.1)
2010	8,363,854	98.9	90,032	1.1	8,453,886	(1.0)

[1] International enplanements include enplanements by foreign air carriers serving SDIA, as well as periodic international enplanements reported by domestic air carriers serving SDIA.
Sources: San Diego County Regional Airport Authority

As set forth in Table 6 which follows, from Fiscal Year 2006 through Fiscal Year 2008, total passenger enplanements and deplanements at SDIA increased at a compounded annul growth rate of 3.6%. Due to the global economic environment and capacity reductions by U.S. carriers, total enplanements and deplanements decreased 9.0% in Fiscal Year 2009 and decreased 0.9% in Fiscal Year 2010. Total operations, landings and take-offs, decreased 13.1% in Fiscal Year 2009 and decreased 6.8% in Fiscal Year 2010. For further discussion of historical passenger activity and operating activity at SDIA and factors affecting aviation demand and the airline industry, see "APPENDIX A—FINANCIAL FEASIBILITY REPORT." The following table sets forth total revenue operations (landings and takeoffs) and total enplaned and deplaned passengers at SDIA for Fiscal Years 2006 through 2010.

TABLE 6
San Diego International Airport
Air Traffic Data

Fiscal Year	Total Operations[1]	Operations Growth	Total Passengers[2]	Passenger Growth
2006	226,752	3.8%	17,483,516	3.6%
2007	225,444	(0.6)	17,753,839	1.5
2008	240,289	6.6	18,771,550	5.7
2009	208,783	(13.1)	17,073,818	(9.0)
2010	194,509	(6.8)	16,929,295	(0.9)

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

Air Cargo

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

TABLE 7
San Diego International Airport
Historical Enplaned and Deplaned Freight and U.S. Mail Cargo
(in tons)

Fiscal Year	Freight	Annual Percentage Change	U.S. Mail	Annual Percentage Change	Total	Annual Percentage Change
2006	158,328	10.7%	31,280	(4.3)%	189,607	7.9%
2007	157,478	(0.5)	33,566	7.3	191,044	0.8
2008	128,456	(18.4)	16,067	(52.1)	144,523	(24.4)
2009	104,750	(18.5)	16,032	(0.2)	120,782	(16.5)
2010	108,823	3.9	16,690	4.1	125,513	3.9

Source: San Diego County Regional Airport Authority.

Enplanements by Air Carriers

The following table presents total enplanements for each air carrier serving SDIA for the last five Fiscal Years. For Fiscal Year 2010, Southwest accounted for approximately 37.7% of the enplanements at SDIA, 38.2% of the landed weight at SDIA and 18% of the revenues of the Authority. Over the past five Fiscal Years, Southwest has enplaned about one-third of the passengers at SDIA. Since approximately 96% of the enplanements at SDIA are O&D and the Authority relies very little on connecting enplanements, the Authority believes that any reduction in service by Southwest would probably be absorbed by one or more other airlines operating at SDIA.

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TABLE 8
San Diego International Airport
Enplanements By Air Carriers
(Ranked on 2010 Results)

Air Carrier	2006	2006 Percent Share	2007	2007 Percent Share	2008	2008 Percent Share	2009	2009 Percent Share	2010	2010 Percent Share
Southwest	2,979,763	34.1%	3,106,431	34.9%	3,306,386	35.2%	3,122,090	36.6%	3,183,084	37.7%
United[1]	989,744	11.3	990,725	11.1	978,816	10.4	927,023	10.9	920,860	10.9
Delta[2]	958,494	11.0	920,724	10.4	982,828	10.5	890,811	10.4	900,510	10.7
American	968,832	11.1	873,624	9.8	808,790	8.6	735,067	8.6	704,909	8.3
US Airways[3]	664,526	7.6	674,640	7.6	631,049	6.7	563,392	6.6	512,558	6.1
Continental[1]	454,699	5.2	503,189	5.7	520,856	5.5	503,242	5.9	507,443	6.0
Alaska	492,891	5.6	536,784	6.0	498,169	5.3	427,850	5.0	435,722	5.2
Frontier[4]	190,232	2.2	231,149	2.6	274,689	2.9	212,069	2.5	196,628	2.3
Jet Blue	161,594	1.8	151,984	1.7	224,205	2.4	235,199	2.8	167,031	2.0
Virgin America	0	0.0	0	0.0	57,292	0.6	155,649	1.8	151,110	1.8
Hawaiian	112,410	1.3	154,932	1.7	160,939	1.7	100,626	1.2	90,874	1.1
Air Canada	0	0.0	55,398	0.6	55,031	0.6	27,255	0.3	46,959	0.6
AirTran Airways	0	0.0	7,983	0.1	97,937	1.0	66,475	0.8	37,530	0.4
Sun Country Airlines[5]	41,091	0.5	45,931	0.5	44,454	0.5	35,885	0.4	24,984	0.3
Aeromexico[6]	58,969	0.7	39,518	0.4	32,223	0.3	27,772	0.3	24,335	0.3
Other	69,211	0.8	46,546	0.5	80,877	0.9	62,156	0.7	51,541	0.6
Total Air Carrier	8,142,456	93.1	8,339,558	93.8	8,754,541	93.2	8,092,561	94.8	7,956,178	94.1
Regional										
SkyWest[7]	202,812	2.3	217,602	2.4	177,112	1.9	203,543	2.4	271,766	3.2
American Eagle	287,136	3.3	275,087	3.1	238,147	2.5	232,289	2.7	207,272	2.5
Mesa[8]	117,330	1.3	42,219	0.5	17,098	0.2	7,381	0.1	18,670	0.2
Express Jet[9]	0	0.0	17,603	0.2	202,429	2.2	0	0.0	0	0.0
Total Commuter	607,278	6.9	552,511	6.2	634,786	6.8	443,213	5.2	497,708	5.9
Total Enplanements	8,749,734	100.0%	8,892,069	100.0%	9,389,327	100.0%	8,535,774	100.0%	8,453,886	100.0%

[1] On May 2, 2010, the board of directors of United Airlines and Continental Airlines approved a stock-swap transaction that will combine the two airlines. The transaction received approval from the United States Justice Department in August 2010 and from the shareholders of each company on September 17, 2010. The transaction is expected to be completed by the first week of October 2010.
[2] In 2008, Delta acquired Northwest and its affiliated air carriers. The operations of Delta and Northwest have been merged into a single entity that now operates under the Delta name. Enplanements for Delta and Northwest have been combined for purposes of this table.
[3] America West Airlines Inc. merged with US Airways Inc. on September 25, 2005 and began operating as US Airways in September 2007. Enplanements for US Airways and America West have been combined for purposes of this table.
[4] On April 13, 2010, Republic Airways Holdings Inc. announced that its two branded carriers, Frontier and Midwest Airlines, would combine under the Frontier brand. Enplanements for Frontier and Midwest have been combined for purposes of this table.
[5] Sun Country Airlines filed for bankruptcy protection on October 6, 2008 but continues to operate at SDIA while it reorganizes under bankruptcy protection.
[6] Ceased operating at SDIA in May, 2010.
[7] Delta Connection and United Express.
[8] US Airways.
[9] Express Jet initiated scheduled service from SDIA in May 2007 and ceased scheduled service from SDIA in September 2008.
Source: San Diego County Regional Airport Authority

Landed Weight

The following table sets forth the total revenue landed weight for the largest air and cargo carriers serving SDIA for the last five Fiscal Years, ranked on Fiscal Year 2010 results.

TABLE 9
San Diego International Airport
Total Revenue Landed Weight
(Ranked on Fiscal Year 2010 Results)
(in thousands of lbs.)

Airline	2006	2007	2008	2009	2010	2010% of Total
Southwest	3,768,374	3,956,170	4,416,996	4,415,780	4,068,974	38.2%
United[1]	1,269,465	1,270,371	1,222,906	1,148,637	1,249,030	11.7
Delta[2]	1,165,956	1,124,244	1,173,864	1,007,769	1,101,367	10.3
American	1,089,872	961,143	890,796	848,513	766,151	7.2
US Airways[3]	250,303	391,358	713,030	684,354	626,510	5.9
Continental[1]	497,929	533,322	538,786	521,842	514,981	4.8
Alaska	616,552	668,390	612,282	535,410	511,813	4.8
Federal Express	445,744	456,152	447,636	402,665	400,303	3.8
Frontier	246,749	283,898	287,387	237,274	227,848	2.1
JetBlue	174,337	175,333	288,239	297,340	201,071	1.9
SkyWest	251,902	246,559	195,777	219,416	176,862	1.7
Hawaiian	145,920	211,840	235,200	137,145	121,600	1.1
American Eagle	338,424	321,712	280,234	280,413	23,065	0.2
Express Jet[4]	0	34,384	273,655	39,136	0	0.0
Others	1,343,347	1,139,082	924,703	721,164	654,534	6.1
Total	11,604,873	11,773,958	12,501,491	11,496,758	10,644,109	100.0%
Annual % Change	–	1.5%	6.2%	(8.0%)	(7.4%)	

1 On May 2, 2010, the board of directors of United Airlines and Continental Airlines approved a stock-swap transaction that will combine the two airlines. The transaction received approval from the United States Justice Department in August 2010 and from the shareholders of each company on September 17, 2010. The transaction is expected to be completed by the first week of October 2010.
2 In 2008, Delta acquired Northwest and its affiliated air carriers. The operations of Delta and Northwest have been merged into a single entity that now operates under the Delta name. Enplanements for Delta and Northwest have been combined for purposes of this table.
3 America West Airlines Inc. merged with US Airways Inc. on September 25, 2005 and began operating as US Airways in September 2007.
4 Express Jet initiated scheduled service from SDIA in May 2007 and ceased scheduled service from SDIA in September 2008.
Source: San Diego County Regional Airport Authority

Emergency Preparedness

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

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

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

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

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

AGREEMENTS FOR THE USE OF AIRPORT FACILITIES

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

Airline Lease Agreements

The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Lease Agreements") with 15 passenger airlines operating at SDIA (the "Signatory Passenger Airlines") and 6 all-cargo carriers (the "Signatory Cargo Carriers," and together with the Signatory Passenger Airlines, the "Signatory Airlines"). The Airline Lease Agreements cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. The Airline Lease Agreements have a term commencing on July 1, 2008 and terminating on June 30, 2013, unless terminated earlier pursuant to their terms. The Airline Lease Agreements may be terminated by the Authority or by the Signatory Airlines with or without cause or default upon the giving of no less than ninety days' notice in writing to the other party of the intention to so terminate.

Under the Airline Lease Agreements, each Signatory Passenger Airline receives the exclusive right to use "Exclusive Use Premises" which consist of ticket counters, associated passenger queuing areas, ticket and baggage service offices, operational support areas and club rooms. The Signatory Passenger Airlines also receive the nonexclusive right to use "Joint-Use Premises," which include baggage claim areas and passenger holdrooms; and "Landing Areas," which include runways, taxiways, apron areas, roadways and other areas provided for landing, takeoff, handling, servicing, loading and unloading, and other operations of aircraft. The Airline Lease Agreements provide for common-use gates and preferential-use gates and do not permit gates to be assigned on an exclusive-use basis.

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

Each Signatory Passenger Airline pays terminal rentals on a monthly basis equal to the total area of the terminals allocable to each such Signatory Airline multiplied by the terminal rental rate. The terminal rental rate is equal to the adjusted terminal area net requirement divided by the total area of the terminal leased to the airlines. The adjusted terminal area net requirement is calculated as: (a) the sum of Operation and Maintenance Expenses attributable or allocable to the terminal, bond and other debt service attributable or allocable to the terminal, amortization charges attributable or allocable to the terminal, other debt service attributable or allocable to the terminal, and reserve requirements attributable or allocable to the terminal; minus (b) the sum of certain terminal area adjustments, including among others, non-signatory airline terminal rentals, Federal Inspection Services ("FIS") charges, and federal, state and local grants and PFCs used to offset bond and other debt service attributable or allocable to the terminal; multiplied by (c) 55% for Fiscal Year 2011 and 60% for Fiscal Year 2012.

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

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

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

The Airline Lease Agreements do not require the Authority to receive the approval of the Signatory Airlines for the construction of the Master Plan (including the Green Build Program), the 2011-15 CIP or any other capital improvements at SDIA.

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

TABLE 10
San Diego International Airport
Signatory Passenger Airlines and Their
Affiliated Airlines

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

Source: San Diego County Regional Airport Authority

See "FINANCIAL INFORMATION—Summary of Operating Statements" for information with respect to aviation revenues collected by the Authority in Fiscal Year 2010.

Parking Agreement

The Authority has entered into an agreement with Lindbergh Parking, Inc. ("Lindbergh") for the management of the parking facilities at SDIA. The agreement with Lindbergh expired on January 31, 2009, but the Authority elected to extend the term of the agreement on a month-to-month basis. The agreement requires Lindbergh to remit the gross revenues from the parking facilities it operates, on a daily basis, to the Authority. The Authority compensates Lindbergh for certain expenses incurred in the management and operation of the parking facilities and provides additional incentives when Lindbergh exceeds certain target revenues. In late 2010, the Authority plans to issue a request for proposals for the management of the parking facilities at SDIA.

The Authority set rates for parking in the Authority's public parking lots. As of September 1, 2010, long-term parking rates were $16 to $20 per day, depending on location, and short-term parking rates were $4.00 for the first hour and a maximum of $21.00 for the first day, with every additional day being $26.00 per day.

As of September 1, 2010, valet parking rates were $30 per day. Public parking accounted for approximately $30 million of operating revenues in Fiscal Year 2010, equal to approximately 30% of operating revenues or approximately 51% of nonairline revenues.

Rental Car License Agreements

As of September 1, 2010, there were 17 rental car companies authorized by the Authority to provide rental car services at SDIA. All of the major national brands are represented at SDIA (Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty) as well as regional brands (Advantage, Fox and Midway) and local brands (A1, Ace, Pacific, Payless, TravCar and West Coast). Each of the rental car companies has entered into a Nonexclusive Airport Car Rental License Agreement (the "Rental Car License Agreements") with the Authority that expires on December 31, 2010. The Authority is currently negotiating new Rental Car License Agreements with the rental car companies and expects new agreements will be finalized by December 31, 2010. The Authority expects the terms of the new Rental Car License Agreements will be substantially similar to the existing agreements. Pursuant to the Rental Car License Agreements, the rental car companies pay the Authority 10% of their adjusted gross revenues. The Authority received approximately $21 million in payments from the rental car companies in Fiscal year 2010.

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

In March 2009 and May 2010, pursuant to Section 1936 of the California Civil Code, the Board authorized the collection of a $10 per transaction customer facility charge ("CFC") on rental cars rented from rental car companies operating at SDIA. The CFC is collected by the rental car companies from their customers and subsequently transferred to the Authority. The CFC revenues will be used for the purposes of designing, financing and constructing a consolidated rental car facility at SDIA and providing for a common use transportation system at SDIA. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Future Projects" for a description of the Authority's plans for the construction of a consolidated rental car facility at SDIA. The Authority recorded the receipt of approximately $11 million of CFC revenues in Fiscal Year 2010. As of June 30, 2010, the Authority had collected $10 million of CFC revenues that had not yet been applied for approved capital projects. CFC revenues are not included in Revenues.

Terminal Concessions, Advertising and Other Agreements

The Authority has entered into two lease agreements with Host International Inc. ("Host"), one with respect to all food and beverage and another for all gift and news retail concession space at SDIA. Both lease agreements expire on November 30, 2012. The lease agreements provide for rental payments equal to the greater of a minimum annual guarantee ("MAG") or a percentage of gross income. For Fiscal Year 2010, gross sales for food and beverage outlets were $44,773,303, providing approximately $6 million in operating revenues to the Authority. For Fiscal Year 2010, gross sales for gift and news outlets were $22,617,389, providing approximately $3.6 million in operating revenues to the Authority. The Authority expects to issue a request for proposals for food and beverage concessions and gift and news retail concessions by the end of 2010.

The Authority has entered into an advertising concession agreement with Joint Venture for the Operation of the Advertising Concession ("Joint Venture"). The advertising concession agreement expires on June 30, 2018 and provides for payments from Joint Venture equal to the greater of a MAG or a percentage of gross receipts received by Joint Venture from advertisements at SDIA. For Fiscal Year 2010, gross advertising sales were $2,527,177, providing approximately $1.6 million in operating revenues to the Authority.

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

FINANCIAL INFORMATION

Summary of Financial Operations

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

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

In 2010, the Board adopted its first biennial budget which covers Fiscal Year 2011 and Fiscal Year 2012. The Board approved the budget for Fiscal Year 2011 and approved, in concept, the budget for Fiscal Year 2012. The conceptual budget for Fiscal Year 2012 approved by the Board will be brought back to the Board in 2011 for review, any needed revisions and final adoption.

Fiscal Year 2011 Budget. Budgeted revenues for Fiscal Year 2011 are expected to increase $28.5 million over Fiscal Year 2010 budgeted revenues. Some of this increase can be attributed to an increase in building rentals, collection of security costs, certain concession revenues, parking and ground transportation revenues, and federal grant moneys. Budgeted expenses for Fiscal Year 2011 are projected to decrease $1.6 million over Fiscal Year 2010 budgeted expenses. This decrease can be attributed predominately to decreases in non-personnel expenses, equipment outlays and the Quieter Home Program. The Fiscal Year 2011 budget assumes 8.63 million enplaned passengers, versus 8.45 million enplaned passengers in the Fiscal Year 2010 (actual).

Conceptual Fiscal Year 2012 Budget. Budgeted revenues for Fiscal Year 2012 are expected to decrease $9.1 million over Fiscal Year 2011 budgeted revenues. This decrease is attributable to a decrease in anticipated federal grant moneys, partially offset by increases in certain other revenues, which predominately include building rentals, collection of security costs, parking and ground transportation revenues, interest income and PFCs. Budgeted expenses for Fiscal Year 2012 are projected to increase $8.9 million over Fiscal Year 2011 budgeted expenses. This increase is attributable to increases in debt service and employee benefit expenses. The Fiscal Year 2012 budget assumes 8.96 million enplaned passengers, versus 8.63 million enplaned passengers in the Fiscal Year 2011 budget.

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

Investment Practices. It is the policy of the Authority to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Authority. The investment policies and practices of the Authority are based upon prudent money management and conform to all state and local statutes governing the investment of public funds. The Authority is authorized by California Government Code Section 53600 *et seq*. and Section 53630 *et seq*. to invest in investments listed therein. Prohibited investments include but are not limited to, inverse floating rate notes, range notes, interest-only strips that are derived from a pool of mortgages, common stock and long-term corporate notes or bonds. The Authority may not invest any funds in any security that could result in zero interest accrual and zero discount accretion if held to maturity. Investments that exceed five years to maturity require authorization by the Board at least 30 days prior to purchase.

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The following table sets forth a summary of the Authority's investments as of June 30, 2010:

TABLE 11
San Diego County Regional Airport Authority
Investments
(As of June 30, 2010)

Security Type	Market Value as of June 30, 2010	Percentage of Portfolio
Bank Demand Deposits	$ 48,673,000	19.8%
Highmark Money Market Fund	3,213,000	1.2
Local Area Investment Fund (LAIF)	46,906,000	19.1
San Diego County Investment Pool	49,619,000	20.2
CDARS - Certificate of Deposit	16,031,000	6.5
Corporate Bonds	4,031,000	1.6
US Treasury Notes	9,610,000	3.9
US Agency Securities	68,114,000	27.7
Total	$246,197,000	100.0%

Source: San Diego County Regional Airport Authority June 30, 2010 Investment Report

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

Summary of Operating Statements

The following table summarizes the financial results from operations for the Authority for Fiscal Years 2006 through 2009 (derived from audited financial statements) and Fiscal Year 2010 (derived from unaudited financial statements). See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2009." McGladrey & Pullen, LLP, the Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included in Appendix B attached hereto, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP, also has not performed any procedures relating to this Official Statement.

[Remainder of page intentionally left blank.]

TABLE 12
San Diego County Regional Airport Authority
Historical Operating Statements
(Dollars in Thousands)[1]

	2006[2]	2007[2]	2008[2]	2009[2]	Unaudited 2010[3]
Operating revenue:					
Aviation revenue					
Landing fees	$ 22,243	$ 24,006	$ 24,763	$ 18,689	$ 17,329
Aircraft parking fees	–	–	–	3,221	3,406
Building rentals	21,137	22,495	24,265	23,057	24,850
Security surcharge	7,759	8,441	8,618	10,204	12,048
Other aviation revenue	1,868	1,757	1,808	1,565	1,584
Concession revenue	29,362	34,201	38,785	36,280	36,093
Parking and ground transportation revenue	26,904	28,392	31,038	31,492	30,296
Ground rentals	5,505	4,994	5,207	5,776	5,923
Other operating revenue	4,717	1,080	1,197	693	1,807
Total operating revenue	119,495	125,366	135,682	130,977	133,337
Operating expenses:					
Salaries and benefits	26,847	28,333	32,912	34,741	35,397
Contractual services	30,970	26,391	27,378	27,464	28,032
Safety & security	14,777	15,946	19,110	19,930	20,123
Space rental	11,353	10,842	10,901	10,888	10,906
Utilities	5,416	6,421	6,429	6,912	6,871
Maintenance	5,390	8,393	8,735	8,002	9,410
Equipment and systems	736	980	1,333	678	886
Material and supplies	591	761	795	641	414
Insurance	1,162	1,999	1,227	1,096	1,166
Employee development & support	906	909	1,035	1,030	986
Business development	2,325	2,096	2,733	2,509	2,000
Equipment rental and repair	882	1,479	1,396	1,387	1,282
Total operating expenses before depreciation and amortization	101,356	104,551	113,985	115,278	117,474
Income from operations before depreciation and amortization	18,139	20,816	21,697	15,699	15,863
Depreciation and amortization	31,559	33,468	36,765	38,196	42,421
Operating income (loss)	(13,420)	(12,652)	(15,067)	(22,497)	(26,558)
Non-operating revenues (expenses):					
Passenger facility charges	34,981	36,452	37,401	33,219	33,667
Customer facility charges	–	–	–	1,695	10,782
Quieter Home Program, net	(1,596)	(3,212)	(4,954)	(5,754)	(1,857)
Interest income	9,306	11,969	13,432	9,434	6,666
Interest expense	(4,809)	(4,683)	(4,086)	(2,998)	(2,691)
Other non-operating revenue, net	964	(3,282)	12	316	(994)
Net non-operating revenue	38,846	37,245	41,806	35,913	45,574
Income before capital grant contributions	25,426	24,593	26,738	13,416	19,015
Capital grant contributions	12,145	7,150	2,850	4,646	27,350
Change in net assets	37,571	31,742	29,588	18,062	46,365
Net assets, beginning of year	396,220	433,791	465,533	495,121	513,183
Net assets, end of year	$433,791	$465,533	$495,121	$513,183	$559,548

[1] Totals may not add due to rounding.
[2] Derived from audited financial statements.
[3] Derived from unaudited financial statements.
Source: San Diego County Regional Airport Authority

Management's Discussion of Recent Financial Results

Total operating revenue for Fiscal Year 2010 increased $2.4 million over Fiscal Year 2009 primarily due to increased aviation revenue. Aviation revenue for Fiscal Year 2010 increased $2.5 million over Fiscal Year 2009. Airline revenue billed to the airlines on a progressive cost recovery system was higher in Fiscal Year 2010 in comparison to Fiscal Year 2009 due to the graduated rate increase from 45% to 55%. Concession revenues for Fiscal Year 2010 were slightly lower (0.5%) than Fiscal Year 2009 concession revenues due to lower enplanements. Parking revenues decreased by approximately $1.2 million in Fiscal Year 2010 also due to reduced enplanements. Other operating revenues for Fiscal Year 2010 increased approximately $1.1 million for Fiscal Year 2010 primarily due to federal grant reimbursements for RASP.

Fiscal Year 2010 operating expenses, before depreciation and amortization, were slightly higher than Fiscal Year 2009, $2.2 million or 2.0%. The Authority was able to keep Fiscal Year 2010 operating expenses substantially equal to Fiscal Year 2009 operating expenses due to continued cost containment by decreasing business development expenses, $521,000 from decreased travel, and recovering certain bad debts, $300,000. Additionally, equipment rentals and repairs decreased by $100,000 in Fiscal Year 2010 primarily due to decreased costs of tenant leasehold improvements. These decreases were offset by increased salaries and benefits expense, $656,000, primarily due to increased costs of medical and retirement benefits; increased contractual services, $568,000, primarily due to a new study to map qualified homeowners as candidates for the Quieter Home Program; increased security and safety expense, $193,000, primarily due to the required utilization of the Port District's Harbor Police, such increase resulting from increased costs of Harbor Police salaries and benefits; increased maintenance expenses, $1.4 million, primary due to increased maintenance of escalators, elevators, air conditioning system and pavement restriping; and increased equipment and systems, approximately $208,000, primarily due to the replacement of small computer equipment and servers.

Total operating expenses, after depreciation and amortization, increased $6.3 million in Fiscal Year 2010 from $153.5 million to $159.8 million, or 4.1%, primarily due to increased depreciation and amortization expense of $4.2 million. In Fiscal Year 2010, $48 million of capital projects were completed and placed in service. The completed capital projects consisted of $6 million in Terminal 1 electrical upgrades, $7 million in security improvements, $6 million in escalator replacements, $4 million in software for the Authority's engineering department, $3.4 million in renovations and build-out of Authority offices, $1 million in electronic visual information display in the terminal, and several other smaller projects.

Nonoperating revenue (net) for Fiscal Year 2010 increased by $9.6 million or 27% over Fiscal Year 2009. This increase was primarily due to a full year's collection of CFCs which began in May, 2009, $9.1 million increase in Fiscal Year 2010. PFCs slightly increased in Fiscal Year 2010, $448,000 due to the timing of when passengers booked their flights. The costs of the Quieter Home Program decreased $3.9 million or 67.8% in Fiscal Year 2010 due to increased program and due to the timing of when invoices were paid to become eligible for FAA reimbursement. Interest income decreased $2.8 million or 29.3% in Fiscal Year 2010, primarily due to decreased rates of return on invested funds. Interest expense decreased $307,000 or 10.2% in Fiscal Year 2010, due to lower interest rates despite more outstanding Subordinate Commercial Paper Notes. Other non-operating expenses increased $1.4 million in Fiscal Year 2010 due to unrealized losses on the market value of investments.

Revenue Diversity

The following table sets forth the top ten operating revenue providers at SDIA for Fiscal Year 2010.

TABLE 13
San Diego County Regional Airport Authority
Top Ten Operating Revenue Providers
(Fiscal Year 2010)

	Revenue Provider	Revenues	Percent of Total Operating Revenue
1.	Southwest Airlines	$19,428,103	14.6%
2.	Host International	9,907,860	7.4
3.	United Airlines[1]	7,905,284	5.9
4.	American Airlines	7,460,842	5.6
5.	Delta Air Lines	6,663,671	5.0
6.	Hertz Rent-A-Car	5,840,431	4.4
7.	US Airways	3,756,383	2.8
8.	Continental Airlines[1]	3,502,608	2.6
9.	Avis Budget Rent-A-Car Group	3,378,607	2.5
10.	Alaska Airlines	2,951,554	2.2

[1] On May 2, 2010, the board of directors of United Airlines and Continental Airlines approved a stock-swap transaction that will combine the two airlines. The transaction received approval from the United States Justice Department in August 2010 and from the shareholders of each company on September 17, 2010. The transaction is expected to be completed by the first week of October 2010.
Source: San Diego County Regional Airport Authority

The following table sets forth the top ten top ten revenue sources at SDIA for Fiscal Year 2010.

TABLE 14
San Diego County Regional Airport Authority
Top Ten Operating Revenue Sources
(Fiscal Year 2010)

	Source	Revenue
1.	Parking	$29,975,204
2.	Terminal Rent-Airlines	25,394,831
3.	Car Rental License Fees[1]	20,882,900
4.	Landing Fees	17,329,535
5.	Security Surcharge	12,048,188
6.	Food and Beverages	6,088,925
7.	Ground Rent	5,922,607
8.	News/Retail	3,620,072
9.	Aircraft Parking Fees	3,406,012
10.	Advertising, ATM Smarte Carte	2,826,530

[1] Excludes CFC revenues, of which the Authority recorded the receipt of $10,782,512 in Fiscal Year 2010.
Source: San Diego County Regional Airport Authority

Historical Debt Service Coverage

The following table shows historical senior debt service coverage for Fiscal Years 2006 through 2010.

TABLE 15
San Diego County Regional Airport Authority
Historical Senior Debt Service Coverage

	2006	2007	2008	2009	2010
Revenues[1]	$123,308,672	$133,924,976	$144,379,133	$138,334,601	$137,749,647
Operating and Maintenance Expenses	97,675,011	103,942,210	114,375,096	115,221,068	116,461,059
Net Revenue Available for Debt Service	$ 25,633,661	$ 29,982,766	$ 30,004,037	$ 23,113,533	$ 21,288,588
Senior Debt Service[2]					
Principal	$ 5,995,000 [3]	$ 2,670,000	$ 2,805,000	$ 2,950,000	$ 3,105,000
Interest	2,949,705 [3]	2,665,725	2,532,225	2,391,975	2,244,475
Total Senior Debt Service	$ 8,944,705 [3]	$ 5,335,725	$ 5,337,225	$ 5,341,975	$ 5,349,475
Senior Debt Service Coverage	2.87x	5.62x	5.62x	4.33x	3.98x

[1] Does not include grants which are otherwise included in the definition of Revenues. Grants which are not otherwise restricted by their terms to the payment of debt service on Senior Bonds and/or Subordinate Obligations are included in the definition of Revenues.
[2] Senior Debt Service is calculated pursuant to the provisions of the Master Senior Indenture.
[3] Includes principal of and interest paid on the California Maritime Infrastructure Authority Airport Revenue Bonds (San Diego Unified Port District Airport Project – Lindbergh Field), Series 1995 (which were fully defeased on November 9, 2005), and principal and interest funded on the Senior Series 2005 Bonds.
Source: San Diego County Regional Airport Authority

Historical Airline Cost Per Enplaned Passenger

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

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TABLE 16
San Diego International Airport
Airline Derived Revenue Per Passenger

Airline Revenues	2006	2007	2008	2009	2010
Landing Fees	$ 22,242,806	$ 24,006,493	$ 24,763,236	$ 18,677,650	$17,313,900
Aircraft Parking Fees[1]	0	0	0	3,189,492	3,382,020
Terminal Rentals	20,487,300	21,880,249	23,569,899	22,046,636	23,883,600
FIS Use Charges	0	0	0	148,035	102,843
Security Surcharge	7,758,983	8,440,960	8,618,400	10,203,808	12,048,188
Other Aviation Revenue[2]	1,867,678	1,756,782	1,807,979	0	0
Total Airline Revenue	$52,356,767	$56,084,484	$58,759,514	$54,265,621	$56,730,551
Enplaned Passengers	8,749,734	8,892,069	9,389,327	8,535,774	8,453,886
Airline Derived Revenue Per Passenger	$5.98	$6.31	$6.26	$6.36	$6.71

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

Pension and Retirement Plans

Authority Pension Plan. All full-time employees of the Authority are eligible to participate in the Authority's defined-benefit pension plan (the "Authority Pension Plan"), which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority Pension Plan is administered by the San Diego City Employees' Retirement System ("SDCERS"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City, the Port District and the Authority, and is administered by the Retirement Board of Administration (the "Retirement Board"). Each of the Authority, the City and the Port District has a separate plan and each employer's contributions are held in trust although all contributions to SDCERS are pooled for investment purposes, managed and invested by the Retirement Board. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2009" for more information on the Authority's Pension Plan.

The City Municipal Code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the Authority to pay a portion of the employees' contributions. The Authority's contribution rate as determined through actuarial valuation was 16.60% for Fiscal Year 2010 and was 11.96% for Fiscal Year 2009 and is expressed as a percentage of covered payroll. For Fiscal Year 2010, the Authority contributed approximately $9.6 million (including a special one-time contribution of $4.6 million in June 2010) to the Authority Pension Fund, and for Fiscal Year 2009, the Authority contributed approximately $4.9 million to the Authority Pension Fund. For Fiscal Year 2011, the Authority has budgeted a contribution of approximately $7.4 million to the Authority Pension Fund. The Authority has always made its full required contributions to the Authority Pension Plan. The Authority cannot predict the levels of funding that will be required in the future.

The following table sets forth certain information about the funding status of the Authority Pension Plan that has been extracted from the comprehensive annual financial reports of SDCERS for the fiscal years ended June 30, 2005 through, and including, 2009 (collectively, the "SDCERS CAFRs (2005-2009)"), and the actuarial valuation reports provided to SDCERS by Cherion, Inc. for the fiscal years ended June 30, 2005 through, and including, 2009 (collectively, the "Actuarial Reports (2005-2009)"). Complete copies of the SDCERS CAFRs (2005-2009) and the Actuarial Reports (2005-2009) can be obtained from SDCERS by writing to the San Diego City Employees' Retirement System, Suite 400, 401 West A Street, San Diego, California 92101 and from the SDCERS website at www.sdcers.org. No information contained on such website is incorporated into this Official Statement.

TABLE 17
Funding Status of Authority Pension Plan
(Dollars in thousands)

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Accrued Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
2005	$28,551,475	$30,682,414	$32,602,898	$4,051,423	87.6%	$1,920,484	106.3%	$17,608,879	23.0%
2006 [1]	41,222,279	41,222,279	39,215,501	(2,006,778)	105.1	(2,006,778)	105.1	19,115,804	(10.5)
2007 [2]	50,812,142	53,305,476	46,636,555	(4,175,587)	109.0	(6,668,921)	114.3	21,956,656	(19.0)
2008	58,095,599	54,856,234	56,807,663	(1,287,936)	102.3	1,951,429	96.6	23,488,283	(5.5)
2009 [3,4]	58,981,105	49,150,920	67,870,945	8,889,841	86.9	18,720,024	72.4	24,693,427	36.0

1 In Fiscal Year 2006, SDCERS changed the calculation methodology for the Actuarial Value of Assets, from a methodology that was based on the smoothing of the "book value" of assets to a methodology that is based on the smoothing of the "market value" of assets.

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

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

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

Source: SDCERS CAFRs (2005-2009) and Actuarial Reports (2005-2009); and San Diego County Regional Airport Authority.

Postemployment Health Benefits. In addition to the pension benefits provided under the Authority Pension Plan, the Authority provides medical, dental and $10,000 life insurance postretirement benefits ("Postemployment Health Benefits") for nonunion employees hired prior to May 1, 2006, and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service. In May 2009, the Board approved an agreement with the California Employers' Retiree Benefit Trust ("CERBT") fund, which is managed by the California Public Employees Retirement System ("CalPERS"), to administer the Authority's Postemployment Health Benefits. See "Note 8. Other Postemployment Benefits and Subsequent Event" in the Authority's financial statements for the year ended June 30, 2009 attached hereto as "APPENDIX B AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2009" for more information on the Authority's Postemployment health Benefits.

For Fiscal Year 2010, the Authority paid approximately $1.7 million for Postemployment Health Benefits. For Fiscal Year 2011, the Authority as budgeted approximately $1.8 million to be paid for Postemployment Health Benefits.

The Schedule of Funding Progress table related to the Authority's Postemployment Health Benefits found in "Note 8. Other Postemployment Benefits and Subsequent Event" in the Authority's financial statements for the year ended June 30, 2009 attached hereto as "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2009" has been updated with information for July 1, 2009. The updated table is as follows (amounts in thousands):

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/2007	$ 0	$ 8,924	$ 8,924	0.0%	$18,806	47.5%	7.75%	3.25%
Update	7/2/2008	0	10,327	10,327	0.0	19,417	53.2	7.75	3.25
Actual	7/1/2009	2,674	12,206	9,532	21.9	19,514	48.8	7.75	3.25

Source: San Diego County Regional Airport Authority; derived from the Actuarial Valuation Study, dated April 30, 2010, by Aon Consulting.

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

Risk Management and Insurance

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

The Authority maintains airport owners and operators primary general liability insurance with coverage of $100 million for losses arising out of liability for airport operations. The Authority has also purchased a "War, Hijacking and Other Perils Endorsement" with coverage of up to $100 million. Coverage under this endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two of more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter. The Authority also maintains excess general liability insurance with coverage of $400 million in excess of the $100 million primary liability coverage.

The cost of earthquake coverage remains cost prohibitive and is not available in significant amounts. The Federal Emergency Management Agency ("FEMA") and the California Disaster Assistance Act ("CDDA") are designed to assist public entities such as the Authority in the event of a catastrophe. FEMA will pay up to 75% of a loss and CDDA will pay at a minimum 25% of the balance for nationally declared disasters. In addition, the State legislature has paid any remaining loss costs for all declared disasters since 1989. In the past the Authority relied on these laws to pay loss costs beneath the attachment point for insurance coverage and above the coverage limit purchased. Effective July 1, 2007, based on the status of these laws and the condition of the insurance marketplace, the Authority removed the purchase of commercial earthquake insurance from the Risk Management program and increased reliance on the laws designed to assist public entities. As of June 30, 2010, the Authority had $2,350,000 for earthquake contingency reserve. This reserve is intended to increase as deemed by management.

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

The Authority participates in an insurance purchasing program, with a $1 billion limit to provide all risk and flood coverage on physical assets. During Fiscal Year 2010, there were no significant reductions in insurance coverage from the prior year. For each of the past three Fiscal Years, settlements have not exceeded insurance coverage.

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

DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT

General

The Airport Master Plan for SDIA approved by the Board in May 2008 (the "Master Plan") was developed to address requirements for accommodating near term passenger growth at SDIA through 2015 and to consider conceptual improvements through 2030. The Master Plan has identified several near-term improvement needs for SDIA, including, among others, additional terminal space, south-side aircraft remain-over-night parking positions, roadway access improvements and ground transportation facilities improvements to meet the forecasted demand of increased passenger traffic at SDIA. The Authority has developed its Green Build Program (as described below) to implement these near-term improvements at SDIA. A portion of the Green Build Program is included in the Subordinate Series 2010 Projects. The Green Build Program has an estimated cost of approximately $865 million. In addition to the Green Build Program, the Authority maintains a 5-year capital improvement program that is intended to address critical improvements and asset preservation of SDIA. The Authority's current 5-year CIP, the 2011-15 CIP, includes projects that are to be undertaken at SDIA between Fiscal Year 2011 and Fiscal Year 2015 at an estimated cost of approximately $377 million.

The Green Build Program and the 2011-15 CIP are expected to be financed with a combination of Senior Bonds, Subordinate Obligations (including the Subordinate Series 2010 Bonds), federal grants, PFCs, internally generated cash of the Authority, CFCs and other sources.

The Master Plan

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

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

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

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

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

The Green Build Program

In 2009, the Board authorized the design, construction and funding of certain of the projects identified in Alternative A to the Master Plan (the "Green Build Program," formerly known as the "Terminal Development Program"). Proposed facility improvements under the Green Build Program include, among other improvements: (i) constructing 10 new gates on Terminal 2 West, (ii) constructing a new aircraft parking apron and aircraft taxi lane, (iii) expanding vehicle circulation serving Terminal 2 East and West by constructing a dual-level roadway featuring an arrivals curb on level one and a departures curb on level two, (iv) expanding concession areas in Terminal 2 West by providing more dining and shopping options, (v) constructing an improved/expanded security checkpoint in Terminal 2 West, and (vi) constructing new holding areas at the gates in Terminal 2 West. A portion of the Green Build Program is included in the Subordinate Series 2010 Projects. The Green Build Program is expected to be completed in mid-2013. The Authority currently estimates that the cost of the Green Build Program, including design, engineering, construction, cost escalation, insurance, Authority staff costs, program management, enabling projects and contingency of approximately 7.5%, will total approximately $865 million.

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

Terminal Component Design-Build Agreement. The Terminal Component Design-Build Agreement is valued at approximately $431 million and includes the following program elements:

- Expand Terminal 2 West by approximately 460,000 square feet, including 10 new aircraft gates
- Expand the Central Utility Plant
- Construct Terminal 2 West Enabling Projects
- Construct new Remain-Over-Night (RON) aircraft parking apron
- Construct new apron and aircraft taxi-lane
- Construct ancillary apron support facilities

The design-build procurement method utilizes tasks and work authorizations to authorize the Terminal Contractor to design and construct the program elements set forth in the Terminal Component Design-Build Agreement. As of August 2010, the Terminal Contractor was authorized to complete work under the Terminal Component of the Green Build Program valued at approximately $248.5 million.

Construction of the Terminal Component has recently begun. Site preparation and utility work for the aircraft apron are currently being completed with grading and paving beginning in September 2010. Pile driving for the expansion of Terminal 2 West has begun and bids for the structural steel for the terminal expansion are being received.

Landside Component Design Build Agreement. The Landside Component Design Build Agreement is valued at approximately $252 million and includes the following program elements:

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

- Construct new USO and parking management facilities

- Construct expanded Transit Center

- Reconfigure surface parking lot

- Construct ancillary facilities to support landside improvements

The design-build procurement method utilizes tasks and work authorizations to authorize the Landside Contractor to design and construct the program elements set forth in the Landside Component Design-Build Agreement. As of August 2010, the Landside Contractor was authorized to complete work under the Landside Component of the Green Build Program valued at approximately $86.5 million.

The roadway improvements that are part of the Landside Component have begun. Airport traffic is being redirected in some areas and public parking is being relocated to accommodate this road work.

Authority General and Administrative Costs, Program Escalation and Risk Allowance. In addition to the Terminal Component Design-Build Agreement and the Landside Component Design-Build Agreement, the Green Build Program includes approximately $122 million of general and administrative costs of the Authority associated with certain enabling projects, and administration and oversight of the design/construction of the Green Build Program. Additionally, the budget for the Green Build Program includes approximately $15 million of program escalation costs and approximately $45 million of risk allowance costs.

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

Capital Improvement Program

The Board has adopted a capital improvements program policy (the "CIP Policy"), which requires the Authority to establish a capital improvement program for the orderly maintenance and development of SDIA. Pursuant to the CIP Policy, each year the Authority's Executive Director is required to submit to the Board a development program of desirable capital improvements that are within the Authority's financial funding capability. The Authority's current capital improvement program, the 2011-15 CIP, sets forth projects that are to be undertaken at SDIA between Fiscal Year 2011 and Fiscal Year 2015. The 2011-15 CIP projects are in addition to the projects included in the Green Build Program. The projects in the 2011-15 CIP include, among others, expansion of Terminal 2 East, construction of the North Side Utility Infrastructure, construction of a dedicated access road to the terminals, relocation of Taxiway B, rehabilitation of Taxiway C, demolition of buildings and other improvements on the TDY Property, site protection, and development of an interim parking plan. The 2011-15 CIP has an estimated cost of approximately $377 million (approximately $142 million of such costs have already been incurred by the Authority). See "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for additional information on the 2011-15 CIP.

Future Projects

In addition to the Green Build Program and the 2011-15 CIP, the Authority is currently in the early planning stages of certain additional projects that may be constructed at SDIA, including, among others, a consolidated rental car (the "CONRAC") facility, air cargo warehouse facilities and associated improvements, a central receiving and distribution center and Authority warehouse, and a fixed base operation facility ("FBO Facility") to serve general aviation at SDIA.

Currently, none of the rental car companies operating at SDIA have customer or operating facilities on Authority property. While some of the rental car companies lease a small area of on-Airport property from the Authority for overflow vehicle storage, the rental car companies operating at SDIA maintain their customer service facilities, operating and maintenance facilities and overflow vehicle storage areas at locations off-airport, which they either own or lease from third parties. In order to consolidate the operations of the rental car companies into one location and to alleviate traffic congestion on the streets surrounding SDIA, among other reasons, the Authority's current plans include the construction of a four level, 1.9 million square-foot facility for rental car ready/return and storage operations with up to 6,900 parking spaces located on approximately 27.5 acres of the former General Dynamics property located on the north-side of SDIA. The CONRAC facility also would include an approximately 40,200 square-foot customer service building. Shuttle service to and from the passenger terminals would be provided by common use CONRAC buses. Currently, the Authority estimates that construction of the CONRAC facility would cost approximately $218 million, and that such costs would be financed with the issuance of Authority bonds that would be secured solely with CFC revenues. At this time, the Authority does not have any plans to issue Additional Senior Bonds or Additional Subordinate Obligations to finance the construction of the CONRAC facility. See "AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES—Rental Car License Agreements."

The new air cargo facilities would include approximately 225,000 square-feet of warehouse space and a new aircraft parking apron with up to nine parking positions for cargo aircraft. The new air cargo facilities would be located parallel to and on the northside of Taxiway C. At this time, the Authority cannot estimate the cost or predict what the source of funding would be for the new air cargo facilities.

The central receiving and distribution center and Authority warehouse would be an approximately 32,000 square-foot building that would provide a single receiving point for most goods delivered to SDIA. Distribution of these goods to various locations at SDIA would be conducted by a single delivery service. At this time, the Authority cannot estimate the cost or predict what the source of funding would be for the central receiving and distribution center.

The FBO Facility would include a 12,000-16,000 square-foot building, a new aircraft parking apron for general aviation aircraft, and a taxi lane to connect with Taxiway C. The FBO Facility would be located in the eastern portion of the north-side of SDIA. At this time, the Authority cannot estimate the cost or predict what the source of funding would be for the FBO Facility.

At this time, the Authority cannot predict whether it will move forward with the final design and construction of these projects. See "AIRPORT ENVIRONMENTAL MATTERS—Supplemental Environmental Impact Report" for a discussion of the supplemental environmental impact report being prepared by the Authority with respect to the CONRAC facility, the air cargo warehouse facilities and associated improvements, and the central receiving and distribution center.

Funding Sources for Green Build Program and 2011-15 CIP

General. The Authority anticipates financing the Green Build Program and the 2011-15 CIP with a combination of proceeds of the Subordinate Series 2010 Bonds (approximately $468.2 million); proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations (approximately $407.3 million); PFCs (approximately $951.0 million to pay the debt service on the Subordinate Series 2010 Bonds and the Additional Senior Bonds and Additional Subordinate Obligations to be issued to finance portions of the Green Build Program and the 2011-15 CIP, and approximately $178.3 million on a pay-as-you-go basis); federal grants (approximately $142.2 million); internally generated cash of the Authority (approximately $20.9 million); and CFCs and other sources (approximately $24.7 million).

TABLE 18
San Diego Internal Airport
Funding Sources for Green Build Program and 2011-15 CIP

	Estimated Project Costs[1]	Subordinate Series 2010 Bonds[2,3,4]	Future Bonds[3,4]	Federal Grants[5]	Pay-As-You-Go PFCs	Authority Funds	CFCs and Other Sources
Green Build Program							
Airside	$ 60,929,398	$ 7,435,145	$ 3,041,825	$ 41,247,421	$ 9,186,157	$ 18,849	$ 0
Terminal	605,389,289	142,276,267	340,602,978	25,346,000	96,476,938	687,107	0
Roads	161,806,212	75,160,250	72,816,853	1,750,000	12,029,100	50,009	0
Parking	36,487,803	14,573,344	21,493,759	0	409,423	11,277	0
Total	$ 864,612,702	$239,445,005	$437,955,415	$ 68,343,421	$118,101,619	$ 767,243	$ 0
2011-15 CIP							
Airside	$ 157,307,500	$ 51,595,833	$ 9,977,649	$ 73,429,675	$20,338,356	$ 1,640,819	$ 325,167
Terminal	120,019,808	23,618,532	54,431,702	450,000	37,655,732	3,150,345	713,497
Landside	73,366,750	6,813,265	40,952,655	0	0	1,958,651	23,642,180
Administrative	13,794,100	5,261,226	3,950,000	0	0	4,582,874	0
Ancillary	12,434,931	1,435,210	0	0	2,200,077	8,799,655	0
Total	$ 376,923,089	$ 88,724,066	$109,312,006	$ 73,879,675	$ 60,194,165	$20,132,332	$24,680,844
Total All Projects	$1,241,535,791	$328,169,071	$547,267,421	$142,223,096	$178,295,784	$20,899,575	$24,680,844

1 Estimated costs include design, engineering, construction, escalation and contingency amounts.
2 Includes $111 million of capital costs originally financed with proceeds of the Subordinate Commercial Paper Notes that are being refunded with a portion of the proceeds of the Subordinate Series 2010 Bonds.
3 The Authority expects to use approximately $951 million of PFCs to pay the debt service on a portion of the Subordinate Series 2010 Bonds and the Future Bonds.
4 In addition to financing approximately $328.2 million of the costs of the Green Build Program and the projects in the 2011-15 CIP, approximately $140 million of the proceeds of the Subordinate Series 2010 Bonds will finance costs of the Green Build Program and the projects in the 2011-15 CIP that were expected to be financed with the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations. The Authority expects to issue approximately $450 million of Additional Senior Bonds and/or Additional Subordinate Obligations between calendar years 2011 and 2013 to finance costs of the Green Build Program and the projects in the 2011-15 CIP not funded with the proceeds of the Subordinate Series 2010 Bonds.
5 Includes AIP and Transportation Security Administration grants.
Source: San Diego County Regional Airport Authority

Subordinate Series 2010 Bonds and Additional Senior Bonds and Subordinate Obligations. Based on the various current estimates and assumptions related to the Green Build Program and the 2011-15 CIP and the Authority's operations, the Authority currently anticipates that, after the issuance of the Subordinate Series 2010 Bonds, it will issue approximately $450 million aggregate principal amount of Additional Senior Bonds and/or Additional Subordinate Obligations between calendar years 2011 and 2013.

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

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

The Port District initially received approval from the FAA to impose a $3.00 PFC at SDIA. The approval for the PFC was transferred by the FAA to the Authority, effective January 1, 2003. On May 20, 2003, the FAA approved the Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50 beginning August 1, 2003. The Authority has received approval from the FAA, pursuant to six separate applications (two of which were later amended by the Authority, with the approval of the FAA), to collect a PFC on each enplaning passenger at SDIA totaling approximately $460.5 million and to use approximately $415.4 million of PFCs. The Authority has closed PFC Applications 1 and 2. These applications have been fully funded and the projects they financed have been completed. As of June 30, 2010, there were 4 active PFC Applications. As of June 30, 2010, the Authority had recorded the receipt of approximately $401.2 million of PFCs (consisting of $390.8 million of PFCs collections and $10.3 million of interest). As of June 30, 2010, the Authority had disbursed a total of $343.3 million of PFCs on eligible capital projects expenditures.

The following table sets forth a summary of the Authority's approved PFC applications through June 30, 2010.

TABLE 19
San Diego County Regional Airport Authority
Approved PFC Applications

PFC Application	Approval Date	Amended Approval Amount[1,2]
1	1995	$104,716,731
2	1998	51,152,839
3	2003	83,075,730
4 [3]	2005	110,064,925
5	2008	26,301,763
7	2009	85,181,950
Total		$460,493,938

[1] Includes the amount of PFCs the FAA has authorized the Authority to collect at SDIA.
[2] Authorization to collect PFCs under all of the applications and amendments expires on October 1, 2012, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to October 1, 2012.
[3] The Authority received authorization to collect $110,064,925 of PFCs under the 4th PFC Application, but only received authorization to use $64,964,925 of such PFCs. The Authority has a 6th PFC Application pending with the FAA seeking authorization to use the remaining $45.1 million of PFCs approved for collection under the 4th PFC Application.
Source: San Diego County Regional Airport Authority

The PFCs collected pursuant to PFC Applications 1-5 and 7 have been and will be used to finance all or a portion of certain capital improvements at SDIA including, among other things, the Authority's noise mitigation program, and projects associated with the Green Build Program and the 2011-15 CIP.

In July 2010, the Authority submitted an 8th PFC application to the FAA for the purpose of collecting a $4.50 PFC on each enplaning passenger at SDIA to finance a portion of the costs of the Green Build Program. The 8th PFC Application requests approval to collect approximately $1.1 billion of additional PFCs. The Authority plans to use the PFCs collected pursuant to the 8th PFC Application to fund the Green Build Program on a pay-as-you-go basis and to pay a portion of the debt service on the Subordinate Series 2010 Bonds and Additional Senior Bonds and Additional Subordinate Obligations issued in the future to finance the costs of the Green Build Program.

Significant changes to the PFC program are being considered by Congress. The Authority cannot predict when or whether Congress will adopt new legislation or the scope of such legislation. If authorized by Congress, future increases in PFCs may be applied for by the Authority and approved by the FAA. In such event, PFCs may be collected faster than anticipated. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources" and "—Availability of PFCs."

The following table sets forth the amount of PFCs received by the Authority in Fiscal Years 2006 through 2010.

TABLE 20
San Diego County Regional
Airport Authority
Annual Receipt of PFCs[1]

Fiscal Year	PFCs Collected
2006	$34,981,343
2007	36,452,013
2008	37,401,373
2009	33,219,261
2010	33,666,726

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

PFC revenues are not included in the definition of Revenues and therefore are not pledged to the payment of the Senior Bonds or the Subordinate Obligations, including the Subordinate Series 2010 Bonds. However, pursuant to the PFC Resolution, the Authority has irrevocably committed a certain amount of PFCs to the payment of debt service on PFC Bonds until July 1, 2016. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Use of PFCs to Pay Debt Service."

Federal Grants.

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

The Authority anticipates receiving both FAA entitlement and discretionary grants to fund a portion of the costs of certain capital projects in the Green Build Program and the 2011-15 CIP. In Fiscal Year 2010, the Authority received approximately $3.5 million in entitlement grants and approximately $47.7 in discretionary grants.

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

The Authority's financial plan for funding the Green Build Program and the 2011-15 CIP assumes that AIP entitlement and discretionary grant funds will be available to fund the grant eligible portion of certain projects. In the event the Authority does not receive AIP grants in the amounts expected, it would need to use alternative sources of funding for such projects, including the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources."

<u>Transportation Security Administration Grants</u>. The Authority has received a grant from the Transportation Security Administration (the "TSA") to fund costs associated with the baggage handling system included in the Green Build Program. The Authority expect to receive at least $22.5 million from the TSA under this grant.

CFCs and Other Sources. The capital program funding plan includes approximately $23.7 million in assumed funding from rental car CFCs and $1.0 million from other sources, for a total of $24.7 million from CFCs and other sources. The rental car companies that operate at SDIA collect and remit to the Authority a $10.00 per-transaction CFC. The Authority plans to use a portion of the projected CFC collections to fund enabling projects for the CONRAC, including the Northside Utilities project and related roadway improvements

Future Use of TDY Property

The Authority has designated the TDY Property as a future planning area within the Master Plan. This site includes approximately 55 vacant buildings and other facilities. The Port District is currently in the process of demolishing the buildings and other improvements currently located on the TDY Property. The costs of the demolition will be the joint financial responsibility of the Authority and the Port District. The Authority's share of the cost is estimated to be approximately $9 million. In addition to the demolition of the buildings and the other improvements, certain hazardous substances located on and adjacent to the TDY Property need to be remediated. Allegheny Technologies Inc. and affiliated entities have agreed to remediate the TDY Property to the cleanup standards set by the San Diego Regional Water Quality Control Board ("SDRWQCB") under a Cleanup and Abatement Order (the "CAO"). The Authority has been released from liability by Teledyne Ryan Industries, Inc. ("TDY") for any and all existing contamination. See "AIRPORT ENVIRONMENTAL MATTERS—TDY Property" and "LITIGATION—Litigation Relating to the Authority and SDIA—TDY Litigation."

The Port District's demolition activities are being conducted in two phases, commencing with removal of all on-site surface structures down to the slabs, followed by removal of all surface pavements and subsurface infrastructure. The aboveground demolition phase is now in progress with an expected completion date sometime in February 2011; the surface and subsurface demolition is anticipated to commence as soon as the buildings are removed, with final completion of all demolition activities by the beginning of 2012.

The remediation project has been proceeding over the last few years with relative success in the form of in-situ bioremediation of contaminated groundwater plumes. Once the buildings have been removed as part of the first phase of the demolition project, further remediation actions will take place, primarily in the form of the excavation and removal of contaminated soils. It is anticipated that the remediation project should be completed by 2012, though groundwater monitoring may be required of Allegheny Technologies Inc. by the SDRWQCB for several subsequent years as a condition of the CAO. None of these remediation activities are anticipated to hinder the Authority's ability to develop the TDY Property for future aviation related activities.

Airport Land Use Commission

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

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

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

FINANCIAL FEASIBILITY REPORT

General

The Authority has retained Unison Consulting, Inc., which is recognized as an expert in its field, to prepare a report in connection with the Subordinate Series 2010 Bonds. The Financial Feasibility Report is included as Appendix A hereto, with the Feasibility Consultant's consent. The information regarding the analyses and conclusions contained in the Financial Feasibility Report is included in the Official Statement in reliance upon the expertise of the Feasibility Consultant. The Financial Feasibility Report has not been revised subsequent to its date of publication (September 13, 2010) to reflect the final terms of the Subordinate Series 2010 Bonds.

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

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

Projected Net Revenues and Debt Service Coverage

The following table sets forth the projected Net Revenues, debt service requirements for the Senior Bonds and the Subordinate Obligations and the coverage of such debt service requirements based upon the Net Revenues, as forecast by the Feasibility Consultant, for the Fiscal Years 2011 through 2016.

The debt service numbers in the following table exclude the debt service on the Senior Bonds and the Subordinate Obligations to be paid with PFCs. For a discussion of the calculation of debt service on the Senior Bonds and the Subordinate Obligations paid with PFCs, see "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Use of PFCs to Pay Debt Service."

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

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

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

TABLE 21
San Diego County Regional Airport Authority
Projected Debt Service Coverage

Fiscal Year	Net Revenues	Senior Debt Service Requirements[1]	Senior Debt Service Coverage	Subordinate Debt Service Requirements[2]	Total Debt Service Coverage[3]
2011	$28,361,911	$ 5,354,225	5.30x	$ 3,448,050	3.22x
2012	34,170,534	5,355,975	6.38	3,834,418	3.72
2013	45,054,583	5,364,475	8.40	3,833,793	4.90
2014	66,293,421	17,763,275	3.73	24,309,793	1.58
2015	79,055,411	17,768,775	4.45	27,647,718	1.74
2016	82,536,022	17,774,413	4.64	27,638,918	1.82

[1] Includes debt on the Senior Series 2005 Bonds and Additional Senior Bonds expected to be issued in Fiscal Year 2012 in an aggregate principal amount of approximately $394.4 million. For purposes of the table only, the Additional Senior Bonds expected to be issued in Fiscal Year 2012 are assumed to bear interest at a rate of 6.00% per annum. The Senior Debt Service Requirement numbers exclude the debt service on Senior Bonds which the Authority expects to pay with capitalized interest and with PFCs. For a description of the treatment of PFCs that have been irrevocably committed to pay debt service on specified bonds in connection with the rate covenant, see "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Use of PFCs to Pay Debt Service."

[2] Includes debt service on the Subordinate Series 2010 Bonds and Additional Subordinate Obligations expected to be issued in Fiscal Year 2013 in an aggregate principal amount of approximately $226.4 million. Also includes interest on the Subordinate Commercial Paper Notes that will remain outstanding after the issuance of the Subordinate Series 2010 Bonds. For purposes of the table only, all of the Subordinate Series 2010 Bonds are assumed to be issued as tax-exempt bonds that bear interest at a rate of 5.33% per annum. If the Authority issues the Subordinate Series 2010C Bonds, the Authority expects to receive cash subsidy payments from the United States Treasury equal to thirty-five percent of the interest payable on the Subordinate Series 2010C Bonds. Additionally, for purposes of the table only, the Additional Subordinate Obligations expected to be issued in Fiscal Year 2013 are assumed to bear interest at a rate of 6.00%, and the Subordinate Commercial Paper Notes that will remain outstanding after the issuance of the Subordinate Series 2010 Bonds are assumed to bear interest at a rate of 3.0%. The Subordinate Debt Service Requirement numbers exclude the debt service on Subordinate Obligations which the Authority expects to pay with capitalized interest and with PFCs. For a description of the treatment of PFCs that have been irrevocably committed to pay debt service on specified bonds in connection with the rate covenant, see "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Use of PFCs to Pay Debt Service."

[3] Calculated by dividing Net Revenues by the sum of Senior Debt Service Requirements and Subordinate Debt Service Requirements.

Source: Unison Consulting, Inc.

AIRPORT ENVIRONMENTAL MATTERS

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

Master Plan Environmental Impact Report and Environmental Assessment

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

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

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

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

Supplemental Environmental Impact Report

On May 20, 2010, the Authority provided notice to the public of its intent to prepare a Supplemental Environmental Impact Report under CEQA for the Master Plan (the "Master Plan SEIR"). The Master Plan SEIR will be prepared in connection with the construction of the CONRAC facility, the new air cargo facilities and certain other projects. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Future Projects." A majority of the potential environmental effects associated with the projects to be described in the Master Plan SEIR were already adequately addressed in the Master Plan EIR. However, the Master Plan SEIR will provide further evaluation of certain of the environmental effects previously addressed in the Master Plan EIR as they may relate to the projects to be covered by the Master Plan SEIR. The Master Plan SEIR is expected to be released for public comment in September 2010 and will be presented to the Board for certification in December 2010 or January 2011.

Airport Noise

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

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

The Authority's current variance was effective July 11, 2008, and expires on July 11, 2011. The granting of a variance requires the Authority to continue implementation of its residential sound attenuation program during the term of the variance, among other requirements.

Residential Sound Attenuation Program. In 1997, the Port District initiated a residential sound attenuation program (the "RSAP") with respect to eligible residences surrounding SDIA that are located within the approved 65 CNEL contour. In connection with the renewal of its noise variance in 2001, the Port District agreed to enhance its then current RSAP. The Authority's current RSAP (also known as the "Quieter Home Program") is an ongoing program that provides acoustical insulation to all eligible single- and multi-family dwellings located in SDIA's noise impact area. The Authority mainly uses AIP grant revenues to pay for the RSAP. To date, the RSAP has sound-attenuated over 1,500 homes. From its inception to June 30, 2010, the Authority has spent $101.4 million, $81.1 million of which has been paid with AIP grant revenues. In 2010, the Authority was awarded an additional $10 million AIP grant to continue funding the program.

Fuel Storage Tanks

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

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

Former Naval Training Center Landfill Remediation Project

In 1999, as part of the closure of Naval Training Center San Diego, the Department of the Navy transferred approximately 52 acres of land (the "Naval Training Center Landfill") to the Port District. The Naval Training Center Landfill is part of the land that is leased by the Authority from the Port District for use by SDIA. The Naval Training Center Landfill is located on the west side of SDIA. The Authority is using the fully remediated Naval Training Center Landfill for the expansion of Terminal 2 West and the associated aircraft parking apron.

From approximately 1950 until 1971 the United States Marine Corps. operated a municipal landfill at the Naval Training Center Landfill site. Historical records and information provided by the Department of the Navy during the base closure of Naval Training Center San Diego show that household trash, referred to as municipal solid waste, and burned ash materials resulting from burning municipal solid waste were located on a portion of the Naval Training Center Landfill. The Authority, the Port District and the Department of the Navy conducted investigations of the Naval Training Center Landfill beginning in 1998. These investigations determined the chemical make-up of the landfill materials as well as the size of the landfill. The investigations revealed the possible presence of a number of environmental contaminants of potential concern, including, among others, volatile and semi-volatile organic compounds, petroleum hydrocarbons (gasoline and fuel oils), landfill gas (from the decomposition of organic materials), metals, dioxins (in the burn ash materials), and pesticides and polychlorinated biphenyls (PCBs).

As part of its acceptance of the property from the Department of the Navy, the Authority (as the lessee of the Naval Training Center Landfill) is obligated to manage the Naval Training Center Landfill so as to protect public health and safety and the environment. In light of this obligation, the Authority voluntarily elected to remediate the Naval Training Center Landfill by excavating the waste material and disposing of the wastes off-site at properly permitted disposal facilities. In order to accomplish the remediation, the Authority, among other things, removed and stockpiled overburden soil (soil located above the municipal solid waste and burn ash) for later use, excavated the municipal solid waste and the burn ash material, and filled the excavated area with stockpiled dirt.

The remediation of the Naval Training Center Landfill (the "Naval Training Center Landfill Remediation Project") was conducted in two phases. Phase 1 of the Naval Training Center Landfill Remediation Project included the clean-up of a 20-foot wide utility easement along the westerly portion of the Naval Training Center Landfill site for the relocation of a 10-inch line by San Diego Gas and Electric. Phase I also included the construction of a 12kv electric transmission line to serve SDIA. Phase 1 began in February 2008 and was completed in June 2008 at a total cost of approximately $10 million.

Phase 2 of the Naval Training Center Landfill Remediation Project began in 2009 and included the removal of household waste, burn ash, and proper removal and disposal of these materials at appropriately permitted landfill sites. Phase 2 also included the lining of a 96-inch sewer interceptor that transverses the Naval Training Center Landfill. A secondary objective of the Naval Training Center Landfill Remediation Project was to document the sampling and testing of the remediation work to support a Clean Closure request, or partial Clean Closure from the SDRWCB. Following the cleanup, a compacted subgrade was installed to prepare the site for future airport improvements. Phase 2 of the Naval Training Center Landfill Remediation Project cost approximately $35 million, which was financed with a portion of the proceeds of the Refunded Subordinate Commercial Paper Notes. Phase 2 of the Naval Training Center Landfill Remediation Project was completed in October 2009.

TDY Property

The Authority has designated the TDY Property as a future planning area within the Master Plan and is evaluating possible redevelopment options. This site includes approximately 55 vacant buildings and other facilities. The Authority is aware of the presence of hazardous substances on the TDY Property and adjacent to the TDY Property, including in the Convair Lagoon. In May 2004, the Authority initiated litigation against the Port District with respect to, among other causes of action, the demolition of the buildings and other facilities on the TDY Property and the remediation of the hazardous substances located on and adjacent to the TDY Property. In March 2007, the parties to the action entitled San Diego Unified Port District v. Teledyne Ryan Industries, et al and related actions, United States District Court Case No. 03CV1146-B (POR), reached a settlement agreement (the "TDY Settlement Agreement") on all of the causes of action. Allegheny Technologies Inc. and affiliated entities have agreed to remediate the TDY Property to the clean up standards set by the SDRWQCB. The Authority has been released from liability by TDY for any and all existing contamination. The demolition of the buildings and improvements currently located on the TDY Property will be the joint financial responsibility of the Authority and the Port District. The Authority's share of the cost is estimated to be approximately $9 million.

An Environmental Impact Report under CEQA was prepared in connection with the demolition of the buildings and improvements currently located on the TDY Property (the "TDY EIR"). The TDY EIR was certified as complete by the Port District in July 2009. As required by statute, the TDY EIR was made available for public review prior to its adoption. See "LITIGATION—Litigation Relating to the Authority and SDIA—TDY Litigation" with respect to a lawsuit filed on September 4, 2009 challenging the certification of the TDY EIR and the demolition of the buildings on the TDY Property.

Air Quality Management Plan

In May 2008, the Authority entered into a Memorandum of Understanding (the "MOU") with the Attorney General of the State regarding the Master Plan. Pursuant to the MOU, the Authority agreed to certain specific measures to reduce the amount of greenhouse gas emissions from aviation and other operations conducted at SDIA. Some of the specific measures the Authority agreed to take in the MOU include, among others, providing landside power and preconditioned air to the gates at the terminals and in the cargo facilities, replacing vehicles operating at SDIA with electric or alternative fuel vehicles, and using "green" materials for the construction of the projects including in the Master Plan. In December 2009, the Board approved the San Diego County Regional Airport Authority Air Quality Management Plan (the "Air Quality Management Plan"), which sets forth the Authority's specific plan for implementing the provisions of the MOU. Many of the elements of the Air Quality Management Plan have been incorporated into the Green Build Program and the 2011-15 CIP. Future improvements at SDIA also will need to incorporate the provisions of the Air Quality Management Plan. See "CERTAIN INVESTMENT CONSIDERATIONS—Climate Change Issues."

Clean Water Act

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

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Subordinate Series 2010 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Subordinate Series 2010 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Subordinate Series 2010 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Subordinate Series 2010 Bonds Are Special Obligations

The Subordinate Series 2010 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of Subordinate Net Revenues derived by the Authority from the operations of the Airport System and certain limited funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2010 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2010 Bonds.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at SDIA and the financial condition of the airlines, and, therefore, the amount of Subordinate Net Revenues available for payment of the Subordinate Series 2010 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of SDIA; and business travel substitutes, including teleconferencing, videoconferencing and web-casting. If aviation and enplaned passenger traffic at SDIA do not meet forecast levels, a corresponding reduction could occur in forecasted Revenues and expenses.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the events of September 11, 2001.

Growing competition from low-cost, low-fare carriers (such as Southwest) has forced legacy carriers (such as United) to implement route rationalization, including route transfers to regional partners and the reduction, or elimination, of service to unprofitable markets. Airlines have reduced schedules, simplified fleets, deferred new aircraft delivery, implemented pay cuts, and reduced workforces. In addition, legacy carriers have shown increasing flexibility in adjusting fares to match discount fares offered by low-cost carriers.

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

Regional and National Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. In addition, traffic at SDIA will depend in part on the economic conditions in the State and local service area. The recession that began in late 2007, combined with reduced discretionary income, contributed to reduced airline travel demand and reductions by the airlines in available seats in 2008 and 2009. The continuing weakness in the national, state and/or local economy may have an adverse effect on the air transportation industry, and on SDIA.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to the Air Transport Association, a one-dollar increase in the price of oil per barrel equates to approximately $415-475 million in annual additional expense for U.S. airlines. The price of aviation fuel rose to an all-time high of almost $4.00 per gallon in July 2008. According to the Air Transport Association, the price of aviation fuel averaged approximately $2.24 per gallon for the first six months of 2010. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

International Conflict and the Threat of Terrorism. The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The Authority cannot predict the likelihood of future incidents similar to the events of September 11, 2011, the likelihood of future air transportation disruptions or the impact on the Authority or the airlines operating at SDIA from such incidents or disruptions.

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

Bankruptcy by Airlines and Concessionaires

A bankruptcy of an airline or of another tenant or tenants operating from SDIA could result in delays or reductions in payments on the Subordinate Series 2010 Bonds.

In the last several years, US Airways, United Airlines, Delta Air Lines, Northwest Airlines and Frontier Airlines have emerged from bankruptcy. Sun Country Airlines filed for bankruptcy protection on October 6, 2008 but continues to operate at SDIA while it reorganizes under bankruptcy protection. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at SDIA could have a material adverse effect on operations of SDIA, Revenues, and the cost to the other airlines operating at SDIA.

In the event of a bankruptcy by an airline or other tenant operating from SDIA, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline or other tenant to the Authority or any action to enforce any obligation of the airline or other tenant to the Authority. With the authorization of the bankruptcy court, the airline or other tenant may be able to repudiate some or all of its agreements with the Authority and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline or other tenant may be able, without the consent and over the objection of the Authority, the Senior Trustee, the Subordinate Trustee, and the holders of the Subordinate Series 2010 Bonds, to alter the terms, including the payment terms, of its agreements with the Authority, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline or other tenant may be able to assign its rights and obligations under any of its agreements with the Authority to another entity, despite any contractual provisions prohibiting such an assignment. The Subordinate Trustee and the holders of the Subordinate Series 2010 Bonds may be required to return to the airline or other tenant as preferential transfers any money that was used to make payments on the Subordinate Series 2010 Bonds and that was received by the Authority or the Subordinate Trustee from the airline or other tenant during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Authority under any lease with the airline or agreement with another tenant may be subject to limitations.

As described under "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Green Build Program and 2011-15 CIP—Passenger Facility Charges," the airlines serving SDIA also are required to pay to the Authority PFCs collected from enplaned passengers at SDIA. The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Authority) imposing the PFCs, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at SDIA. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues. It is possible that the Authority could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Authority cannot predict whether an airline operating at SDIA that files for bankruptcy protection would have properly accounted for the PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of the Subordinate Series 2010 Bonds, however, the Authority has irrevocably committed a certain amount of PFCs to the payment of PFC Bonds through July 1, 2016. See "SECURITY AND

SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Use of PFCs to Pay Debt Service."

There may be delays in payments of principal of and interest on the Subordinate Series 2010 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline or other tenant that could result in delays or reductions in payments on the Subordinate Series 2010 Bonds. Regardless of any specific adverse determinations in an airline or other tenant bankruptcy proceeding, the fact of an airline or other tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Subordinate Series 2010 Bonds.

Southwest Airlines – SDIA's Largest Carrier

In Fiscal Year 2010, Southwest Airlines accounted for approximately 37.7% of the total enplaned passengers at SDIA. Where an airport has a sizable market share accounted for by a single airline, there is risk associated with the potential for that airline to reduce or discontinue service. However, in the case of Southwest Airlines at SDIA, this risk is mitigated by the following factors: (a) Southwest Airlines is a consistently profitable airline; (b) the development of service by Southwest Airlines at SDIA has demonstrated a large O&D passenger demand that could be served by other airlines at SDIA in the unlikely event Southwest Airlines were to reduce service at SDIA; and (c) in the past three years, Southwest Airlines has capitalized on market shifts by adding service at SDIA to San Francisco, Denver and St. Louis. In the same span of time, Southwest Airlines has not withdrawn any destinations from SDIA.

Aviation Security Concerns

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

Because of the implementation of the Congressional mandate, effective January 1, 2003, for the screening of all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under "Level Yellow" (elevated), "Level Orange" (high) and "Level Red" (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory System, there is the potential for significantly increased inconvenience and delays at many airports. Since its inception the threat level has never been below Level Yellow nor above Level Orange (except that between August 10, 2006 and August 13, 2006 the threat level was raised to Level Red for flights originating in the United Kingdom and bound for the United States). Historically, only minor delays have been experienced at SDIA as a result of the security procedures; however, this may change as a result of increased passenger traffic or other factors such as requirements for additional forms of screening or reductions of the Transportation Security Administration workforce.

In spite of the increased security measures, there is no assurance that there will not be additional acts of terrorism, such as the attempted December 25, 2009 terror plot, resulting in further disruption to the North American air traffic system, increased passenger and flight delays, and reductions in passenger traffic at SDIA and/or Revenues.

Worldwide Health Concerns

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

Regulations and Restrictions Affecting SDIA

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

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

State Tidelands Trusts

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

Federal Law Affecting Airport Rates and Charges

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

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

Issuance of Additional Senior Bonds

The Authority expects to issue approximately $450 million of Additional Senior Bonds and/or Additional Subordinate Obligations between calendar years 2011 and 2013. The Authority may issue all or a portion of the $450 million of additional bonds as Additional Senior Bonds as long as the requirements of the Master Senior Indenture are satisfied. Any such Additional Senior Bonds will be secured by Net Revenues senior to the Subordinate Obligations (including the Subordinate Series 2010 Bonds). Certain of the conditions for the issuance of the Additional Senior Bonds relate to financial projections regarding the future operations of SDIA. The Authority can provide no assurance that such projections will be achieved. If such projections are not achieved, there may be insufficient Revenues to make the required payments on all of the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2010 Bonds), unless airport rates and charges are increased. The Authority, however, may be unable to increase airport rates and charges as a result of federal law that requires all airport rates and charges to be reasonable. See "—Federal Law Affecting Airport Rates and Charges" above. Under such circumstances, there could be delays or reductions in payments on the Subordinate Series 2010 Bonds.

Restrictions on Airport Facilities and Operations

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

Additionally there are direct restrictions on operations at SDIA, primarily relating to noise abatement. The Code of the Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"). No airline may schedule or advertise for a departure between 11:15 p.m. and 6:15 a.m.

These restrictions are subject only to limited exceptions including emergency and mercy flights. Landings at SDIA are not prohibited during the Curfew. See "AIRPORT ENVIRONMENTAL MATTERS—Airport Noise."

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

Factors Affecting Capital Improvement Program

As described herein, the Authority is undertaking a significant capital improvement program at SDIA. The Authority has entered into and will enter into agreements for the construction of such capital improvements. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT." The Authority anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the capital improvement program are subject to a number of uncertainties. The ability of the Authority to complete the Green Build Program and the 2011-15 CIP may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) changes to the scope of the projects, including changes to federal security regulations; (d) delays in contract awards; (e) material and/or labor shortages; (f) unforeseen site conditions; (g) adverse weather conditions and other force majeure events; (h) contractor defaults; (i) labor disputes; (j) unanticipated levels of inflation; and (k) environmental issues. No assurance can be made that the existing projects in the Green Build Program and the 2011-15 CIP will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, thereby making SDIA less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the Authority will not materially adversely affect the financial condition or operations of SDIA.

Unavailability of, or Delay in, Anticipated Funding Sources

As described herein, the Authority anticipates that funding for the Green Build Program and the 2011-15 CIP will be provided through a portion of the proceeds of the Subordinate Series 2010 Bonds, Additional Senior Bonds and Additional Subordinate Obligations to be issued in the future, internally generated cash of the Authority, PFCs, federal grants, CFCs and other sources. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Green Build Program and 2011-15 CIP" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for a description of the financing plan for the Green Build Program and the 2011-15 CIP. In the event that any of such sources are unavailable for any reason, including unavailability of internally generated cash flow; reduction in the amount of PFCs or federal grants available to the Authority; non-appropriation of, or delay in payment of, federal grants; the inability of the Authority to issue or sell Additional Senior Bonds or Additional Subordinate Obligations; or any other reason, the completion of the Green Build Program and the 2011-15 CIP could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of SDIA and the Authority.

Availability of PFCs

The Authority expects to use approximately $178.3 million of PFCs on a pay-as-you-go basis to finance a portion of the costs of the Green Build Program and the 2011-15 CIP and $951.0 million of PFCs to pay debt service on PFC Bonds (including a portion of the Subordinate Series 2010 Bonds) issued to finance a portion of the costs of the Green Build Program and the 2011-15 CIP. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Use of PFCs to Pay Debt Service."

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

A shortfall in PFC revenues, as a result of the FAA or Congress reducing or terminating the Authority's ability to collect PFCs or as a result of any other actions, may cause the Authority to increase rates and charges at SDIA to meet the debt service requirements on the Senior Bonds and the Subordinate Obligations that the Authority plans to pay with PFCs, and/or require the Authority to identify other sources of funding to pay for the costs of the Green Build Program and the 2011-15 CIP projects currently expected to be paid with PFC revenues, including issuing Additional Senior Bonds and/or Additional Subordinate Obligations.

The PFC Act also provides that for certain classes of airports, including SDIA, federal AIP entitlement funds will be reduced by 50% following the imposition of a PFC of $3.00 or less and will be reduced by 75% following the imposition of a PFC greater than $3.00. The Authority currently collects a PFC of $4.50 and, therefore, its receipt of AIP entitlement funds has been reduced.

Financial Feasibility Report

The Financial Feasibility Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Financial Feasibility Report should be read in its entirety for a discussion of historical and forecasted results of enplanements, operations and debt service coverage and the assumptions and rationale underlying the forecasts. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material. Additionally, the Financial Feasibility Report has not been revised subsequent to its date of publication (September 13, 2010) to reflect the final terms of the Subordinate Series 2010 Bonds.

Accordingly, the projections contained in the Financial Feasibility Report or that may be contained in any future certificate of the Authority or a consultant are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Authority assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Subordinate Series 2010 Bonds are cautioned not to place undue reliance upon the Financial Feasibility Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues, Subordinate Net Revenues, PFCs and federal grants may be materially less than expected and consequently, the ability of the Authority to make timely payment of the principal of and interest on the Subordinate Series 2010 Bonds may be materially adversely affected.

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

Impact of Potential Earthquakes

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

The main terminal buildings of SDIA were seismically upgraded in the mid-1990s and comply with applicable building codes. However, SDIA's facilities could sustain extensive damage in a major seismic event, ranging from total destruction of SDIA, to destabilization or liquefaction of the soils, to little or no damage at all. There can be no assurances that damage resulting from an earthquake will not materially adversely affect the financial condition or operations of SDIA or the ability of the Authority to generate Net Revenues and Subordinate Net Revenues in the amounts required by the Senior Indenture and the Subordinate Indenture, as applicable. See "FINANCIAL INFORMATION—Risk Management and Insurance" for additional information on the Authority's potential response to repairing or replacing property damaged by earthquakes.

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

Climate Change Issues

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

The U.S. Environmental Protection Agency ("EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On April 24, 2009, EPA published a proposed "endangerment and cause or contribute finding" under the federal Clean Air Act ("CAA"). In the proposed finding, EPA declared that the weight of scientific evidence "requires" a finding that it is very likely that the six identified GHGs—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride—cause global warming, and that global warming endangers public health and welfare. The proposed rule also finds that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. If the proposed rule becomes final, EPA would be required to regulate emissions of certain GHGs from motor vehicles. The CAA regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions. Accordingly, EPA may elect or be forced by the courts to regulate aircraft emissions as a result of this endangerment finding.

Regulation by the EPA can be initiated by private parties or by governmental entities other than EPA. In 2007, several states, including California, petitioned EPA to regulate GHGs from aircraft. On July 30, 2008, EPA issued an Advanced Notice of Proposed Rulemaking ("ANPR") relating to GHG emissions and climate change. Part of the ANPR requested comments on whether and how to regulate GHG emissions from aircraft. While EPA has not yet taken any action to regulate GHG emissions from aircraft, the request for comments and proposed rule on motor vehicles may eventually result in such regulation.

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. In 2006, the State passed Assembly Bill 32, the Global Warming Solutions Act, which requires the statewide level of GHGs to be reduced to 1990 levels by 2020. A recently proposed federal bill, the American Clean Energy and Security Act of 2009, would, if passed, amend the CAA to require regulation of aircraft GHG emissions, require a reduction in emissions from transportation fuels including jet fuel, and generally would cap GHG emissions.

See "AIRPORT ENVIRONMENTAL MATTERS—Air Quality Management Plan" for a discussion of the Authority's plans to reduce GHG emissions at SDIA.

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

Possible Sea-Level Rise. SDIA is located approximately one-half mile from San Diego Bay, which is located approximately two miles from the Pacific Ocean. The San Diego area, including SDIA, may be exposed to rising sea levels as a result of global warming. In May 2009, the California Climate Change Center released a final paper entitled "The Impacts of Sea-Level Rise on the California Coast" that was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation, and the California Ocean Protection Council. The paper posits that increases in sea level will be a significant impact of climate change over the next century. While noting that impacts are highly site-specific and somewhat speculative, the paper indicated that the San Diego area, including SDIA, were not vulnerable to flooding with a 1.4-meter sea level rise. The Authority is unable to predict whether sea-level rise or other impacts of climate change will occur while the Subordinate Series 2010 Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on Revenues.

California High Speed Rail

The California High Speed Rail Authority (the "CHSR Authority") is pursuing a statewide high speed rail system in California. Phase 1 of the system will be from Anaheim to Los Angeles then through California's Central Valley, and through the Pacheco Pass to the San Francisco Bay Area. Phase 2 will include extension to Sacramento, California and to San Diego. As of July 2008, all program level environmental review work was completed. The CHSR Authority is now undertaking the project level review and approval process. On November 4, 2008, California voters approved a ballot initiative that allows the State to issue $9.95 billion in bonds for transit and other projects, $9.0 billion of which will go for development of the statewide high speed rail system. On January 28, 2010, it was announced that the

State will receive $2.25 billion in federal funds designated for high speed rail projects. If sufficient funds become available, the CHSR Authority expects that Phase 1 of the project could be completed in ten years.

The CHSR Authority plans to price it fares below air fares. The Authority is unable to predict the affect high speed rail will have, if any, on passenger traffic at SDIA and on the revenues of the Authority.

Ability To Meet Rate Covenant

As discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Subordinate Rate Covenant," the Authority has covenanted in the Master Subordinate Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the rate covenant set forth in the Master Subordinate Indenture is met. In addition to Net Revenues and Subordinate Net Revenues, respectively, the Authority expects to use approximately $26.2 million of PFCs in Fiscal Year 2013, and approximately $33.7 million of PFCs each Fiscal Year between Fiscal Years 2014 and 2016, to pay a portion (between approximately 74% in Fiscal Year 2013 and 43% in Fiscal Years 2014 through 2016) of the debt service on the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2010 Bonds). If PFCs have been irrevocably committed or are otherwise used to pay principal of and/or interest on the Senior Bonds or the Subordinate Obligations, the principal and/or interest on such Senior Bonds and Subordinate Obligations may be excluded from the calculation of debt service on the Senior Bonds and the Subordinate Obligations; thus decreasing debt service and increasing debt service coverage for purposes of the rate covenant under the Master Subordinate Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Use of PFCs to Pay Debt Service." Also see "—Availability of PFCs" above.

If Subordinate Net Revenues were to fall below the levels necessary to meet the rate covenant set forth in the Master Subordinate Indenture, the Master Subordinate Indenture provides for procedures under which the Authority would retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Authority is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see "—Regulations and Restrictions Affecting SDIA" above). Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of SDIA could have a detrimental impact on the operation of SDIA by making the cost of operating at SDIA unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of SDIA.

The Financial Feasibility Report bases the forecasts of Net Revenues, Subordinate Net Revenues, debt service coverage and airline costs per enplaned passenger on the assumption that the airlines will pay the rates and charges established by the Authority, and while the Authority believes that its rate-making methodologies, including its allocation of costs for purposes of setting rates and charges, are reasonable, no assurance can be given that challenges will not be made to the rates and charges established by the Authority or its method of allocating particular costs.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under the Subordinate Indenture, and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, the remedies available to the owners of the Subordinate Series 2010 Bonds upon an Event of Default under the Subordinate Indenture are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Subordinate Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Subordinate Series 2010 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Subordinate Series 2010 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

Considerations Regarding Subordinate Series 2010C Bonds ("Build America Bonds")

The Authority intends to irrevocably elect to treat the Subordinate Series 2010C Bonds as "Build America Bonds" for purposes of the Code. Subject to the Authority's compliance with certain requirements under the Code, the Authority expects to receive Federal Direct Payments. Upon the effective date of all of the Master Senior Indenture Amendments, any Federal Direct Payments received by the Authority will not constitute Revenues; however, the Authority expects to apply the Federal Direct Payments to the payment of debt service on the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and/or the Senior Bonds. The amendments to the Master Senior Indenture excluding the Federal Direct Payments from Revenues will not become effective at the time of issuance of the Subordinate Series 2010 Bonds. See "INTRODUCTION—Amendments to Master Senior Indenture." Until the effective date of the amendments to the Master Senior Indenture with respect to the exclusion of the Federal Direct Payments from Revenues, any Federal Direct Payments received by the Authority will constitute Revenues. Such Federal Direct Payments do not constitute a full faith and credit guaranty of the U.S. but are required to be paid by the U.S. Treasury under the Code.

The Authority's receipt of Federal Direct Payments is subject to certain requirements including the filing of a form with the Internal Revenue Service prior to each Interest Payment Date. The Authority makes no assurance regarding future legislative or policy changes or the netting of other tax liabilities against Federal Direct Payments by the U.S. Treasury which may affect the amount or receipt of the Federal Direct Payments. If the Federal Direct Payments are reduced or eliminated as a result of a change in the law, the Authority may elect to redeem the Subordinate Series 2010C Bonds. See "DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS—Redemption Provisions—Extraordinary Optional Redemption of the Subordinate Series 2010C Bonds." No holder of a Subordinate Series 2010C Bond will be entitled to a tax credit with respect to the Subordinate Series 2010C Bonds. See "TAX MATTERS."

Income Taxation Risk Upon Defeasance of the Subordinate Series 2010C Bonds

In the event the Authority were to defease all or a portion of the Subordinate Series 2010C Bonds, for federal income tax purposes, the Subordinate Series 2010C 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 Subordinate Series 2010C Bond would recognize gain or loss on the Subordinate Series 2010C Bond at the time of defeasance. Holders who own Subordinate Series 2010C Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the

Subordinate Series 2010C Bonds. See “TAX MATTERS—Subordinate Series 2010C Bonds (Federally Taxable)—Disposition and Defeasance of Subordinate Series 2010C Bonds.”

Forward-Looking Statements

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

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

AIRLINE INDUSTRY INFORMATION

Certain of the airlines or their parent corporations operating at SDIA are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the Securities and Exchange Commission (“SEC”) at 100 F Street, NE, Room 1580, Washington, DC 20549, and at the SEC’s regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 2511 and 233 Broadway, New York, New York 10279. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Aviation Information Management, Data Requirements and Public Reports Division, at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

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

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

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

LITIGATION

No Litigation Relating to Subordinate Series 2010 Bonds

There is no litigation now pending or, to the best of the Authority's knowledge, threatened which seeks to restrain or enjoin the sale, issuance or delivery of the Subordinate Series 2010 Bonds or in any way contests the validity of the Subordinate Series 2010 Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Subordinate Series 2010 Bonds, the pledge or application of any moneys provided for the payment of or security for the Subordinate Series 2010 Bonds, or the use of the proceeds of the Subordinate Series 2010 Bonds.

Litigation Relating to the Authority and SDIA

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

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

TDY Litigation. On September 4, 2009, Save Our Heritage Organization ("SOHO") filed a Petition for Writ of Mandamus (the "SOHO Petition") challenging the approval and certification of the TDY EIR for the TDY demolition project. The SOHO Petition alleges violations of CEQA and requests a Writ of Mandate from the San Diego Superior Court to (a) set aside and void certification of the TDY EIR, set aside and void the approval of the TDY demolition project, and set aside and void any related approvals; (b) issue a temporary stay and preliminary injunction staying the Port District and their agents from physical actions pursuant to the TDY demolition project, including pre-demolition or demolition while the action is pending; (c) a permanent injunction pending the Port District's full compliance with CEQA and all other applicable planning laws and ordinance; (d) award SOHO its reasonable costs and attorneys fees; and (e) award such other relief as the court finds proper. The Authority leases the TDY Property from the Port District. Any extended delay in the TDY demolition project could result in a material financial impact to the Authority.

TAX MATTERS

Subordinate Series 2010A Bonds and Subordinate Series 2010B Bonds (Federally Tax-Exempt)

General. In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds (collectively, the "Tax-Exempt Subordinate Series 2010 Bonds") is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2010A Bond for any period during which such Subordinate Series 2010A Bond is held by a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2010A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Tax-Exempt Subordinate Series 2010 Bonds is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax.

The opinions described in the preceding paragraph assume the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Tax-Exempt Subordinate Series 2010 Bonds. Failure to comply with such requirements could cause interest on the Tax-Exempt Subordinate Series 2010 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Subordinate Series 2010 Bonds. The Authority will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Tax-Exempt Subordinate Series 2010 Bonds.

The accrual or receipt of interest on the Tax-Exempt Subordinate Series 2010 Bonds may otherwise affect the federal income tax liability of the owners of the Tax-Exempt Subordinate Series 2010 Bonds. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Tax-Exempt Subordinate Series 2010 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Tax-Exempt Subordinate Series 2010 Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Subordinate Series 2010 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax-Exempt Subordinate Series 2010 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax Treatment of Original Issue Premium. All of the Subordinate Series 2010A Bonds, the Subordinate Series 2010B Bonds maturing on July 1, 2011 through and including July 1, 2020, the Subordinate Series 2010B Bonds maturing on July 1, 2022 and bearing interest at 5.00%, the Subordinate Series 2010B Bonds maturing on July 1, 2023 and bearing interest at 5.00%, the Subordinate Series 2010B Bonds maturing on July 1, 2024, the Subordinate Series 2010B Bonds maturing on July 1, 2025, the Subordinate Series 2010B Bonds maturing on July 1, 2027, the Subordinate Series 2010B Bonds maturing on July 1, 2028, the Subordinate Series 2010B Bonds maturing on July 1, 2029 and bearing interest at 5.00%, the Subordinate Series 2010B Bonds maturing on July 1, 2030 and the Subordinate Series 2010B Bonds maturing on July 1, 2040 and bearing interest at 5.00% (collectively, the "Premium Tax-Exempt Bonds") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Tax-Exempt Bond over its stated redemption price at maturity constitutes premium on such Premium Tax-Exempt Bond. An initial purchaser of a Premium Tax-Exempt Bond must amortize any premium over such Premium Tax-Exempt Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Tax-Exempt Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Tax-Exempt Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Tax-Exempt Bond prior to its maturity. Although the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Tax-Exempt Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Tax-Exempt Bond.

Subordinate Series 2010C Bonds (Federally Taxable)

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Subordinate Series 2010C Bonds. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not address all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the Subordinate Series 2010C Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code.

Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the Subordinate Series 2010C Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Subordinate Series 2010C Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Subordinate Series 2010C Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

General. Interest on the Subordinate Series 2010C Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes. Payments of interest with respect to the Subordinate Series 2010C Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code.

Characterization of the Subordinate Series 2010C Bonds as Indebtedness. For federal income tax purposes, the Subordinate Series 2010C Bonds will be treated as indebtedness of the Authority. The owners of the Subordinate Series 2010C Bonds, by purchasing the Subordinate Series 2010C Bonds, will be deemed to have agreed to treat the Subordinate Series 2010C Bonds as indebtedness of the Authority for federal income tax purposes. The Authority intends to treat the Subordinate Series 2010C Bonds as its indebtedness for tax and financial accounting purposes.

Disposition and Defeasance of Subordinate Series 2010C Bonds. Upon the sale, exchange, retirement or other taxable disposition (collectively, a "disposition") of a Subordinate Series 2010C Bond, a Holder will generally recognize gain or loss equal to the difference between the amount realized on such disposition (less any accrued interest, which will be taxable as ordinary income in the manner described above under "General") and the Holder's adjusted tax basis in such Subordinate Series 2010C Bond. The Authority may deposit moneys or securities with the Subordinate Trustee in escrow in such amount and manner as to cause the Subordinate Series 2010C Bonds to be deemed to be no longer outstanding under the Indenture (a "defeasance"). A defeasance of the Subordinate Series 2010C Bonds may result in a reissuance thereof, in which event a Holder will also recognize gain or loss as described in the first sentence of this paragraph. Ordinarily, upon the disposition or defeasance of the Subordinate Series 2010C Bonds, such gain or loss will be treated as a capital gain or loss. However, if a Subordinate Series 2010C Bond was subject to a discount at its initial issuance, a portion of such gain will be recharacterized as interest and therefore ordinary income.

Original Issue Discount. If the Subordinate Series 2010C Bonds are deemed to be 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. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

A purchaser (other than a person who purchases a Subordinate Series 2010C Bond upon issuance at the issue price) who buys a Subordinate Series 2010C Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the Subordinate Series 2010C Bonds which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate original issue discount should be utilized.

Owners of Subordinate Series 2010C 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 and with respect to the state and local tax consequences of owning such Subordinate Series 2010C Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Subordinate Series 2010C Bonds if the purchasers, upon issuance, fail to supply the applicable party or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the applicable party with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Internal Revenue Service and to each purchaser setting forth the amount of interest paid with respect to the Subordinate Series 2010C Bonds and the amount of tax withheld thereon.

State, Local or Foreign Taxation. No representations are made regarding the tax consequences of purchase, ownership or disposition of the Subordinate Series 2010C Bonds under the tax laws of any other state, locality or foreign jurisdiction (except as provided in "—Exemption Under California State Law" below).

Circular 230. To ensure compliance with Treasury Circular 230, holders of the Subordinate Series 2010C Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Subordinate Series 2010C

Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

Exemption Under California State Law

Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2010 Bonds is exempt from State of California personal income taxes.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Subordinate Series 2010 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 Subordinate Series 2010 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 Subordinate Series 2010 Bonds or the market value thereof would be impacted thereby. Purchasers of the Subordinate Series 2010 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 Subordinate Series 2010 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.

CERTAIN 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 Title I of 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 Subordinate Series 2010C 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 Title I of 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 a Subordinate Series 2010C Bond could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as individual retirement accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Authority or any broker dealer of the Subordinate Series 2010C 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 Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Subordinate Series 2010C Bonds are acquired by such plans or arrangements with respect to which the Authority or any broker dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Subordinate Series 2010C Bonds. The sale of the Subordinate Series 2010C Bonds to a plan is in no respect a representation by the Authority or the Underwriters of the Subordinate Series 2010C Bonds that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. By its acceptance of a Subordinate Series 2010C Bond, each purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any ERISA Plan have been used to purchase such Subordinate Series 2010C Bond, or (ii) the Underwriters are not a "party in interest" with respect to the "plan assets" of any ERISA Plan used to purchase such Subordinate Series 2010C Bond, or (iii) the purchase and holding of such Subordinate Series 2010C Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption. Any plan proposing to invest in the Subordinate Series 2010C 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

Fitch, Moody's and S&P have assigned ratings of "A" (stable outlook), "A2" (stable outlook), and "A" (stable outlook), respectively, to the Subordinate Series 2010 Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, NY 10004; Moody's Investor Services, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Subordinate Series 2010 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Subordinate Series 2010 Bonds.

LEGAL MATTERS

The validity of the Subordinate Series 2010 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix E hereto. As Bond Counsel, Kutak Rock LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Authority by the General Counsel to the Authority. Certain legal matters with respect to this Official Statement will be passed upon for the

Authority by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, The Gibbs Law Group, P.C. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with respect to the issuance of the Subordinate Series 2010 Bonds are contingent upon the issuance and delivery of the Subordinate Series 2010 Bonds.

UNDERWRITING

The Subordinate Series 2010A Bonds will be purchased by Siebert Brandford Shank & Co., LLC, J.P. Morgan Securities LLC, Cabrera Capital Markets, LLC, Citigroup Global Markets Inc., Jefferies & Company, Inc., and Loop Capital Markets, LLC, and (the "Underwriters"), from the Authority at a price of $334,979,387.51 (which is the par amount of the Subordinate Series 2010A Bonds, plus an original issue premium of $23,459,020.35, less an underwriters' discount of $1,629,632.84), subject to the terms of a bond purchase agreement (the "Bond Purchase Agreement"), between Siebert Brandford Shank & Co., LLC, as representative of the Underwriters, and the Authority.

The Subordinate Series 2010B Bonds will be purchased by the Underwriters from the Authority at a price of $46,529,266.24 (which is the par amount of the Subordinate Series 2010B Bonds, plus an original issue premium of $2,695,323.30, less an underwriters' discount of $221,057.06), subject to the terms of the Bond Purchase Agreement.

The Subordinate Series 2010C Bonds will be purchased by the Underwriters from the Authority at a price of $213,989,928.28 (which is the par amount of the Subordinate Series 2010C Bonds, less an underwriters' discount of $1,370,071.72), subject to the terms of the Bond Purchase Agreement.

The Bond Purchase Agreement provides that the Underwriters will purchase all of the Subordinate Series 2010 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 initial public offering prices of the Subordinate Series 2010 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Subordinate Series 2010 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

J.P. Morgan Securities LLC ("JPMS") has provided the information contained in this paragraph for inclusion in this Official Statement. JPMS, one of the underwriters of the Subordinate Series 2010 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Subordinate Series 2010 Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Subordinate Series 2010 Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Subordinate Series 2010 Bonds that such firm sells.

Citigroup Global Markets Inc. has provided the information contained in this paragraph for inclusion in this Official Statement. Citigroup Inc., parent company of Citigroup Global Markets Inc., one of the underwriters of the Subordinate Series 2010 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Subordinate Series 2010 Bonds.

FINANCIAL ADVISOR

The Authority has retained the services of Frasca & Associates, L.L.C. of New York, New York, as Financial Advisor in connection with the issuance of the Subordinate Series 2010 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

In connection with the issuance of the Subordinate Series 2010 Bonds, the Authority will covenant to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format as prescribed by the MSRB, for purposes of Rule 15c2-12(b)(5) adopted by the SEC ("Rule 15c2-12(b)(5)"), certain annual financial information and operating data relating to the Authority and the Airport System and, in a timely manner, notice of certain material events. The Authority has never failed to comply in all material respects with any continuing disclosure undertakings with regard to Rule 15c2-12(b)(5) to provide annual reports or notices of material events. See "APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The Authority has agreed to provide the foregoing information to the MSRB through the Electronic Municipal Market Access ("EMMA") website of the MSRB currently located at http://emma.msrb.org. Information on such website is not part of this Official Statement nor has such information been incorporated by reference herein, and such website should not be relied upon in deciding whether to invest in the Subordinate Series 2010 Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the Authority for Fiscal Year 2009 are included as Appendix B attached hereto. The financial statements referred to in the preceding sentence have been audited by McGladrey & Pullen, LLP, independent auditors, as stated in its Independent Auditor's Report included in Appendix B. McGladrey & Pullen, LLP has consented to the inclusion of the financial statements and their Independent Auditor's Report in Appendix B hereto. McGladrey & Pullen, LLP, the Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its Independent Auditor's Report included in Appendix B attached hereto, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP, also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

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

All references to the Act, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements and agreements with any other parties herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Authority which are located at Commuter Terminal, 3rd Floor, 3225 North Harbor Drive, San Diego, California 92101. This Official Statement is not to be construed as a contract or agreement between the Authority and the owners of any of the Subordinate Series 2010 Bonds.

AUTHORIZATION

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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By /s/ Thella F. Bowens
President and CEO

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APPENDIX A

FINANCIAL FEASIBILITY REPORT

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September 13, 2010

Ms. Thella Bowens
President and CEO
San Diego County Regional Airport Authority
3225 North Harbor Drive
San Diego, CA 92101

Subject: ***Financial Feasibility Report - San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A and Subordinate Airport Revenue Bonds, Series 2010B***

Dear Ms. Bowens:

Unison Consulting, Inc. ("Unison") is pleased to submit the attached Financial Feasibility Report in support of the intent of the San Diego County Regional Airport Authority (the "Authority") to issue its Subordinate Airport Revenue Bonds, Series 2010A and Series 2010B (collectively, the "Series 2010 Bonds") in the approximate aggregate principal amount of $423.71 million. The Series 2010 Bonds are being issued to fund a portion of the costs of certain capital projects included in the Authority's capital program; to retire a portion of the currently outstanding commercial paper notes; to fund a reserve fund related to the Series 2010 Bonds; to fund capitalized interest on a portion of the Series 2010 Bonds; and to pay certain costs of issuance of the Series 2010 Bonds.

The Series 2010 Bonds are being issued pursuant to a Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company (the "Subordinate Trustee"), and a Second Supplemental Subordinate Trust Indenture, to be dated as of October 1, 2010 (the "Second Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee; and the Resolution. The Series 2010 Bonds are special obligations of the Authority, secured by a pledge of the Authority's Subordinate Net Revenues (as defined in the Master Subordinate Indenture), and certain limited funds and accounts held by the Subordinate Trustee. Except as noted otherwise, all capitalized terms in this letter and the attached Report shall have the meanings set forth in the Master Subordinate Indenture.

Until January 2003, San Diego International Airport ("SAN", or the "Airport") was owned and operated by the San Diego Unified Port District. In January 2003, the Airport was transferred by long-term lease to the Authority, which now operates the Airport. SAN is the only commercial service airport serving the City of San Diego and the San Diego metropolitan area.

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The Airport, which accommodated approximately 8.5 million enplanements in fiscal year ("FY")[1] 2010, is classified by the FAA as a large-hub airport.[2] Based on 2009 airport data, the Airports Council International – North America (the "ACI-NA") ranked the Airport as 28th in the nation in terms of total passengers served and 44th in the nation in terms of aircraft moved. The Airport is located approximately three miles from the downtown San Diego central business district.

Purpose of the Bond Financing

On May 1, 2008, the Board adopted the San Diego International Airport Master Plan (the "Master Plan"), which documents the Authority's planning process for the Airport. The Master Plan provides guidance for the development of the Airport to meet continued growth at the Airport. In April 2009 the Authority completed the Environmental Impact Report ("EIR") on a group of planned capital improvement projects known as "The Green Build," which incorporates certain elements of the Master Plan, including the expansion of the Airport's terminal facilities, the expansion of the terminal roadway system, and the construction of new aircraft apron improvements and an aircraft taxi lane. The Green Build includes a number of capital improvement projects through FY 2013, estimated to total approximately $864.6 million. The Authority's capital program also includes a rolling five-year Capital Improvement Program ("CIP"), which is designed to provide critical capital improvements and preserve existing assets at the Airport. The CIP includes environmental remediation projects at the Naval Training Center ("NTC") site; the rehabilitation of Taxiway C; the relocation of Taxiway B; various airfield, terminal, and landside improvements; and security enhancements throughout the Airport. The CIP includes a number of capital improvement projects for the Airport during FY 2011 through FY 2015, totaling approximately $376.9 million.

The costs of the Authority's CIP and The Green Build are expected to be funded from the following sources: (i) the Series 2010 Bonds; (ii) one or more future General Airport Revenue Bond ("GARB") issues; (iii) federal grants; (iv) Passenger Facility Charges ("PFCs"); (v) Authority funds; and (vi) rental car customer facility charges and other sources.

The Series 2010 Bonds are being issued to finance and refinance approximately $328.2 million in capital program costs ($88.7 million in CIP costs and $239.5 million in costs for The Green Build), including $111.0 million in capital costs that were previously funded with proceeds of commercial paper notes, all of which will be refunded by the Series 2010 Bonds. In addition to financing and refinancing capital program costs associated with the CIP and The Green Build, the Series 2010 Bonds are being issued to refund $31.2 million of additional commercial paper notes that were issued to finance previous projects not included in the current CIP or The Green Build, fund capitalized interest on the Series 2010 Bonds, fund a reserve fund for the Series 2010 Bonds, and pay costs of issuance of the Series 2010 Bonds.

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[1] The Authority's fiscal year begins on July 1st and ends on June 30th.

[2] Any airport that enplanes over 1.0 percent of total domestic U.S. enplanements is classified by the FAA as a large hub airport

Rate Covenant and Additional Bonds Test

Under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the aggregate annual debt service on any outstanding senior revenue bonds and deposits to reserves and other payments required by the Master Senior Indenture. The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the outstanding senior bonds. This provision is known as the "Senior Rate Covenant."

Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to the Aggregate Annual Debt Service on any Outstanding Subordinate Obligations and deposits to reserves and other payments required by the Master Subordinate Indenture. The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

The Master Senior Indenture and the Master Subordinate Indenture each contain an additional bonds test, which can be satisfied by a certificate prepared by a consultant that shows the applicable rate covenant, or coverage, calculation on both a historical and a projected basis. The historical coverage calculation must be for the last audited Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the date of issuance of the proposed bonds. The projected coverage calculation must cover the period from the first full Fiscal Year following the issuance of the proposed bonds through the later of (a) the fifth full fiscal year after the date of issuance of the proposed bonds, or (b) the third full fiscal year after the end of the capitalized interest period on the bonds.

The attached Report includes calculations of historical and projected Net Revenues and Subordinate Net Revenues, to evaluate the ability of the Authority to meet the requirements of the Senior Rate Covenant, the Subordinate Rate Covenant, and the additional bonds tests. The calculations reflect the projected effects of the Series 2010 Bonds and the future GARBs anticipated to be sold in FY 2012 and FY 2013 to complete the financing plan for The Green Build and the current CIP.

Pursuant to a resolution adopted by the board of directors of the Authority on August 23, 2010 (the "PFC Resolution"), the Authority has irrevocably committed a portion of the PFCs it expects to receive in the future to the payment of debt service on the Series 2010 Bonds and other PFC-eligible bonds. The Authority expects to irrevocably commit additional PFCs toward debt service for future bonds. Pursuant to the bond indentures, if PFCs have been irrevocably committed or are otherwise used to pay debt service on bonds, such debt service may be excluded from the calculation of debt service for purposes of calculating debt service coverage.

Accordingly, the debt service coverage calculations presented in the attached Report exclude the portion of debt service on the Series 2010 Bonds and anticipated future bonds that the Authority expects to pay with PFCs.

Airline Operating and Lease Agreement

Effective July 1, 2008, the Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Agreements") with 15 passenger airlines and six all-cargo carriers operating at the Airport (the "Signatory Airlines"). The Airline Agreement specifies the terms and conditions of the Signatory Airlines' use of Airport facilities and their operations at the Airport. The Airline Agreement will expire on June 30, 2013. The financial analysis in the attached Report assumes that upon expiration of the Airline Agreement, the Authority will enter into a new operating and lease agreement with terms substantially similar to the current Airline Agreement.

The principal types of rates and charges paid by the airlines are terminal rentals, landing fees, aircraft parking fees, security surcharges, and Federal Inspection Service ("FIS") use charges. The airline rates and charges are calculated by the Authority to recover the airlines' share of annual terminal and airfield expenses.

Five of the Signatory Airlines have entered into agreements with affiliated passenger airlines (the "Affiliate Airlines") to operate smaller aircraft on behalf of those Signatory Airlines. The Affiliate Airlines have each executed an agreement with the Authority and the applicable Signatory Airline (the "Affiliate Airline Operating Agreement"). The Affiliate Airline Operating Agreements allow the Affiliate Airlines to operate at SAN on behalf of the applicable Signatory Airlines without the Affiliate Airline having to enter into an Airline Agreement. The same rates, fees, and charges applicable to the Signatory Airlines' operations at SAN generally apply to the Affiliate Airlines' operations at SAN. In the event an Affiliate Airline fails to pay fees and charges to the Authority, the applicable Signatory Airline is responsible for the fees and charges billed to its Affiliate Airline.

Report Organization

Unison has prepared the attached Report to evaluate the ability of the Authority to meet the financial requirements established by the Master Senior Indenture and Master Subordinate Indenture. The following summary of the components of the attached Report provides an overview of the comprehensive analysis performed:

- **Section I** describes the Authority and the Airport.
- **Section II** describes the Authority's CIP and The Green Build, including the plan of finance.

- **Section III** defines the Airport's air service area and discusses the local economic base.

- **Section IV** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.

- **Section V** reviews the Airline Agreement including the airline rates and charges methodology.

- **Section VI** reviews the framework for the financial operation of the Authority, including key provisions of the Master Senior Indenture and the Master Subordinate Indenture. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues and Subordinate Net Revenues in each year of the forecast period to meet the obligations of the Master Senior Indenture and the Master Subordinate Indenture.

Assumptions

The analysis and forecasts contained in the attached Report are based upon certain data, estimates, and assumptions that were provided by the Authority, and certain data and projections from other independent sources. The attached Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the report are reliable, and provide a reasonable basis for our forecast given the information available and circumstances as of the date of this Report. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from the forecasts, and the variations could be material.

The major assumptions utilized in the attached Report are listed below:

1. The Authority will complete the projects listed in the CIP and The Green Build, including the projects to be funded with the proceeds of the Series 2010 Bonds, within the budgeted costs and according to the estimated schedule.
2. The Authority will issue future GARBs in 2012 and 2013 as part of the complete financing plan for The Green Build and the current CIP.
3. The current airline rates and charges methodology will continue in effect after the expiration of the existing Airline Agreement, through the extension of the existing Airline Agreement, or through a new agreement with substantially similar terms.
4. The forecasts of aviation activity presented in the Report were developed using a modeling approach that links long-term air traffic activity to projected trends in key demand drivers.

A multivariate regression model was developed that relates enplanements to (a) long-term demand drivers such as trends in the price of air travel and U.S. economic activity, (b) structural changes that have been taking place in the industry since September 11, 2001, and (c) a factor to correct for serial correlation in time series data. Different assumptions regarding the pace of economic recovery in the U.S. produced base and alternate forecast scenarios. Although the base forecast reflects moderate expectations regarding the pace of economic recovery, a more cautious approach has been implemented by formulating the midpoint between the base case and the alternate scenario, which is used in the financial analysis presented in attached Report. The use of the midpoint recognizes that there are still uncertainties regarding how quickly the economy will recover, whether the recovery can be sustained, and how quickly air traffic recovery will follow the economic recovery. The forecasts assume the following:

- The price of air travel, as measured by the real passenger yield at SAN, will continue declining at an average annual rate of 1.3 percent during the forecast period, following FAA industry projections; and
- Passenger income, as measured by the real U.S. per capita GDP, will increase at an average annual rate of 1.9 percent under the base case and 1.1 percent under the alternate case.

Findings and Conclusions

Based upon the assumptions and analysis presented in the attached Report, we forecast that the Authority will be able to comply with the rate covenant provisions of the Master Senior Indenture, the Master Subordinate Indenture, and other governing legal documents, while maintaining a reasonable airline cost per enplaned passenger. Specifically, we conclude the following:

- Senior debt service coverage is projected to remain above the 1.25 minimum requirement, with a projected minimum of 3.73 during the period FY 2011 through FY 2016.

- Subordinate debt service coverage is projected to remain above the 1.10 minimum requirement, with a projected minimum of 2.00 during the period FY 2011 through FY 2016.

- For the purposes of meeting the additional bonds test under the Master Subordinate Indenture, the Authority's subordinate debt service coverage was 21.17 in FY 2009 and 37.28 in FY 2010 – well above the 1.10 minimum requirement.

- The airline cost per enplaned passenger is projected to remain reasonable during the forecast period, compared to the airline cost per enplanement amounts for other U.S.

large-hub airports. SAN's airline cost per enplanement is projected to increase from $7.49 in FY 2011 to $10.72 in FY 2016.

Based on the above, we conclude that it is financially feasible for the Authority to proceed with the issuance of the Series 2010 Bonds. We also conclude that the Authority's financial plan for The Green Build and the current CIP, which includes the issuance of future GARBs in 2012 and 2013, is financially feasible.

Sincerely,

UNISON CONSULTING, INC.

Unison Consulting, Inc.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Financial Feasibility Report

Table of Contents

Draft – September 8, 2010

LIST OF TABLES

LIST OF FIGURES

SECTION I
INTRODUCTION

This Report considers the financial feasibility of the issuance of the San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A and Series 2010B (collectively, "the Series 2010 Bonds"). The Series 2010 Bonds are being issued to fund a portion of the cost of certain capital projects included in the Capital Improvement Program ("CIP") and The Green Build (defined in Section II) of the San Diego County Regional Airport Authority (the "Authority"); to retire a portion of the currently outstanding commercial paper notes; to fund a reserve fund; to pay capitalized interest; and to pay certain costs of issuance of the Series 2010 Bonds.

This Report is organized into the following sections:

- **Section I** describes the Airport and the Authority.
- **Section II** describes the Authority's CIP and The Green Build, including the plan of finance.
- **Section III** defines the Airport's air service area and discusses the local economic base.
- **Section IV** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.
- **Section V** reviews the Airline Agreement including the airline rates and charges methodology.
- **Section VI** reviews the framework for the financial operation of the Authority, including key provisions of the bond indentures. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues and Subordinate Net Revenues in each year of the forecast period to meet the obligations of the Master Senior Indenture and the Master Subordinate Indenture.

A. THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

The Authority is a local governmental entity of regional government, with jurisdiction extending throughout the County of San Diego (the "County") and is responsible for the operation of San Diego International Airport ("SAN" or the "Airport"). SAN operates as a commercial service airport and served 16.9 million total passengers in FY 2010.

The San Diego County Regional Airport Authority Act, codified in California Public Utilities Code Section 170000 *et seq*.(the "Act"), established the Authority in 2002. The Authority was created as an independent agency to manage the day-to-day operations of the Airport and to address the region's long-term air transportation needs. Effective January 1, 2003, the operations and assets of the Airport were transferred from the San Diego Unified Port District (the "Port District") to the Authority. The Authority is a public entity created to: (1) operate the Airport; (2) plan and operate any future airport that could be developed as a supplement or replacement to the Airport; (3) develop a comprehensive land use plan related to the development of airports for the County; and (4) serve as the region's airport land use commission by promoting the orderly development of airports and the adoption of land use plans that minimize the public's exposure to excessive noise and safety hazards around airports.

The Authority is governed by a nine-member board of directors (the "Board") representing all areas of the County, and three additional members serving as non-voting, ex-officio board members. Board members serve three year terms and may be reappointed. The Act specifies the appointment of the members of the Board as follows: the Mayor of the City of San Diego appoints three members (two of which are subject to confirmation by the City Council); the Chair of the Board of Supervisors of the County appoints two members (one of which was previously appointed by the Governor; beginning in 2011 both members will be appointed by the Chair of the Board of Supervisors of the County and will be subject to confirmation by the Board of Supervisors of the County); the mayors of the east county cities (El Cajon, Lemon Grove, La Mesa and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside, and Solana Beach) appoint one member; the mayors of the north county inland cities (Poway, Escondido, Vista and San Marcos) appoint one member; and the mayors of the south county cities (Coronado, Imperial Beach, Chula Vista and National City) appoint one member. Two ex-officio members serving as the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission, are appointed by the Governor. The Board may provide for additional ex-officio members, including, but not limited to, representatives of the United States Navy and the United States Marine Corps.

The Authority holds public meetings of the full Board once a month and periodic meetings of several standing committees. The Executive Committee, comprised of three Board members, meets each month with management and sets the agenda for each Board meeting.

The operations and improvements at SAN are funded by airport user charges, Passenger Facility Charges ("PFCs"), bond funds, and funds received from the FAA and the Transportation Security Administration ("TSA"). No general tax fund revenues are used to operate or maintain the Airport. Thella F. Bowens, Authority President and CEO/Executive Director, has overall responsibility for the management, administration, and planning of the Authority, its annual budget and over 350 employees. Ms. Bowens has an experienced staff to aid her in carrying out the responsibilities of the position, including the vice presidents who head the various Authority divisions, the Chief Auditor, and the General Counsel.

B. SAN DIEGO INTERNATIONAL AIRPORT

The Airport serves a region that includes San Diego County, portions of Orange, Riverside and San Bernardino Counties and the northern portion of Mexico. The Airport is the only commercial service airport in the County and the San Diego metropolitan area. During the Authority's Fiscal Year ended June 30, 2010 ("FY 2010"),[3] the Airport enplaned approximately 8.5 million passengers. The Federal Aviation Administration (the "FAA") classifies SAN as a large-hub airport, the category that includes airports enplaning 1.0 percent or more of annual domestic enplanements. Based on calendar year 2009 data, the Airports Council International – North America ("ACI-NA") ranked SAN 28th in the nation in terms of total passengers served, 44th in the nation in terms of total aircraft operations, and 37th in terms of total cargo processed. Covering 661 acres, the Airport is located three miles northwest of downtown San Diego, adjacent to U.S. Interstate 5 and the San Diego Bay.

SAN is the busiest single-runway commercial airport in the nation, based on passenger levels. The Airport was originally dedicated as the "San Diego Municipal Airport – Lindbergh Field" on August 16, 1928. It became the first federally certified airfield to serve all aircraft types, including seaplanes, in 1934. The Airport's infrastructure was improved after the U.S. Army Air Corps took over the Airport in 1942 to support the military's war efforts during World War II. Improvements included the construction of an 8,750-foot runway, which has since been expanded to 9,401 feet. In addition to the runway, the airfield includes one full length parallel taxiway on the south (Taxiway B) and one partial taxiway on the north (Taxiway C). The airfield also includes ancillary taxiways that provide runway and terminal access, and aprons that provide aircraft parking.

[3] The Authority's fiscal year begins on July 1st and ends on June 30th.

Current conditions at SAN make the addition of a runway difficult. Obstacles to runway expansion include significant geographic obstructions, including high terrain to the northeast and southwest of the Airport, as well as manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport. Other obstacles to runway expansion include major land acquisition requirements, extensive infrastructure impacts, local resident opposition, and increased noise impacts. However, capacity is not expected to be a limiting factor within the forecast period of this Report, as discussed in **Section IV**. In addition to the restrictions to the physical capacity of the Airport's airfield, there are direct restrictions on operations relating to noise abatement. See **Section IV.7** for a further discussion of these constraints.

The Airport has three passenger terminals (Terminal 1, Terminal 2[4] and the Commuter Terminal), which collectively encompass approximately 828,000 square feet. Terminal 1, which contains 19 narrow body jet gates, opened on March 5, 1967. Terminal 2 opened on July 11, 1979, and was expanded in 1998 to contain 22 gates. Terminal 2 East, the original portion of Terminal 2, contains 13 jet gates, including two international gates. All international flights operate at Terminal 2 East. Terminal 2 West, the expansion of Terminal 2 that opened in 1998, contains nine jet gates. The baggage claim for all of Terminal 2 (East and West) is located in Terminal 2 West. The Commuter Terminal, which accommodates most of the turbo-prop and regional jet flights at the Airport, has seven commuter aircraft parking positions. As described in Section II, The Green Build includes the planned expansion of Terminal 2 West, including the addition of 10 new jet gates.

The Airport's parking capacity includes approximately 2,700 short term parking spaces in lots adjacent to each of the three terminal buildings. However, some parking spaces in front of Terminal 2 are currently blocked off to accommodate construction work included in The Green Build, as described in Section II. Approximately 4,300 long term parking spaces are located in three remote lots that provide free shuttle service to the terminals. Additionally, SAN has a free cell phone lot and offers valet parking at the curb of Terminals 1 and 2 and in their respective short term parking lots.

Roadway access to the Airport is via three independent entrance roadways for Terminal 1, Terminal 2, and the Commuter Terminal, all from North Harbor Drive. The Airport terminal roadway is one level, with a total of approximately 6,800 linear feet of curb for all three terminals. As described in Section II, The Green Build includes the planned construction of a two-level roadway in front of Terminals 1 and 2.

The north airfield area contains an air traffic control tower, an Airport Rescue and Fire Fighting ("ARFF") facility, and a fuel farm. An apron area for air cargo loading and one general aviation Fixed Base Operator ("FBO") are also located north of the

[4] Terminal 2 consists of Terminal 2 East and Terminal 2 West.

runway. Enclosed cargo facilities are located on the south side of the Airport between Terminal 1 and the Commuter Terminal. Some of the all-cargo carriers maintain their own sorting facilities off-Airport. The Airport has a total of 19 Remain Overnight ("RON") aircraft parking positions, ten of which are located adjacent to Taxiway C in the north Airfield area, with the remaining nine positions located adjacent to the terminals on the south side of the Airport.

SECTION II
The Authority's CAPITAL PROGRAM

On May 1, 2008, the Board adopted the San Diego International Airport Master Plan, (the "Master Plan") which documents the Authority's planning process for the Airport. The Master Plan provides guidance for the development of the Airport to meet continued growth at the Airport. In April 2009 the Authority completed an Environmental Impact Report ("EIR") on a group of planned capital projects known as "The Green Build," which includes certain elements of the Master Plan. The Green Build includes the expansion of the Airport's terminal facilities, the expansion of the terminal roadway system, and the construction of new aircraft apron improvements and an aircraft taxi lane. The terminal improvements included in The Green Build will enhance passengers' experience at the Airport by providing new, expanded dining and shopping options; new holding areas at the gates; more and improved security checkpoints; and public art integrated throughout the terminal expansion and outside areas. The roadway improvements included in The Green Build will involve the construction of a two-level roadway system that will improve vehicular circulation in front of Terminals 1 and 2, and provide "smart curb" technology to enable passenger curbside check-in. The Authority broke ground on The Green Build projects in July 2009, with the beginning of construction of apron improvements, additional aircraft parking and new USO facilities.

The Authority's capital program also includes a rolling five-year Capital Improvement Program ("CIP"), which is designed to provide critical capital improvements and preserve existing assets at the Airport. The CIP includes environmental remediation projects at the Naval Training Center ("NTC") site; the rehabilitation of Taxiway C; the relocation of Taxiway B; various airfield, terminal, and landside improvements; and security enhancements throughout the Airport.

A. ESTIMATED CAPITAL PROJECT COSTS

1. The Green Build

The Green Build includes a number of capital projects to be constructed through FY 2013. The projects included in The Green Build are estimated to cost approximately $864.6 million. The estimated capital costs of The Green Build are summarized on **Table II-1**. Following are the main components of The Green Build:

- Expansion of Terminal 2 West, including the addition of ten gates to the existing 41 gates at the Airport, the addition of six security checkpoint lanes (to increase the total to 12), expanded concessions areas, and "smart curb" technology to enable curbside check-in. These and other terminal improvements are estimated to cost approximately $605 million.

TABLE II-1
THE GREEN BUILD
ESTIMATED CAPITAL COSTS
Fiscal Years ending June 30

Cost Centers	Prior to 2011 [1]	2011	2012	2013	Total
Airside	$16,014,611	$41,369,274	$1,338,215	$2,207,297	$60,929,398
Terminal	71,220,990	142,046,406	260,360,415	131,761,479	605,389,289
Roads	30,939,678	56,299,681	51,259,775	23,307,077	161,806,212
Parking	1,528,574	13,465,471	20,486,309	1,007,450	36,487,803
Total	**$119,703,852**	**$253,180,832**	**$333,444,714**	**$158,283,304**	**$864,612,702**

Source: Authority records.
[1] Includes capital costs for projects that began during the period FY 2006 - FY 2010.

- Expansion of vehicle circulation serving Terminal 2 via the construction of a two level roadway that will include an arrivals curb on the lower level and a departures curb on the upper level. These and other roadway improvements are estimated to cost approximately $161.8 million.
- Construction of a new aircraft parking apron and aircraft taxi lane, to reduce congestion and improve circulation on the airfield. These airfield improvements are estimated to cost approximately $60.9 million.
- Surface parking improvements totaling approximately $36.5 million.

2. The CIP

The CIP includes a number of capital projects for the Airport through FY 2015, totaling approximately $376.9 million. Authority management has determined that the projects are necessary to accommodate the expected continued growth in aircraft and passenger activity at the Airport, as discussed in Section IV, and to replace or rehabilitate certain facilities and equipment at the Airport. Following are the major components of the CIP:

- Expand Terminal 2 East Facilities – Expansion of Terminal 2 East to increase holdroom seating capacity, increase post-security concessions space, expand the ticket lobby, and relieve passenger congestion.
- NTC Landfill Remediation – Environmental remediation of the contaminated areas on the NTC, a 51-acre site transferred from the Navy for Airport use.
- Relocate Taxiway B – Relocation of the existing parallel Taxiway B further south of the runway centerline in order to meet the minimum FAA safety

requirements for runway/taxiway separation and to improve the circulation of larger aircraft.

- Rehabilitate Taxiway C – Reconstruction and relocation of Taxiway C to replace the existing deteriorated pavement and to meet the minimum standards for taxiway-to-runway separation distance.

- Northside Utilities – Installation of utility infrastructure necessary to support the implementation of the North Side development plan, which will enable the development of the Central Receiving and Shipping Facility, new cargo and general aviation facilities, and a Consolidated Rental Agency Center ("CONRAC").

- Terminal 1 Electrical and Escalator Work – Upgrade of the electrical system and the installation of new electrical equipment in Terminal 1; and the replacement of the escalators in Terminal 1, including the construction of a canopy over the escalators and stairway at the Terminal 1 parking lot, and the addition of CCTV cameras and event recording devices for all escalators in Terminal 1.

- Dedicated Access Road – Construction of a perimeter road to provide shuttle bus access between the terminal buildings and the CONRAC proposed for the North Side of the Airport.

- Rehabilitate Stormwater/Airfield Drainage – Improve and strengthen the drainage pipes located on the Airfield underneath the runway and the taxiways.

- Refurbish Concessions Support Infrastructure – Review and evaluation of the existing concessions infrastructure in the Commuter Terminal, Terminal 2 East, and Terminal 2 West, to provide recommendations to refurbish, renovate, or add required infrastructure for the proposed new concessions program.

- Teledyne Ryan ("TDY") Demolition – TDY site demolition and environmental remediation, to make room for future Airport development projects.

- Various Capitalized Maintenance Projects – Necessary ongoing maintenance and improvement of various assets identified through the Authority's asset life cycle management program.

- Other projects necessary to upgrade and improve facilities at the Airport.

The estimated capital costs of the CIP are summarized on **Table II-2**.

TABLE II-2
CAPITAL IMPROVEMENT PROGRAM (CIP)
ESTIMATED COSTS
Fiscal Years Ending June 30

	Prior to 2011 [3]	2011	2012	2013	2014	2015	Total
Airside							
NTC Landfill Remediation	$44,644,511	$6,195	$0	$0	$0	$0	$44,650,706
Relocate Taxiway B	-	-	622,200	4,279,066	17,130,585	17,192,219	39,224,070
Rehabilitate Taxiway C	28,231,908	5,269,484	-	-	-	-	33,501,392
Rehabilitate Stormwater/Airfield Drainage	301,732	4,766,410	2,431,858	-	-	-	7,500,000
Other Airside Projects	18,941,549	2,917,943	5,746,169	127,836	964,985	3,732,850	32,431,332
Total Airside	$92,119,699	$12,960,032	$8,800,228	$4,406,902	$18,095,570	$20,925,069	$157,307,500
Terminal							
Expand T2E Facilities	2,086,904	15,359,463	18,708,246	16,845,387	-	-	53,000,000
Terminal 1 Electrical and Escalator Work	13,085,788	-	-	-	-	-	13,085,788
Refurbish Concessions Support Infrastructure	-	99,661	514,807	4,954,222	1,582,640	-	7,151,330
Other Terminal Projects	26,983,009	6,859,351	3,993,762	3,996,569	3,050,000	1,900,000	46,782,691
Total Terminal	$42,155,701	$22,318,474	$23,216,815	$25,796,178	$4,632,640	$1,900,000	$120,019,808
Landside							
North Side Utilities	-	1,210,774	9,388,684	15,992,095	6,821,397	-	33,412,950
Dedicated Access Road to Terminals	-	-	117,143	634,764	3,177,576	6,839,928	10,769,410
Other Landside Projects	5,624,956	3,175,449	9,045,545	6,951,939	4,386,500	-	29,184,390
Total landside	$5,624,956	$4,386,223	$18,551,371	$23,578,799	$14,385,473	$6,839,928	$73,366,750
Administrative [1]	9,594,100	250,000	100,000	150,000	3,000,000	700,000	13,794,100
Ancillary [2]	5,653,666	3,466,402	3,314,863	-	-	-	12,434,931
Total Costs	**$155,148,122**	**$43,381,132**	**$53,983,277**	**$53,931,879**	**$40,113,683**	**$30,364,997**	**$376,923,089**

Source: Authority records.

[1] Administrative projects include: Program management system implementation; buildout of 1st and 2nd floors of Commuter Terminal; various capitalzied maintenance projects.

[2] Ancillary projects include: Teledyne Ryan site demolition; IT power improvements; in-flight catering facility improvements.

[3] Includes capital costs for projects that began during the period FY 2004 - FY 2010.

The estimated capital costs for The Green Build and the CIP total approximately $1.242 billion, as summarized on **Table II-3**.

The current CIP includes certain enabling projects related to the proposed CONRAC, but not the capital costs of the CONRAC, which have not been approved by the Board as of the date of this Report. Currently, none of the rental car companies operating at SAN have customer or operating facilities on Authority property. While some of the rental car companies lease a small area of on-airport property from the Authority for overflow vehicle storage, the rental car companies operating at SAN maintain their customer service facilities, operating and maintenance facilities and most of their overflow vehicle storage areas at locations off-airport, which they either own or lease from third parties. It is anticipated that development of the CONRAC will result in additional ground rent revenue for the Authority, and improved customer service for rental car customers. Currently, the Authority estimates that construction of the CONRAC facility would cost approximately $218 million, and that such costs would be financed with the issuance of Authority bonds that would be secured solely with CFC revenues. At this time, the Authority does not have any plans to issue Additional Senior Bonds or Additional Subordinate Obligations to finance the construction of the CONRAC facility.

TABLE II-3
TOTAL CAPITAL PROJECT COST SUMMARY
PROJECTS BY COST CENTER
Fiscal Years Ending June 30

	Pre 2011	2011	2012	2013	2014	2015	Total
The Green Build							
Airside	$16,014,611	$41,369,274	$1,338,215	$2,207,297	$0	$0	$60,929,398
Terminal	71,220,990	142,046,406	260,360,415	131,761,479	-	-	605,389,289
Roads	30,939,678	56,299,681	51,259,775	23,307,077	-	-	161,806,212
Parking	1,528,574	13,465,471	20,486,309	1,007,450	-	-	36,487,803
Total Green Build	$119,703,852	$253,180,832	$333,444,714	$158,283,304	-	$0	$864,612,702
CIP							
Airside	$92,119,699	$12,960,032	$8,800,228	$4,406,902	$18,095,570	$20,925,069	$157,307,500
Terminal	42,155,701	22,318,474	23,216,815	25,796,178	4,632,640	1,900,000	120,019,808
Landside	5,624,956	4,386,223	18,551,371	23,578,799	14,385,473	6,839,928	73,366,750
Administrative	9,594,100	250,000	100,000	150,000	3,000,000	700,000	13,794,100
Ancillary	5,653,666	3,466,402	3,314,863	-	-	-	12,434,931
Total CIP	$155,148,122	$43,381,132	$53,983,277	$53,931,879	$40,113,683	$30,364,997	$376,923,089
Total Capital Program	**$274,851,974**	**$296,561,964**	**$387,427,991**	**$212,215,183**	**$40,113,683**	**$30,364,997**	**$1,241,535,791**

Source: Authority records.

B. CAPITAL PROGRAM FUNDING PLAN

The costs of the Authority's capital program are expected to be funded from the following sources: (i) the Series 2010 Bonds; (ii) one or more future GARB issues; (iii) FAA Airport Improvement Program ("AIP") grants; (iv) Transportation Security Administration ("TSA") funds; (v) Passenger Facility Charges ("PFCs"); (vi) Authority funds; and (vii) Customer Facility Charges ("CFCs") . **Table II-4** sets forth one estimated funding plan for the Authority's capital program, which is reflected in the financial plan presented in **Section VI**. The estimated sources and uses of funds, and projected debt service, for the Series 2010 Bonds and GARBs anticipated to be issued in FY 2012 and FY 2013, are presented in **Section VI**.

TABLE II-4
CAPITAL PROGRAM, FY 2010 - 2015
ESTIMATED FUNDING PLAN FOR CAPIAL COSTS [1]

	Series 2010 Bonds [2]	Future GARBs [2]	AIP and TSA Grants	PFCs	Authority Funds	CFCs and Other Sources	Total
The Green Build							
Airside	7,435,145	3,041,825	41,247,421	9,186,157	18,849	$0	$60,929,398
Terminal	142,276,267	340,602,978	25,346,000	96,476,938	687,107	-	605,389,289
Roads	75,160,250	72,816,853	1,750,000	12,029,100	50,009	-	161,806,212
Parking	14,573,344	21,493,759	-	409,423	11,277	-	36,487,803
Total The Green Build	**$239,445,005**	**$437,955,415**	**$68,343,421**	**$118,101,619**	**$767,243**	**$0**	**$864,612,702**
CIP							
Airside	$51,595,833	$9,977,649	$73,429,675	$20,338,356	$1,640,819	$325,167	$157,307,500
Terminal	23,618,532	54,431,702	450,000	37,655,732	3,150,345	713,497	120,019,808
Landside	6,813,265	40,952,655	-	-	1,958,651	23,642,180	73,366,750
Administrative	5,261,226	3,950,000	-	-	4,582,874	-	13,794,100
Ancillary	1,435,210	-	-	2,200,077	8,799,644	-	12,434,931
Total CIP	**$88,724,066**	**$109,312,006**	**$73,879,675**	**$60,194,165**	**$20,132,332**	**$24,680,844**	**$376,923,089**
Total Capital Program	**$328,169,071**	**$547,267,421**	**$142,223,096**	**$178,295,784**	**$20,899,575**	**$24,680,844**	**$1,241,535,791**

Source: Authority records.

[1] The above numbers represent capital costs only, excluding financing and interest costs. The numbers include costs originally funded with commercial paper notes which are being refunded with a portionof the proceeds of the Series 2010 Bonds.

[2] The Authority plans to use approximately $426.3 million of PFC revenues to pay GARB principal payments and an additional $523.7 million in PFCs to pay GARB interest payments, for a total of $951.0 million in PFCs applied to debt service on the Series 2010 Bonds and future bonds.

1. Series 2010 Bonds

The Series 2010 Bonds are being issued to finance and refinance approximately $328.2 million in capital program costs ($88.7 million in CIP costs and $239.5 million in costs for The Green Build), including $111.0 million in capital costs that were previously funded with proceeds of commercial paper notes, all of which will be refunded by the Series 2010 Bonds. In addition to financing and refinancing capital program costs associated with the CIP and The Green Build, the Series 2010 Bonds are being issued to refund $31.2 million of additional commercial paper notes that were issued to finance previous projects not included in the current CIP or The Green Build, fund capitalized interest on the Series 2010 Bonds, fund a reserve fund for the Series 2010 Bonds, and pay costs of issuance of the Series 2010 Bonds.

Of the proceeds of the Series 2010 Bonds anticipated to fund The Green Build capital costs, the largest portion ($142.3 million) is planned to fund terminal project costs, followed by $75.2 million to fund landside project costs. Of the CIP project costs to be funded with the Series 2010 Bonds, the largest components are $51.6 million for airside project costs and $23.6 million for terminal project costs.

The Authority plans to issue a portion of the Series 2010 Bonds as Build America Bonds to the extent this produces a lower net borrowing cost compared to tax-exempt bonds. To be conservative, for purposes of this Report, the financial analysis presented in this Report assumes that all of the Series 2010 Bonds will be issued as tax-exempt bonds, and does not assume the issuance of Build America Bonds or the receipt of any related cash subsidy payments. If the Authority issues a portion of the Series 2010 Bonds as Build America Bonds, subject to compliance with certain requirements of the Internal Revenue Code, the Authority expects to receive cash subsidy payments from the United States Treasury in an amount equal to 35 percent of the interest payable on the Series 2010 Bonds issued as Build America Bonds. Once the Master Senior Indenture Consent Requirement is met, any such cash subsidy payments received by the Authority will not constitute Revenues. However, the Authority expects to apply such cash subsidy payments to the payment of debt service on the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and/or the any future Senior Bonds issued as Build America Bonds.

2. Future GARBs

The Authority plans to issue future series of GARBs (in addition to the Series 2010 Bonds) in 2012 and 2013, to fund approximately $547.3 million in capital costs, consisting of $109.3 million in CIP costs and $438.0 million in costs of The Green Build. It is anticipated that the future GARBs applied to The Green Build costs will primarily fund terminal project costs ($340.6) and landside project costs ($72.8 million). The funding plan assumes that the majority of future GARB proceeds applied to CIP project costs will fund $54.4 million of terminal project costs and $41.0 million of landside project costs. It is anticipated that the Series 2012 Bonds will be issued as senior lien bonds and the Series 2013 Bonds will be issued as subordinate bonds. The projected debt service costs associated with the anticipated future GARB issues are included in the financial analysis presented in **Section VI**.

3. AIP Grants

AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of its National Priority System ("NPS"). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects to enhance airport safety and security. The funding plan for the Authority's capital program incorporates approximately $142.2 million in AIP entitlement and discretionary funds, including $68.3 million for The Green Build costs and $73.9 million for CIP costs.

4. TSA Funds

The TSA provides funding to airports to support the installation of in-line checked baggage explosive detection systems ("EDS"). Eligible projects include EDS equipment, facility modification and installation of EDSs included in an in-line baggage system. Projects for stand-alone EDSs and projects already completed are not eligible for funding. The Authority has received a grant from the TSA to partially fund the cost of EDS included in The Green Build, which is reflected in the funding plan.

5. PFCs

The Port District initially received approval from the FAA to impose a $3.00 PFC at SAN. The approval for the PFC was transferred by the FAA to the Authority, effective January 1, 2003. On May 20, 2003, the FAA approved the Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50 beginning August 1, 2003. On September 30, 2009, the FAA issued a Final Agency Decision for the Authority's most recent PFC application, which approved an additional $85.2 million in PFCs to be collected by the Authority. In total, the Authority has received approval from the FAA to collect approximately $453.9 million in PFCs, and approval to use approximately $408.8 million in PFCs.

Through June 30, 2010, the Authority had recorded total PFC revenue of $401.2 million, consisting of $390.8 million in PFC collections and $10.3 million in interest. As of June 30, 2010, the Authority had disbursed a total of $343.3 million in PFCs on eligible capital project expenditures, resulting in a balance of $57.9 million in unspent PFC collections and interest earnings. The Authority submitted another PFC application on July 27, 2010, to request authority to impose and use an additional $1.1 billion in PFCs, with an estimated collection end date of April 2036. The funding plan for the Authority's capital program includes approximately $178.3 million in Pay-As-You-Go PFC funding for eligible capital program costs through FY 2015, including $118.1 million for The Green Build costs and $60.2 million for CIP costs. The funding plan for The Green Build and the current CIP also includes approximately $426.3 million in PFCs applied to principal payments for the Series 2010 Bonds and future GARBs.[5] Pursuant to Resolution No. 2010-0088 adopted by the Board on August 23, 2010 (the "PFC Resolution"), the Authority has irrevocably committed approximately $72.3 of PFCs to the payment of debt service on the Series 2010 Bonds and other PFC-eligible bonds. Projects included in The Green Build and the current CIP that are being funded with PFCs (both Pay-As-You-Go and applied to GARB debt service) include: a portion of the terminal and airside costs, and all of the roadway costs, of The Green Build; and certain costs of the CIP, including runway and taxiway, noise mitigation, security improvement, consolidated baggage distribution facility, and Airport-wide communication infrastructure costs.

[5] The funding plan for The Green Build and the current CIP assumes an additional $523.7 million in PFCs will be applied to interest, for a total of $951.0 million in PFCs applied to debt service on the Series 2010 Bonds and future GARBs.

6. Authority Funds

The Authority plans to apply approximately $20.9 million in Authority funds to the capital program, including $0.8 million for The Green Build and $20.1 million for the CIP. Authority funds are those moneys generated from Airport operations and available after all of the Authority's financial obligations pursuant to the flow of funds specified in the Master Senior Indenture and the Master Subordinate Indenture are satisfied. The Airline Agreement allows the Authority to include amortization charges in the airline rates and charges to reimburse the Authority for capital project costs paid from Authority funds. The financial analysis in Section VI incorporates the amortization charges projected to be incorporated into the airline rate base, as projects funded with Authority funds are completed.

7. Customer Facility Charges and Other Sources

The capital program funding plan includes approximately $23.7 million in assumed funding from rental car CFCs and $1.0 million from other sources, for a total of $24.7 million from CFCs and other sources. The rental car companies that operate at SAN collect and remit to the Authority a $10.00 per-transaction CFC. The Authority plans to use a portion of the projected CFC collections to fund enabling projects for the CONRAC, including the Northside Utilities project, the Dedicated Access Road project, and related roadway improvements.

SECTION III
LOCAL ECONOMIC BASE

Local demographic and economic trends influence air travel demand, particularly the origination and destination ("O&D") segment. This section identifies the primary air service area of the Airport and presents demographic and economic data that demonstrate the capability of the air service area to support traffic growth.

A. AIR SERVICE AREA

The Airport primarily serves San Diego County, which is located in the southwest part of California, bordered by Orange and Riverside counties on the north, Imperial County on the east, the Pacific Ocean on the west, and the border with Mexico at Tijuana on the south (**Figure III-1**). SAN is located on the coast near the population center in the City of San Diego (**Figure III-2**).

Following are the other commercial service airports in Southern California:

- John Wayne Airport ("SNA"), the nearest alternative commercial service airport, is located 89 miles to the north in Orange County;
- Long Beach Airport ("LGB"), 109 miles to the north in Los Angeles County;
- LA/Ontario International Airport ("ONT"), 112 miles to the northeast in western San Bernardino County;
- Los Angeles International Airport ("LAX"), 128 miles to the north in Los Angeles County;
- Bob Hope Airport in Burbank ("BUR"), 137 miles to the north in Los Angeles County.

Unlike the other airports in Southern California, SAN serves a distinct air service market. SAN is located in a separate Metropolitan Statistical Area, as explained below. John Wayne Airport, Long Beach Airport, LA/Ontario International Airport, Los Angeles International Airport, and Bob Hope Airport are all located in the Los Angeles-Long Beach-Riverside Combined Statistical Area.[6] Those five airports are all located within approximately 50 miles of each other, with a shared population base. As noted above, John Wayne Airport is the closest Southern California commercial service airport to SAN, located 89 miles north of SAN. John Wayne Airport is subject to the terms of a settlement agreement with the City of Newport Beach and two community groups. The settlement agreement, as amended, limits

[6] The U.S. Office of Management and Budget has defined 125 "Combined Statistical Areas" for the United States.

the number of average daily departures and the number of passengers John Wayne Airport can serve annually.

In addition to the five other commercial service airports in Southern California, Tijuana Rodriguez International Airport ("TIJ"), which primarily serves the domestic market in Mexico[7] , is located 15 miles to the south in Tijuana, Mexico. Despite its close proximity, TIJ is not a major competitor for SAN, since TIJ primarily serves the domestic Mexican market, and there are inconveniences associated with crossing the U.S.-Mexico border.
San Diego County constitutes the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area ("MSA"). MSAs are county-based geographical divisions developed by the U.S. Office of Management and Budget ("OMB") for federal data collection and analysis purposes.

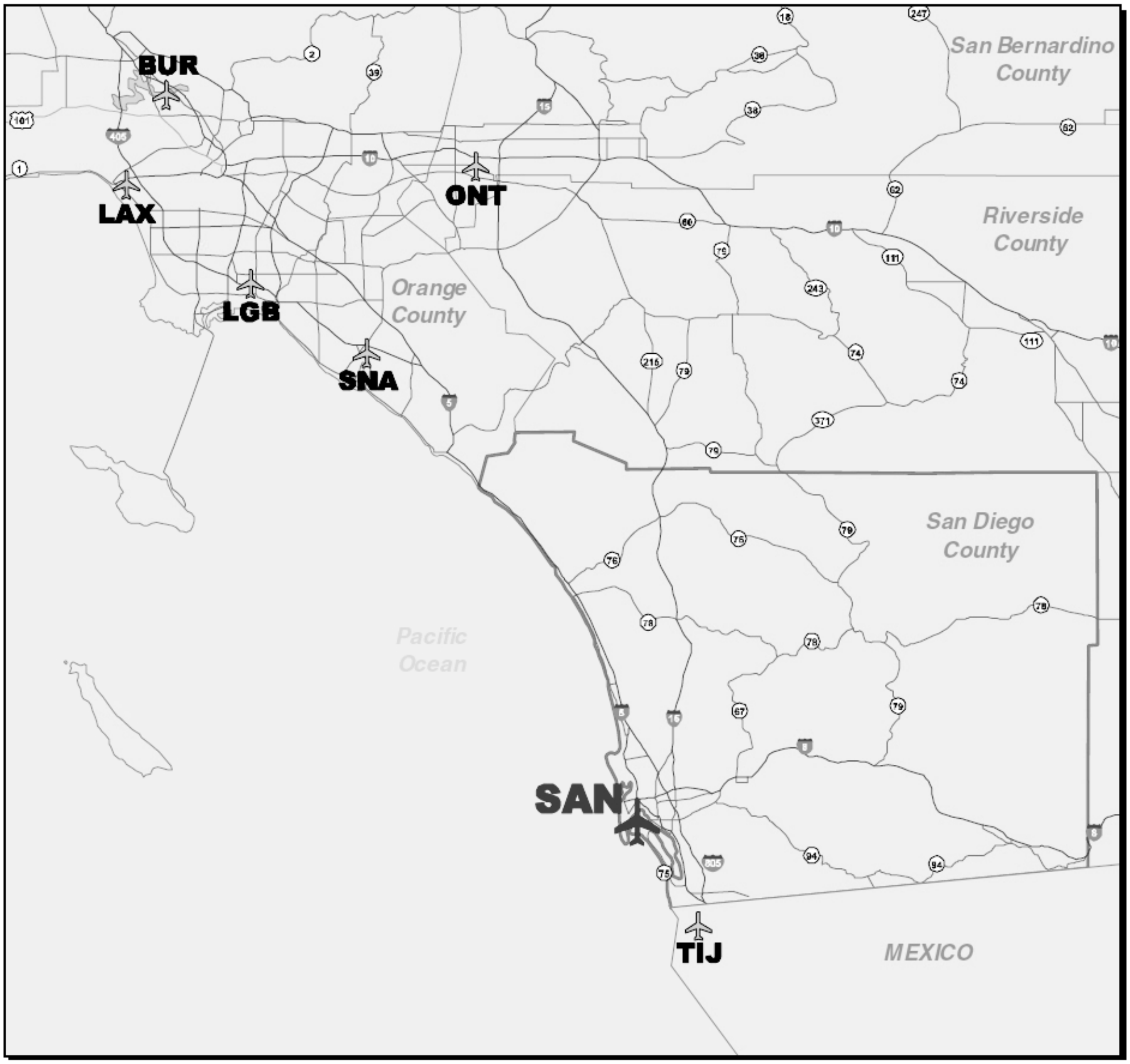
B. POPULATION

San Diego County's population offers a large and growing demand base for air travel (**Figure III-3**). San Diego County's 3.05 million population in 2009 is the fifth largest among all U.S. counties. Within the State of California, San Diego ranks fourth by MSA (**Table III-1**) and second by county (**Table III-2**). As shown in **Figure III-4**, San Diego County's population growth rate has been slower than the U.S. or California rates, but this is not surprising given the high population density in the area. The San Diego Regional Chamber of Commerce forecasts the San Diego County population to grow from 3.05 million in 2009 to 3.95 million by 2030, representing an average annual growth rate of 1.2 percent and a total increase of 29.4 percent during that period.

FIGURE III-1
SAN DIEGO INTERNATIONAL AIRPORT
PRIMARY AIR SERVICE AREA

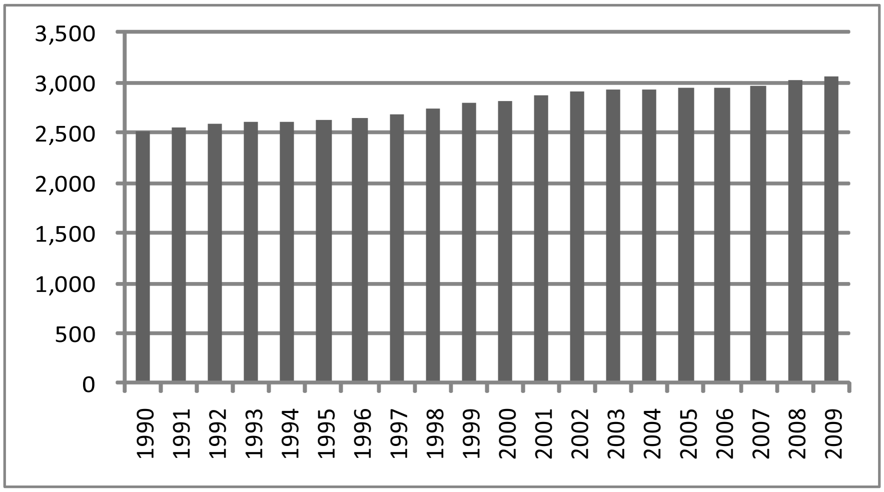
[7] According to statistics published by TIJ, approximately 99.2 percent of its 2009 passenger traffic was domestic Mexican traffic.

FIGURE III-2
SAN DIEGO INTERNATIONAL AIRPORT AND
NEARBY OTHER COMMERCIAL SERVICE AIRPORTS



Source: San Diego International Airport Master Plan Aviation Activity Forecasts, June 2004.
See previous page for driving distances from SAN to the other airports.

FIGURE III-3
SAN DIEGO COUNTY POPULATION (IN THOUSANDS)
1990-2009



Source: U.S. Census Bureau

TABLE III-1
CALIFORNIA MSA RANK BY POPULATION
July 1, 2009

MSA	Population	Rank
California state total	36,961,664	-
Los Angeles-Long Beach-Santa Ana	12,874,797	1
San Francisco-Oakland-Fremont	4,317,853	2
Riverside-San Bernardino-Ontario	4,143,113	3
San Diego-Carlsbad-San Marcos	**3,053,793**	**4**
Sacramento-Arden-Arcade-Roseville	2,127,355	5
San Jose-Sunnyvale-Santa Clara	1,839,700	6
Fresno	915,267	7
Bakersfield	807,407	8
Oxnard-Thousand Oaks-Ventura	802,983	9
Stockton	674,860	10

Source: U.S. Census Bureau

TABLE III-2
CALIFORNIA COUNTY RANK BY POPULATION
July 1, 2009

County	Population	Rank
California state total	36,961,664	-
Los Angeles	9,848,011	1
San Diego	**3,053,793**	**2**
Orange	3,026,786	3
Riverside	2,125,440	4
San Bernardino	2,017,673	5
Santa Clara	1,784,642	6
Alameda	1,491,482	7
Sacramento	1,400,949	8
Contra Costa	1,041,274	9
Fresno, CA	915,267	10

Source: U.S. Census Bureau

FIGURE III-4
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
AVERAGE ANNUAL POPULATION GROWTH RATE COMPARISON
1990 - 2009

Source: U.S. Census Bureau

Based on 2006-2008 U.S. Census Bureau's American Community Survey estimates, the median age of the San Diego County population (34.2 years) is slightly lower than the U.S. median age (36.7 years). The San Diego population also has a higher education, with 33.8 percent having a bachelor's degree or higher, compared to 27.4 percent nationwide.

C. LABOR MARKET

Trends in the labor market generally reflect the state of the local economy:

- The area's labor force increased from 1.38 million in 2000 to 1.56 million in 2009, representing an average growth rate of 1.4 percent per year. Employment grew at a slower rate (0.7 percent per year), causing unemployment to grow at a higher rate (12.2 percent per year). In 2009, the unemployment rate was 9.7 percent, the highest during the period 2000 through 2009 (**Table III-3).**

- The unemployment trends in San Diego County followed business cycle trends. San Diego County has generally fared better than the entire state and the nation. As **Figure III-5** shows, the unemployment rate in San Diego remained consistently lower than the state's from 2000 through 2009. It was also lower than the national unemployment rate except in 2008 and 2009.

- On average, employment had grown faster in San Diego County compared to the state and the nation between 2000 and 2009 (**Figure III-6**).

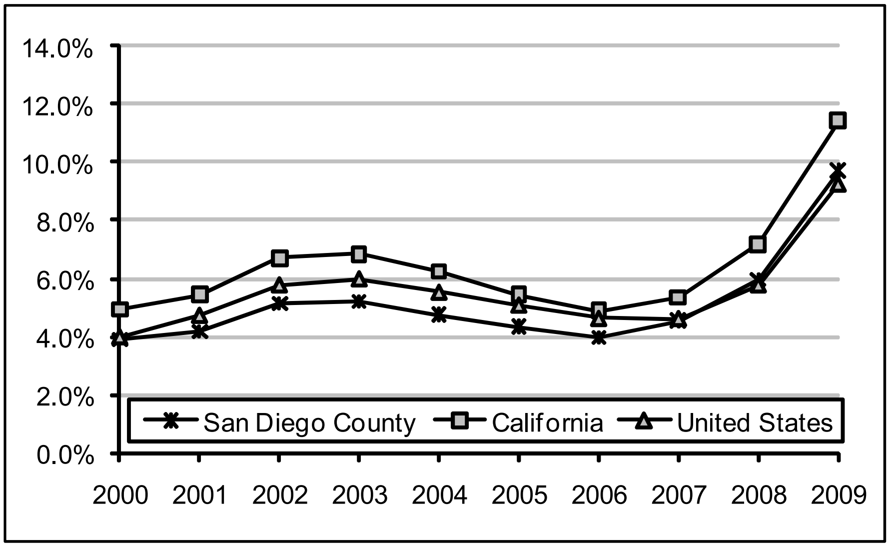
TABLE III-3
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2000 - 2009

Year	San Diego County				California	U.S.
	Civilian Labor Force[1]			Unemployment Rate	Unemployment Rate	Unemployment Rate
	Total	Employed	Unemployed			
2000	1,376,008	1,322,244	53,764	3.9%	4.9%	4.0%
2001	1,409,726	1,350,738	58,988	4.2%	5.4%	4.7%
2002	1,450,497	1,375,787	74,710	5.2%	6.7%	5.8%
2003	1,468,198	1,391,739	76,459	5.2%	6.8%	6.0%
2004	1,484,244	1,413,918	70,326	4.7%	6.2%	5.5%
2005	1,492,594	1,427,925	64,669	4.3%	5.4%	5.1%
2006	1,504,756	1,445,130	59,626	4.0%	4.9%	4.6%
2007	1,524,502	1,455,396	69,106	4.5%	5.3%	4.6%
2008	1,555,126	1,462,252	92,874	6.0%	7.2%	5.8%
2009	1,557,369	1,406,070	151,299	9.7%	11.4%	9.3%
	Average Annual Growth Rate					
2000-2009	1.4%	0.7%	12.2%			

[1] The civilian labor force consists of members of the population who are at least 16 years old and are either employed or actively seeking employment.

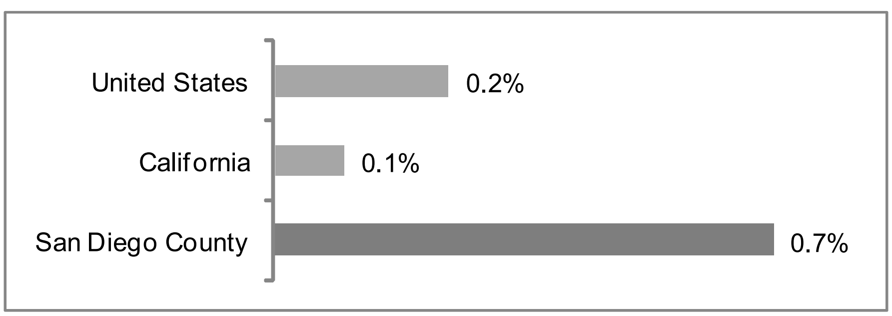
Source: U.S. Bureau of Labor Statistics

FIGURE III-5
SAN DIEGO COUNTY, CALIFORNIA, AND THE UNITED STATES
UNEMPLOYMENT RATES
2000 - 2009



Source: U.S. Bureau of Labor Statistics

FIGURE III-6
SAN DIEGO COUNTY, CALIFORNIA AND THE UNITED STATES
AVERAGE ANNUAL EMPLOYMENT GROWTH RATE COMPARISON
1990 - 2009



Source: U.S. Bureau of Labor Statistics

San Diego County has a diversified economic base. As shown in **Table III-4**, no single major industry accounted for more than 18.3 percent of non-farm jobs in San Diego County in 2009. The government was the largest employer with an 18.3 percent share – slightly larger than its 17.2 percent share nationwide. The top private industry sectors are as follows: trade, transportation, and utilities with 16.1 percent of San Diego County non-farm jobs; professional and business services with

16.0 percent; leisure and hospitality with 12.6 percent; and education and health services with 11.6 percent.

Table III-5 lists the 12 largest employers in San Diego County. The list reflects the diversity of the employment base, as well as the strong presence of the government sector. At the top of the list is the U.S. Federal Government with 69,500 local employees (including U.S. military personnel), followed by the State of California with 40,900 and the University of California with 26,000. The U.S. government is a stable employer in the County. Employment is provided at military operations at Camp Pendleton Marine Corps Base, Coronado Naval Base, Miramar Marine Corps Air Station, Point Loma Naval Base, Naval Air Station North Island, Thirty-Second Street Naval Station, Space and Naval Warfare Systems Center San Diego ("SSC San Diego"), and others. Over two-thirds of the U.S. Navy Pacific Fleet is based in San Diego, and SSC San Diego houses one of the most advanced weapons systems centers in the country. In addition, a number of private defense contractors that provide services to the U.S. military are a source of employment in the area. The U.S. Department of Veteran Affairs reports that over 260,000 veterans live in the County.

TABLE III-4
SAN DIEGO COUNTY, CALIFORNIA, AND THE UNITED STATES
NON-FARM EMPLOYMENT SHARES BY MAJOR INDUSTRY CLASSIFICATION
2009

Major Industry Classification	San Diego County	California	United States
Private sector: goods-producing			
Natural resources and mining	0.0%	0.2%	0.5%
Construction	5.0%	4.4%	4.6%
Manufacturing	7.8%	9.1%	9.1%
Subtotal	**12.8%**	**13.7%**	**14.2%**
Private sector: service-providing			
Trade, transportation and utilities	16.1%	18.7%	19.1%
Information	3.0%	3.2%	2.1%
Financial activities	5.7%	5.7%	5.9%
Professional and business services	16.0%	14.6%	12.7%
Education and health services	11.6%	12.4%	14.7%
Leisure and hospitality	12.6%	10.6%	10.0%
Other services	3.8%	3.4%	4.1%
Subtotal	**69.0%**	**68.6%**	**68.6%**
Government	**18.3%**	**17.7%**	**17.2%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: U.S. Bureau of Labor Statistics, Current Employment Survey
Note: The survey does not include active duty U.S. military personnel.

TABLE III-5
SAN DIEGO COUNTY LARGEST EMPLOYERS
2009

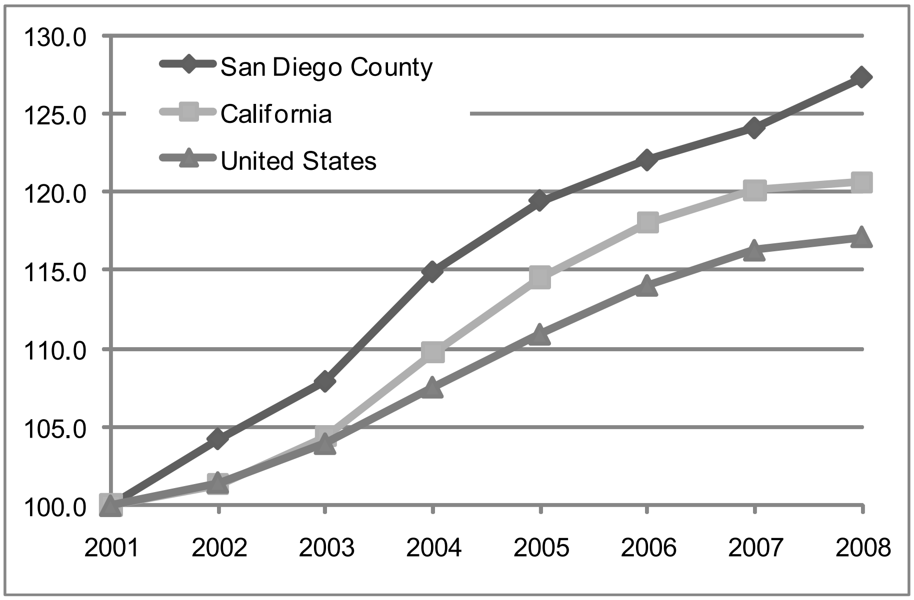
Employer	Local Employees	Sector
U.S. Federal Government[1]	69,500	Government
State of California	40,900	Government
U.S. Navy (Military 20,000, Civilian 6,000)	26,000	Government
University of California, San Diego	26,000	Education
County of San Diego	20,500	Government
City of San Diego	19,500	Government
San Diego Unified School District	15,881	Education
Sharp Health Care	14,390	Health Care
Scripps Health	12,700	Health Care
Scripps Mercy Hospital	11,000	Health Care
Qualcomm Inc.	9,444	Technology
Kaiser Foundation	7,608	Health Care

[1] Includes military personnel.
Source: San Diego Daily Transcript Source Book

D. ECONOMIC OUTPUT

Gross area product, gross state product, and gross domestic product (GDP) measure the value of all goods and services produced in San Diego County, California and the United States, respectively. In **Figure III-7**, these measures, adjusted for inflation, were indexed to a 2001 base year to facilitate the comparison of growth trends from 2001 through 2008, the most recent year for which GDP data are available for San Diego County and California. **Figure III-7** shows that San Diego County outperformed both the state and the nation in economic growth. The diverse makeup of the San Diego economy contributes to its strength. The large presence of the Government sector and the military, as shown in **Table III-5**, has also provided a stable local employment base.

FIGURE III-7
SAN DIEGO COUNTY GROSS AREA PRODUCT, CALIFORNIA GROSS STATE PRODUCT AND U.S. GROSS DOMESTIC PRODUCT, IN REAL TERMS, INDEXED TO A 2001 BASE YEAR (2001=100)
2001-2008



Source: U.S. Bureau of Economic Analysis

E. LEISURE AND HOSPITALITY INDUSTRY[8]

San Diego's strong local economy is complemented by its popularity as a tourist destination, with the San Diego Zoo, Balboa Park, San Diego Wild Animal Park, Sea World, Hotel del Coronado, a variety of historical and cultural attractions, and year-round good weather. In 2009, the leisure and hospitality industry accounted for 12.6 percent of non-farm employment in San Diego County. According to the U.S. Bureau of Labor Statistics, 84 percent of these jobs are in accommodations and food services industries, and the remaining 16 percent are in arts, entertainment, and recreation industries.

In 2009, San Diego welcomed nearly 30 million visitors, nearly half of whom stayed overnight. This represents a decline of 4.8 percent compared to the prior year – a trend observed nationwide due to the economic recession. The San Diego Convention and Visitors Bureau expects visits to San Diego to show a growth of 2.6 percent in 2010.

San Diego is also a popular venue for meetings and conventions. The San Diego Convention Center (the "Convention Center"), which contains 615,701 square feet of exhibit space, has a total capacity of 125,000. In 2009, the Convention Center hosted 248 events, including 71 conventions and tradeshows bringing in out-of-town visitors.

F. INCOME

The strength of the local economy also shows in the relative affluence of San Diego residents. As **Table III-6** shows, per capita personal income in San Diego County is higher than per capita personal income in California and the United States, based on data for the years 2005-2008.

[8] The discussion of the leisure and hospitality industry is based on the following sources:

U.S. Bureau of Labor Statistics
San Diego Convention and Visitors Bureau
San Diego Convention Center

TABLE III-6
SAN DIEGO COUNTY, CALIFORNIA, AND THE UNITED STATES
PER CAPITA PERSONAL INCOME
2005 - 2008

	2005	2006	2007	2008
San Diego County	$40,406	$42,721	$44,430	$45,488
California	$38,767	$41,567	$43,402	$43,852
United States	$35,424	$37,698	$39,392	$40,166

Source: U.S. Bureau of Economic Analysis

G. COST OF LIVING

Relative affluence in San Diego County comes with a higher cost of living, as shown in **Figure III-8**. According to the American Chamber of Commerce Researchers Association ("ACCRA") Cost of Living Index for the second quarter of 2009, all participating metro areas in California have a higher cost of living than the United States average. The cost of living in San Diego is 34 percent higher than the national average, but is lower than the cost of living in several other metropolitan areas in California.

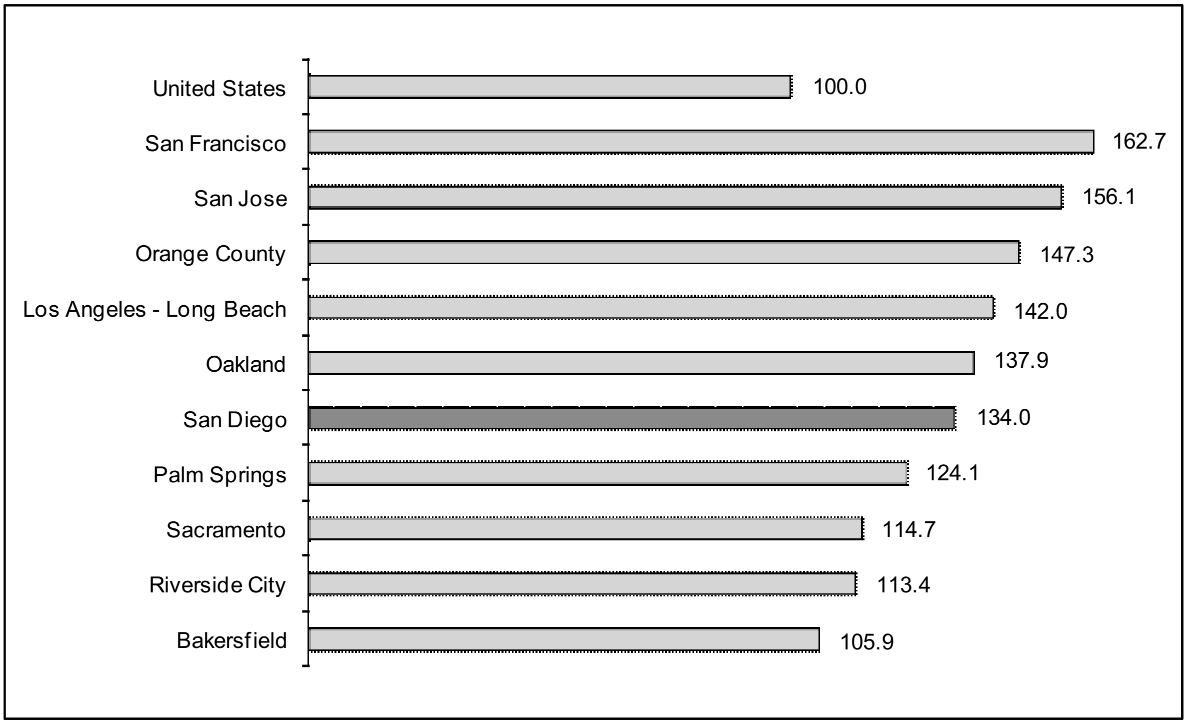
H. OUTLOOK

All indicators point to a strong local economy in San Diego County. As recent history has shown, however, the local economy is not immune from business cycles. In particular, unemployment increases and the number of visitors decreases during periods of economic recession, resulting in decreases in air passenger traffic. Likewise, recent history has also shown that the local economy – owing to the diversity and stability of its employment base – is better able than most other metropolitan areas in California and the rest of the United States in riding out economic downturns, even one as long and deep as the last recession.

The recent U.S. economic recession, which began in December 2007,[9] exceeded previous economic declines going back to the 1940s and resulted in a severe downturn in the Southern California economy. It now appears that recovery has begun in the third quarter of 2009, with the real U.S. GDP posting a positive growth rate (2.2 percent) after four consecutive quarters of decline. Data from the U.S. Bureau of Economic Analysis indicate sustained real GDP growth through first quarter 2010, reducing the likelihood of the economy falling back to recession in the

[9] National Bureau of Economic Research (NBER) Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

FIGURE III-8
COST OF LIVING INDEX IN CALIFORNIA METROPOLITAN AREAS
SECOND QUARTER 2009

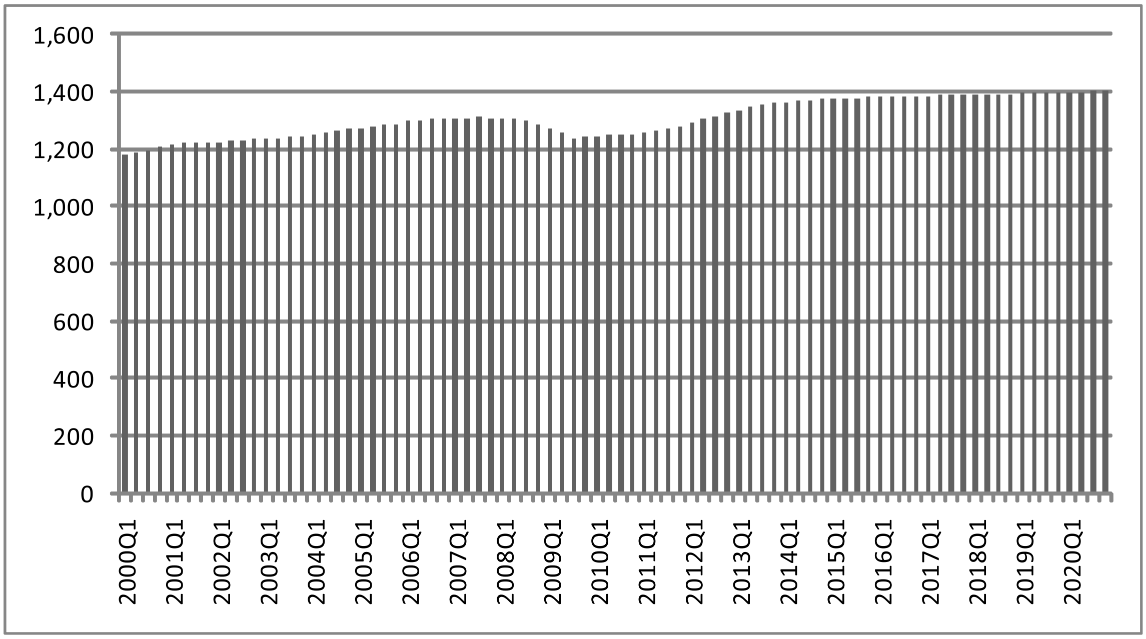


[1]The Cost of Living Index measures relative price levels for consumer goods and services in 320 participating urban areas.
Source: American Chamber of Commerce Researchers Association

near future. The economic trends so far are consistent with independent economic forecasts of recovery beginning in mid 2009, initially sluggish but expected to pick up pace in 2011. (See **Section IV** for details and supporting data.)

The San Diego County economy is expected to recover with the U.S. economy at the same sluggish pace initially, with growth accelerating in 2011. **Figure III-9** shows historical and forecast data on non-farm employment in San Diego County from Moody's economy.com.

FIGURE III-9
SAN DIEGO COUNTY NON-FARM EMPLOYMENT (IN THOUSANDS)
Historical, First Quarter 2000-Fourth Quarter 2009
Forecast, First Quarter 2010-Fourth Quarter 2020



Source: Moody's economy.com

I. SUMMARY

The following demographic and economic attributes suggest a strong, large and growing demand base for air travel in San Diego County:

- **Large and growing population** - San Diego's population ranks fourth largest in the state by MSA and second by county. The San Diego Regional Chamber of Commerce forecasts the San Diego County population to grow from 3.05 million in 2009 to 3.95 million by 2030, a 29.4 percent increase.

- **Better employment conditions** – While the unemployment trends in San Diego County have followed economic cycle trends, the unemployment rate in San Diego has remained consistently lower than the state unemployment rate and lower than the national unemployment rate during most years. On average, employment had grown faster in San Diego County compared to the state and the nation between 2000 and 2009.

- **Diversified employment base** - No single major industry accounted for more than 18.3 percent of non-farm jobs in San Diego County in 2009. The government sector is the largest employer.

- **Above-average growth in economic output** - San Diego County outperformed both the state and the nation in economic growth between 2001 and 2008.

- **Strong tourism** - San Diego County is a popular tourist and conference destination, with the San Diego Zoo, San Diego Wild Animal Park, Sea World, Balboa Park, a variety of historical and cultural attractions, and year-round good weather.

- **Relatively affluent population** - Per capita personal income in San Diego County is higher than per capita personal income in California and the United States, based on data for the years 2005-2008, and therefore creates more discretionary income for travel.

While the local economy is not immune from the effects of economic cycles, the diversity and stability of its employment base provides cushion during economic downturns. The recent U.S. economic recession, which began in December 2007, appears to have ended in mid 2009. The San Diego County economy is expected to recover with the U.S. economy at the same sluggish pace initially, with growth accelerating in 2011.

SECTION IV
AVIATION ACTIVITY ANALYSIS AND FORECASTS

This section reviews the historical trends in passenger traffic and aircraft operations at SAN and presents forecasts through FY 2016. Also discussed in this section are the factors underlying the historical and forecast trends, as well as relevant recent industry-wide developments. All annual data are presented on a Fiscal Year basis, except when stated otherwise.

A. HISTORICAL AVIATION ACTIVITY AT THE AIRPORT

The Federal Aviation Administration ("FAA") classifies SAN as a large hub commercial airport, which is the class of airports that account for 1.0 percent or more of annual total U.S. enplanements.[10] In 2009, SAN ranked 28th in total passenger volume and 44th in total aircraft movements among U.S. commercial service airports, according to the Airports Council International-North America traffic data. **Table IV-1** shows that as of July 2010, there were 13 U.S. mainline air carriers, four regional/commuter airlines, two foreign flag carriers, and six all-cargo carriers that provide scheduled air service at SAN, in addition to a number of passenger charter airlines. Collectively, these airlines provide scheduled and non-scheduled service to over 100 destinations across the United States and Mexico.

1. Overall Enplanement Trends

U.S. airports and airlines faced major challenges over the past 10 years, including: (1) the economic recession in 2001, which was brief but was followed by a very slow recovery; (2) the terrorist attacks of September 11, 2001 and the precipitous decline in air travel that followed; (3) the financial crisis in the airline industry that led to dramatic structural changes including industry exits, airline mergers, mainline-to-regional route transfers, significant capacity cuts, and other extreme cost-cutting measures, all with adverse effects on airports; (4) changes in the price of oil; (5) international issues such as the severe acute respiratory syndrome ("SARS") epidemic in late 2002 and early 2003, the recent H1N1 virus outbreak, and the Iraq and Afghanistan Wars; and (6) the 2008-2009 U.S. economic recession, the longest and deepest since the end of World War II. As **Figure IV-1** shows, SAN has not been immune to the effects of these shocks, as evidenced by the fall in annual enplanement levels in 2002, followed by a robust recovery and growth that was once again set back by the recent economic recession. While SAN experiences short-term fluctuations in passenger traffic levels that typically coincide with the end of each business cycle, the long-term trend is that of growth, which averaged 2.1 percent per year between FY 1990 and FY 2010. During periods of expansion, enplanements have grown by approximately four percent each year, on average. During periods of contraction, enplanement levels have fallen by 1.3 percent in FY

[10] U.S. Bureau of Transportation Statistics, Air Traffic Hubs 2009.

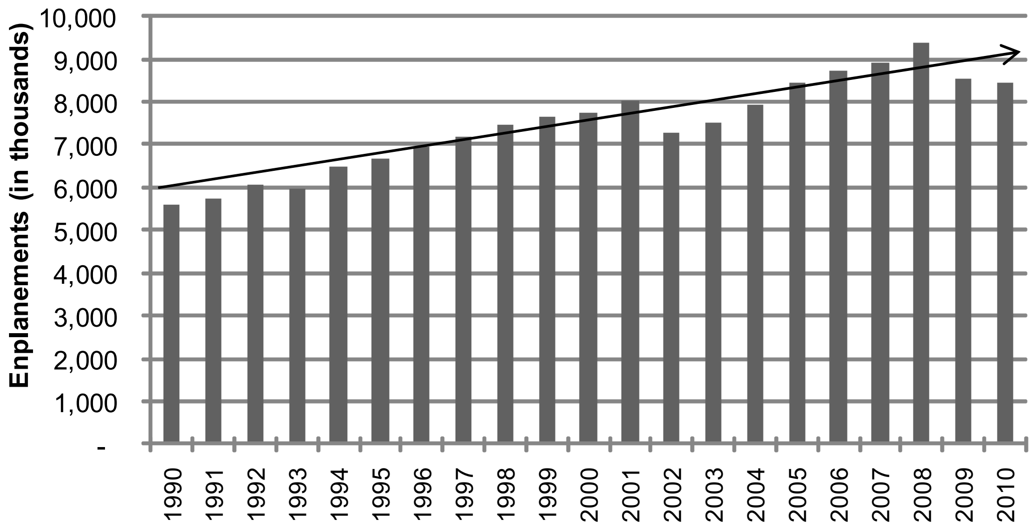
1993, 8.8 percent in 2002, and an average of 5.1 percent per year between FY 2008 and FY 2010.

TABLE IV-1
SAN DIEGO INTERNATIONAL AIRPORT
SCHEDULED PASSENGER AND CARGO AIRLINE SERVICE PROVIDERS
As of August 2010

Passenger Carriers			All-Cargo Carriers
Mainline	**Regional**	**Foreign**	
Alaska	American Eagle [2]	Air Canada	ABX Air
Allegiant	Mesa [3]	WestJet	Ameriflight
American	Republic [4]		Air Transport International
Continental [1]	SkyWest [5]		Federal Express
Delta			United Parcel Service
Frontier			West Air
Hawaiian			
JetBlue			
Southwest			
Sun Country [6]			
United [1]			
US Airways			
Virgin America			

Source: Airport records
[1] On May 2, 2010, the board of directors of United and Continental approved a stock-swap transaction that will combine the two airlines. If the transaction is approved by the U.S. Justice Department and the shareholders of each company, it is expected to be completed in the fourth quarter of 2010.
[2] An affiliate of and doing business as American Airlines.
[3] An affiliate of and doing business as US Airways.
[4] An affiliate of and doing business as Frontier Airlines.
[5] An affiliate of and doing business as Delta Connection and United Express.
[6] Sun Country filed for bankcruptcy protection in October 2008, but continues to operate at SAN while it reorganizes under bankruptcy protection.

FIGURE IV-1
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL ENPLANEMENT TRENDS
Fiscal Years ended June 30



Average Annual Growth Rates	
FY 1990-2010	2.1%
During expansion:	
FY 1993-2001	3.7%
FY 2002-2008	4.3%
During contraction:	
FY 1992-1993	-1.3%
FY 2001-2002	-8.8%
FY 2008-2010	-5.1%

Source: Airport records

Table IV-2 and **Figure IV-2** present annual enplanement data for SAN and the entire U.S. system, for FY 2000-FY 2009, and July 2009 through April 2010, the most recent month for which U.S. enplanement statistics are available. The data demonstrate the following points:

- Total enplanements at the Airport increased from approximately 7.36 million in FY 2000 to 8.54 million in FY 2009 at an average annual growth rate of 1.7 percent, faster than the 1.2 percent average annual growth rate in U.S. system revenue enplanements.

- SAN's enplanement growth trends resulted in fluctuations in SAN's share of U.S. total system revenue enplanements from a low of 1.12 percent to a high of 1.23 percent. SAN's share of U.S. total system revenue enplanements was 1.17 percent in FY 2009.

- Year-over-year percentage changes in enplanements in **Figure IV-2** show SAN performing better than the U.S. system as a whole during four out of the past 10 years.
- During FY 2009, SAN experienced larger losses in enplanements (-9.1 percent) than the U.S. system as a whole (-4.4 percent) from the recent U.S. economic recession and airline capacity cuts.
- FAA preliminary traffic data for the 29 U.S. large hub airports for calendar year (CY) 2009 in **Table IV-3** show that seven out of the 29 large hub airports did not suffer enplanement declines in CY 2009. Of the remaining 22 that did suffer enplanement declines, SAN experienced the third smallest percentage decrease in enplanements – i.e. smaller than 19 of the 29 large hub airports.

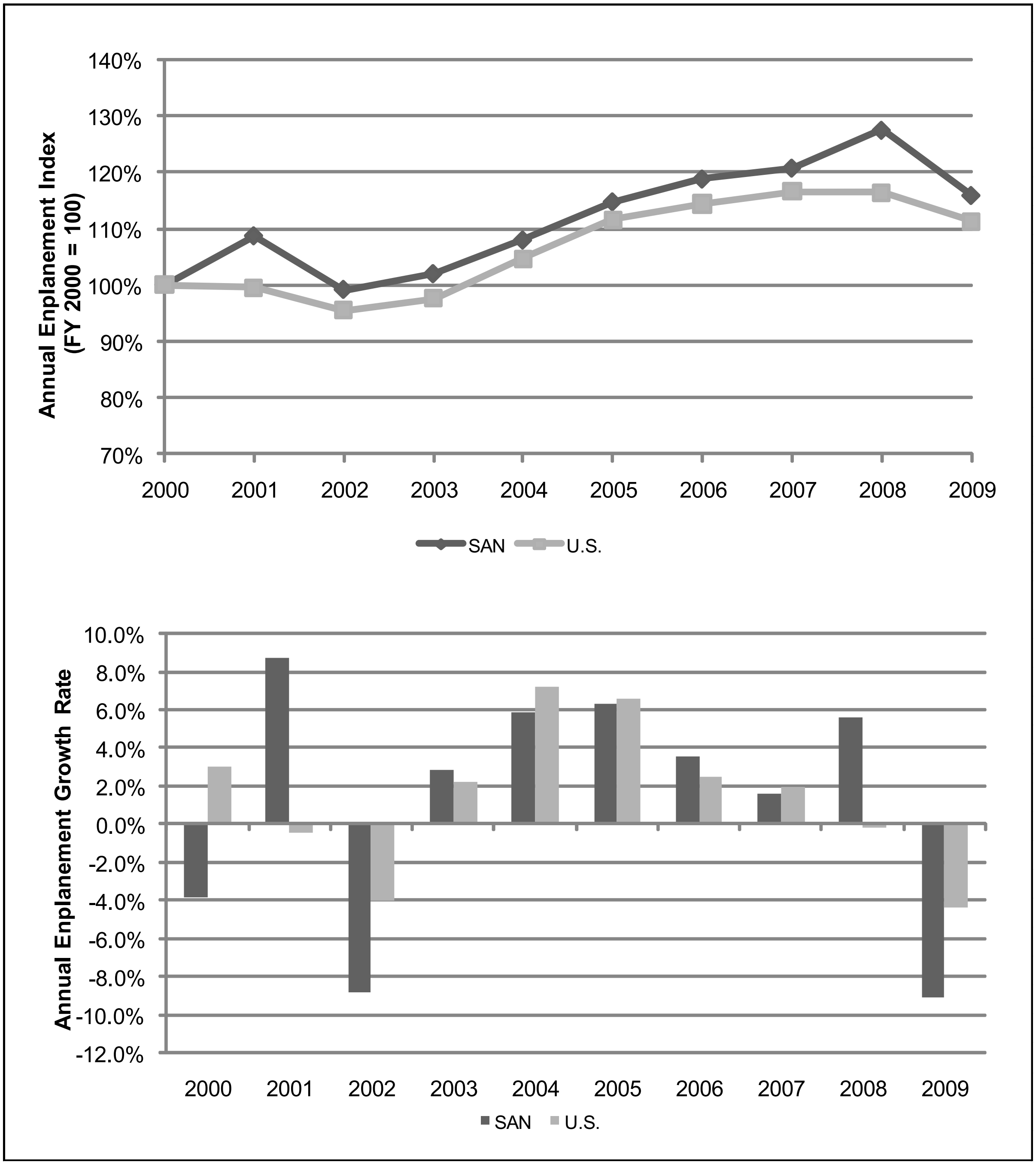
TABLE IV-2
SAN AND TOTAL U.S. ENPLANEMENTS
Fiscal Years ended June 30

Fiscal Year	SAN Enplanements	US Total Enplanements[1]	SAN's Market Share
2000	7,362,139	654,801,500	1.12%
2001	8,004,178	651,675,000	1.23%
2002	7,299,511	625,327,000	1.17%
2003	7,505,705	639,115,500	1.17%
2004	7,947,440	685,370,000	1.16%
2005	8,449,107	730,592,500	1.16%
2006	8,749,734	748,981,000	1.17%
2007	8,892,069	763,388,500	1.16%
2008	9,389,327	762,228,000	1.23%
2009	8,535,774	728,579,000	1.17%
Jul 2009 - Apr 2010	6,992,173	582,344,000	1.20%
	Average Annual Growth Rate		
2000-2009	1.7%	1.2%	

[1] U.S. system revenue passenger enplanements.

Sources: Airport records and Bureau of Transportation Statistics

FIGURE IV-2
COMPARISON OF ANNUAL ENPLANEMENT GROWTH RATES AT SAN AND THE U.S. SYSTEM
Fiscal Years Ended June 30



See source data in **Table IV-2.**

TABLE IV-3
U.S. LARGE HUB AIRPORTS
YEAR-OVER-YEAR CHANGE IN ENPLANEMENTS BASED ON PRELIMINARY TRAFFIC DATA
CY 2009

City	Location ID	Airport Name	% Change	Rank
San Francisco	SFO	San Francisco International	4.95%	1
Charlotte	CLT	Charlotte/Douglas International	4.20%	2
Seattle	SEA	Seattle - Tacoma International	2.73%	3
Atlanta	ATL	Hartsfield - Jackson Atlanta International	1.21%	4
Miami	MIA	Miami International	1.13%	5
New York	JFK	John F. Kennedy International	0.94%	6
Denver	DEN	Denver International	0.71%	7
Philadelphia	PHL	Philadelphia International	-0.45%	8
Fort Lauderdale	FLL	Fort Lauderdale/Hollywood International	-0.53%	9
San Diego	**SAN**	**San Diego International**	**-1.43%**	**10**
Orlando	MCO	Orlando International	-1.85%	11
Baltimore	BWI	Thurgood Marshall Baltimore/Washington International	-2.60%	12
Detroit	DTW	Detroit Metro	-2.84%	13
Newark	EWR	Newark Liberty International	-3.11%	14
Minneapolis	MSP	Minneapolis - St. Paul International	-3.50%	15
Houston	IAH	George Bush Intercontinental	-3.55%	16
Washington	DCA	Ronald Reagan Washington National	-3.69%	17
Chantilly	IAD	Washington Dulles International	-3.74%	18
Los Angeles	LAX	Los Angeles International	-4.16%	19
Dallas	DFW	Dallas Fort Worth International	-4.43%	20
Tampa Bay	TPA	Tampa International	-4.66%	21
Salt Lake City	SLC	Salt Lake City International	-5.38%	22
Phoenix	PHX	Phoenix Sky Harbor International	-6.47%	23
Las Vegas	LAS	McCarran International	-6.72%	24
Boston	BOS	General Edward Lawrence Logan International	-6.99%	25
New York	LGA	LaGuardia	-7.68%	26
Chicago	ORD	O'Hare International	-7.77%	27
Chicago	MDW	Chicago Midway	-12.17%	28
Honolulu	HNL	Honolulu International	-13.28%	29

2. Domestic and International Enplanements

Table IV-4 shows that SAN traffic consists mostly of domestic passengers, which have accounted for over 98 percent of total enplanements over the past 10 years and are responsible for overall enplanement growth at the Airport. Between FY 2000 and FY 2010, domestic enplanements grew at an average annual rate of 1.4 percent, while international enplanements increased at an annual average rate of 0.8 percent.

TABLE IV-4
SAN DIEGO INTERNATIONAL AIRPORT
ANNUAL ENPLANEMENTS
Fiscal Years Ended June 30

	Domestic		International [1]		Total
Fiscal Year	Number	% of Total	Number	% of Total	Enplanements
2000	7,278,918	98.9%	83,221	1.1%	7,362,139
2001	7,505,528	98.8%	89,040	1.2%	7,594,568
2002	6,875,722	98.7%	93,156	1.3%	6,968,878
2003	6,995,914	98.5%	103,091	1.5%	7,099,005
2004	7,409,307	99.1%	64,289	0.9%	7,473,596
2005	7,917,504	99.4%	49,488	0.6%	7,966,992
2006	8,690,765	99.3%	58,969	0.7%	8,749,734
2007	8,797,153	98.9%	94,916	1.1%	8,892,069
2008	9,302,073	99.1%	87,254	0.9%	9,389,327
2009	8,479,221	99.3%	56,553	0.7%	8,535,774
2010	8,363,854	98.9%	90,032	1.1%	8,453,886
	Average Annual Growth Rate				
2000-2010	1.4%		0.8%		1.4%

[1] International enplanements include enplanements by foreign air carriers serving SAN, as well as periodic international enplanements reported by domestic air carriers serving SAN.
Source: Airport records

3. O&D and Connecting Passengers

A breakdown of annual passengers into O&D and connecting segments, on a calendar year (CY) basis, as recorded by the Airport, is presented in **Table IV-5.** The high proportion of O&D traffic indicates a solid market for air service. In CY 2009 O&D traffic accounted for 96.0 percent of total passengers, an increase from the 94.0-95.0 percent share during the previous nine years. The volume and share of connecting traffic decreased in CY 2009 due largely to adjustments in the route strategies and schedules of airlines such as Southwest and American, in response to the recent economic recession.

TABLE IV-5
SAN DIEGO INTERNATIONAL AIRPORT
O&D AND CONNECTING PASSENGERS
CY 2000 - 2009

Calendar	O&D		Connecting		Total
Year	Number	Share	Number	Share	Passengers
2000	14,910,251	94.2%	910,091	5.8%	15,820,342
2001	14,389,800	94.8%	794,532	5.2%	15,184,332
2002	14,178,129	95.0%	753,725	5.0%	14,931,854
2003	14,404,939	94.4%	855,852	5.6%	15,260,791
2004	15,446,992	94.3%	930,312	5.7%	16,377,304
2005	16,366,362	94.2%	1,006,159	5.8%	17,372,521
2006	16,430,231	94.0%	1,051,711	6.0%	17,481,942
2007	17,225,237	94.0%	1,101,497	6.0%	18,326,734
2008	17,071,333	94.2%	1,054,300	5.8%	18,125,633
2009	16,289,870	96.0%	684,307	4.0%	16,974,177
	Average Annual Growth Rate				
2000-2009	1.0%	-	-3.1%	-	0.8%

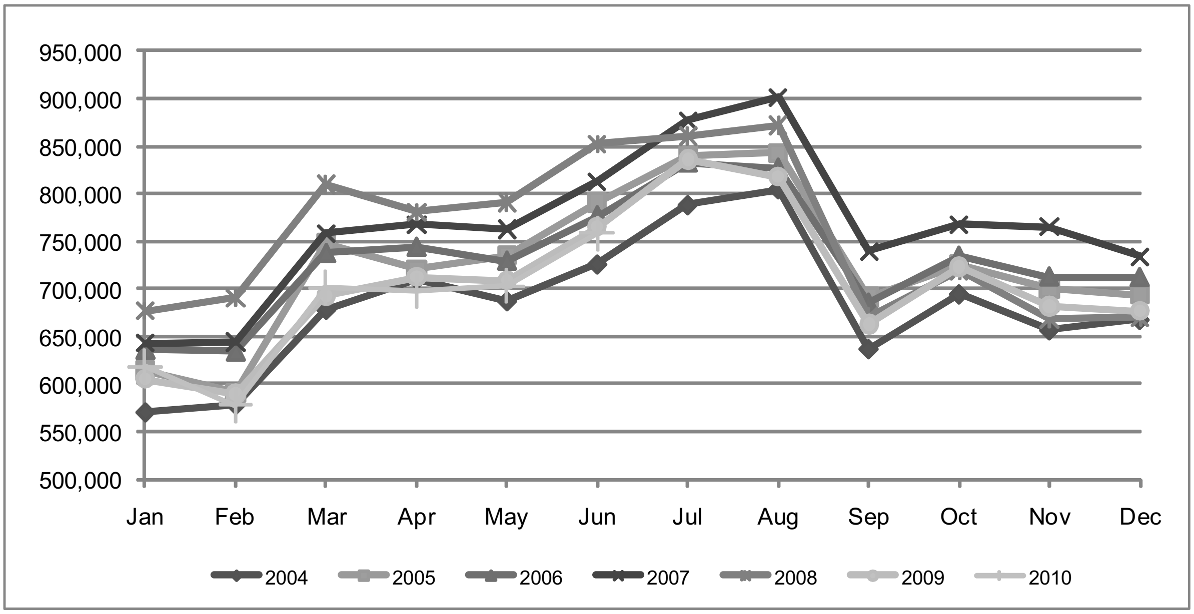
Source: Airport records

Phoenix Marketing has been conducting a passenger survey for the Airport since 2004. The 2009 survey showed that 53 percent of SAN passengers travel for leisure and other personal reasons, and 47 percent travel for business. This result has not changed significantly from year to year.

4. Seasonality in SAN Enplanements

Passenger traffic tends to be seasonal, peaking in the middle of the year and around holidays. **Figure IV-3** shows the seasonal pattern in SAN enplanements. During the period from January 2004 through June 2010, enplanements at SAN were generally higher in the months of June through August, which coincide with the popular summer travel months. Passenger traffic was also high in March, which is typically school spring break month. Enplanement levels are lowest in the winter months of January and February.

FIGURE IV-3
SAN DIEGO INTERNATIONAL AIRPORT
MONTHLY ENPLANEMENT TREND
January 2004 - June 2010



Source: Airport records

5. Airline Market Shares

SAN has a broad base of air service providers with no single airline capturing a majority share of traffic. **Table IV-6** shows Airport enplanements and market share by airline from FY 2006 through FY 2010. The following trends are noteworthy:

- Mainline service accounts for a majority of enplanements at SAN, with a combined share having increased from 93.1 percent in FY 2006 to 94.8 percent in FY 2009 before decreasing slightly to 94.1 percent in FY 2010.

- Southwest holds the largest share of enplanements, which increased from 34.1 percent in FY 2006 to 37.7 percent in FY 2010.

- United has the second largest share of enplanements, which declined slightly from 11.3 percent in FY 2006 to 10.9 percent in FY 2009 and FY 2010. This share reflects only mainline

- enplanements. United's total share, including United Express' share of Skywest's enplanements, is slightly higher.[11]

- Delta acquired Northwest in October 2008. Combined, these two airlines accounted for 10.4 percent and 10.7 percent of total enplanements in FY 2009 and FY 2010, respectively, making Delta the third largest carrier at the Airport. Delta's market share is slightly higher with Delta Connection's share of Skywest's enplanements.

- American has the fourth largest market share at SAN, which decreased from 11.1 percent in FY 2006 to 8.3 percent in FY 2010, mainly due to the airline's strategy to refocus on its primary hub markets.

- As a group, the regional airlines' share of enplanements has declined slightly from 6.9 percent in FY 2006, to 5.9 percent in FY 2010.

- Skywest, serving United Express and Delta Connection, is the largest regional carrier at SAN; its share of total enplanements increased from 2.3 percent in FY 2006 to 3.2 percent in FY 2010. American Eagle is second with 2.5 percent of total enplanements, a decrease from 3.3 percent in FY 2006. Mesa, operating as US Airways Express, is the other regional aircraft operator at SAN.

[11] On May 2, 2010, the board of directors of United Airlines and Continental Airlines approved a stock-swap transaction that will combine the two airlines. The transaction requires approval from the United States Justice Department and the shareholders of each company. The transaction, if approved, is expected to be completed in the fourth quarter of 2010. The merger is not expected to have any adverse effect on passenger traffic at SAN, because the passenger traffic at the Airport is primarily O&D.

TABLE IV-6
SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENTS AND SHARES
Fiscal Years Ended June 30

Airline	Enplanements					Shares				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Mainline										
Southwest	2,979,763	3,106,431	3,306,386	3,122,090	3,183,084	34.1%	34.9%	35.2%	36.6%	37.7%
United [1]	989,744	990,725	978,816	927,023	920,860	11.3%	11.1%	10.4%	10.9%	10.9%
Delta [2]	958,494	920,724	982,828	890,811	900,510	11.0%	10.4%	10.5%	10.4%	10.7%
American	968,832	873,624	808,790	735,067	704,909	11.1%	9.8%	8.6%	8.6%	8.3%
US Airways [3]	664,526	674,640	631,049	563,392	512,558	7.6%	7.6%	6.7%	6.6%	6.1%
Continental [1]	454,699	503,189	520,856	503,242	507,443	5.2%	5.7%	5.5%	5.9%	6.0%
Alaska	492,891	536,784	498,169	427,850	435,722	5.6%	6.0%	5.3%	5.0%	5.2%
Frontier [4]	190,232	231,149	274,689	212,069	196,628	2.2%	2.6%	2.9%	2.5%	2.3%
JetBlue	161,594	151,984	224,205	235,199	167,031	1.8%	1.7%	2.4%	2.8%	2.0%
Virgin America	-	-	57,292	155,649	151,110	-	-	0.6%	1.8%	1.8%
Hawaiian	112,410	154,932	160,939	100,626	90,874	1.3%	1.7%	1.7%	1.2%	1.1%
Air Canada	-	55,398	55,031	27,255	46,959	-	0.6%	0.6%	0.3%	0.6%
AirTran Airways	-	7,983	97,937	66,475	37,530	-	0.1%	1.0%	0.8%	0.4%
Sun Country Airlines [5]	41,091	45,931	44,454	35,885	24,984	0.5%	0.5%	0.5%	0.4%	0.3%
Aeromexico [6]	58,969	39,518	32,223	27,772	24,335	0.7%	0.4%	0.3%	0.3%	0.3%
Other	69,211	46,546	80,877	62,156	51,541	0.8%	0.5%	0.9%	0.7%	0.6%
Subtotal-Mainline	**8,142,456**	**8,339,558**	**8,754,541**	**8,092,561**	**7,956,178**	**93.1%**	**93.8%**	**93.2%**	**94.8%**	**94.1%**
Regional										
SkyWest [7]	202,812	217,602	177,112	203,543	271,766	2.3%	2.4%	1.9%	2.4%	3.2%
American Eagle	287,136	275,087	238,147	232,289	207,272	3.3%	3.1%	2.5%	2.7%	2.5%
Mesa [8]	117,330	42,219	17,098	7,381	18,670	1.3%	0.5%	0.2%	0.1%	0.2%
Express Jet [9]	-	17,603	202,429	-	-	-	0.2%	2.2%	-	-
Subtotal-Regional	**607,278**	**552,511**	**634,786**	**443,213**	**497,708**	**6.9%**	**6.2%**	**6.8%**	**5.2%**	**5.9%**
Total Enplanements	**8,749,734**	**8,892,069**	**9,389,327**	**8,535,774**	**8,453,886**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] On May 2, 2010, the board of directors of United Airlines and Continental Airlines approved a stock-swap transaction that will combine the two airlines. The transaction received approval from the United States Justice Department in August 2010. The transaction still requires approval from the shareholders of each company. The transaction, if approved, is expected to be completed in the fourth quarter of 2010.

[2] In 2008, Delta acquired Northwest and its affiliated air carriers. The operations of Delta and Northwest have been merged into a single entity that now operates under the Delta name. Enplanements for Delta and Northwest have been combined for purposes of this table.

[3] America West Airlines Inc. merged with US Airways Inc. on September 25, 2005 and began operating as US Airways in September 2007. Enplanements for US Airways and America West have been combined for purposes of this table.

[4] On April 13, 2010, Republic Airways Holdings Inc. announced that its two branded carriers, Frontier and Midwest Airlines, would combine under the Frontier brand. Enplanements for Frontier and Midwest have been combined for purposes of this table.

[5] Sun Country Airlines filed for bankruptcy protection on October 6, 2008 but continues to operate at SAN while it reorganizes under bankruptcy protection.

[6] Aeromexico ceased operating at SAN in May 2010.

[7] Delta Connection and United Express.

[8] US Airways.

[9] Express Jet initiated scheduled service from SAN in 2007 and ceased scheduled service from SAN in September 2008.

Source: Airport records.

6. Top O&D Markets

Table IV-7 lists the top 25 O&D market destinations from the Airport in CY 2009. Served by 237 daily nonstop departures, on average, the top 25 market destinations consist of large metropolitan areas across the United States. Collectively, service to the top 25 markets accounted for 72.1 percent of O&D enplanements at SAN in 2009. In terms of market share, the top five market destinations were San Francisco, Sacramento, New York, Phoenix, and Las Vegas.

TABLE IV-7
SAN DIEGO INTERNATIONAL AIRPORT
TOP O&D MARKET DESTINATIONS
12 Months Ended December 31, 2009

Rank [1]	Destination	Airports	O&D Market Share [2]	Daily Nonstop Departures [3]	Airlines Serving Market from SAN [4]
1	San Francisco, CA	SFO, OAK, SJC	16.0%	41	UA, WN, VX
2	Sacramento, CA	SMF	4.8%	11	WN
3	New York, NY	JFK, EWR, LGA	4.3%	8	AA
4	Phoenix, AZ	PHX	4.5%	18	US, WN
5	Las Vegas, NV	LAS	4.3%	11	WN
6	Denver, CO	DEN	4.1%	15	F9, UA, WN
7	Washington, DC	IAD, BWI, DCA	4.0%	5	UA, WN
8	Seattle, WA	SEA	3.8%	7	AS
9	Chicago, IL	ORD, MDW	3.7%	12	AA, UA, WN
10	Dallas, TX	DFW, DAL	2.4%	9	AA
11	Salt Lake City, UT	SLC	2.2%	5	DL
12	Minneapolis, MN	MSP	1.9%	4	DL, SY
13	Portland, OR	PDX	1.8%	3	AS
14	Houston, TX	IAH, HOU	1.7%	8	CO, WN
15	Boston, MA	BOS	1.7%	2	B6
16	Philadelphia, PA	PHL	1.6%	2	US, WN
17	Atlanta, GA	ATL	1.3%	6	DL
18	Detroit, MI	DTW	1.2%	2	DL
19	Honolulu, HI	HNL	1.2%	1	HA
20	Tuscon, AZ	TUS	1.1%	3	WN
21	Kansas City, MI	MCI	1.1%	2	WN
22	Reno, NV	RNO	1.0%	2	WN
23	Austin, TX	AUS	1.0%	2	WN
24	St. Louis, MI	STL	0.9%	1	WN
25	Albuquerque, NM	ABQ	0.8%	2	WN
	DESTINATIONS LISTED	-	**72.1%**	**181**	
	OTHER DESTINATIONS	-	**27.9%**	**46**	
	TOTAL	-	**100.0%**	**226**	

[1] Ranking is based on share of SAN O&D Passengers.
[2] OAG Aviation Solutions OD1A Database/US DOT 10% Ticket Survey. Data obtained on July 23, 2010.
[3] OAG Aviation Solutions Schedules Database. SAN data obtained on July 22, 2010. The number of daily nonstop departures equals annual nonstop departures divided by 365.
[4] Airline codes: AA=American; AS=Alaska; B6=Jet Blue; CO=Continental; SL=Delta; F9=Frontier; HA=Hawaiian; SY=Sun Country; US=US Airways; VX=Virgin America; WN=Southwest.

7. Air Cargo

The air cargo handled at the Airport consists of freight and mail (**Table IV-8**). Stringent security measures implemented post-September 11, 2001, contributed to the downward trend in the volume of air cargo nationwide, the full effect of which was felt in FY 2003 (the first full fiscal year after the September 11, 2001 events) and FY 2004. At SAN, air cargo traffic volume fluctuated from year to year over the past 10 years, and has been declining over the past two years due to the economic recession. Total enplaned cargo decreased from approximately 78.9 million pounds in FY 2000 to 69.4 million pounds in FY 2010, representing an average annual decrease of 1.3 percent over that period. Air freight consistently accounted for the bulk of air cargo handled at the Airport, with an annual share ranging between 76.0 percent and 84.7 percent.

TABLE IV-8
SAN DIEGO INTERNATIONAL AIRPORT
ENPLANED CARGO
Fiscal Years Ended June 30

	Mail (1,000 lbs.)		Air Freight (1,000 lbs.)		Total
Fiscal Year	Weight	% of Total	Weight	% of Total	(1,000 lbs.)
2000	18,952	24.0%	59,983	76.0%	78,935
2001	14,797	19.3%	61,893	80.7%	76,690
2002	16,500	19.1%	69,693	80.9%	86,193
2003	14,449	18.7%	62,919	81.3%	77,368
2004	14,831	20.5%	57,439	79.5%	72,270
2005	13,681	15.8%	72,689	84.2%	86,370
2006	12,924	15.3%	71,719	84.7%	84,644
2007	13,369	15.6%	72,092	84.4%	85,460
2008	12,950	17.4%	61,643	82.6%	74,593
2009	13,338	19.6%	54,813	80.4%	68,150
2010	13,088	18.9%	56,338	81.1%	69,427
	Average Annual Growth Rate				
2000-2010	-3.6%	-	-0.6%	-	-1.3%

Source: Airport records

8. Commercial Aircraft Departures

Table IV-9 presents annual commercial aircraft departures at SAN for FY 2006 through FY 2010, which ranged between 83,129 departures and 99,719 departures. Through code-sharing arrangements, the mainline carriers are increasingly using regional carriers because of the regional carriers' lower operating costs, and their ability to more easily enter and exit markets.

TABLE IV-9
SAN DIEGO INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT DEPARTURES
Fiscal Years Ended June 30

Airline	2006	2007	2008	2009	2010	Percent Shares 2010
Southwest	32,052	32,916	37,074	36,288	33,078	37.9%
United	8,612	12,168	14,609	12,842	7,065	8.1%
American	6,912	6,892	6,378	5,661	5,343	6.1%
Delta	4,505	3,963	4,479	3,904	5,157	5.9%
US Airways	2,272	2,652	4,921	4,841	3,893	4.5%
Alaska	4,994	5,464	5,235	4,111	3,844	4.4%
Continental	3,595	3,656	3,750	3,614	3,492	4.0%
Federal Express		-	1,487	1,266	2,079	2.4%
Northwest	2,048	2,022	2,089	1,999	979	1.1%
American Eagle	10,157	4,470	8,405	7,262	6,159	7.1%
Frontier	1,994	1,088	1,136	959	1,441	1.7%
SkyWest	8,142	1,145	912	1,246	7,386	8.5%
Hawaiian	565	361	364	249	380	0.4%
Subtotal	**85,848**	**76,797**	**90,839**	**84,242**	**80,296**	**92.0%**
Others	8,797	6,332	8,880	7,398	6,971	8.0%
Total	**94,645**	**83,129**	**99,719**	**91,640**	**87,267**	**100.0%**
Annual Change		-12.2%	20.0%	-8.1%	-4.8%	

Source: Airport records

9. Commercial Aircraft Landed Weight

Table IV-10 presents annual commercial aircraft landed weight at SAN from FY 2006 through FY 2010, which ranged between 10.6 billion and 12.5 billion pounds. In FY 2010, Southwest accounted for the largest share of 38.2 percent.

TABLE IV-10
SAN DIEGO INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT LANDED WEIGHT
Fiscal Years Ended June 30

Airline	Landed Weight (1,000 pounds)					Share
	2006	2007	2008	2009	2010	2010
Southwest	3,768,374	3,956,170	4,416,996	4,415,780	4,068,974	38.2%
United[1]	1,269,465	1,270,371	1,222,906	1,148,537	1,249,030	11.7%
American	1,089,872	961,143	890,796	848,513	766,151	7.2%
Delta[2]	850,348	798,104	839,172	713,622	947,538	8.9%
US Airways[3]	250,303	391,358	713,030	684,354	626,510	5.9%
Alaska	616,552	668,390	612,282	535,410	511,813	4.8%
Continental[1]	497,929	533,322	538,786	521,842	514,981	4.8%
Federal Express	445,744	456,152	447,636	402,665	400,303	3.8%
JetBlue	174,337	175,333	288,239	297,340	201,071	1.9%
Northwest[2]	315,608	326,140	334,692	294,147	153,829	1.4%
American Eagle	338,424	321,712	280,234	280,413	23,065	0.2%
Frontier	246,749	283,898	287,387	237,274	227,848	2.1%
SkyWest	251,902	246,559	195,777	219,416	176,862	1.7%
Hawaiian	145,920	211,840	235,200	137,145	121,600	1.1%
ExpressJet [4]	-	34,384	273,655	39,136	-	-
Subtotal	**10,261,526**	**10,634,876**	**11,576,788**	**10,775,594**	**9,989,575**	**93.9%**
Others	1,343,347	1,139,082	924,703	721,164	654,534	6.1%
Total	**11,604,873**	**11,773,958**	**12,501,491**	**11,496,758**	**10,644,109**	**100.0%**
Annual Change		1.5%	6.2%	-8.0%	-7.4%	

[1] On May 2, 2010, the board of directors of United Airlines and Continental Airlines approved a stock-swap transaction that will combine the two airlines. The transaction received approval from the United States Justice Department in August 2010. The transaction still requires approval from the shareholders of each company. The transaction, if approved, is expected to be completed in the fourth quarter of 2010.

[2] In 2008, Delta acquired Northwest and its affiliated air carriers. The operations of Delta and Northwest have been merged into a single entity that now operates under the Delta name.

[3] America West Airlines Inc. merged with US Airways Inc. on September 25, 2005 and began operating as US Airways in September 2007.

[4] Express Jet initiated scheduled service from SAN in May 2007 and ceased scheduled service from SAN in September 2008.

Source: Airport records

B. FORECAST AVIATION ACTIVITY

This sub-section presents forecasts of annual commercial aviation activity at the Airport for FY 2011 – FY 2016. We developed forecasts using a modeling approach that links long-term airport activity to projected trends in key demand drivers. In particular, we developed a multivariate regression model that relates enplanements to (1) long-term demand drivers such as trends in the price of air travel and U.S. economic activity, (2) structural changes that have been taking place in the industry post-September 11, 2001, and (3) a first-order autoregressive factor to correct for serial correlation in time series data. The results of this regression model are used to project annual growth rates in enplanements from FY 2011 through FY 2016. The resulting forecast annual enplanement levels are then used to project aircraft departures (or landings) and landed weight, given assumptions regarding fleet mix and boarding load factors.

Different assumptions regarding the pace of economic recovery in the United States produced the base and alternate forecast scenarios. The base scenario is based, among other factors, on an independent forecast of moderate economic recovery, while the alternate scenario assumes a sluggish economic recovery. The financial analysis in Section VI is based on the midpoint between the base case and the alternate scenario, recognizing that there are still uncertainties on how quickly the economy will recover, whether the recovery can be sustained, and how quickly air traffic recovery would follow the economic recovery.

1. Multivariate Regression Model

Multivariate regression analysis is an integral component of our forecasting approach, particularly in projecting annual enplanement growth rates. Multivariate regression analysis provides a systematic framework to link forecast activity with key explanatory variables that drive demand for air travel. By design, regression analysis reduces subjective inputs and minimizes forecast errors. The regression model of enplanements at the Airport was specified with the explanatory variables described below:

- ***Price of air travel.*** The demand for air travel is inversely related to its price. Holding all other factors constant, more people travel and do so more frequently when air fares go down, and fewer people travel and do so less frequently when air fares go up. Airfares, in real terms, have followed a long-term trend of decline since deregulation in 1978, stimulating growth in air travel. A variety of factors have combined to reduce airfares: productivity growth, competition, particularly from low-cost carriers, price transparency on the Internet, and growing price consciousness among both leisure and business travelers. The average domestic real passenger yield at SAN was used as a measure of the price of air travel. According to data from the U.S. Department of Transportation 10-percent ticket survey, the average domestic real passenger yield at SAN declined at an average annual rate of 2.2 percent between 1990 and 2009.[12] Passenger yield is projected to continue declining at an average annual rate of 1.3 percent during the remainder of the forecast period, following FAA industry projections.[13]

- ***Income.*** The demand for air travel increases with income because income growth boosts consumer spending and stimulates business activity. We used real U.S. per capita GDP as a measure of income. Historical and forecast data on real U.S. GDP and population were obtained from Moody's Economy.com, an independent economic forecasting firm, to calculate real U.S. per capita GDP. Different assumptions with respect to the pace of economic recovery and resulting per capita income growth produce the base and alternate forecasts of activity. For the base forecast, we use the economic projections of Moody's Economy.com. For the alternate forecast, we assumed a slower pace of economic recovery during the years 2011-2013 than projected by Moody's economy.com. The real U.S. per capita GDP increased at an average annual rate of 1.5 percent between 1990 and 2009. This variable is projected to increase at an average annual rate of 1.9 percent between 2009 and 2016 under the base case, and at an average annual rate of 1.1 percent under the alternate case.

- ***Post-September 11, 2001 structural changes.*** Since the estimation period used in regression modeling extended back to years prior to the September 11, 2001 events, a variable was included to account for the structural changes that occurred in the market and the industry following the September 11, 2001 events.

Table IV-11 shows the projections of annual growth rates for the SAN real yield and the real U.S. per capita GDP.

[12] Although jet fuel prices increased significantly during 2007 – 2009, (see page IV-25), the airlines were unable to increase air fares due to the economic downturn.
[13] Federal Aviation Administration, *Aerospace Forecasts, FY 2010-2030*, March 2010.

TABLE IV-11
ANNUAL GROWTH RATE PROJECTIONS FOR
KEY LONG-TERM DEMAND DRIVERS
Fiscal Years ended June 30

Fiscal Year	SAN Real Yield[1]	Real U.S. per capita GDP	
		Base[2]	Alternate[2]
2010	-1.0%	-0.6%	-0.6%
2011	-1.4%	1.8%	0.4%
2012	-1.5%	3.9%	1.2%
2013	-1.5%	3.5%	1.4%
2014	-1.4%	2.1%	2.1%
2015	-1.2%	1.6%	1.6%
2016	-1.2%	1.5%	1.5%

[1] Based on FAA's industry projections published in March 2010.
[2] Based on forecasts of U.S. real GDP and population developed by Moody's economy.com as of June 2010.
[3] The base annual growth rates were adjusted to reflect slower recovery in 2011, 2012 and 2013.

2. Forecast Results

The following tables present the resulting forecasts of aviation activity at SAN:

Table IV-12 – Base Forecast of Commercial Aviation Activity

Table IV-13 – Alternate Forecast of Commercial Aviation Activity

Table IV-14 – Midpoint Forecast of Commercial Aviation Activity

TABLE IV-12
BASE FORECAST OF COMMERCIAL AVIATION ACTIVITY AT SAN
Fiscal Years Ending June 30

	Actual	Forecast						AAGR
	2010	2011	2012	2013	2014	2015	2016	2010-16
Total Enplanements	8,453,886	8,747,000	9,242,000	9,703,000	9,989,000	10,216,000	10,426,000	3.6%
Annual Growth Rate	-0.9%	3.5%	5.7%	5.0%	2.9%	2.3%	2.1%	
Total Departures								
(=Landings)	87,267	91,200	95,900	100,400	103,100	105,300	107,000	3.5%
Annual Growth Rate	-6.5%	4.5%	5.2%	4.7%	2.7%	2.1%	1.6%	
Total Landed Weight								
(1,000 lbs.)	10,644,109	11,212,000	11,789,000	12,327,000	12,658,000	12,919,000	13,127,000	3.6%
Annual Growth Rate	-6.8%	5.3%	5.1%	4.6%	2.7%	2.1%	1.6%	

AAGR - Average Annual Growth Rate

TABLE IV-13
ALTERNATE FORECAST OF COMMERCIAL AVIATION ACTIVITY AT SAN
Fiscal Years Ending June 30

	Actual	Forecast						AAGR
	2010	2011	2012	2013	2014	2015	2016	2010-16
Total Enplanements	8,453,886	8,520,000	8,672,000	8,853,000	9,121,000	9,334,000	9,530,000	2.0%
Annual Growth Rate	-0.9%	0.8%	1.8%	2.1%	3.0%	2.3%	2.1%	
Total Departures								
(=Landings)	87,267	90,300	91,600	93,300	95,900	98,000	99,600	2.2%
Annual Growth Rate	-6.5%	3.5%	1.4%	1.9%	2.8%	2.2%	1.6%	
Total Landed Weight								
(1,000 lbs.)	10,644,109	11,102,000	11,269,000	11,474,000	11,789,000	12,037,000	12,235,000	2.3%
Annual Growth Rate	-6.8%	4.3%	1.5%	1.8%	2.7%	2.1%	1.6%	

AAGR - Average Annual Growth Rate

TABLE IV-14
MIDPOINT FORECAST OF COMMERCIAL AVIATION ACTIVITY AT SAN
Fiscal Years Ending June 30

	Actual	Forecast[1]						AAGR
	2010	2011	2012	2013	2014	2015	2016	2010-16
Total Enplanements	8,453,886	8,634,000	8,957,000	9,278,000	9,555,000	9,775,000	9,978,000	2.8%
Annual Growth Rate	-0.9%	2.1%	3.7%	3.6%	3.0%	2.3%	2.1%	
Total Departures (=Landings)	87,267	90,700	93,800	96,800	99,500	101,600	103,300	2.9%
Annual Growth Rate	-6.5%	3.9%	3.4%	3.2%	2.8%	2.1%	1.7%	
Total Landed Weight (1,000 lbs.)	10,644,109	11,157,000	11,529,000	11,901,000	12,224,000	12,478,000	12,681,000	3.0%
Annual Growth Rate	-6.8%	4.8%	3.3%	3.2%	2.7%	2.1%	1.6%	

AAGR - Average Annual Growth Rate

[1] The midpoint of the high and the low forecasts in Tables IV-12 and 13.

We recommend using the forecast results from the multivariate regression model described above because they are based on sound theory and systematic analytical framework that links activity trends with key demand drivers. **The midpoint of the base and alternate forecast results from the regression model are used as the basis for the financial analysis in Section VI to anticipate any uncertainty with respect to the speed and sustainability of the economic recovery.**

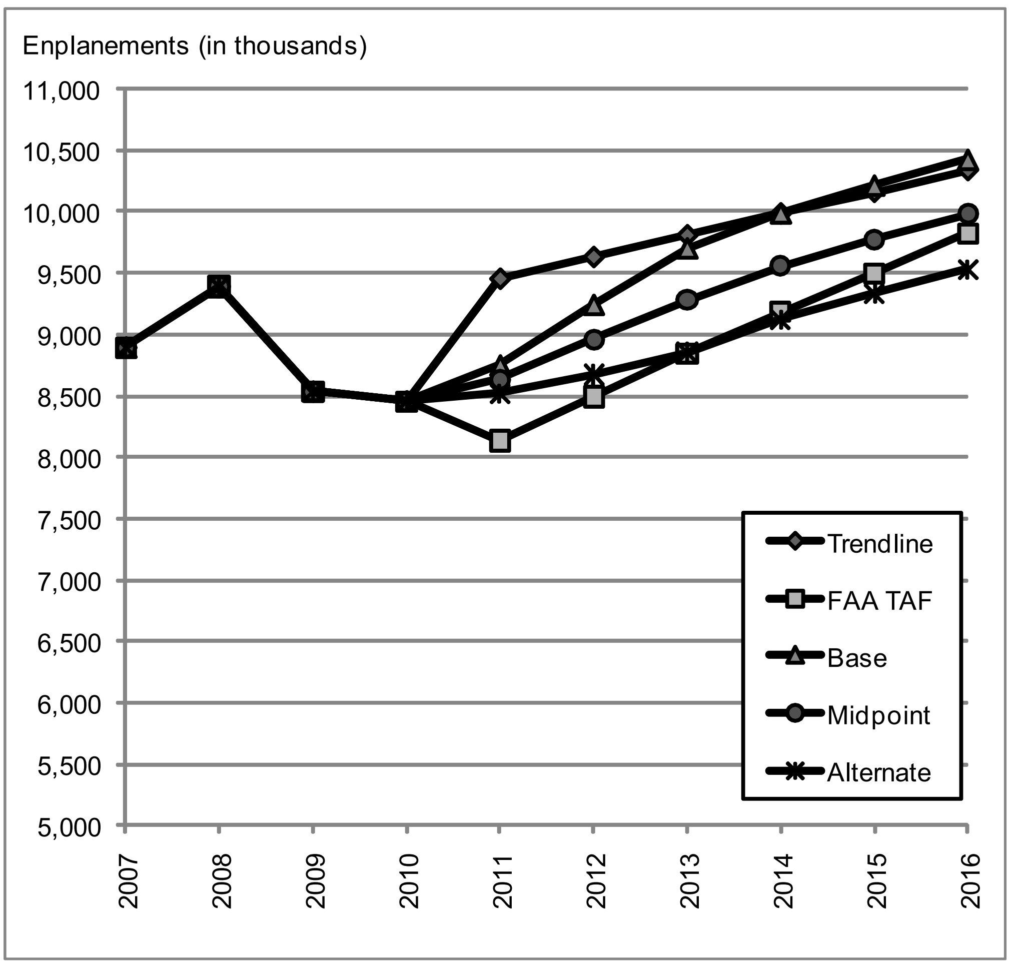
For comparison, two alternative forecast approaches are presented below:

- *FAA Terminal Area Forecasts (TAF).* The FAA develops forecast activity for each airport annually for use in planning, budgeting, and staffing, and the most recent TAF was published in December 2009. The TAF is convenient to use because it is readily available. However, it can be outdated by the time of its publication because it takes about a year for the TAF to be produced, approved and published.

- *Linear trend extrapolation (trendline).* Trend extrapolation projects future demand based solely on historical growth trends. It is easy to implement because it requires only historical data on airport enplanements. Its major shortcoming, however, is that it relies on the assumption that historical trends will be replicated in the future. The results may be flawed if future market conditions deviate significantly from the past. A number of factors influence enplanement levels, and the future trends of these factors could differ from their past trends. In the absence of a link between forecasts and explanatory factors, the uncertainty associated with trendline forecasts tends to increase – and consequently forecast errors become larger – with time. Hence, the reliability of trendline forecasts is limited within the short term when the underlying explanatory variables are relatively less dynamic.

Figure IV-4 shows the base, alternate, and midpoint forecasts of enplanements along with results from (1) the most recent FAA TAF and (2) the linear trendline. All five forecast results fall within a relatively narrow band. The FAA TAF and the alternate forecast results provide the lower bound during FY 2011-2013 and FY 2014-2016, respectively. The trend line and the base forecasts provide the upper bound during FY 2011-2013 and FY 2014-2016, respectively. The midpoint forecast results – the basis for the financial analysis – are higher than the lower bound by 1.3 to 3.9 percent, and lower than the upper bound by 4.3 to 8.7 percent.

FIGURE IV-4
COMPARISON OF BASE, ALTERNATE AND MIDPOINT FORECASTS OF ENPLANEMENTS WITH RESULTS FROM OTHER FORECAST METHODS



FY 2007-2010, actual; and FY 2011-2016, forecast.
The FAA TAF is on federal fiscal year basis.

C. FORECAST UNCERTAINTY AND RISK FACTORS

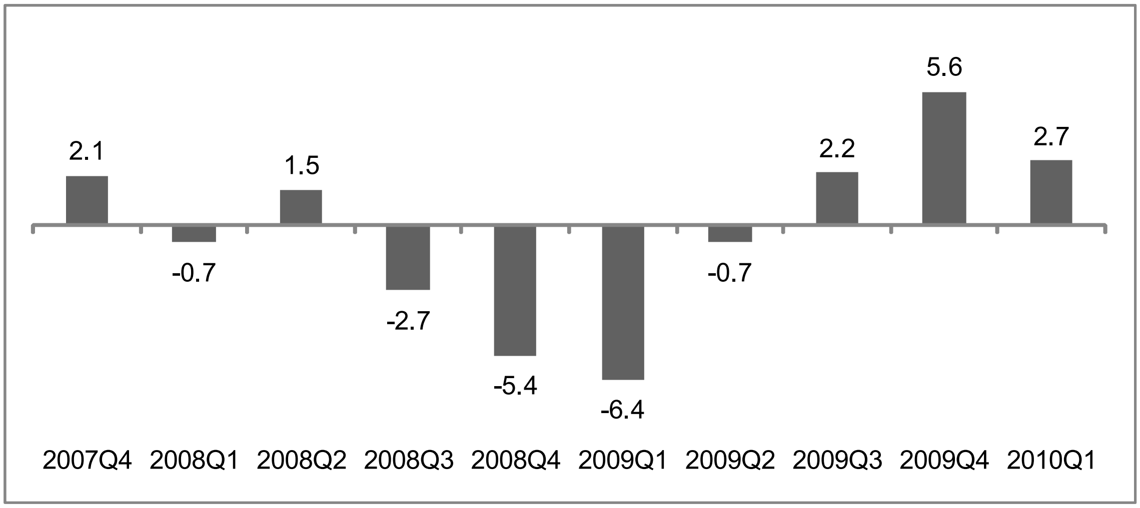
The forecasts of aviation activity have been developed based on specific assumptions about the availability and characteristics of airline service at the Airport, key measurable factors that drive demand for air travel, and information available at the time of the analysis. There are broader factors affecting the entire aviation industry that introduce risk and uncertainty into the forecasts. Some of these factors are discussed below.

1. National Economic Conditions

The demand for air travel and related services is affected by prevailing economic conditions. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand. The U.S. economy peaked in December 2007 and entered a period of recession.[14] Compared to the 2001 recession, which was mild and brief, the 2008-09 recession was deeper and longer. **Figure IV-5** shows the actual percent changes in U.S. real GDP, a broad measure of economic activity, from the fourth quarter of CY 2007 through the first quarter of CY 2010, as reported by the U.S. Bureau of Economic Analysis. The U.S. economy posted negative growth every quarter from the first quarter of CY 2008 through the second quarter of CY 2009, except during the second quarter of CY 2008. The deepest declines in real GDP occurred during the fourth quarter of CY 2008 and the first quarter of CY 2009. The trend began to improve in the second quarter of CY 2009 when real GDP posted a very mild decline, and positive growth from the third quarter of CY 2009 through the first quarter of CY 2010 indicates the beginning of economic recovery, consistent with independent economic forecasts from various sources (**Table IV-15**).

[14] National Bureau of Economic Research Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

FIGURE IV-5
PERCENT CHANGE IN U.S. REAL GROSS DOMESTIC PRODUCT[1]
First Quarter CY 2007 - First Quarter CY 2010



[1] GDP percent change based on chained 2005 dollars.
Source: U.S. Bureau of Economic Analysis

TABLE IV-15
FORECAST PERCENT CHANGE IN REAL U.S. GROSS DOMESTIC PRODUCT
CY 2010 - 2016

Source	2010	2011	2012	2013	2014	2015	2016
Office of Management and Budget (OMB), February 2010	3.0	4.3	4.3	4.2	3.9	3.4	3.1
Congressional Budget Office, March 2010	2.2	1.9	4.6	4.8	3.9	2.9	2.5
Global Insight, March 2010	1.5	2.6	3.6	3.2	2.6	2.6	2.6
Moody's economy.com, June 2010	3.1	3.9	5.0	3.4	2.5	2.4	2.4

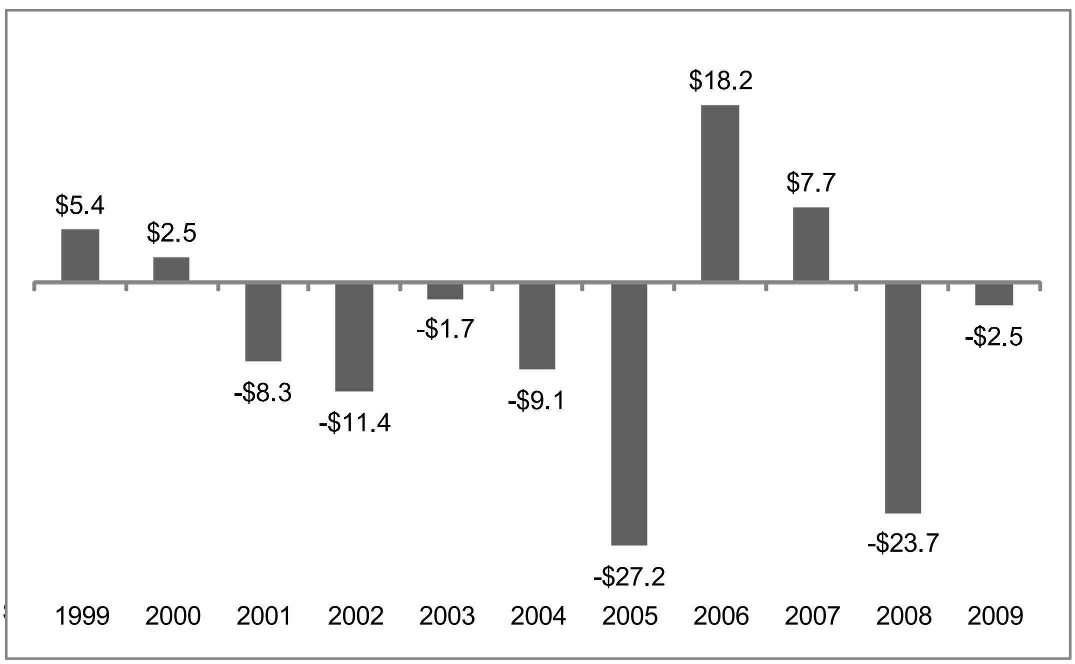
2. Overall Financial Health of the U.S. Airline Industry

Financial weakness and volatility have characterized the U.S. airline industry, especially over the past decade. As shown in **Figure IV-6**, U.S. airlines posted net losses during five consecutive years from CY 2001 through CY 2005, with cumulative losses totaling $57.7 billion. In CY 2006, the industry began to see positive results and continued to improve in CY 2007 despite record high oil prices. U.S. airlines realized a net profit of $18.2 billion in CY 2006 and $7.7 billion in CY

2007. However, jet fuel prices continued to escalate through July 2008, forcing some airlines into bankruptcy and liquidation, and others into reducing staff and seat capacity nationwide. Jet fuel prices have since fallen significantly, providing airlines with cost relief, but the demand for air travel has continued to weaken with the national and global economic slowdown. The industry has responded to declining demand by offering multiple fare sales, which have depressed industry revenues. U.S. airlines again incurred net losses totaling $23.7 billion in CY 2008. As jet fuel prices decreased in 2009, the net losses reported by the U.S. airlines decreased to $2.5 billion.

Southwest, the largest carrier at SAN, is one of the few airlines that remained profitable during this challenging period. Although Southwest's net income decreased from $178 million in CY 2008 to $99 million in CY 2009, Southwest marked its 37th year of profitability in CY 2009. Capacity rationalization and cost containment will likely continue to be a primary focus of the industry.

FIGURE IV-6
U.S. PASSENGER AND CARGO AIRLINES' ANNUAL NET PROFIT ($BILLIONS)
CY 1999 - 2009



Source: Air Transport Association.

3. Performance of Major Airlines at SAN[15]

Southwest Airlines has the largest share of enplanements at SAN, accounting for 37.7 percent in FY 2010. United has the second-largest share, with its mainline service accounting for 10.9 percent in FY 2010. Delta has the third-largest share, with the mainline service accounting for 10.7 percent of enplanements in FY 2010. American mainline service, with 8.3 percent of FY 2010 enplanements, has the fourth-largest share. Highlights of the performance of these airlines are presented below.

Southwest Airlines

Southwest Airlines, which has the largest market share at SAN (37.7 percent in 2010), is among the few U.S. Airlines that maintained profitability through the difficult period following the U.S. economic recession of 2001 and the terrorist attacks of September 11, 2001 and the most recent recession. Southwest Airlines reported a net profit of $99 million for CY 2009. Southwest reported that during the first three quarters of CY 2009, it eliminated 10 percent of its flights, which represented their unprofitable and less popular flights. The airline's fleet remained flat in CY 2009, and the airline does not have any plans to increase its capacity in 2010. Aircraft freed up from the elimination of unprofitable and less popular flights were utilized to serve new markets, including Minneapolis/St. Paul, New York La Guardia, and Boston Logan. Overall, the airline's available seat miles flown decreased 5.1 percent in 2009, compared to 2008.

Southwest reported new revenue initiatives in CY 2009 to enhance revenues, including charges for pets, unaccompanied minors, and early check-in options. Additionally, the airline reported a positive effect on revenue resulting from its post-Labor Day fare sale. However, operating revenues decreased 6.1 percent in 2009, mainly due to a decrease in full fare bookings resulting from the airline's efforts to discount fares. Southwest believes its fare discounting initiatives were a primary cause of the increase in its load factor in 2009. The airline's over all load factor increased 4.8 percent, to 76.0 percent, in 2009. Southwest cautions that it is still working to contain operating costs. Although its energy prices were lower in CY 2009 compared to CY 2008, the reduction in fuel and oil expenses was almost exactly offset by reduction in revenue in CY 2009.

The trends in Southwest's traffic at SAN reflect the airline's recent changes in fleet and route optimization strategies, designed to reduce flight frequencies and increase load factors. At SAN, Southwest decreased aircraft departures by 3.5 percent in FY 2009 and approximately seven percent in FY 2010, with a load factor improvement

[15] The discussion in this subsection is based on information and reports contained in the airlines' websites (www.iflyswa.com, www.united.com, www.delta.com, and www.aa.com.

from approximately 64 percent from FY 2009 to approximately 71 percent in FY 2010.

United Airlines

United Airlines has the second largest market share at the Airport (10.9 percent in 2010). United reported a net loss of $651 million in 2009, compared to its 2008 reported net loss of $5.4 billion. The airline reported that it reduced its operating expenses in 2009, due to declines in fuel costs, reductions in the airline's capacity, and other cost-cutting measures. As part of its efforts to reduce capacity, United removed 100 aircraft from its fleet in order to eliminate unprofitable capacity. The airline also implemented new revenue initiatives, including fees for checked bags, express airport check-in and boarding, and an annual subscription for two checked bags at no additional cost.

On May 2, 2010, the Boards of Directors at United Airlines and Continental Airlines approved a stock-swap deal that combined the two airlines into the world's largest airline in revenue passenger miles. The new airline will take on the United Airlines name, Continental's logo and be based out of United's hometown of Chicago. The merger will still need final approval from antitrust regulators and shareholders before being allowed to go forward. The merger is not expected to have any adverse effect on passenger traffic at SAN, because the passenger traffic at the Airport is primarily O&D. The merger will not create market dominance at SAN for the new airline, as the two airlines have a combined share of only 16.9 percent of the Airport's FY 2010 enplanements

Delta Air Lines

Delta Air Lines[16] completed its merger with Northwest Airlines[17] on October 29, 2008 and received a single operating certificate for the merged airline on December 31, 2009. Delta is now the largest commercial air carrier in the world. In January 2010 Delta and Northwest completed the consolidation of their gates and ticket counters at airports where both airlines had operated. For the year ended December 31, 2009, Delta reported a net loss of $1.2 billion. The notes to Delta's 2009 financial statements state that the airline anticipates several operational and financial benefits from the merger. It appears that there has not been any significant effect of the merger on the combined airline's operations at SAN. The combined market share of Delta and Northwest has changed very little during the past few years, having increased only slightly from 10.4 percent of total SAN enplanements in FY 2008 to 10.7 percent in FY 2010.

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[16] Delta Air Lines emerged from Chapter 11 bankruptcy protection in April 2007.
[17] Northwest Airlines emerged from Chapter 11 bankruptcy protection in May 2007.

American Airlines

AMR Corp., the parent company of American Airlines, reported a net loss of $1.5 billion million in 2009, compared to its 2008 net loss of $2.1 billion. American reduced its capacity in 2008 and during the first half of 2009 due to high fuel prices in 2008 and the economic downturn in 2008 and 2009. Seating capacity in 2009 was 7.2 percent lower than in 2008. The airline experienced reduced demand and decreased passenger yield in 2009, slightly offset by the decrease in its average fuel price from $3.03 per gallon in 2008 to $2.01 per gallon in 2009. During the last year, American has continued its strategy to refocus on its primary hub markets, thereby eliminating its flights from SAN to Boston, San Jose, and St. Louis. American's market share at SAN decreased from 11.1 percent in FY 2006 to 8.3 percent in FY 2010.

4. Price of Jet Fuel

Among other factors, the financial health of the airline industry is affected by the price of jet fuel. Rising fuel prices increased airline costs dramatically during the first seven months of 2008 and contributed to airline industry losses for that year. The price of fuel began to drop in the last half of 2008 and continued to decrease in 2009, providing airlines substantial cost relief.

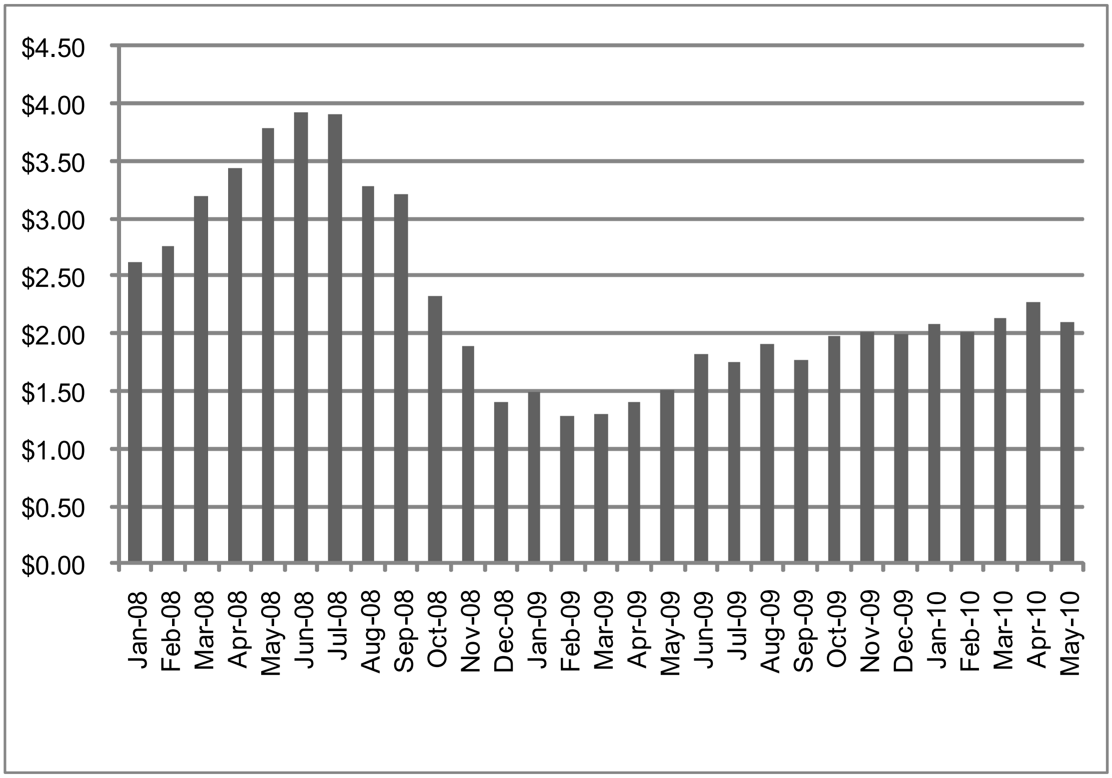
From CY 2000 to CY 2009, the price of jet fuel nearly tripled, while the U.S. Consumer Price Index ("CPI") – the price of a representative basket of U.S. goods and services – increased only 25.0 percent (**Table IV-16**). As a result, according to the Air Transport Association ("ATA"), fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, amounted to over 35 percent in the third quarter of 2008. Fuel prices have fallen dramatically since July 2008, when the average price per gallon of jet fuel reached almost $4.00. The average per-gallon price of jet fuel fell to $1.29 in February 2009, but by August 2009 it had risen to $1.91 and rose above $2.00 in November 2009, reaching $2.27 in April 2010 before decreasing to $2.10 in May 2010 (**Figure IV-7**). For the entire year of 2009, the average per-gallon price of jet fuel decreased 43.3 percent to $1.69, while U.S. CPI fell only 0.4 percent. The activity forecasts presented above assume no material adverse fluctuations in jet fuel prices over the forecast period that would cause system-wide operational disruptions.

TABLE IV-16
U.S. AVERAGE JET FUEL PRICE AND
THE U.S. CONSUMER PRICE INDEX
2000 - 2009

Year	U.S. Jet Fuel Price (Dollars per gallon)	U.S. CPI (1982-84=100)
2000	$0.90	$1.72
2001	$0.75	$1.77
2002	$0.71	$1.80
2003	$0.86	$1.84
2004	$1.21	$1.89
2005	$1.73	$1.95
2006	$1.97	$2.02
2007	$2.17	$2.07
2008	$2.98	$2.15
2009	$1.69	$2.15
	Percent Change	
2000-2008	230.7%	25.0%
2008-2009	-43.3%	-0.4%

Source: Data from Energy Information Administration compiled by the Air Transport Association

FIGURE IV-7
AVERAGE MARKET PRICE OF JET FUEL (DOLLARS PER GALLON)
January 2008 - May 2010



Source: Data from Energy Information Administration compiled by Air Transport Association

5. National Security and Threat of Terrorism

Terrorism remains one of the greatest risks to achieving forecast aviation demand, as stated by the FAA. The government has implemented tighter security measures with the creation of the Department of Homeland Security. The potential, however, remains for terrorists to disrupt economic and social activities, including air travel. The U.S. Department of Homeland Security periodically issues updates of their assessment of intelligence regarding potential threats against the United States, including threats that may target the national aviation system. The U.S. involvement in Iraq and Afghanistan and in international coalition efforts aimed at dismantling terrorist networks worldwide will continue to have implications for domestic security. Travel restrictions imposed pursuant to increased airport security may have a dampening effect on travel demand.

6. Other Airports in the Southern California Region

As discussed in **Section III**, there are five other commercial service airports in Southern California:

- John Wayne Airport (SNA), located 89 miles to the north in Orange County
- Long Beach Airport (LGB), 109 miles to the north in Los Angeles County
- LA/Ontario International Airport (ONT), 112 miles to the northeast in western San Bernardino County
- Los Angeles International Airport (LAX), 128 miles to the north in Los Angeles County
- Bob Hope Airport in Burbank (BUR), 137 miles to the north in Los Angeles County

See pages III-1 and III-2 for a discussion of the other commercial service airports in Southern California and Tijuana and the relationship of those airports to SAN. **Table IV-17** presents key measures of activity at the other commercial service airports in Southern California and Tijuana.

TABLE IV-17
SAN DIEGO INTERNATIONAL AIRPORT AND
OTHER COMMERCIAL SERVICE AIRPORTS IN SOUTHERN CALIFORNIA AND TIJUANA
CALENDAR YEAR ENPLANEMENTS (In Thousands)

Airport	Miles from SAN	2007	2008	Change 2007-2008	2009	Change 2008-2009
San Diego International Airport	N/A	9,163	9,063	-1.1%	8,487	-6.4%
Tijuana Rodriguez International Airport (TIJ)	15	2,370	1,984	-16.3%	1,704	-14.1%
John Wayne Airport (SNA)	89	4,989	4,493	-9.9%	4,353	-3.1%
Long Beach Airport (LGB)	109	1,458	1,457	-0.1%	1,454	-0.2%
Ontario International Airport (ONT)	112	3,607	3,112	-13.7%	2,433	-21.8%
Los Angeles International Airport (LAX)	128	30,980	29,931	-3.4%	28,260	-5.6%
Bob Hope Airport (BUR)	137	2,960	2,665	-10.0%	2,294	-13.9%

Sources: Airport Council International-North America for the U.S. airports and Grupo Aeroportuario del Pacifico for TIJ.

7. Airfield and Curfew Constraints

The Airport, at its present site, has very limited potential to expand physical capacity, and this will eventually cause congestion and limit traffic growth. Current conditions at SAN make the addition of a runway difficult. Obstacles to runway expansion include significant geographic obstructions, including high terrain to the northeast and southwest of the Airport, as well as manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport. Other obstacles to runway expansion include major land acquisition requirements, extensive infrastructure impacts, local resident opposition, and increased noise impacts. However, runway capacity is not expected to be a limiting factor within the study forecast period. According to the Master Plan, runway congestion at the Airport is anticipated to occur when annual aircraft operations reach between 260,000 and 300,000. In FY 2016, the last year of the forecast period in this Report, annual commercial aircraft operations are forecast to range from 199,200 (alternate forecast) to 214,000 (base forecast). The FAA Terminal Area Forecasts for SAN project general aviation and military operations to be 14,500 in FY 2016, thereby resulting in total forecast commercial and non-commercial operations ranging from 213,77 (alternate forecast) to 228,500 (base forecast), still well below 260,000.

Beyond the forecast period, significant improvements to the air traffic control system as promised by the Next Generation Air Transportation System ("NextGen") could increase SAN air traffic capacity, given the physical constraints. NextGen is an umbrella term for the ongoing, wide-ranging transformation of the National Airspace System ("NAS"). At its most basic level, NextGen represents an evolution from a ground-based system of air traffic control to a satellite-based system of air traffic management.[18]

In addition to the restrictions to the physical capacity of the Airport's airfield, there are direct restrictions on operations relating to noise abatement. The Code of the Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"), which means that no airline may schedule or advertise for departure between 11:15 p.m. and 6:15 a.m. However, scheduled commercial passenger aircraft departures, which account for the large majority of departures at SAN, typically occur outside the hours restricted by the Curfew. Therefore, the Curfew is not anticipated to result in any significant limitations to aircraft operations or the resulting Revenues generated by the Authority.

[18] Federal Aviation Administration website.

SECTION V
SUMMARY OF THE AIRLINE OPERTING AND LEASE AGREEMENT

The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Agreements") with 15 passenger airlines and all six all-cargo carriers operating at the Airport (the "Signatory Airlines"). The passenger air carriers that are currently Signatory Airlines are the following: Air Canada, Alaska, Allegiant, American, Continental, Delta, Frontier, Hawaiian, JetBlue, Southwest, Sun Country, United, US Airways, Virgin America, and WestJet. The all-cargo air carriers that are currently Signatory Airlines are: ABX Air, Ameriflight, Air Transport International, Federal Express, UPS, and West Air.

Five of the Signatory Airlines have entered into agreements with affiliated passenger airlines (the "Affiliate Airlines") to operate smaller aircraft on behalf of those Signatory Airlines. The Affiliate Airlines have each executed an agreement with the Authority and the applicable Signatory Airline (the "Affiliate Airline Operating Agreement"). The Affiliate Airline Operating Agreements allow the Affiliate Airlines to operate at SAN on behalf of the applicable Signatory Airlines without the Affiliate Airline having to enter into an Airline Agreement. The same rates, fees, and charges applicable to the Signatory Airlines' operations at SAN generally apply to the Affiliate Airlines' operations at SAN. In the event an Affiliate Airline fails to pay fees and charges to the Authority, the applicable Signatory Airline is responsible for the fees and charges billed to its Affiliate Airline. The Affiliate Airlines currently operating at SAN are American Eagle, Mesa, Republic, and SkyWest.

A. TERM

The term of the Airline Agreement began on July 1, 2008 and will terminate at the close of business on June 30, 2013. The financial analysis in Section VI assumes that the airline rates and charges methodology currently in effect will continue after the expiration of the current Airline Agreement, under either an extension of the current Airline Agreement or a new agreement with substantially similar terms and conditions.

B. USE OF PREMISES

The Airline Agreement grants to the Signatory Airlines the right to use the Airport, in common with others so authorized, for the purpose of conducting their Air Transportation Business, as defined in the Federal Aviation Act of 1958, as amended. The Authority leases to the Signatory Airlines certain premises of the Airport, defined in the Airline Agreement as the Airline Leased Premises. The Signatory Airlines agree that the Master Plan may require the demolition or reconstruction of certain Airline Leased Premises in the future. If such occurs, the Signatory Airlines agree to surrender all or portions of their Airline Leased Premises within 90 days of notice, subject to the relocation provisions contained in the Airline Agreement.

The gates in the passenger terminal ("Gates") and the aircraft parking positions adjacent to the terminal ("Terminal Adjacent Aircraft Parking Positions") are leased to the Signatory Airlines on a non-exclusive common use basis ("Common Use Premises"). However, a Signatory Airline may be assigned one to six Gates for its preferential use ("Preferential Use Gates"), based on the gate utilization standards outlined in the Airline Agreement. The Authority has the right to retain a minimum of two Gates in Terminal 1 and two Gates in Terminal 2 under its exclusive control ("Authority-Controlled Facilities"). The Authority intends to use the Authority-Controlled Facilities at its sole discretion to accommodate various circumstances, including: Signatory Airlines in need of space during construction, renovation or maintenance by the Authority; airlines not requiring permanent facilities; airlines requiring temporary accommodations pending allocation of permanent facilities; and other space requirements.

The Authority designates the number of remain overnight parking positions ("RON Positions") assigned to each Signatory Airline. Specific RON positions assigned to each Signatory Airline are determined by the RON Committee, which is comprised of airline representatives. However, the Authority has the final decision to approve or reject the determination of the RON Committee.

C. RENTALS, FEES, AND CHARGES

The Signatory Airlines pay to the Authority certain rentals, fees, and charges in consideration for their use of Airport facilities. In order to allocate the costs of operating, maintaining, and developing the Airport for the purposes of setting airline rates and charges, the Authority has established the following cost centers:

- Airfield Area
- Terminal Area
- Other Airline Support
- Landside Commercial
- Ancillary
- Indirect Cost Centers
    - Access Roads
    - Operating Support – Pool Allocations
    - General and Administrative

Based on the budget for each Fiscal Year, the Authority establishes the following types of airline fees and charges: Landing Fees, Terminal Rentals, Security Surcharges, and Aircraft Parking Fees, as described below. Throughout each Fiscal Year the Authority reviews the rentals, fees and charges ("Interim Review"), and at a minimum for January 1 ("Mid-year Review"). If an Interim Review or a Mid-year

Review reveals a variation of more than 10 percent between actual expenses and/or activity levels and those originally estimated by the Authority, the Authority may, after consulting with the Signatory Airlines, adjust the rentals, fees, and charges. A year-end reconciliation is also required by the Airline Agreement. Within seven months after the end of each Fiscal Year, the Authority is required to calculate the final rentals, fees, and charges based on the actual expenses and activity for the Fiscal Year. Any variations between the amounts paid by the Signatory Airlines and the amounts calculated based on actual expenses and activity are to be either refunded by the Authority to the Signatory Airlines or paid to the Authority by the Signatory Airlines.

The methodology for calculating the airline rates and charges, as specified in the Airline Agreement, are described in the following paragraphs.

1. Landing Fees

The Airfield Area Total Requirement is calculated as the sum of the following costs attributable to the airfield for the fiscal year:

- Direct and indirect O&M Expenses
- Debt service requirements
- Amortization charges
- Any amounts necessary to replenish the balances required to be maintained in the various funds and accounts established pursuant to the bond indentures.

The following amounts are deducted from the Airfield Area Total Requirement to arrive at the Airfield Area Net Requirement:

- Terminal Adjacent Aircraft Parking Position Charge revenue
- Remain Overnight Parking Position Charge revenue
- Fuel Flowage Fees
- Non-Signatory Landing Fee Revenue
- Ground handling concession revenue
- Federal, State, or local grants received to offset O&M Expenses, debt service requirements, or other bond indenture requirements
- PFCs received and used to offset debt service requirements or bond reserve requirements

The landing fee rate is calculated as the Airfield Area Net Requirement divided by total landed weight (in thousand-pound units).

2. Terminal Rentals

The Terminal Area Total Requirement is calculated as the sum of the following costs attributable to the terminal cost center each fiscal year:

- Direct and indirect O&M expenses
- Debt service requirements
- Amortization charges
- Any amounts necessary to replenish the balances required to be maintained in the various funds and accounts established pursuant to the bond indentures

The following amounts (the Terminal Area Adjustments) are deducted from the Terminal Area Total Requirement to arrive at the Terminal Area Net Requirement:

- Non-Signatory Airline Terminal Rentals and Joint Use Charges
- FIS Use Charges revenue
- Custodial contract credit
- Federal, State, or local grants received to offset O&M Expenses, debt service requirements or reserve requirements
- PFCs received and used to offset debt service requirements or bond reserve requirements

The Adjusted Terminal Area Net Requirement is calculated as a percentage of the Terminal Area Net Requirement in each fiscal year, according to the following schedule: 45 percent in FY 2009; 50 percent in FY 2010; 55 percent in FY 2011; and 60 percent in FY 2012.

The Terminal Rental Rate is calculated as follows:

- For FY 2009 through FY 2012, the Adjusted Terminal Area Net Requirement divided by the total Airline Leased Premises[19] square footage

- For FY 2013 and subsequent years, the Terminal Area Net Requirement divided by the Rentable Premises[20] in the Terminal

3. Security Surcharges

The Signatory Airlines pay Security Surcharges to reimburse the Authority for the cost of providing security in the airfield and terminal areas. The costs of providing

[19] The term "Airline Leased Premises" is defined in the Airline Agreement as the areas assigned to the Signatory Airlines.
[20] The term "Rentable Premises" is defined in the Airline Agreement as the areas in the Terminals that are available for lease to the airlines or other tenants, areas used for passenger screening, and areas used by the Authority (excluding the 2nd and 3rd floors of the Commuter Terminal).

security in the Airfield and Terminal areas are allocated to the Other Airline Support cost center. The following security costs are included in the calculation of the Total Requirement for Security Surcharges:

- Direct and indirect O&M Expenses
- Debt service requirements
- Amortization charges
- Any amounts necessary to replenish the balances required to be maintained in the various funds and accounts established pursuant to the bond indentures
- Terminal rent for the security checkpoint areas used by the TSA for passenger security screening

The following amounts are deducted from the Total Requirement to arrive at the Net Requirement:

- Federal, State, or local grants received to offset O&M Expenses, debt service requirements, or other bond indenture requirements
- PFCs received and used to offset debt service requirements or bond reserve requirements

The portion of the Security Surcharge related to the Terminal is being phased in at 45 percent in FY 2009, increasing each year thereafter to 95 percent for FY 2013 and subsequent years.

4. Aircraft Parking Fees

The aircraft parking fees are assessed based on the number of aircraft parking positions assigned to each airline at the terminal gates and in remote parking positions. The aircraft parking fee charged for aircraft parking at the terminal gates is called the Terminal Adjacent Aircraft Parking Position Charge. It is calculated as ten percent of the Airfield Area Net Requirement, divided by the number of Terminal Adjacent Aircraft Parking Positions. The aircraft parking fee for remote parking positions, called the Remain Overnight ("RON") charge, is set equal to the Terminal Adjacent Aircraft Parking Position Charge. The Authority's intent in implementing the aircraft parking fee is to reward airlines that are efficient in their use of their terminal gates, and to encourage airlines to schedule flights with departures outside the morning peak period.

5. FIS Use Charges

The FIS Use Charge is set in the Airline Agreement as $1.50 per arriving international seat.

SECTION VI
FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Authority, including key provisions of bond indentures that govern the Authority's general airport revenue bond issues. This section also (i) reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues and Subordinate Net Revenues (as defined in the bond indentures and explained later in this Section) in each Fiscal Year of the forecast period to meet the obligations of the bond indentures, and (ii) discusses the information and assumptions underlying the financial forecasts, which include Revenues, O&M Expenses, debt service requirements, and debt service coverage. To be conservative, the financial analysis presented in this section reflects the midpoint air traffic forecast presented in **Section IV**.

A. FINANCIAL FRAMEWORK

In November 2005, the Authority issued $56.27 million of Airport Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds"). The Series 2005 Bonds were issued pursuant to the Master Trust Indenture (the "Master Senior Indenture") dated as of November 1, 2005, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Senior Trustee") and a first supplemental indenture dated as of November 1, 2005 (the "First Supplemental Senior Indenture") by and between the Authority and the Senior Trustee. The Series 2005 Bonds are special obligations of the Authority, secured by a pledge of and first lien on Authority Net Revenues.

Under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the following amounts: (a) the aggregate annual debt service on any outstanding senior lien revenue bonds; (b) the required deposits to any senior debt service reserve fund; (c) the reimbursement owed to any credit provider or liquidity provider; (d) the interest on and principal of any indebtedness other than outstanding senior lien revenue bonds, including Subordinate Obligations; (e) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations. The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the outstanding senior lien bonds. This provision is known as the "Senior Rate Covenant."

On September 6, 2007, the Board authorized the issuance of $250.0 million of subordinate commercial paper notes. The Authority has used commercial paper borrowings to refinance previously outstanding commercial paper notes that had become due in September 2007, and to fund capital project expenditures. The commercial paper notes were issued pursuant to a Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company (the "Subordinate Trustee"), and a First Supplemental Subordinate Trust Indenture, dated as of September 1, 2007 (the "First Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. As of June 30, 2010, the Authority had total commercial paper outstanding of approximately $164.43 million. The Authority plans to use a portion of the proceeds of the Series 2010 Bonds to refund a portion of the outstanding commercial paper notes ($142.2 million).

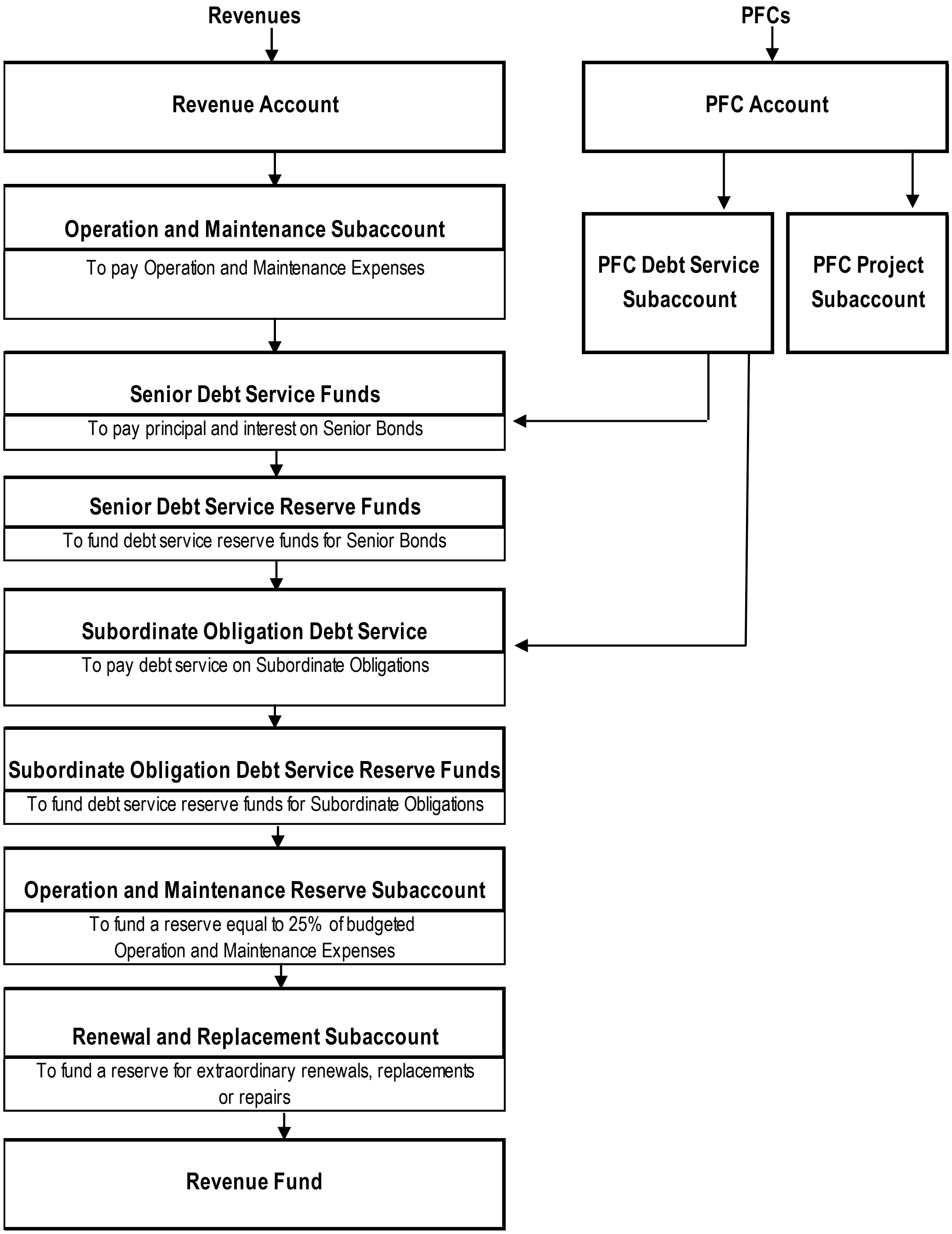
Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to the following amounts: (a) the Aggregate Annual Debt Service required to be funded in each Fiscal Year on any Outstanding Subordinate Obligations; (b) the required deposits to any Subordinate Debt Service Reserve Fund; (c) the reimbursement owed to any credit provider or liquidity provider; (d) the interest on and principal of any indebtedness other than Special Facility Obligations, senior lien revenue bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; (e) payments of any reserve requirement for debt service for any indebtedness other than senior bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

Figure VI-1 illustrates the application and priority in the uses of Revenues and PFCs, as specified in the Master Senior Indenture, the Master Subordinate Indenture, and the PFC Resolution.

1. The Airport System Accounting and Financial Reporting

The basic financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Independent Auditor's Report for the Authority's most recent audited financial statements (for the years ended June 30, 2009 and 2008) states that, in the opinion of the independent auditors, the Authority's financial statements for those years were presented in conformity with accounting principles generally accepted in the United States of America. The notes to the Authority's audited financial statements state that the financial statements were presented in

FIGURE VI-1
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FLOW OF FUNDS



Note: During a Fiscal Year, all PFCs in the PFC Account will be first deposited into the PFC Debt Service Subaccount until an amount equal to the PFCs irrevocably committed by the Authority to the payment of debt service on the Senior Bonds and/or the Subordinate Obligations for such Fiscal Year has been deposited to the PFC Debt Service Subaccount. No PFCs will be deposited to the PFC Project Subaccount during a Fiscal Year until the PFC Debt Service Subaccount has been fully funded.

accordance with standards promulgated by the Governmental Accounting Standards Board ("GASB"). Financial information is presented based on the Authority's fiscal year beginning July 1 of each calendar year and ending on June 30 of the succeeding calendar year.

The Authority's FY 2009 audited financial statements show that as of June 30, 2009, the Authority had total assets of approximately $691.2 million, liabilities of approximately $178.0 million, and total net assets of approximately $513.2 million. The Authority's preliminary (unaudited) FY 2010 financial statements show that as of June 30, 2010, the Authority had total assets of approximately $823.3 million, liabilities of $263.7 million, and total net assets of $559.5 million. McGladrey & Pullen, LLP, the Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included as Appendix B to the Official Statement, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP, also has not performed any procedures relating to the Official Statement.

Table VI-1 summarizes the Authority's operating results for FY 2006 through FY 2010 presented in the financial statements[21], the Net Revenues presented in this Report, and a reconciliation between the two presentations. The Net Revenues presented in this Report are calculated pursuant to the definitions of Revenues, Operation and Maintenance Expenses ("O&M Expenses"), and Net Revenues included in the Master Senior Indenture – with the exception of grant reimbursements. Grant reimbursements are included in the definition of Revenues in the Master Senior Indenture, but are excluded from the projections of Revenues in this Report, in order to reflect only the ongoing operations of the Authority. The reconciling items between the annual Operating Loss reported in the financial statements and the Net Revenues presented in this Report consist of depreciation and amortization expense[22], interest income (excluding interest earned on unspent PFCs and CFCs)[23], and the Joint Studies Program expenses[24].

2. Airline Rates and Charges Methodology

The Authority collects landing fees, terminal rentals, aircraft parking fees, security surcharges, FIS facilities charges, and other fees from the airlines operating at the Airport to support the operation and maintenance of the facilities used by the

[21] The Authority's financial statements for FY 2006 – FY 2009 are audited financial statements. The FY 2010 financial statements are unaudited.
[22] Depreciation and amortization expense is included in Operating Expenses in the audited financial statements, but is excluded from the definition of O&M Expenses in the Master Senior Indenture.
[23] Interest Income, excluding interest earned on unspent PFCs and CFCs, is included in the definition of Revenues in the Master Senior Indenture, but is not included in the calculation of Operating Loss on the audited financial statements because it is classified as Nonoperating Revenue.
[24] Joint Studies Program expenses are included in the definition of Revenues in the Indenture, but are not part of the calculation of Operating Loss on the financial statements because they are included in Nonoperating Expenses.

airlines. The calculation methodologies for the airline rates and charges were described in Section V. Airline revenues accounted for approximately 42.4 percent of total Revenues in FY 2010. As explained in Section V, the current Airline Agreement will terminate on June 30, 2013. The financial analysis in this section assumes that the airline rates and charges methodology currently in effect will continue after the expiration of the current Airline Agreement, under either the extension of the current Airline Agreement or a new agreement with substantially similar terms and conditions.

TABLE VI-1
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
HISTORICAL FINANCIAL RESULTS PER FINANCIAL STATEMENTS
RECONCILED TO NET REVENUES
Fiscal Years Ended June 30

Category	Audited				Unaudited
	2006	2007	2008	2009	2010
Audited Statement of Revenues and Expenses					
Operating Revenues	$119,495,414	$125,366,560	$135,682,380	$130,977,207	133,337,000
Less: Operating Expenses	(132,915,686)	(138,018,523)	(150,749,797)	(153,474,928)	(159,895,000)
Operating Loss	**($13,420,272)**	**($12,651,963)**	**($15,067,417)**	**($22,497,721)**	**($26,558,000)**
Net Revenues per Master Senior Indenture					
Revenues	$123,308,672	$133,924,978	$144,379,133	$138,334,601	$137,749,647
Less: O&M Expenses	(97,675,011)	(103,942,210)	(114,375,096)	(115,221,068)	(116,461,059)
Net Revenue per Master Senior Indenture	**$25,633,661**	**$29,982,769**	**$30,004,037**	**$23,113,533**	**$21,288,588**
Reconciliation					
Operating Loss per Audited Financial Statements	($13,420,272)	($12,651,963)	($15,067,417)	($22,497,721)	($26,558,000)
Add: Depreciation and Amortization Expense [1]	31,559,237	33,467,522	36,764,738	38,196,448	42,421,000
Add: Interest Income excluding interest on PFCs [2]	8,182,935	9,286,878	9,270,593	7,594,371	5,670,270
Deduct: Joint Studies Program [3]	(688,239)	(119,668)	(963,877)	(179,565)	(244,623)
Net Revenue per Master Senior Indenture	**$25,633,661**	**$29,982,769**	**$30,004,037**	**$23,113,533**	**$21,288,647**

[1] Depreciation and Amortization Expense is included in Operating Expenses in the financial statements, but is excluded from the definition of O&M O&M Expenses in the Indenture.
[2] Interest income, excluding interest earned on unspent PFCs and CFCs, is included in the definition of Revenues in the Indenture, but is not part of the calculation of Operating Loss on the financial statements because it is presented as Nonoperating Revenue.
[3] Joint Studies Program expenses are included in the definition of Revenues in the Indenture, but are not part of the calculation of Operating Loss on the financial statements because they are included in Nonoperating Expenses.

B. OPERATION AND MAINTENANCE EXPENSES

The Master Senior Indenture defines “Operation and Maintenance Expenses,” or “O&M Expenses,” as the total operation and maintenance expenses of the Airport as determined in accordance with generally accepted accounting principles, excluding depreciation expense and any operation and maintenance expenses payable from moneys other than Revenues, such as PFCs, and CFCs. **Table VI-2** presents historical O&M Expenses for the period FY 2006 through FY 2010. Total O&M expenses increased from approximately $97.7 million in FY 2006 to approximately $116.5 million in FY 2010,[25] representing an average annual increase of 4.5 percent

[25] The financial results presented for FY 2010 are unaudited. FY 2009 is the most recent Fiscal Year for which audited financial statements are available as of the date of this Report.

during the historical period. The changes in the various categories of O&M Expenses are discussed below.

During the forecast period, total O&M Expenses are projected to increase to approximately $146.6 million in FY 2016, as shown on ***Table VI-3****. The projections of O&M Expenses reflect the Authority's FY 2011 and FY 2012 budgets; anticipated future expense trends, including an inflation factor; and the projected operating expense impacts of the capital projects, including projects in the CIP and The Green Build, scheduled to be completed during the forecast period. The Authority anticipates that future increases in O&M Expenses, exclusive of projected increases resulting from the expanded facilities included in The Green Build, will not exceed 3.0 percent per year, due to the Authority's ongoing commitment to limit increases in expenses. Authority management has outlined a number of cost saving initiatives that could be implemented if needed to meet that commitment. Therefore, the projections of O&M Expenses in this Section are based on management's commitment and plan. Projected changes in the various categories of O&M Expenses are discussed in the following paragraphs.*

1. Personnel

Personnel expense is the largest category of O&M Expenses, representing approximately 30.4 percent of total O&M Expenses in FY 2010. This category increased 5.5 percent in FY 2007, 16.2 percent in FY 2008, 5.6 percent in FY 2009, and 1.9 percent in FY 2010, from approximately $26.8 million in FY 2006 to $35.4 million in FY 2010. The large increase in FY 2008 reflected annual raises, increased staffing, and the increased benefit costs associated with the implementation of required new accounting standards. In October 2008 (during the second quarter of FY 2009), the Authority implemented a hiring freeze in response to the economic downturn and the resulting decrease in revenues. The Authority's actions helped slow the pace of increase in Personnel expense in FY 2009 and in FY 2010.

Personnel expense is budgeted to increase 8.9 percent, to $38.6 million, in FY 2011 due to anticipated increases in employee health care costs and retirement costs. Further increases in this expense category are projected in FY 2012 and subsequent years due to continued anticipated cost increases in employee health care and other benefits. Personnel expense is projected to increase to approximately $48.2 million in FY 2016.

TABLE VI-2
SAN DIEGO INTERNATIONALAIRPORT
HISTORICAL O&M EXPENSES [1]

O&M Expense Categories	Fiscal Years Ended June 30					Avg. Annual Growth
	Audited				Unaudited	
	2006	2007	2008	2009	2010	
Personnel	$26,847,316	$28,333,173	$32,912,328	$34,741,348	$35,397,000	7.2%
Contractual Services	30,970,024	26,390,838	27,378,415	27,464,553	28,032,000	-2.5%
Safety and Security	14,776,834	15,946,171	19,109,994	19,929,678	20,123,000	8.0%
Utilities	5,416,165	6,421,077	6,429,313	6,911,602	6,871,000	6.1%
Maintenance	5,389,937	8,392,781	8,734,269	8,002,177	9,410,000	14.9%
Space Rent	11,353,486	10,842,484	10,900,869	10,887,937	10,906,000	-1.0%
Business Development	2,325,321	2,096,146	2,733,233	2,509,313	2,000,000	-3.7%
Other Expenses	595,928	5,519,540	6,176,676	4,774,461	3,722,000	58.1%
Total O&M Expenses	**$97,675,011**	**$103,942,210**	**$114,375,096**	**$115,221,068**	**$116,461,059**	**4.5%**

Source: Authority records. See Table VI-1 for a reconciliation of the FY 2006 - FY 2009 amounts to the Authority's audited financial statements, and a reconciliation of the FY 2010 amounts to the Authority's unaudited financial statements.

[1] This table excludes expenses not included in the definition of O&M Expenses contained in the Master Senior Indenture.

TABLE VI-3
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED O&M EXPENSES [1]
Fiscal Years Ending June 30

O&M Expense Cateogry	Budget 2011	Projected 2012	2013	2014	2015	2016	Avg. Annual Growth
Personnel	$38,557,424	$40,692,929	$41,913,717	$45,436,060	$46,799,142	$48,203,116	4.6%
Contractual Services	29,291,161	29,072,753	29,944,936	32,563,899	33,540,816	34,547,040	3.4%
Safety and Security	20,657,433	20,772,833	21,396,018	23,251,353	23,948,894	24,667,360	3.6%
Utilities	7,048,000	7,239,715	7,456,906	8,094,626	8,337,465	8,587,588	4.0%
Maintenance	7,938,898	8,016,640	8,257,139	8,971,198	9,240,334	9,517,544	3.7%
Space Rent	10,905,339	10,905,979	11,233,158	11,110,752	11,444,075	11,787,397	1.6%
Business Development	2,202,076	2,478,340	2,552,690	2,758,625	2,841,384	2,926,625	5.9%
Other Expenses	4,322,997	5,371,839	5,532,994	5,952,925	6,131,512	6,315,458	7.9%
Total O&M Expenses	**$120,923,328**	**$124,551,028**	**$128,287,559**	**$138,139,438**	**$142,283,621**	**$146,552,130**	**3.9%**

[1] This table excludes expenses not included in the definition of O&M Expenses contained in the Master Senior Indenture. The projections include the estimated operating expense impacts of the capital projects, including the projects included in The Green Build and the CIP, anticipated to be completed during the forecast period.

2. Contractual Services

The Contractual Services category represented approximately 24.1 percent of total O&M Expenses in FY 2010. It consists primarily of fees incurred for contracts for services supplied by vendors, such as janitorial services for the terminals, parking management costs, contracts with facility development consultants, legal consultants, and other consultants. From FY 2006 to FY 2010, Contractual Services costs decreased from $31.0 million to $28.0 million, mainly due to cost cutting measures implemented by the Authority.

For FY 2011, Contractual Services expenses are budgeted to increase to $29.3 million, due to anticipated increases in parking management, janitorial, and consultants costs. During the forecast period, this category is projected to increase at a modest average annual rate of 2.2 percent, plus an additional factor in FY 2014 to reflect increased costs associated with the opening of the expanded facilities included in The Green Build. Total Contractual Services costs are projected to increase to approximately $34.5 million in FY 2016.

3. Safety and Security

Safety and Security expenses totaled $20.1 million in FY 2010, or 17.3 percent of total O&M Expenses. The largest component of the Safety and Security is the cost of Harbor Police services ($13.5 million, or 67.1 percent of Safety and Security expenses in FY 2010). The Act that created the Authority mandates that the Authority use the services of the Harbor Police for Airport security. Approximately $4.7 million, or 23.5 percent of Safety and Security expenses, represented the costs of the Airfield Rescue and Fire Fighting (“ARFF”) services provided by the City of San Diego in FY 2010. Total Safety and Security expenses increased from $14.8 million in FY 2006 to $20.1 million in FY 2010, representing an average annual increase of 8.0 percent. The increase reflected the first full year of increased security status to code orange (FY 2008) and salary and benefit increases associated with the mandated utilization of Harbor Police.

The increase in the FY 2011 budget for Safety and Security expenses ($20.7 million compared to the FY 2010 expense of $20.1 million) is mainly due to increases in the Harbor Police costs, offset by a decrease in the ARFF expenses due to savings from contract renegotiations. Total Safety and Security expenses are projected to increase at 2.5 percent average annual growth rate, plus an additional factor in FY 2014 to reflect increased costs associated with the opening of the expanded facilities included in The Green Build, to $24.7 million in FY 2016. The assumed annual growth rate reflects to the Authority’s ongoing negotiations with the Port District and the City of San Diego to limit future increases in the cost of services.

4. Utilities

Utilities expenses increased from $5.4 million in FY 2006 to $6.4 million in FY 2007 and FY 2008 before increasing to $6.9 million in FY 2009 and FY 2010, mainly due to gas and electricity rate increases, and increased gas and electricity usage resulting from increased office space to support the planning efforts for The Green Build program, and increased electricity usage associated with the security baggage screening systems. Utilities expenses are estimated to increase slightly in FY 2011 to approximately $7.0 million. The projected increases in utilities expenses in subsequent years reflect anticipated rate increases and increased usage associated with the planned completion of The Green Build terminal improvements. Utilities expenses are projected to increase to $8.6 million in FY 2016.

5. Maintenance

Maintenance expenses increased from approximately $5.4 million in FY 2006 to $8.7 million in FY 2008, and then decreased to $8.0 million in FY 2009 before increasing to $9.4 million in FY 2010. The largest component of this category (75.9 percent in FY 2010) consists of annual repair and service contracts. The increase in FY 2008 was due to the restriping of roadways and runway surfaces, and extensive escalator repairs in the terminal buildings. The large increase in maintenance expenses in FY 2010 was due to multiple repairs on escalators, elevators, and the heating and air conditioning systems, plus extensive landscaping projects. A decrease in maintenance expenses is projected for FY 2011 (to $7.9 million), mainly due to an increase in the amount of major maintenance expenses anticipated to be capitalized. Increases are projected in FY 2012 and subsequent years, mainly due to anticipated increases in the amount of major maintenance projects, and the estimated effects of the expanded facilities included in The Green Build that will open near the beginning of FY 2014. Maintenance expenses are projected to increase for the remainder of the forecast period, to $9.5 million in FY 2016.

6. Space Rental

Space rental expense consists of lease payments to the Port District for properties adjacent to the Airport, including the former General Dynamics, Teledyne Ryan, and Harbor Island parcels. Space rental payments remained constant at approximately $10.9 million from FY 2007 through FY 2010. Space rentals are projected to increase based on anticipated increases in the amount of space rented, to $11.8 million in FY 2016.

7. Business Development

The business development expense category includes costs for advertising, membership and dues, postage and shipping, promotional activities and materials, and travel. Business development expenses decreased from $2.3 million in FY

2006 to $2.1 million in FY 2007 and then increased to $2.7 million in FY 2008 due to increased expenditures for promotional activities and materials for expanded route development, to promote the entrance of two new airlines into the SAN market, and to increase public awareness of the Airport and its economic contribution to the area. After the completion of these promotional campaigns, business development expenses decreased to $2.5 million in FY 2009 and $2.0 million in FY 2010.

Business development expenses are budgeted to increase to $2.2 million in FY 2011, mainly due to anticipated increases in Regional Aviation Strategic Plan ("RASP") public outreach costs, air service advertising costs, and promotional activities and materials costs. Business development expenses are projected to increase to $2.5 million in FY 2012, primarily due to the anticipated expenditures associated with the Authority's plans to host two industry conference receptions in that year, and planned emergency preparedness exercises. This expense category is projected to increase modestly during the remainder of the forecast period, based on anticipated advertising and promotional activities, to $2.9 million in FY 2016.

8. Other Expense Categories

Other categories of expenses include employee development and support; equipment rentals and repairs; insurance; operating equipment and systems; operating supplies; and other expenses. The total amount of these expense categories decreased from a high of $6.2 million in FY 2008 to $4.8 million in FY 2009, and $3.7 million in FY 2010. The Authority reduced spending in most expense categories in FY 2009 to adjust to the effect of the economic recession and the corresponding decreases in air traffic activity and revenues. The total for these expense items is budgeted to increase to $5.4 million in FY 2012. Increases in these expense categories are projected for subsequent years, in line with the anticipated economic recovery. Expenditures for these categories are projected to increase to $6.3 million in FY 2016.

C. DEBT SERVICE AND AMORTIZATION CHARGES

As discussed in Section II, the Authority's capital program includes The Green Build and the rolling five-year CIP. The capital projects are expected to be funded with the proceeds of the Series 2010 Bonds, the proceeds of future GARB issues anticipated to be sold in 2012 and 2013, AIP grants, PFCs, Authority funds, CFCs, and other sources. The financial analysis presented in this section reflects the capital program funding plan presented in **Section II**.

The Authority plans to issue a portion of the Series 2010 Bonds as Build America Bonds to the extent this produces a lower net borrowing cost compared to tax-exempt bonds. To be conservative, for purposes of this Report, the financial analysis presented in this section assumes that all of the Series 2010 Bonds will be issued as tax-exempt bonds, and does not assume the issuance of Build America

Bonds or the receipt of any related cash subsidy payments. If the Authority issues a portion of the Series 2010 Bonds as Build America Bonds, subject to compliance with certain requirements of the Internal Revenue Code, the Authority expects to receive cash subsidy payments from the United States Treasury in an amount equal to 35 percent of the interest payable on the Series 2010 Bonds issued as Build America Bonds. Once the Master Senior Indenture Consent Requirement is met, any such cash subsidy payments received by the Authority will not constitute Revenues. However, the Authority expects to apply such cash subsidy payments to the payment of debt service on the Subordinate Obligations (including the Subordinate Series 2010 Bonds) and/or the any future senior lien revenue bonds issued as Build America Bonds.

The sources and uses of bond funds, and the debt service requirements during the forecast period, including the Series 2010 Bonds and the future GARBs anticipated to be issued in 2012 and 2013, are summarized on **Tables VI-4** and **VI-5**. It is currently anticipated that the Series 2012 Bonds will be issued as senior lien revenue bonds, and the Series 2013 Bonds will be issued as subordinate bonds. However, the Authority will make a final determination regarding whether future bonds will be issued as senior lien revenue bonds or subordinate bonds before the actual issuance of any future bonds.

Annual debt service is projected to increase with the issuance of the Series 2010 Bonds and future GARBs during the forecast period. The annual debt service requirements, as estimated by Frasca & Associates, are based on assumed annual interest rates of 5.33 percent for the Series 2010 Bonds and 6.00 percent for the GARBs anticipated to be issued in 2012 and 2013. Annual debt service for the \$22.3 million of outstanding commercial paper notes that will not be financed with the Series 2010 Bonds is estimated based on an assumed 20-year amortization period (commencing with FY 2011 through July 1, 2030) at a 3.0 percent annual interest rate. The largest increases in annual debt service are projected to occur in FY 2013 and FY 2014, when debt service is projected to increase to \$35.4 million and \$75.8 million, respectively (from \$9.2 million in FY 2012), due to the projected expiration of the capitalized interest periods on the Series 2010 Bonds and the GARBs anticipated to be issued in 2012 and 2013.

Beginning in FY 2013, the Authority intends to apply a portion of annual PFC revenues toward debt service on the Series 2010 Bonds and the GARBs anticipated to be issued in 2012 and 2013. Pursuant to the PFC Resolution, the Authority has irrevocably committed \$72.3 million of PFC revenues to the payment of debt service on the Series 2010 Bonds. The Authority intends to irrevocably commit additional PFCs for the payment of debt service on the Series 2010 Bonds and the GARBs anticipated to be issued in 2012 and 2013. The current financial plan assumes that a total of \$951.0 million in PFC revenues will be applied toward annual debt service

TABLE VI-4
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SOURCES AND USES OF BOND FUNDS [1]

	Series 2010A	Series 2010B	Total Series 2010	Series 2012	Series 2013	Total
Sources						
Par Amount	$ 260,215,000	$ 163,495,000	$ 423,710,000	$ 394,435,000	$226,415,000	$ 1,044,560,000
Premium / (Discount)	11,565,419	(380,352)	11,185,067	-	-	11,185,067
Total Sources	**$271,780,419**	**$163,114,648**	**$434,895,067**	**$394,435,000**	**$226,415,000**	**$1,055,745,067**
Uses						
Commercial Paper Takeout	$74,800,000	$67,376,000	$142,176,000	$0	$0	$142,176,000
Project Fund	23,655,525	5,759,032	29,414,557	164,552,868	189,540,489	383,507,914
Project Fund (PFC)	124,781,596	62,972,918	187,754,514	163,609,491	5,700,000	357,064,005
Debt Service Reserve Fund	19,153,379	12,034,209	31,187,588	31,593,500	22,641,500	85,422,588
Capitalized Interest	26,784,669	13,338,811	40,123,481	30,733,914	6,265,586	77,122,981
Costs of Issuance	2,605,250	1,633,678	4,238,928	3,945,227	2,267,425	10,451,580
Total Uses	**$271,780,419**	**$163,114,648**	**$434,895,067**	**$394,435,000**	**$226,415,000**	**$1,055,745,067**

Source: Frasca & Associates.

[1] The Authority has irrevocably commited certain PFCs to the payment of debt service for the Series 2010 Bonds, and intends to irrevocably commit additional PFCs for future GARBs. It is currently anticipated that the Series 2012 Bonds will be issued as senior lien bonds, and the Series 2013 Bonds will be issued as subordinate bonds. However, the Authority will make a final determination regarding whether future bonds will be senior lien bonds or subordinate bonds before the actual issuance of any future bonds.

TABLE VI-5
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED GARB DEBT SERVICE
Fiscal Years Ending June 30

Debt Service	Estimated FY 2010	Projected 2011	2012	2013	2014	2015	2016
Senior Lien Bonds: [1]							
Series 2005	$5,349,475	$5,354,225	$5,355,975	$5,364,475	$5,363,975	$5,369,475	$5,375,113
Series 2012 A	-	-	-	7,772,400	21,157,300	21,157,900	21,158,600
Series 2012 B	-	-	-	3,494,400	5,248,800	5,248,800	5,248,800
Total Senior Lien Bonds	$ 5,349,475	$ 5,354,225	$ 5,355,975	$16,631,275	$31,770,075	$31,776,175	$31,782,513
Subordinate Obligations: [1]							
Series 2010 A	-	-	-	9,095,763	19,015,538	21,372,813	21,374,888
Series 2010 B	-	1,952,232	2,338,600	7,946,050	9,806,675	9,809,600	9,810,500
Series 2013 A	-	-	-	192,150	11,853,200	12,418,400	12,409,400
Series 2013 B	-	-	-	-	1,811,700	2,221,700	2,222,100
Commerical Paper Notes	427,500	1,495,818	1,495,818	1,495,818	1,495,818	1,495,818	1,495,818
Total Subordinate Obligations	$427,500	$3,448,050	$3,834,418	$18,729,781	$43,982,931	$47,318,331	$47,312,706
Total Debt Service	**$5,776,975**	**$8,802,275**	**$9,190,393**	**$35,361,056**	**$75,753,006**	**$79,094,506**	**$79,095,218**
PFCs to be Applied to Debt Service [2]	-	-	-	(26,162,788)	(33,679,938)	(33,678,013)	(33,681,888)
Debt Service net of PFCs Applied	**$5,776,975**	**$8,802,275**	**$9,190,393**	**$9,198,268**	**$42,073,068**	**$45,416,493**	**$45,413,331**

Source: Frasca & Associates. Debt service requirements shown net of capitalized interest. Assumed annual interest rates are 5.33% for the Series 2010 Bonds and 6.00% for the Series 2012 and Series 2013 Bonds. Debt service for the commercial paper notes assumes a 20 year amortization period (through 7/1/2030), with a 3.00% annual interest rate.

[1] It is currently anticipated that the Series 2012 Bonds will be issued as senior lien bonds, and the Series 2013 Bonds will be issued as subordinate bonds. However, the Authority will make a final determination regarding whether future bonds will be senior lien bonds or subordinate bonds before the actual issuance of any future bonds.

[2] The Authority has irrevocably commited certain PFCs to the payment of debt service for the Series 2010 Bonds, and intends to irrevocably commit additional PFCs for future GARBs.

on the Series 2010 Bonds and the GARBs anticipated to be issued in 2012 and 2013. The annual amount of PFCs to be applied toward GARB debt service is projected to increase from $26.2 million in FY 2013 to $33.7 million in FY 2014. Annual debt service net of PFCs anticipated to be applied to debt service is projected to increase from $9.2 million in FY 2013 to $42.1 million in FY 2014 and $45.4 million in FY 2015 and FY 2016.

The Airline Agreement allows the Authority to include amortization charges in the airline rates and charges to reimburse the Authority for capital project costs paid from Authority funds. The Authority may include in airline rates and charges the amount of principal and interest in equal annual amounts for the term of the asset's useful life, with the interest calculated at a rate equal to the Authority's weighted average cost of outstanding fixed rate debt at the time the asset is placed in service. The financial analysis assumes that such amortization charges will be included in the calculation of airline rates and charges during the forecast period. Amortization charges for the Airfield and Terminal cost centers are shown on the tables that present the landing fee and terminal rental calculations later in this section.

D. REVENUES

The Master Senior Indenture defines "Revenues" as all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport. Excluded from the definition of Revenues are PFCs, CFCs, interest income on unspent PFCs and CFCs, and certain other items.[26] The Authority has covenanted that all Revenues will be deposited into the Revenue Account within the Revenue Fund to be pledged as security for the Series 2010 Bonds and any additional bonds issued pursuant to the Master Senior Indenture and the Master Subordinate Indenture.

Table VI-6 presents the historical Revenues for the period FY 2006 through FY 2010,[27] and **Table VI-7** presents projected Revenues through FY 2016. Revenues increased from $123.3 million in FY 2006 to $137.7 million in FY 2010, due to the factors described below. Revenues are projected to increase from approximately $149.3 million in FY 2011 to approximately $229.1 million in FY 2016, based on the projections of the various revenue categories, as described below.

[26] Although FAA grant receipts, which are reimbursements of capital expenditures, are included in the definition of Revenues contained in the Master Senior Indenture, they are excluded from the projections of Revenues in this section, in order to reflect only the ongoing operations of the Authority.
[27] The financial results presented for FY 2010 are unaudited. FY 2009 is the most recent Fiscal Year for which audited financial statements are available as of the date of this Report.

TABLE VI-6
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
HISTORICAL AIRPORT REVENUES

Airport Revenues	Fiscal Years Ended June 30					Avg. Annual Growth
	Audited				Unaudited	
	2006	2007	2008	2009	2010	
Airline Revenue						
Landing Fees	$22,242,806	$24,006,493	$24,763,236	$18,689,465	$17,329,535	-6.0%
Aircraft Parking Fees	-	-	-	3,221,515	3,406,011	N/A
Terminal Rentals	20,487,300	21,880,253	23,569,899	22,194,671	23,986,443	4.0%
Security Surcharge	7,758,983	8,440,960	8,618,411	10,203,808	12,048,188	11.6%
Other Aviation Revenue	1,867,678	1,756,782	1,807,979	1,564,840	1,584,408	-4.0%
Total Airline Revenue	$52,356,767	$56,084,488	$58,759,525	$55,874,299	$58,354,585	2.7%
Non-Airline Revenue						
Building and Other Rents	650,148	614,714	695,378	862,123	863,946	7.4%
Terminal Concessions	29,361,976	34,201,100	38,784,979	36,280,004	36,092,866	5.3%
Parking and Ground Transportation	26,904,459	28,391,558	31,037,940	31,492,190	30,295,843	3.0%
Ground rentals	5,505,219	4,994,278	5,207,354	5,775,627	5,922,607	1.8%
Other Operating Revenue	347,168	351,964	623,367	455,988	549,530	12.2%
Interest Income	8,182,935	9,286,876	9,270,589	7,594,369	5,670,270	-8.8%
Total Non-Airline Revenue	$70,951,905	$77,840,490	$85,619,608	$82,460,302	$79,395,062	2.9%
Total Revenues	**$123,308,672**	**$133,924,978**	**$144,379,133**	**$138,334,601**	**$137,749,647**	**2.8%**

Source: Authority records. See Table VI-1 for a reconciliation of the FY 2006 - FY 2009 amounts to the Authority's audited financial statements.

TABLE VI-7
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED AIRPORT REVENUE
Fiscal Years Ending June 30

Airport Revenues	Budget FY 2011	Projected 2012	2013	2014	2015	2016	Avg. Annual Growth
Airline Revenue							
Landing Fees [1]	$19,030,300	$19,489,400	$20,187,489	$20,910,140	$21,344,773	$21,978,146	2.9%
Aircraft Parking Fees	2,861,000	2,912,300	2,967,700	3,055,300	3,118,500	3,210,400	2.3%
Terminal Rentals and FIS Use Chgs.	27,757,100	31,326,600	32,179,300	52,205,000	54,519,700	55,510,500	14.9%
Security Surcharge	14,785,500	17,229,400	21,416,139	24,566,515	25,716,256	26,416,426	12.3%
Other Aviation Revenue	1,584,300	1,587,500	1,590,700	1,594,000	1,597,300	1,600,700	0.2%
Total Airline Revenue	$66,018,200	$72,545,200	$78,341,328	$102,330,955	$106,296,530	$108,716,172	10.5%
Non-Airline Revenues							
Building and Other Rents	898,205	957,902	1,000,252	1,052,743	1,109,468	1,152,592	5.1%
Terminal Concessions:							
Rental Cars	21,278,800	22,076,100	23,096,000	24,023,400	24,822,300	25,591,100	3.8%
Food and Beverage	5,996,700	5,876,000	6,086,700	8,625,200	8,822,000	9,028,000	8.5%
Gifts and News	3,837,000	3,760,200	3,895,000	5,234,300	5,353,800	5,478,800	7.4%
License Fees	3,086,800	3,145,600	3,187,500	3,282,600	3,358,200	3,428,000	2.1%
Other Terminal Concessions	2,850,414	2,749,914	2,818,200	2,882,700	2,988,700	3,060,900	1.4%
Total Terminal Concessions	$37,049,714	$37,607,814	$39,083,400	$44,048,200	$45,345,000	$46,586,801	4.7%
Parking & Ground Transportation	32,903,158	33,836,480	39,393,819	40,990,143	46,283,499	48,017,458	7.9%
Ground rentals	6,226,266	6,111,366	6,111,366	6,111,366	11,077,366	11,077,366	12.2%
Other Operating Revenue	686,396	361,600	370,800	380,100	389,700	399,700	-10.3%
Interest Income	5,503,300	7,301,200	9,041,176	9,519,351	10,837,470	13,138,063	19.0%
Total Non-Airline Revenues	$83,267,039	$86,176,362	$95,000,813	$102,101,904	$115,042,503	$120,371,980	7.6%
Total Revenues	**$149,285,239**	**$158,721,562**	**$173,342,141**	**$204,432,859**	**$221,339,033**	**$229,088,152**	8.9%

[1] FY 2011 and FY 2012 Landing Fee revenues reflect credit for new service incentive program.

1. Airline Revenues

Airline revenues consist of landing fees, aircraft parking fees, terminal rentals, security surcharges, and other revenue, in accordance with the provisions of the Airline Agreement, as described in **Section V**. Airline revenues increased from $52.4 million in FY 2006 to $58.8 million in FY 2008 before decreasing to $55.9 million in FY 2009. The increase in FY 2008 was primarily due to increases in passenger activity and related aircraft landed weight in that year. The decrease in FY 2009 was mainly due to lower landing fee revenue resulting from a decrease in aircraft landed weight associated with decreased passenger activity and airline capacity cuts.

Airline revenues increased to $58.4 million in FY 2010, mainly due to the provisions of the new Airline Agreement that provide for the increased allocation to the airlines of terminal building costs and security costs. Further increases in airline revenues are projected in FY 2012 and FY 2013 due to additional increases in the allocation to the airlines of terminal building costs, under the terms of the Airline Agreement, and increased debt service costs charged to the airlines associated with the Series 2010 Bonds and anticipated future bond issues. Total airline revenues are projected to increase to approximately $108.7 million in FY 2016. The components of airline revenue are discussed in the paragraphs below.

a. *Landing Fees.* Landing fee revenue decreased from $24.8 million in FY 2008 to $18.7 million in FY 2009 and $17.3 million in FY 2010, due to the implementation of the new aircraft parking fees, through which the Authority recovers a portion of the Airfield costs. **Table VI-8** shows the calculation of the projected landing fee rate for each year during the forecast period. Based on the estimated costs and credits included in the calculation, and the estimated landed weight presented in **Section IV**, the landing fee rate is estimated to be $1.72 in FY 2011, and then decrease to $1.70 in FY 2012 and FY 2013, mainly due to the forecast increases in landed weight. The landing fee rate projected to increase slightly, to $1.71 in FY 2014 and FY 2015, and to $1.73 in FY 2016, corresponding with the increases in the O&M Expenses and debt service costs included in the calculation in those years, offset by the forecast increases in landed weight. Total airline landing fee revenue (shown on **Table VI-7**) is projected to increase from approximately $19.5 million in FY 2011 to $22.0 million in FY 2016.

TABLE VI-8
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
CALCULATION OF PROJECTED LANDING FEE RATE
Fiscal Years Ending June 30

	Projected					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Airfield Costs						
Operating Expenses	$38,283,000	$38,676,900	$39,387,207	$40,255,823	$41,009,388	$41,785,559
Revenue Bond Debt Service	11,300	10,145	10,145	10,145	10,145	10,145
Amortization Charges	866,200	372,000	372,000	359,800	156,500	156,500
Other Requirements	460,000	517,500	491,000	524,500	522,200	518,100
Total Airfield Requirement	$39,620,500	$39,576,545	$40,260,351	$41,150,268	$41,698,232	$42,470,304
Credits:						
Fuel Flowage	(156,900)	(160,100)	(163,300)	(166,600)	(169,900)	(173,300)
Quieter Home Grant Receipts	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Operating Grant Revenue	(443,200)	-	-	-	-	-
Ground Handling Concession Revenue	(1,977,300)	(1,977,300)	(1,977,300)	(2,036,300)	(2,083,200)	(2,126,500)
Other Credits	-	-	-	-	-	-
Total Credits	($17,577,400)	($17,137,400)	($17,140,600)	($17,202,900)	($17,253,100)	($17,299,800)
Airfield Net Requirement	**$22,043,100**	**$22,439,145**	**$23,119,751**	**$23,947,368**	**$24,445,132**	**$25,170,504**
Airline Adjacent Parking Position Fee	(2,204,300)	(2,243,914)	(2,311,975)	(2,394,737)	(2,444,513)	(2,517,050)
Remote Overnight Parking Position Fee	(621,700)	(632,899)	(620,287)	(642,491)	(655,846)	(675,307)
Aircraft Parking Position Credit	($2,826,000)	($2,876,813)	($2,932,262)	($3,037,228)	($3,100,359)	($3,192,358)
Adjusted Net Requirement	**$19,217,100**	**$19,562,331**	**$20,187,489**	**$20,910,140**	**$21,344,773**	**$21,978,146**
Total Landed Weight (1,000 pound units) [1]	11,157,000	11,529,000	11,901,000	12,224,000	12,478,000	12,681,000
Landing Fee Rate	**$1.72**	**$1.70**	**$1.70**	**$1.71**	**$1.71**	**$1.73**

[1] The FY 2011 dollar amounts are per the Authority's FY 2011 budget.

b. *Aircraft Parking Fees.* In FY 2009, with the implementation of the new Airline Agreement, the Authority began charging aircraft parking fees to the airlines. The aircraft parking fee is assessed based on the number of aircraft parking positions assigned to each airline at the terminal gates and in remote parking positions. Aircraft parking fees totaled approximately $3.2 million in FY 2009 and $3.4 million in FY 2010. Aircraft parking fees are budgeted to decrease to $2.9 million in FY 2011 due to an estimated decrease in the Airfield costs. Beginning in FY 2012, aircraft parking fees are projected to increase with anticipated increases in Airfield costs, to $3.2 million by FY 2016.

c. *Terminal Rentals and FIS Use Charges*. The calculation of the projected airline terminal rental rate for each year in the forecast period is presented on **Table VI-9**. Based on the projections of the costs and credits allocated to the terminal, the Terminal Net Requirement is projected to increase from $55.0 million in FY 2011 to $95.1 million in FY 2016. The largest increase is projected to occur in FY 2014, with the projected increase in O&M Expenses associated with the terminal expansion, and the anticipated expiration of the capitalized interest periods on the Series 2010 Bonds and the future bonds to be issued in 2012 and 2013 to fund a portion of The Green Build costs. Based on the phased-in allocation of increased terminal costs specified in the Airline Agreement, and the terminal square footage anticipated to be leased by the airlines during the forecast period, the terminal rental rate per square foot is projected to increase from $86.65 in FY 2011 to $136.08 in FY 2016. Airline terminal rental revenue is projected to increase from approximately $27.7 million in FY 2011 to $55.4 million in FY 2016. FIS use charges, assessed at $1.50 per arriving international seat, are projected to total approximately $70,000 per year during the forecast period. Total terminal rental revenues and FIS use charges are projected to increase from $27.8 million in FY 2011 to $55.5 million in FY 2016.

d. *Security Surcharges.* This revenue category increased from $7.7 million in FY 2006 to $12.0 million in FY 2010, mainly because of increased security personnel salaries and benefits requirements, as described above under the discussion of Safety and Security expenses. Security surcharges are budgeted to total approximately $14.8 million in FY 2011 due to anticipated increases in the costs of providing security. This revenue category is projected to increase in accordance with anticipated increases in the costs of providing security, and the phase-in the security charges for the Terminal cost center, pursuant to the provisions of the Airline Agreement, as described in **Section V**. Security Surcharges are projected to increase to $26.4 million by FY 2016.

TABLE VI-9
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
PROJECTED AIRLINE TERMINAL RENTAL RATE AND REVENUE
Fiscal Years Ending June 30

	Budget	Forecast				
	2011	2012	2013	2014	2015	2016
Terminal Costs						
O&M Expenses	$49,445,084	$50,928,437	$52,456,290	$59,529,979	$61,315,878	$63,155,355
Revenue Bond Debt Service	6,485,369	6,523,309	6,523,309	32,193,094	35,106,773	35,104,305
Amortization Charges	2,433,000	1,444,600	1,256,300	774,700	170,800	170,800
Other Requirements	920,100	1,035,000	981,900	1,048,900	1,044,400	1,036,200
Total Terminal Requirement	**$59,283,553**	**$59,931,346**	**$61,217,799**	**$93,546,672**	**$97,637,851**	**$99,466,659**
Credits:						
Citation Revenue Credit	($24,000)	($24,400)	($26,200)	($27,800)	($29,400)	($31,000)
Custodian Contract Credit	(3,726,000)	(3,800,520)	(3,914,536)	(4,031,972)	(4,152,931)	(4,277,519)
Operating Grant Revenue	(443,245)	-	-	-	-	-
FIS Use Charge	(67,900)	(68,000)	(68,700)	(69,500)	(70,200)	(71,000)
Total Credits	($4,261,145)	($3,892,920)	($4,009,436)	($4,129,272)	($4,252,531)	($4,379,519)
Terminal Net Requirement	**$55,022,408**	**$56,038,426**	**$57,208,363**	**$89,417,401**	**$93,385,320**	**$95,087,141**
Terminal Square Footage	457,450	457,450	457,450	698,740	698,740	698,740
Rental Rate Per Square Foot	**$120.28**	**$122.50**	**$125.06**	**$127.97**	**$133.65**	**$136.08**
Airline Share of Terminal Costs	55.00%	60.00%	65.37%	65.37%	65.37%	65.37%
Airline Share of Terminal Costs	$30,262,325	$33,623,056	$37,398,406	$58,454,185	$61,048,104	$62,160,622
Airline Terminal Square Footage	349,253	349,253	349,253	456,782	456,782	456,782
Net Terminal Rental - Phased Implementation	**$86.65**	**$96.27**	**$107.08**	**$127.97**	**$133.65**	**$136.08**
Terminal Square Footage Leased to Airlines	349,253	349,253	349,253	456,782	456,782	456,782
Less: Checkpoint Square Footage	(29,701)	(29,701)	(49,378)	(49,378)	(49,378)	(49,378)
Airline S.F. Recovered in Rental Rate	319,552	319,552	299,875	407,404	407,404	407,404
Airline Terminal Rental Revenue	**$27,689,200**	**$30,763,300**	**$32,110,600**	**$52,135,500**	**$54,449,500**	**$55,439,500**

e. *Other Aviation Revenue.* Other revenue received by the Authority consists primarily of the capital cost recovery of the fuel farm and fuel farm franchise fees. Other aviation revenue decreased from approximately $1.9 million in FY 2006 to $1.6 million in FY 2009, when the Authority ceased charging the airlines loading bridge and tunnel fees because the related capital expenditures had been fully recovered. During the forecast period, other aviation revenue is projected to remain constant at approximately $1.6 million.

2. Non-Airline Revenues

Non-airline revenues consist of building rents, terminal concession revenues, parking and ground transportation revenues, ground rentals, other operating revenue, and interest income. Non-airline revenues increased from $71.0 million in FY 2006 to $85.6 million in FY 2008, mainly due to increases in terminal concessions and parking revenue associated with increased passenger activity. Non-airline revenues decreased to $82.5 million in FY 2009 and to $79.4 million in FY 2010 due to the subsequent decreases in passenger activity in those years. Non-airline revenues are projected to increase from $83.3 million in FY 2011 to $120.4 million in FY 2016. The components of non-airline revenues are discussed in the following paragraphs.

a. *Building and Other Rents.* The Authority receives rent from non-airline tenants for space rented in the terminal buildings and other areas. In FY 2010, building and other rents totaled approximately $864,000, of which over 70 percent, represented rent received from the U.S. General Services Agency for space used by the TSA and the Drug Enforcement Administration ("DEA"). Building and other rents revenue is projected to increase in accordance with increases in the terminal rental rate calculated pursuant to the Airline Agreement. Building and other rents revenue is projected to increase to $1.2 million in FY 2016.

b. *Terminal Concession Revenues.* The Authority receives percentage concession fees from rental car, food and beverage, news and gift, and other concessionaires. The concession revenue is calculated as a percentage of each concessionaire's sales, subject to minimum annual guarantee amounts. Terminal concession revenue increased from $29.4 million in FY 2006 to $38.8 million in FY 2008 before decreasing to $36.3 million in FY 2009 and $36.1 million in FY 2010, corresponding to fluctuations in air traffic activity. Terminal concession revenues are projected to increase to $46.6 million in FY 2016, due to forecast increases in enplanements and anticipated improvements in the food/beverage and news/gifts concessions program. The Authority's food/beverage and news/gifts concessions are currently operated by a master concessionaire, Host International. The Authority is planning to implement a Concessions Development Program ("CDP"), to coincide with the expiration of the Host International lease on November 30, 2012 and the completion of the planned expansion of Terminal 2 (through the CIP and The Green Build) in early calendar year 2013. Through the CDP, the Authority will change from the current master concessionaire model to a hybrid model involving the direct leasing and multiple prime concessionaire approaches. Authority management has determined that the CDP will benefit the passengers and the Authority by increasing competition among concessionaires, promoting a variety of brands and concepts, maximizing concession sales and the resulting revenue to the Authority, and increasing the Authority's control over the concession program. The food/beverage and news/gifts concession revenue projections included in this chapter are based on the program recommendations contained in the draft Concession Master Plan for the CDP prepared by AirProjects, Inc., dated October 2, 2009.[28]

(i) Rental car concession revenue. The largest component of the terminal concession revenue category is rental car concession revenue, which represented 58 percent of total terminal concession revenue in FY 2010. The rental car companies that operate at the Airport pay a concession fee of 10 percent of their gross revenues. Rental car concession revenue increased from approximately $18.8 million in FY 2006 to approximately $20.9 million in FY 2010. Rental car concession revenue was projected based on the rental car companies' reported FY 2010 gross revenues per originating enplanement, increased by 1.0 percent per year to account for modest rate increases, applied to forecast originating enplanements, and multiplied by the 10 percent concession fee. Rental car concession revenue is projected to increase to approximately $25.6 million in FY 2016.

(ii) Food and beverage concession revenues. The Authority receives concession revenues from Host International for food and beverage items in an amount equal to the greater of an annual minimum guarantee or concession fees of 12.5 percent of food and non-alcoholic beverage sales and 19.0 percent of alcoholic beverage sales. Food and beverage concession revenues totaled $5.9 million in FY 2010. Food and beverage concession revenues are projected to increase significantly in FY 2014, with the implementation of the CDP and related tenant improvements, due to anticipated increases in sales per enplanement. During the forecast period, food and beverage concession revenues are projected to increase to $9.0 million in FY 2016.

(iii) News and gifts concession revenues. The Authority receives concession revenues from Host International for news and gifts items in an amount

[28] The information contained in the AirProjects, Inc. draft report is subject to change, as the CDP is refined.

equal to the greater of an annual minimum guarantee or percentage concession fees of 11.5 percent to 19.5 percent of news and gifts gross sales, depending on the type of merchandise. News and gifts concession revenues totaled $3.8 million in FY 2010. News and gifts concession revenues are projected to increase significantly in FY 2014, with the implementation of the CDP and related tenant improvements, due to anticipated increases in sales per enplanement. During the forecast period, news and gifts concession revenues are projected to increase to $5.5 million in FY 2016.

(iv) License Fees. The Authority receives license fees from companies that provide ground handling and in-flight food services. These license fees, which are based on a percentage of the providers' gross revenues, increased from $0.8 million in FY 2007 to $3.1 million and $3.0 million in FY 2008, due to the implementation of license fees for ground handling providers in FY 2008. License fees are projected to increase to $3.4 million in FY 2016, based on the ground handling and in-flight food service providers' historical gross revenues per enplanement, applied to forecast enplanements.

(iv) Other terminal concession revenues. This category includes rents and fees received for advertising displays, luggage carts, ATMs, a shoe shine concession, security bin advertisements, and other miscellaneous sources. This revenue category increased from $1.2 million in FY 2006 to $2.0 million in FY 2009 and $2.6 million in FY 2010, due to the implementation of a new advertising display lease effective in late FY 2008, with a new Minimum Annual Guarantee effective at the beginning of FY 2009. Other terminal revenues, excluding advertising display revenue and building rentals, are projected based on FY 2010 revenues per enplanement, increased at 1.0 percent per year, and applied to forecast enplanements. Revenues from advertising displays and luggage cart rentals are projected based on projected growth in enplanements. Total revenues for this category are projected to increase from approximately $2.9 million in FY 2011 to approximately $3.1 million in FY 2016.

c. *Parking and Ground Transportation Revenues.* The Authority receives revenues from the public parking lots at the Airport, ground transportation permit fees, and parking citation revenues. Parking and ground transportation revenues increased from approximately $26.9 million in FY 2006 to $30.3 million in FY 2010. Parking revenue projections for the forecast period reflect the anticipated effects of increased passenger activity. Parking revenue projections for FY 2011 and FY 2012 also reflect the effects of anticipated disruptions to parking operations due to construction activity for The Green Build, during which some parking operations will be shifted from the lots adjacent to the terminal buildings to temporary parking lots at other locations. The Authority also plans to implement new ground transportation fees, including new trip and permit fees for taxicabs, and permit fees for limousines, other vehicles for hire, hotel shuttles, and off-airport parking shuttles. The planned fees will be based on a cost recovery methodology, whereby commercial vehicle operators will pay for their proportionate share of the roadway costs, based on their estimated usage of the terminal roadway system. Parking and ground transportation revenues are projected to increase from approximately $32.9 million in FY 2011 to $48.0 million in FY 2016.

d. *Ground Rentals.* The Authority receives rentals from airline and non-airline tenants for various land parcels at the Airport, including parcels leased by the rental car companies, the FBO, and the passenger and all-cargo airlines. Ground rental revenues increased from $5.5 million in FY 2006 to an estimated $5.9 million in FY 2010. Ground rental revenues are estimated to total $6.2 million in FY 2011 and $6.1 million in FY 2012 through FY 2014, mainly due to changes in the amount of ground leased by the airlines. Ground Rental revenues are projected to increase to $11.1 million in FY 2015 and FY 2016, due to the incremental revenue anticipated to begin in that year from the lease of the land parcels on the North side of the Airfield, for the planned cargo and FBO facilities, and the CONRAC.

e. *Other Operating Revenue.* The largest component of this category consists of reimbursements of utility expenses, received primarily from the TSA, Host International, and the FAA. This category also includes noise violation revenue, finger printing fees, service charges, and equipment rentals. In total, this revenue category increased from approximately $347,000 in FY 2006 to $623,000 in FY 2008 and decreased to $456,000 in FY 2009 before increasing to $550,000 in FY 2010. The fluctuations were mainly due to variations in noise violation revenue and utility reimbursements. Other Operating Revenue is projected to decrease to approximately $362,000 in FY 2012 due to reduced utility reimbursements, and then increase to $400,000 in FY 2016 due to anticipated increases in utility reimbursements corresponding to projected increases in utilities expenses.

f. *Interest Income.* The Authority receives interest income on (i) Authority discretionary cash, (ii) promissory notes from the Port District, and (iii) the various bond funds and accounts established pursuant to the Master Senior Indenture. Interest income increased from approximately $8.2 million in FY 2006 to $9.3 million in FY 2008 before decreasing to $7.6 million in FY 2009 and $5.7 million in FY 2010. The fluctuations in interest income were primarily due to variations in the balance of Authority discretionary funds and the interest rates earned on those funds. Interest income is projected to increase during the forecast period, due to anticipated increases in the interest rates and the balances in the various bond funds, as future GARBs are issued. Projected interest income does not include interest anticipated to be earned on the Construction Fund because the interest earned will be used for project costs. Interest income is projected to increase to $13.1 million in FY 2016.

F. KEY FINANCIAL INDICATORS

This sub-section discusses the projections of the following key financial indicators: (1) the application of Revenues pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, (2) the Authority's ability to satisfy the Senior Rate Covenant, the Subordinate Rate Covenant, and the additional bonds tests contained in the Master Senior Indenture and the Master Subordinate Indenture; and (3) the airline cost per enplaned passenger.

1. Application of Revenues

Table VI-10 shows the forecast application of Revenues pursuant to the provisions of the Master Senior Indenture, during the forecast period. Revenues are applied in the order shown on **Figure VI-1**.

2. Rate Covenants and Additional Bonds Test

The Senior Rate Covenant contained in the Master Senior Indenture and the Subordinate Rate Covenant contained in the Master Subordinate Indenture are projected on **Table VI-11**. The calculations reflect the projected debt service of the Series 2010 Bonds and the future GARB issues anticipated to be sold in 2012 and 2013 to complete the financing plan for The Green Build and the current CIP. As mentioned earlier, under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues that will satisfy all the Authority's obligations under the Master Senior Indenture, and that will at least equal 125 percent of aggregate annual debt service on the outstanding senior bonds. Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues that will satisfy all the Authority's obligations under the Master Subordinate Indenture, and that will least equal 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations.

TABLE VI-10
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
APPLICATION OF AIRPORT REVENUES
Fiscal Years Ending June 30

	Projected					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Airport Revenues	**$149,285,239**	**$158,721,562**	**$173,342,141**	**$204,432,859**	**$221,339,033**	**$229,088,152**
Application of Airport Revenues						
Operation & Maintenance Subccount	$120,923,328	$124,551,028	$128,287,559	$138,139,438	$142,283,621	$146,552,130
Debt Service Funds net of PFCs applied [1]	5,354,225	5,355,975	5,364,475	17,763,275	17,768,775	17,774,413
Debt Service Reserve Funds	-	-	-	-	-	-
Subordinate Obligation Debt Service, net of PFCs applied [1]	3,448,050	3,834,418	3,833,793	24,309,793	27,647,718	27,638,918
Subordinate Obligations Debt Service Reserve Funds	-	-	-	-	-	-
Operation & Maintenance Reserve Subaccount	293,686	906,925	934,133	2,462,970	1,036,046	1,067,127
Renewal and Replacement Subaccount	-	-	-	-	-	-
Airport Revenue Fund	19,265,951	24,073,216	34,922,182	21,757,382	32,602,872	36,055,564
Total Airport Revenues Applied	**$149,285,239**	**$158,721,562**	**$173,342,141**	**$204,432,859**	**$221,339,033**	**$229,088,152**

[1] PFCs are excluded from the definition of Revenues in the indentures.

TABLE VI-11
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE
Fiscal Years Ending June 30

	Historical		Projected					
	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	$138,334,601	$137,749,647	$149,285,239	$158,721,562	$173,342,141	$204,432,859	$221,339,033	$229,088,152
Less: O&M Expenses	115,221,068	116,461,059	120,923,328	124,551,028	128,287,559	138,139,438	142,283,621	146,552,130
Net Revenues	$23,113,533	$21,288,588	$28,361,911	$34,170,534	$45,054,583	$66,293,421	$79,055,411	$82,536,022
Senior Bonds Debt Service	$5,341,975	$ 5,349,475	$ 5,354,225	$ 5,355,975	$ 16,631,275	$ 31,770,075	$ 31,776,175	$ 31,782,513
PFCs Used to Pay Debt Service [1]	-	-	-	-	(11,266,800)	(14,006,800)	(14,007,400)	(14,008,100)
Senior Bonds Debt Service, Net of PFCs [1]	$5,341,975	$5,349,475	$5,354,225	$5,355,975	$5,364,475	$17,763,275	$17,768,775	$17,774,413
Senior Bonds Debt Service Coverage	**4.33**	**3.98**	**5.30**	**6.38**	**8.40**	**3.73**	**4.45**	**4.64**
Subordinate Net Revenues	$17,771,558	$15,939,113	$23,007,686	$28,814,559	$39,690,108	$48,530,146	$61,286,636	$64,761,610
Subordinate Debt Service	$839,479	$427,500	$3,448,050	$3,834,418	$18,729,781	$43,982,931	$47,318,331	$47,312,706
PFCs Used to Pay Debt Service [1]	-	-	-	-	(14,895,988)	(19,673,138)	(19,670,613)	(19,673,788)
Subordinate Obligation Debt Service, Net of PFCs [1]	$839,479	$427,500	$3,448,050	$3,834,418	$3,833,793	$24,309,793	$27,647,718	$27,638,918
Subordinate Debt Service Coverage	**21.17**	**37.28**	**6.67**	**7.51**	**10.35**	**2.00**	**2.22**	**2.34**
Total Debt Service	$6,181,454	$5,776,975	$8,802,275	$9,190,393	$9,198,268	$42,073,068	$45,416,493	$45,413,331
Total Debt Service Coverage	**3.74**	**3.69**	**3.22**	**3.72**	**4.90**	**1.58**	**1.74**	**1.82**

[1] The Authority has irrevocably commited certain PFCs to the payment of debt service for the Series 2010 Bonds, and intends to irrevocably commit additional PFCs for future GARBs. Pursuant to the indentures, PFCs that are irrevocably committed to the payment of debt service are excluded from Aggregate Annual Debt Service for purposes of calculating debt service coverage.

Net Revenues are defined in the Master Senior Indenture as Revenues minus O&M Expenses. Subordinate Net Revenues are defined in the Master Subordinate Indenture as Net Revenues minus deposits to the Debt Service Funds for the payment of debt service on the senior bonds and any reserve fund deposits required pursuant to the Master Senior Indenture.

The Authority expects to use $11.3 million of PFCs in FY 2013 and $14.0 million in PFCs in each of FY 2014, FY 2015, and FY 2016 to pay a portion of the debt service on the Senior Bonds; and $14.9 million in PFCs in FY 2013 and $19.7 million in each of FY 2014, FY 2015, and FY 2016 to pay a portion of the debt service on the Subordinate Obligations (including the Series 2010 Bonds). If PFCs have been irrevocably committed or are otherwise used to pay debt service on the Senior Bonds or the Subordinate Obligations, the debt service on such Senior Bonds and Subordinate Obligations may be excluded from the calculation of debt service on the Senior Bonds and the Subordinate Obligations. Therefore, the debt service coverage calculations shown on Table VI-11 exclude the portion of debt service anticipated to be paid with PFCs.

Debt service coverage calculated according to the Senior Rate Covenant is projected to increase from 3.98 in FY 2010 to 5.30 in FY 2011, 6.38 in FY 2012, and 8.40 in FY 2013 before decreasing to 3.73 in FY 2014 with the expiration of the capitalized interest period on the senior lien GARBs anticipated to be issued in 2012 and 2013.[29] Senior debt service coverage is then projected to increase to 4.45 in FY 2015 and 4.64 in FY 2016. Debt service coverage calculated according to the Subordinate Rate Covenant is projected to be 6.67 in FY 2011, 7.51 in FY 2012 and 10.35 in FY 2012 before decreasing to 2.00 in FY 2014, when capitalized interest is anticipated to expire on the Series 2010 Bonds and future subordinate lien GARBs to be issued in 2013. Subordinate debt service coverage is projected to increase to 2.22 in FY 2015 and 2.34 in FY 2016 as Subordinate Net Revenues are projected to increase in those years. Therefore, the Authority is projected to satisfy the coverage requirements for both the Master Senior Indenture and the Master Subordinate Indenture.

Total debt service coverage (reflecting senior and subordinate obligations) is projected to increase from 3.22 in FY 2011 to 3.72 in FY 2012 and 4.90 in FY 2013 before decreasing to 1.58 in FY 2014 with the expiration of the capitalized interest periods on the Series 2010 Bonds and the GARBs anticipated to be issued in 2012 and 2013. Total debt service coverage is projected to increase to 1.74 in FY 2015, and 1.82 in FY 2016.

The Master Subordinate Indenture contains an additional bonds test, which can be satisfied by a certificate prepared by a consultant that shows the applicable

[29] The capitalized interest period for the Series 2010 Bonds will be completed in FY 2013; however, those series of bonds are anticipated to be subordinate bonds, and therefore the related debt service will not affect the senior lien coverage calculation.

coverage calculation on both a historical and a projected basis. The historical coverage calculation must be for the last audited Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the date of issuance of the proposed bonds. The projected coverage calculation must cover the period from the first full Fiscal Year following the issuance of the proposed bonds through the later of (a) the fifth full fiscal year after the date of issuance of the proposed bonds, or (b) the third full fiscal year after the end of the capitalized interest period on the bonds. The coverage calculations for FY 2011 and future years shown on **Table VI-11** and described above meet the projected coverage calculation requirements for the additional bonds test. Also shown on **Table VI-11** are the coverage calculations for FY 2009, the Authority's most recent audited Fiscal Year, and for FY 2010, which meet the historical coverage calculation requirements for the additional bonds test. Subordinate debt service coverage was 21.17 in FY 2009 and 37.28 in FY 2010, respectively. Therefore, the calculations demonstrate that the Authority satisfied the historical requirements for the additional bonds test for the Master Subordinate Indenture.

3. PFC Cash Flow

The projected PFC cash flow is presented on **Table VI-12**. The projections conservatively assume the PFC collection level will remain at the current rate of $4.50. PFC collections, net of the airline collection fee, are projected to increase from $34.9 million in FY 2011 to $40.3 million in FY 2016. As mentioned earlier in this section, beginning in FY 2013, the Authority intends to apply a portion of annual PFC revenues toward debt service on the Series 2010 Bonds and the GARBs anticipated to be issued in 2012 and 2013. Pursuant to the PFC Resolution, the Authority has irrevocably committed $72.3 to the payment of debt service on the Series 2010 Bonds and other PFC eligible bonds. The Authority intends to irrevocably commit additional PFCs to the payment of debt service on the Series 2010 Bonds and future GARBs. In addition, the Authority is applying PFCs on a Pay-As-You-Go basis toward PFC eligible costs of The Green Build and the CIP, and the Quieter Home Program.[30] The balance in the PFC Fund is projected to decrease from $57.9 million at the beginning of FY 2011 to $44.2 million at the end of FY 2016.

4. Airline Cost per Enplaned Passenger

An important component of the financial feasibility report is an assessment of how the planned capital improvements and the related financings will affect airline rates and charges. Based on the financial projections discussed above, the airline cost per enplaned passenger, presented on **Table VI-13,** is projected to increase from $7.49 in FY 2011 to $10.72 in FY 2016.

[30] See Table II-4 for a summary of PFCs planned to be applied on a Pay-As-You-Go basis toward PFC eligible costs of The Green Build and the CIP.

TABLE VI-12
PROJECTED PFC CASH FLOW
Fiscal Years Ending June 30

	2011	2012	2013	2014	2015	2016
PFC Collections						
Projected Enplanements	8,634,000	8,957,000	9,278,000	9,555,000	9,775,000	9,978,000
% of Enplaned Passengers	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%
PFC Eligible Enplaned Passengers	7,943,280	8,240,440	8,535,760	8,790,600	8,993,000	9,179,760
Gross PFC Collections						
$4.50 Per Eligible Enplanement	$35,744,760	$37,081,980	$38,410,920	$39,557,700	$40,468,500	$41,308,920
Less: Airline Collection Fee						
$0.11 Per Eligible Enplanement	(873,761)	(906,448)	(938,934)	(966,966)	(989,230)	(1,009,774)
Net PFC Collections	$34,870,999	$36,175,532	$37,471,986	$38,590,734	$39,479,270	$40,299,146
PFC Fund						
Beginning Balance	$57,894,541	$40,435,806	$36,556,013	$39,215,499	$38,827,819	$39,431,723
Net PFC Collections	34,870,999	36,175,532	37,471,986	38,590,734	39,479,270	40,299,146
Applied to Debt Service [1]	-	-	(26,162,788)	(33,679,938)	(33,678,013)	(33,681,888)
Applied on a Pay-As-You-Go basis [2]	(53,110,859)	(40,759,891)	(9,492,170)	(6,236,547)	(6,192,596)	(2,967,414)
Interest Income	781,124	704,566	842,456	938,071	995,242	1,107,472
Ending Balance	$40,435,806	$36,556,013	$39,215,499	$38,827,819	$39,431,723	$44,189,040

[1] The Authority has irrevocably commited certain PFCs to the payment of debt service for the Series 2010 Bonds, and intends to irrevocably commit additional PFCs for future GARBs.
[2] PFCs projected to be applied on a Pay-As-You-Go basis to capital costs of The Green Build and the CIP, and the Quieter Home Program.

TABLE VI-13
SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE COST PER ENPLANED PASSENGER
Fiscal Years Ending June 30

	Unaudited	Projected					
	2010	2011	2012	2013	2014	2015	2016
Landing Fees	$17,313,900	$19,261,000	$19,531,100	$20,231,100	$20,835,100	$21,191,600	$21,883,200
Aircraft Parking Fees	3,382,020	2,826,000	2,877,300	2,932,700	3,020,300	3,083,500	3,175,400
Terminal Rental Revenue	23,986,443	27,757,100	30,831,200	32,178,600	52,204,200	54,519,000	55,509,700
Security Surcharges	12,048,188	14,785,500	17,229,400	21,416,139	24,566,515	25,716,256	26,416,426
Total Airline Revenue [1]	**$56,730,551**	**$64,629,600**	**$70,469,000**	**$76,758,539**	**$100,626,115**	**$104,510,356**	**$106,984,726**
Enplanements	8,453,886	8,634,000	8,957,000	9,278,000	9,555,000	9,775,000	9,978,000
Cost Per Enplanement	**$6.71**	**$7.49**	**$7.87**	**$8.27**	**$10.53**	**$10.69**	**$10.72**

[1] FY 2011 Total Airline Revenue is from the Authority's FY 2011 budget, plus the amount for the new service incentive program.

According to statistics compiled from published data, the airline cost per enplanement for selected large-hub U.S. airports ranges between $4.49 and $16.83.[31] It should be noted that these amounts do not include the potential effect of future capital improvements at those airports. In addition, this comparison is being made to SAN's projected costs in FY 2016 (six years in the future). Therefore, SAN's projected airline cost per enplanement, which includes the effect of the CIP and The Green Build, appears very reasonable when compared to other large-hub airports.

H. SUMMARY

The following points highlight the significant findings of the financial analysis contained in this section:

- Senior debt service coverage is projected to remain above the 1.25 minimum requirement, with a projected minimum of 3.73 during the period FY 2011 through FY 2016.

- Subordinate Debt service coverage is projected to remain above the 1.10 minimum requirement, with a projected minimum of 2.00 during the period FY 2011 through FY 2016.

- For purposes of the additional bonds test, subordinate debt service coverage was 21.17 in FY 2009 and 37.28 in FY 2010, respectively – well above the 1.10 minimum requirement.

- The Authority's PFC Fund balance, after accounting for PFCs projected to be applied toward debt service on the Series 2010 Bonds and future GARBs, and PFCs projected to be applied on a Pay-As-You-Go basis toward PFC eligible capital costs, is projected to decrease from $57.9 million at the beginning of FY 2011 to $44.2 million at the end of FY 2016.

- The airline cost per enplaned passenger is projected to remain reasonable during the forecast period, compared to the airline cost per enplanement amounts for other airports in California. SAN's airline cost per enplanement is projected to increase from $7.49 in FY 2011 to $10.72 in FY 2016.

[31] Based on data for the following 10 large-hub airports: Boston Logan, Chicago O'Hare, Dallas-Fort Worth, Denver, Los Angeles, Miami, Phoenix, San Francisco, Seattle, and Washington Dulles.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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San Diego County
Regional Airport Authority

Financial Report
June 30, 2009

McGladrey & Pullen
Certified Public Accountants

Contents

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (the Airport Authority) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

San Diego, CA
October 15, 2009

INTRODUCTION

This section of the San Diego County Regional Airport Authority's (the Airport Authority) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Airport Authority for the fiscal years ended June 30, 2009 and 2008.

The Airport Authority was established on January 1, 2002, as an independent agency. On January 1, 2003, the operations and assets of San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (District) to the Airport Authority. The Airport Authority adopted a June 30 fiscal year-end and produced its first audited financial statements for the six months ended June 30, 2003.

USING THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and the notes to the financial statements. The report includes the following three basic financial statements: the balance sheet, the statement of revenues, expenses and change in net assets, and the statement of cash flows. The notes are essential to a full understanding of the data contained in the financial statements.

The comparative Balance Sheets depict the Airport Authority's financial position as of a point in time—June 30, 2009, and June 30, 2008—and include all assets and liabilities of the Airport Authority. The Balance Sheets demonstrate that the Airport Authority's assets minus liabilities equal net assets. Net assets represent the residual interest in the Airport Authority's assets after liabilities are deducted. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

The comparative Statements of Revenues, Expenses and Change in Net Assets report total operating revenues, operating expenses, nonoperating revenues and expenses, and change in Airport Authority net assets. Revenues and expenses are categorized as either operating or nonoperating, based upon management's policy as established in accordance with definitions set forth in Governmental Accounting Standards Board (GASB) No. 33 and GASB No. 34. Significant recurring sources of the Airport Authority's revenues, including Passenger Facility Charges (PFC), Customer Facility Charges (CFC) and investment income, are reported as nonoperating revenues. The Airport Authority's interest expense is reported as nonoperating expense. Capital grant contributions represent grants for capital improvement purposes.

The comparative Statements of Cash Flows present information showing how the Airport Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities and investing activities.

The Airport Authority is a self-sustaining entity receiving most of its revenues through airline user charges and rents from the concessionaires operating at or near SDIA. Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain, and acquire necessary services and facilities.

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (Commission). The Commission was established to evaluate regional governance in San Diego County and report to the California State Legislature on measures to improve it.

Because of the significant regional consequences of airport development and operations, the Commission concluded that a regional decision-making process should address the future development of airport facilities in San Diego County. In October 2001, the enabling legislation, Assembly Bill 93 (AB 93) established the composition and jurisdiction of the Airport Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

The policymakers recognized the complexity of transferring a commercial airport to a newly created entity. To ensure a smooth transition, the Airport Authority was vested with the responsibility to develop and execute an Airport Transition Plan with the complete support and cooperation of the District, the Federal Aviation Administration and the State of California.

Legislative Background

AB 93 was signed into California State law in October 2001. The AB established the Airport Authority on January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896 (Act). The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted to expand the responsibilities of the Airport Authority. The Airport Authority is vested with six principal responsibilities:

(1) Operation of SDIA,
(2) Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA,
(3) Development of comprehensive airport land use plans for the airports in the county by June 30, 2005,
(4) Serving as the region's Airport Land Use Commission,,
(5) Additionally, with SB 10, prepare a Regional Aviation Strategic Plan by June 30, 2011, and
(6) Prepare and adopt, by San Diego Association of Governments (SANDAG), an Airport Multimodal Accessibility Plan by December 31, 2013.

Transfer of Assets and Liabilities/Joint Audit

The Airport Authority and District collaboratively developed a financial Memorandum of Understanding (MOU) outlining the essential aspects of the Airport Transfer, including the timely transfer and identification of assets and liabilities relating specifically to the transfer of SDIA's asset and operations transfer on January 1, 2003. The MOU addresses the transfer process, litigation matters, utility obligations and treatment of employees.

The Airport Authority and District commissioned a joint audit in accordance with the Act. Independent auditors, McGladrey & Pullen LLP, issued an audit report dated June 13, 2003, on the Airport Authority's balance sheet as of January 1, 2003. In addition, they prepared an audit report dated October 17, 2003, on the Airport Authority's finances for the first six months of operations ending June 30, 2003.

Airport Activities Highlights

After experiencing enplanement growth in fiscal years 2007 and 2008, the Airport Authority experienced a decline in enplanements in fiscal year 2009 as did almost all commercial airports across the country due to the downturn in the economy.

The changes in the SDIA's major activities for the current and prior two fiscal years are as follows:

	FY 2007	FY 2008	FY 2009
Enplaned Passengers	8,892,069	9,389,327	8,557,790
% increase (decrease)	*1.6%*	*5.6%*	*-8.9%*
Total Passengers	17,753,839	18,773,969	17,073,886
% increase (decrease)	*1.5%*	*5.7%*	*-9.1%*
Aircraft Operations	220,260	234,209	206,675
% increase (decrease)	*-0.6%*	*6.3%*	*-11.8%*
Freight and Mail (in tons)	191,043	144,523	120,782
% increase (decrease)	*0.8%*	*-24.4%*	*-16.4%*
Landed Weight (000)	11,720	12,493	11,279
% increase (decrease)	*1.7%*	*6.6%*	*-9.7%*

SDIA is a destination airport and is not a hub for any airlines. Further, there is a balanced mixture of SDIA travelers of 50% leisure and 50% business. These factors generally add to the stability of SDIA enplanements in comparison to most airports. However, SDIA realized 8.9% enplanement reduction in fiscal year 2009 compared to 2008 as the U.S. and local economies went into a steep recession. Prior to the economic downturn, SDIA showed healthy growth of 5.6% and 1.6% in passenger enplanements in fiscal 2008 and 2007, respectively, despite continued financial turmoil in the airline industry.

Overall SDIA experienced declines in aircraft operations, 11.8%, freight and mail, 16.4%, and decreased landed weight, 9.7% in fiscal year 2009. Most of these reductions are attributed to the economic recession. In prior years, SDIA experienced mixed results in aircraft operations, 6.3% growth and 0.6% decline, freight and mail tonnage, 24.4% decline and 0.8% growth, and landed weights, 6.6% growth and 1.7% growth, for fiscal years ended 2008 and 2007, respectively. This growth in fiscal year 2008 was a reflection of the increase in both personal household income and increase in industry sectors. The decline in freight and mail in fiscal years 2008 and 2009 reflects a downturn of business for the two largest freight carriers at SDIA, Federal Express and UPS along with the economic recession.

Statement of Revenues, Expenses and Change in Net Assets (in thousands)

The metric 'Change in Net Assets' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net assets increased in fiscal year 2009 and fiscal year 2008 to $513 million and $495 million, respectively. Following is a summary of the statements of revenues, expenses and change in net assets.

Increase in Net Assets	**FY 2007**	**FY 2008**	**FY 2009**
Operating revenues	$ 125,366	$ 135,682	$ 130,977
Operating expenses	(138,019)	(150,750)	(153,474)
Nonoperating revenues, net	37,245	41,806	35,913
Capital grant contributions	7,150	2,850	4,646
Increase in net assets	31,742	29,588	18,062
Net assets, beginning of year	433,791	465,533	495,121
Net assets, end of year	$ 465,533	$ 495,121	$ 513,183

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections below.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

			From 2008 to 2009	
	FY 2008	FY 2009	Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 24,763	$ 18,689	$ (6,074)	(24.5) %
Aircraft parking fees	-	3,221	3,221	N/A
Building rentals	24,265	23,057	(1,208)	(5.0) %
Security surcharge	8,618	10,204	1,586	18.4 %
Other aviation revenue	1,808	1,565	(243)	(13.4) %
Total airline revenue	59,454	56,736	(2,718)	(4.6) %
Concession revenue	38,785	36,280	(2,505)	(6.5) %
Parking and ground transportation revenue	31,038	31,492	454	1.5 %
Ground rentals	5,208	5,776	568	10.9 %
Other operating revenue	1,197	693	(504)	(42.1) %
Total operating revenue	$ 135,682	$ 130,977	$ (4,705)	(3.5) %

			From 2007 to 2008	
	FY 2007	FY 2008	Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 24,006	$ 24,763	$ 757	3.2 %
Building rentals	22,495	24,265	1,770	7.9 %
Security surcharge	8,441	8,618	177	2.1 %
Other aviation revenue	1,757	1,808	51	2.9 %
Total airline revenue	56,699	59,454	2,755	4.9 %
Concession revenue	34,201	38,785	4,584	13.4 %
Parking and ground transportation revenue	28,392	31,038	2,646	9.3 %
Ground rentals	4,994	5,208	214	4.3 %
Other operating revenue	1,080	1,197	117	10.8 %
Total operating revenue	$ 125,366	$ 135,682	$ 10,316	8.2 %

Fiscal Year 2008 Compared to 2009
Fiscal year 2009 operating revenue decreased $4.7 million or 3.5% primarily due to the decrease in passengers. The Landing fees reduction is due to the decrease in landed weights and the establishment of Aircraft parking fees, which recovers certain airfield costs previously recovered via the Landing fees, which is the primary driver of the $2.7 million or 4.6% decrease in Total airline revenue. In fiscal 2009, the Airport Authority started charging airlines for overnight parking generating $3.2 million as a new revenue source. Also, included in Total airline revenue is

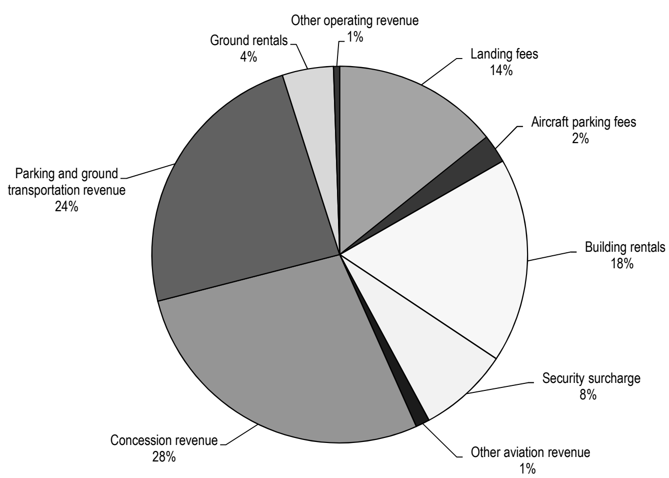
Operating Revenues, Continued

Security surcharge, which increased $1.6 million or 18.4% due to increased security personnel salaries and benefits and requirements. Building rentals decreased by $1.2 million or 5% reflecting reduction in airport operating costs in the FY 09 reforecast. Additionally, concession revenue, which includes terminal retail, food and beverage, advertising, baggage carts, license percentage rents from off-airport tenants, and rental car revenues were down $2.5 million or 6.5%. This again was due to the decrease in passengers and economic recession. Parking revenues increased by 1.5%, reflecting higher rates established in fiscal year 2009 which largely offset the decline in passenger activity and demand for parking.

Fiscal Year 2007 Compared to 2008

Fiscal year 2008 operating revenue increased $10.3 million or 8.2% primarily due to the increase in passengers. The increase in passengers reflects the increase in Landing fees. The Landing fees growth is due to the increase in landed weights, which is the primary driver of the $2.8 million or 4.9% increase in Total airline revenue. Also included in Total airline revenue is Security surcharge, which increased $177,000 or 2.1% due to increased security requirements. Building rentals increased by $1.8 million or 7.9% reflecting increased cost recovery. Additionally, concession revenue, which includes terminal retail, food and beverage, advertising, baggage carts, license percentage rents from off-airport tenants, and rental car revenues, was up $4.6 million or 13.4%. This again was due to the increase in passengers and due to the elevated security status with the restriction of liquids in carry-on baggage.

San Diego County Regional Airport Authority FY 2009 Revenues



Operating Expenses (in thousands)

	FY 2008	FY 2009	From 2008 to 2009 Increase (Decrease)	% Change
Salaries and benefits	$ 32,912	$ 34,741	$ 1,829	5.6 %
Contractual services	27,379	27,464	85	0.3 %
Safety and Security	19,110	19,930	820	4.3 %
Space rental	10,901	10,888	(13)	(0.1) %
Utilities	6,429	6,912	483	7.5 %
Maintenance	8,735	8,002	(733)	(8.4) %
Equipment and Systems	1,333	678	(655)	(49.1) %
Materials and supplies	795	641	(154)	(19.3) %
Insurance	1,227	1,096	(131)	(10.7) %
Employee Development and Support	1,035	1,030	(5)	(0.5) %
Business Development	2,733	2,509	(224)	(8.2) %
Equipment rentals and repairs	1,396	1,387	(9)	(0.7) %
Total operating expenses before depreciation and amortization	113,985	115,278	1,293	1.1 %
Depreciation and amortization	36,765	38,196	1,431	3.9 %
Total operating expenses	$ 150,750	$ 153,474	$ 2,724	1.8 %

	FY 2007	FY 2008	From 2007 to 2008 Increase (Decrease)	% Change
Salaries and benefits	$ 28,333	$ 32,912	$ 4,579	16.2 %
Contractual services	26,391	27,379	988	3.7 %
Safety and Security	15,946	19,110	3,164	19.8 %
Space rental	10,843	10,901	58	0.5 %
Utilities	6,421	6,429	8	0.1 %
Maintenance	8,393	8,735	342	4.1 %
Equipment and Systems	980	1,333	353	36.0 %
Materials and supplies	761	795	34	4.5 %
Insurance	1,999	1,227	(772)	(38.6) %
Employee Development and Support	909	1,035	126	13.9 %
Business Development	2,096	2,733	637	30.4 %
Equipment rentals and repairs	1,479	1,396	(83)	(5.6) %
Total operating expenses before depreciation and amortization	104,551	113,985	9,434	9.0 %
Depreciation and amortization	33,468	36,765	3,297	9.9 %
Total operating expenses	$ 138,019	$ 150,750	$ 12,731	9.2 %

Operating Expenses, Continued

Fiscal Year 2008 Compared to 2009

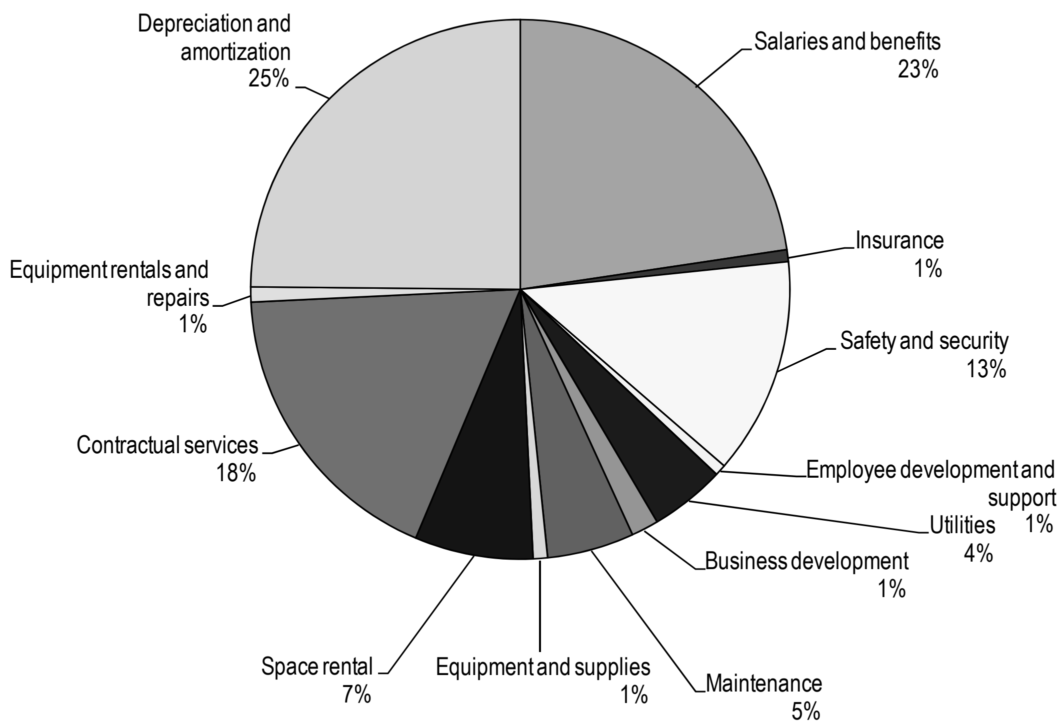
In fiscal year 2009, operating expenses increased $2.7 million, 1.8%, from $151 million to $153 million, primarily due to increased salaries and benefits, safety and security, and depreciation and amortization expense. In October 2008, the Airport Authority performed a reforecast of their original 2009 budget due to the deep economic downturn. The Airport Authority implemented a hiring freeze and reduced the approved 2009 budgeted expenses by approximately 7% or $8.8 million to align with the projected reduced revenues. Salaries and benefits increased $1.8 million or 5.6% reflecting annual raises, and increased cost of benefits. The increased security expenses reflect the increased security costs in the mandated utilization of the Harbor Police due to salaries and benefit increases. All other operating expenses were reduced to adjust to the economic recession in reduced enplanements and revenues. Depreciation and amortization expense increased $1.4 million or 3.9% due to placing over $30.3 million of capital projects in service. Multiple capital projects were placed in service. They consisted of $3.5 million for expanded restrooms in Terminal 1, $4.9 million for a perimeter fence, $3.2 million to reconfigure a gate, $3 million for a renovation of an old building for the facility management department and $4 million for the purchase of a building to support our terminal expansion team.

Fiscal Year 2007 Compared to 2008

In fiscal year 2008, operating expenses increased $12.7 million, 9.2%, from $138 million to $150.8 million, primarily due to increased salaries and benefits, contractual services, safety and security, and depreciation and amortization expense. Salaries and benefits increased $4.6 million or 16.2% reflecting annual raises, additional headcount, increased cost of benefits and the implementation of GASB No. 45. In fiscal year 2008, contractual services increased by $1 million or 3.7% due to the decreased amount of capitalized labor performed. The increased security expenses reflect the increased security status to code orange for the full fiscal year. Insurance expense was less for fiscal year 2007 because the Airport Authority did not renew earthquake insurance due to the lack of availability. Depreciation and amortization expense increased $3.3 million or 9.9% due to placing over $29 million of capital projects in service. The most significant capital project was the Security Baggage Screening project, at $10 million.

Operating Expenses, Continued

San Diego County Regional Airport Authority FY 2009 Expenses



Nonoperating Revenues and Expenses (in thousands)

	FY 2008	FY 2009	From 2008 to 2009 Increase (Decrease)	% Change
Passenger facility charge	$ 37,401	$ 33,219	$ (4,182)	(11.2) %
Customer facility charge	-	1,695	1,695	N/A
Quieter Home Program grant revenue	8,284	19,649	11,365	(137.2) %
Quieter Home Program expenses	(12,273)	(25,223)	(12,950)	(105.5) %
Joint Studies Program	(964)	(180)	784	81.4 %
Interest income	13,432	9,434	(3,998)	(29.8) %
Interest expense	(4,086)	(2,998)	1,088	26.6 %
Other revenues (expenses), net	12	316	304	(2,534.0) %
Nonoperating revenues, net	$ 41,806	$ 35,913	$ (5,893)	(14.1) %

	FY2007	FY 2008	From 2007 to 2008 Increase (Decrease)	% Change
Passenger facility charge	$ 36,452	$ 37,401	$ 949	2.6 %
Quieter Home Program grant revenue	5,233	8,284	3,051	(58.3) %
Quieter Home Program expenses	(8,325)	(12,273)	(3,948)	(47.4) %
Joint Studies Program	(120)	(964)	(844)	(705.5) %
Interest income	11,969	13,432	1,463	12.2 %
Interest expense	(4,683)	(4,086)	597	(12.7) %
Other revenues (expenses), net	(3,281)	12	3,293	(100.4) %
Nonoperating revenues, net	$ 37,245	$ 41,806	$ 4,561	12.2 %

Passenger Facility Charges (PFCs): PFCs were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The Airport Authority collects a $4.50 PFC from revenue enplaned passengers to pay for the cost to design and construct eligible Airport capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to the Airport Authority the month following collection less a $0.11 administration fee.

Customer Facility Charges (CFCs): In May 2008, the Airport Authority began collecting a $10 CFC per contract on rental cars, which is authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected will be used to plan and construct a consolidated rental car facility and improved transportation system. The rental car agencies remit to the Airport Authority the month following collection of the fee.

Nonoperating Revenues and Expenses, Continued

Quieter Home Program: Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for an Airport Improvement Program (AIP) grant. From inception to June 30, 2009, the Airport Authority has spent $78.6 million and received reimbursement for $62.8 million.

Interest income: Interest income is derived from interest earned by the Airport Authority on investments, commercial paper reserves, bond reserves and notes receivable from the District.

Interest expense: Interest expense includes interest paid and accrued on the 2005 Series Bonds and Commercial Paper Series A and Series B.

Other nonoperating income (expense): Other nonoperating income (expense) includes proceeds and expenses for legal settlements, gain (loss) on the sale of fixed assets, unrealized gain (loss) on investments, and other miscellaneous revenue and expenses.

Capital Grant Contributions

The Airport Authority receives Airport Improvement Program (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. Variances relate to the amount of work completed on eligible projects during the fiscal year.

Fiscal Year 2008 Compared to 2009
Nonoperating revenue (net) decreased by $5.9 million or 14.1%. The largest component of this change was passenger facility charges which decreased by $4.2 million or 11.2%. This was primarily due to a reduction of enplanements due to the economic recession. Interest income also decreased by $4 million or 29.8%. This is primarily due to a decreased rate of return on invested funds, again due to the unstable market conditions in fiscal year 2009. The Quieter Home Program had a net expenditure increase of $1.6 million or 39.7% due to the increased amount of homes completed in the program. Interest expense decreased from fiscal 2008 by $1.1 million or 26.6% due to the low commercial paper rates which averaged an unprecedented .45%.

Fiscal Year 2007 Compared to 2008
Nonoperating revenue (net) increased by $4.6 million or 12.2%. The largest component of this change was other nonoperating revenues (expenses) which increased by $3.3 million or 100.4%. This was primarily due to a reduction of write offs of construction work in progress, $38,000 in 2008 versus $3.1 million in 2007. Interest income increased by $1.5 million or 12.2%. This is primarily due to an increase in unused cash collected from PFCs and due to an increased rate of return on invested funds. The Quieter Home Program had a net expenditure increase of $898,000 or 29.0% due to the increased amount of homes completed in the program.

Assets, Liabilities and Net Assets

The balance sheets present the financial position of the Airport Authority at June 30, 2009, compared to June 30, 2008. The statements include all assets and net assets of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net assets at June 30, 2007, 2008 and 2009, is as follows:

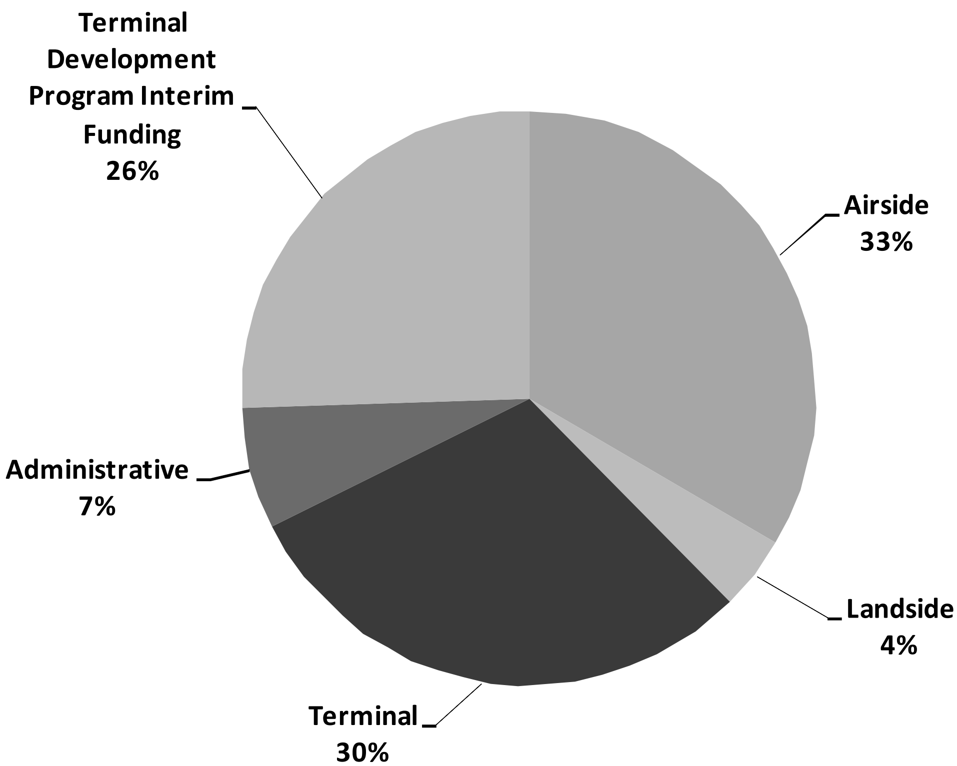
(in thousands)	FY 2007	FY 2008	FY 2009
Assets			
Current assets	$ 84,146	$ 96,178	$ 85,162
Capital assets, net	334,826	336,940	380,549
Noncurrent assets	108,261	195,509	225,508
Total assets	$ 599,233	$ 628,627	$ 691,219
Liabilities			
Current liabilities	$ 31,598	$ 36,247	$ 47,029
Long-term liabilities	102,102	97,259	131,007
Total liabilities	$ 133,700	$ 133,506	$ 178,036
Net Assets			
Invested in capital assets, net of related debt	$ 236,762	$ 238,144	$ 249,498
Bond reserves, unapplied PFCs and other restricted	103,787	136,548	167,827
Unrestricted	124,984	120,429	95,858
Total net assets	465,533	495,121	513,183
Total liabilities and net assets	$ 599,233	$ 628,627	$ 691,219

As of June 30, 2009, the Airport Authority's assets exceeded liabilities by $513 million, an $18 million increase over June 30, 2008. The largest portion of the Airport Authority's net assets represents its investment in capital assets, less the amount of associated debt outstanding. The Airport Authority uses these capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot practically be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The remaining unrestricted net assets of $96 million as of 2009 and $120 million as of 2008 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2009, and 2008, management has designated unrestricted funds in the amount of $6 million and $9 million, respectively, for capital contract commitments funded by Airport Authority cash, and earthquake insurance for fiscal years 2009 and 2008 and other postretirement benefit contributions for fiscal year 2008. All postretirement benefit contributions designated in 2008 were paid in 2009. In addition, as of June 30, 2009, and 2008, management has designated unrestricted net assets of $4 million for operating and insurance contingencies.

Capital Asset and Capital Improvement Program

The funds used for the capital improvements or to expand SDIA's facilities are derived from several sources, including the FAA through AIP grants, PFCs and SDIA funds. Currently, SDIA's $334.8 million capital improvement program (CIP) follows a pay-as-you-go approach utilizing commercial paper program, as and when needed, for short-term financing needs. The current CIP, which includes projects through 2013, consists of $112 million for airside projects, $13.9 million for landside projects, $100.5 million for terminal projects, $85.4 million for interim funding for the Terminal Development Program, and $23 million for administrative projects. The current SDIA CIP does not include the master plan construction costs, noise reduction, and related projects.

Capital Improvement Program (CIP) Projects by Type



Among the larger projects undertaken during fiscal year 2009 was the Naval Training Center land remediation, $40 million, to prepare for the 2010 apron project. The apron project is the beginning of the actual building of the $865 million airport expansion program called "The Green Build."

Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements on pages 41-42 of this report.

Capital Financing and Debt Management

In October 2005, the Airport Authority sold $56.27 million of San Diego County Regional Airport Authority Airport Revenue Refunding Bonds Series 2005. This refunded the outstanding Series 1995 Airport revenue bonds that were issued by the District in 1995 through the California Maritime Infrastructure Authority for the expansion of Terminal 2. The Series 2005 Bonds were issued in the aggregate principal amount of $56.27 million and were structured as serial bonds that bear interest at rates ranging from 4.5% to 5.25% maturing in fiscal years 2007 to 2021. Interest on the bonds is payable semiannually on January 1 and July 1 of each year.

The Series 2005 Bonds are payable solely from and secured by "Pledged Revenues." Pledged Revenues are defined as all revenues and other cash receipts of the Airport Authority's airport operations, reduced by operation and maintenance expenses. Pledged Revenues do not include cash received from Passenger Facility Charges or federal grants.

The Series 2005 Bonds require that charges for services be set each fiscal year at rates sufficient to produce Pledged Revenues of at least 125% of debt service for that year.

As of June 30, 2009, $47.3 million in bonds were outstanding. The ratings of the Series 2005 Bonds as of June 30, 2009 and 2008, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. Additionally, the Airport Authority holds a fully funded debt service reserve equal to one year's annual debt service. The Series 2005 bonds also are insured by American Municipal Bond Assurance Corporation (AMBAC), which is currently rated CC/Caa2 by Standard & Poor's and Moody's Investors Service, respectively. The Airport Authority is not directly impacted by AMBAC's downgrades. The insurance policy on the bonds remains in effect. In the unlikely event that the Airport Authority was not able to make a debt service payment, AMBAC is contractually required to make the payment and seek reimbursement from the Airport Authority.

As of June 30, 2009, $84.4 million in commercial paper was outstanding. The commercial paper program was established in 1997 to fund the then-approved CIP and related Terminal 2 expansion projects. The Airport Authority's outstanding commercial paper, Series A (non AMT), Series B (AMT) and Series C (taxable) is secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing the payment of the Series 2005 Bonds. The authorized program provides for borrowings up to $250 million through September 1, 2027. Each commercial paper note matures at the end of a period not to exceed 270 days and can be continually rolled into another issuance until the earlier of September 10, 2014, or five days prior to the date. At that time, the total outstanding principal becomes due. The commercial paper notes require that the charges for services be set each year at rates sufficient to produce Pledged Revenues of at least 1.10 times the debt service on subordinate obligations, including the commercial paper notes, for that year.

Each series of notes are additionally secured by an irrevocable letter of credit issued by Lloyds TSB Bank plc and is rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The letter of credit expires on September 10, 2014. Interest on the notes is paid at a rate based on the market for similar commercial paper notes.

Additional information of the Airport Authority's long-term debt can be found in Note 5 to the financial statements on pages 43-46 of this report.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a $4.50 fee on enplaning passengers. SDIA's fifth PFC application for $27 million in capital spending was approved for drawdowns by the FAA in June 2008.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $2.6 million in grant awards for the federal fiscal year ended September 30, 2008, and $10 million in 2007. The 2008 awards consisted of no entitlement funds and $2.6 million in discretionary funds and the 2007 awards consisted of $10 million in discretionary funds. Grant awards are recognized as income/contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

Thella F. Bowens
Chief Executive Officer/President

Vernon D. Evans
Chief Financial Officer/Vice President of Finance/Treasurer

San Diego County Regional Airport Authority

Balance Sheets
June 30, 2009 and 2008

Assets	**2009**	2008
Unrestricted Current Assets		
Cash and cash equivalents (Note 2)	**$ 12,616,091**	$ 29,699,700
Investments (Note 2)	**46,090,303**	40,568,142
Tenant lease receivables, net of allowance of 2009 $381,728 and 2008 $106,244	**5,279,287**	7,043,089
Grants receivable	**3,155,314**	1,004,934
Notes receivable, current portion (Note 3)	**1,527,582**	1,446,878
Inventory	**-**	207,553
Other current assets	**6,193,819**	2,663,426
Total unrestricted current assets	**74,862,396**	82,633,722
Cash and Investments Designated for Specific Capital Projects and Other Commitments (Notes 2, 7 and 11)	**6,150,653**	9,470,599
Restricted Cash and Cash Equivalents with Trustee (Notes 2 and 5)	**4,149,082**	4,074,207
Total current assets	**85,162,131**	96,178,528
Capital Assets (Note 4)		
Land, land improvements and nondepreciable assets	**24,021,619**	23,581,619
Buildings and structures	**411,197,780**	390,442,393
Machinery and equipment	**37,218,852**	31,240,168
Runways, roads and parking lots	**228,860,559**	226,837,515
Construction in progress	**103,275,230**	53,453,659
	804,574,040	725,555,354
Less accumulated depreciation	**(424,024,703)**	(388,615,255)
Capital assets, net	**380,549,337**	336,940,099
Restricted Assets (Notes 2 and 5)		
Restricted cash, cash equivalents and investments, not with Trustee	**152,425,303**	123,380,313
Restricted investments with Trustee	**5,406,912**	5,406,972
Passenger facility charges (PFC) receivable	**4,941,298**	3,826,286
Customer facility charges (CFC) receivable	**1,034,406**	-
Other restricted assets	**1,065,796**	1,126,153
Total restricted assets	**164,873,715**	133,739,724
Investments, noncurrent (Note 2)	**9,535,642**	8,773,374
Notes Receivable, long-term portion (Note 3)	**46,223,264**	47,750,847
Deferred Costs, Series 2005 Bonds, net	**856,999**	925,913
Net Pension Asset (Note 6)	**4,017,837**	4,318,594
Total noncurrent assets	**606,056,794**	532,448,551
Total assets	**$ 691,218,925**	$ 628,627,079

See Notes to Financial Statements.

Liabilities and Net Assets	2009	2008
Current Liabilities Payable from Unrestricted Assets		
Accounts payable	**$ 2,437,226**	$ 3,426,621
Accrued liabilities (Note 8)	**38,050,618**	24,828,622
Compensated absences, current portion (Note 5)	**2,049,060**	1,725,135
Deposits and other current liabilities	**245,550**	155,368
Total current liabilities payable from unrestricted assets	**42,782,454**	30,135,746
Current Liabilities Payable from Restricted Assets		
Current portion of Series 2005 Bonds and commercial paper (Note 5)	**2,950,000**	4,735,000
Accrued interest on bonds and commercial paper (Note 5)	**1,297,041**	1,376,144
Total current liabilities payable from restricted assets	**4,247,041**	6,111,144
Total current liabilities	**47,029,495**	36,246,890
Noncurrent Liabilities		
Deferred rent liability (Note 11)	**900,565**	1,350,219
Compensated absences, net of current portion (Note 5)	**536,789**	660,528
Tenant security deposits and other noncurrent liabilities (Note 2)	**860,142**	523,435
Commercial paper notes payable (Note 5)	**84,430,000**	47,500,000
Series 2005 Bonds and bond premium, less current portion, net of deferred refunding costs (Note 5)	**44,279,370**	47,224,767
Total noncurrent liabilities	**131,006,866**	97,258,949
Total liabilities	**178,036,361**	133,505,839
Commitments and Contingencies (Notes 6, 7, 8, 9, 10, 11 and 12)		
Net Assets		
Invested in capital assets, net of related debt (Note 1)	**249,498,267**	238,143,877
Bond reserves, debt service principal, unapplied PFC, unapplied CFC, small business bond guarantee, owner controlled insurance program (Note 1)	**167,826,809**	136,547,815
Unrestricted (Note 1)	**95,857,488**	120,429,548
Total net assets	**513,182,564**	495,121,240
Total liabilities and net assets	**$ 691,218,925**	$ 628,627,079

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Change in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Airline revenue:		
Landing fees	**$ 18,689,465**	$ 24,763,236
Aircraft parking fees	**3,221,515**	-
Building rentals (Note 10)	**23,056,794**	24,265,278
Security surcharge	**10,203,808**	8,618,411
Other aviation revenue	**1,564,840**	1,807,979
Concession revenue	**36,280,004**	38,784,979
Parking and ground transportation revenue	**31,492,190**	31,037,940
Ground rentals (Note 10)	**5,775,627**	5,207,355
Other operating revenue	**692,964**	1,197,202
Total operating revenues	**130,977,207**	135,682,380
Operating expenses:		
Salaries and benefits (Notes 6, 7 and 8)	**34,741,348**	32,912,330
Contractual services (Note 11)	**27,464,614**	27,378,415
Safety and security	**19,929,678**	19,109,994
Space rental (Note 10)	**10,887,936**	10,900,869
Utilities	**6,911,602**	6,429,314
Maintenance	**8,002,177**	8,734,507
Equipment and systems	**678,485**	1,333,211
Material and supplies	**641,225**	794,886
Insurance	**1,095,867**	1,227,346
Employee development and support	**1,029,700**	1,034,901
Business development	**2,509,314**	2,733,234
Equipment rentals and repairs	**1,386,534**	1,396,052
Total operating expenses before depreciation and amortization	**115,278,480**	113,985,059
Income from operations before depreciation and amortization	**15,698,727**	21,697,321
Depreciation and amortization	**38,196,448**	36,764,738
Operating (loss)	**(22,497,721)**	(15,067,417)

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Change in Net Assets, Continued
Years Ended June 30, 2009 and 2008

	2009	2008
Nonoperating revenues (expenses)		
Passenger facility charges	$ 33,219,261	$ 37,401,373
Customer facility charges	1,695,270	-
Quieter Home Program grant revenue	19,648,924	8,283,665
Quieter Home Program expenses	(25,222,598)	(12,273,382)
Joint Studies Program	(179,565)	(963,877)
Interest income	9,434,140	13,431,601
Interest expense (Note 5)	(2,998,111)	(4,085,819)
Other revenues (expenses), net	316,081	11,974
Nonoperating revenue, net	35,913,402	41,805,535
Income before capital grant contributions	13,415,681	26,738,118
Capital grant contributions	4,645,643	2,849,918
Change in net assets	18,061,324	29,588,036
Net assets, beginning of year	495,121,240	465,533,204
Net assets, end of year	$ 513,182,564	$ 495,121,240

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Receipts from customers	**$ 132,996,344**	$ 135,692,213
Payments to suppliers	**(83,451,633)**	(80,001,084)
Payments to employees	**(35,340,979)**	(30,986,192)
Other receipts	**(56,711)**	-
Net cash provided by operating activities	**14,147,021**	24,704,937
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	**(20,630)**	31,214
Quieter Home Program grant receipts	**17,953,811**	8,468,125
Quieter Home Program payments	**(22,426,915)**	(12,303,847)
Joint Studies Program payments	**(105,997)**	(933,412)
Net cash (used in) noncapital financing activities	**(4,599,731)**	(4,737,920)
Cash Flows From Capital and Related Financing Activities		
Capital expenditures	**(72,120,393)**	(36,906,512)
Federal grants received (excluding Quieter Home Program)	**4,190,376**	4,583,823
Proceeds from passenger facility charges	**32,104,249**	39,461,316
Proceeds from capital debt	**660,864**	-
Proceeds from issuance of commercial paper	**35,000,000**	49,430,000
Principal payments on outstanding commercial paper	**-**	(51,694,000)
Payment of principal on bonds	**(2,805,000)**	(2,670,000)
Payment to Trustee for debt service	**(74,875)**	(68,250)
Interest and debt fees paid	**(3,077,210)**	(4,201,118)
Cost of debt issuance	**-**	(273,379)
Net cash (used in) capital and related financing activities	**(6,121,989)**	(2,338,120)
Cash Flows From Investing Activities		
Purchases of investments	**(62,260,727)**	(48,000,000)
Sales of investments	**26,997,404**	6,393,020
Interest received on investments	**6,476,125**	9,310,571
Principal payments received on notes receivable	**1,446,879**	1,327,758
Interest received from notes receivable, commercial paper and bonds	**3,511,463**	3,236,249
Net cash (used in) investing activities	**(23,828,856)**	(27,732,402)
Net (decrease) in cash and cash equivalents	**(20,403,555)**	(10,103,505)
Cash and Cash Equivalents, beginning of year	**39,170,299**	49,273,804
Cash and Cash Equivalents, end of year	**$ 18,766,744**	$ 39,170,299

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows, Continued
Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	**$ 12,616,091**	$ 29,699,700
Designated cash and cash equivalents	**6,150,653**	9,470,599
	$ 18,766,744	$ 39,170,299
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities		
Operating (loss)	**$ (22,497,721)**	$ (15,067,417)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	**38,196,448**	36,764,738
Bad debt expense (recapture)	**275,480**	(37,818)
Changes in assets and liabilities:		
Tenant lease receivables	**1,253,397**	(860,967)
Net pension asset	**300,757**	300,757
Other current assets	**(3,241,316)**	706,832
Accounts payable (on noncapital items)	**(989,405)**	364,326
Accrued liabilities (on noncapital items)	**1,983,687**	2,042,903
Postretirement benefits obligation	**(1,240,437)**	1,261,752
Deposits	**2,182**	(5,890)
Deferred rent liability	**(51,700)**	(450,073)
Tenant security deposits	**(44,540)**	63,420
Compensated absences	**200,189**	(377,626)
Net cash provided by operating activities	**$ 14,147,021**	$ 24,704,937
Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	**$ 18,017,643**	$ 5,517,583

See Notes to Financial Statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Reporting entity: The San Diego County Regional Airport Authority (SDCRAA or the Airport Authority), an autonomous public agency, was established as a result of legislation, Assembly Bill 93 (2001) as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of December 31, 2002, between the Airport Authority and the District, which implemented the Act.

Senate Bill 10, the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of the SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. With Senate Bill 10, The San Diego County Regional Airport Authority Reform Act, the Airport Authority also will prepare a Regional Aviation Strategic Plan by June 30, 2011 as well as prepare and adopt an Airport Multimodal Accessibility Plan by December 31, 2013. In addition, the Airport Authority acts as the Airport Land Use Commission within San Diego County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing the majority of an organization’s governing body and (1) the ability of the Airport Authority to impose its will on that organization or (2) the potential for that organization to provide specific benefits to, or impose specific financial burdens on, the Airport Authority. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting: The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies and, as such, the Airport Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in Airport Authority net assets. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed by the Airport Authority to the extent that those standards do not conflict with or contradict guidance of the GASB. The Airport Authority also has the option of following subsequent private-sector guidance for its activities subject to the same limitation. The Airport Authority has elected to follow the standards set by the GASB, as opposed to subsequently issued private sector guidance.

The financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related GASB pronouncements.

Evaluation of long-lived assets: The Airport Authority accounts for long-lived assets under accounting pronouncement GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Airport Authority's capital assets include property, plant, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. This Statement requires the Airport Authority to report the effects of capital asset impairments in its financial statements when they occur and to account for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairment of capital assets currently exists.

Use of estimates: The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Tenant lease receivables: Tenant lease receivables are carried at the original invoice amount for fixed-rent tenants and at estimated invoice amount for concession (variable) tenants, less an estimate made for doubtful receivables for both fixed-rent and concession tenants, based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a tenant's financial condition and credit history and current economic conditions. Tenant lease receivables are written off when deemed uncollectible. Recoveries of tenant lease receivables previously written off are recorded when received.

Investments: Investments in the state and county investment pools are recorded on an amortized cost basis. Guaranteed investment contracts are recorded at contract value. All other investments are stated at fair market value based on quoted market prices.

Restricted assets: Funds are set aside as restricted, and they are not available for current expenses, when constraints placed on their use are legally enforceable due to either:

- Externally imposed requirements by creditors (such as through debt covenants), grantors or contributors.
- Laws or regulations of other governments.
- Constitutional provisions or enabling legislation.

The Airport Authority's policy is to use restricted resources before unrestricted resources for expenses incurred for which both restricted and unrestricted net assets are available.

Designated assets: The Airport Authority's management designates funds for capital projects and other specific commitments; these funds would otherwise be available for operations. At June 30, 2009 and 2008, management had designated funds for specific approved capital projects and other commitments totaling $6,150,653 and $9,470,599, respectively.

Capital assets: Capital assets are recorded at cost, except for property contributed by third parties, which is recorded at fair market value at the date of contribution, less an allowance for accumulated depreciation. The Airport Authority capitalizes interest cost associated with the construction of capital assets based upon the amount of Airport Authority funds used.

Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater. Depreciation is computed by use of the straight-line method over the following estimated useful lives:

Land improvements	30 to 40 years
Runways, taxiways, roads and parking areas	5 to 30 years
Buildings, structures and improvements	5 to 30 years
Machinery and equipment	3 to 10 years

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as construction in process as projects are constructed.

Airport Improvement Program (AIP): The District initially received approval from the Federal Aviation Administration (FAA) for Airport Improvement Program (AIP) grants. These grants transferred to the Airport Authority, effective January 1, 2003. AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. Receipts from federal programs are subject to audit to determine if the funds were used in accordance with the applicable regulations. The Airport Authority believes that no significant liabilities to the Airport Authority would result from such an audit.

Passenger facility charges (PFC): The District initially received approval from the FAA to impose a PFC at the SDIA. The approval for the PFC was transferred by the FAA to the Airport Authority, effective January 1, 2003. The PFC program is authorized by the Aviation Safety and Capacity Expansion Act of 1990 (the Expansion Act). In accordance with the Expansion Act, the Airport Authority's AIP Passenger Entitlement Apportionment is reduced by certain percentages, dependent upon the level of PFC received by the Airport Authority.

In accordance with the program, the PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2009 and 2008, accrued PFC receivables totaled $4,941,298 and $3,826,286, respectively, and there were $100,366,290 and $73,281,895 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2009 and 2008, respectively.

On May 20, 2003, the FAA approved the Airport Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50, beginning August 1, 2003, with an estimated charge expiration date of December 1, 2009.

Approximately $375 million in PFC revenues will have been collected and applied toward eligible capital projects from five approved FAA applications. There are currently three active applications. The first and second applications closed December 2007 and May 2008, respectively. The first application was effective October 1995, under the District responsibility, and the final fifth application expires December 2009. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a $4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Customer facility charges (CFC): The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10 CFC per contract on rental cars at the SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2009, accrued CFC receivables totaled $1,034,406, and there were $661,445 CFC amounts collected but not yet applied for approved capital projects as of June 30, 2009.

Retentions payable: The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion and acceptance have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying balance sheets. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

Compensated absences: All employees of the Airport Authority earn annual leave that is paid upon termination or retirement. Annual leave is accrued at current rates of compensation.

Airport Authority net assets: Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Invested in capital assets, net of related debt, excludes unspent debt proceeds.

Restricted net assets represent amounts that are appropriated or are legally segregated for a specific purpose. Airport Authority net assets are reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Invested in capital assets, net of related debt, as of June 30 is as follows:

	2009	2008
Capital assets	**$ 804,574,040**	$ 725,555,354
Less accumulated depreciation	**(424,024,703)**	(388,615,255)
Less outstanding debt	**(131,051,070)**	(98,796,222)
Invested in capital assets, net	**$ 249,498,267**	$ 238,143,877

Other restricted net assets as of June 30 are as follows:

	2009	2008
Bond reserves:		
Operations and maintenance reserve	**$ 31,427,143**	$ 33,441,290
Operations and maintenance subaccount reserve	**10,475,714**	11,147,096
Revenue and replacement reserve	**5,400,000**	5,400,000
Bond reserve with Trustee	**5,397,157**	5,397,157
Debt service principal and interest	**2,950,000**	2,805,000
Commercial paper reserve	**94,712**	110,031
Commercial paper held by Trustee	**12,849**	12,909
Small Business Association Bond Guarantee	**4,000,000**	-
Passenger facility charges unapplied	**100,366,289**	73,281,895
Passenger facility charges receivable	**4,941,298**	3,826,286
Customer facility charges unapplied	**661,445**	-
Customer facility charges receivable	**1,034,406**	-
Owner Controlled Insurance Program (OCIP) loss reserve	**1,065,796**	1,126,151
Total other restricted net assets	**$ 167,826,809**	$ 136,547,815

Unrestricted net assets as of June 30 include designations of net assets that represent tentative management plans that are subject to change, consisting of:

	2009	2008
Operating contingency	**$ 2,000,000**	$ 2,000,000
Insurance contingency (Note 8)	**3,475,998**	2,602,002
Net pension asset	**4,017,837**	4,318,594
Capital projects and other commitments (Note 11)	**4,182,128**	8,868,597
	$ 13,675,963	$ 17,789,193

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Revenue classifications: Revenue is recognized when earned. The Airport Authority will classify revenues as operating or nonoperating based on the following criteria:

Operating revenues are from the revenue sources that constitute the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating revenue sources consist of landing fees and terminal building and ground rentals, concession and parking fees, and other miscellaneous fees and charges. Landing fees and terminal building rates are charged on the basis of recovery of actual costs for operating and maintaining the SDIA landing and terminal areas. Ground rentals consist mainly of rent received for leased cargo facilities. Concession fees are determined as a percentage of gross monthly revenues generated by each concession lessee's monthly operations. Parking fees are generated from the airport parking lots.

Nonoperating revenues are from revenue sources related to financing activities and other activities, which do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of the nonoperating revenue sources are interest income from cash and investments, certain legal settlement income and passenger facility charges.

Expense classifications: The Airport Authority will classify expenses as operating or nonoperating based on the following criteria:

Operating expenses are from expense sources that constitute the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating expense sources consist of salaries and benefits, contractual services, space rental, utilities, maintenance, equipment and systems, materials and supplies, insurance, employee development and support, business development and equipment rentals and repairs.

Nonoperating expenses are from expense sources that are related to financing, investing and other activities that do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of nonoperating expenses sources are expenditures for the Quieter Home program, interest expense and other nonoperating expenses such as legal settlements.

Federal grants: When a grant agreement is approved and all eligibility requirements have been met, the expenditures are recorded as a federal grant receivable and as a capital grant contribution or operating grant revenue, as appropriate.

Cash and cash equivalents: For purposes of the statement of cash flows, cash and cash equivalents includes unrestricted and designated cash on hand, demand deposits, commercial paper and repurchase agreements collateralized by the U.S. government or agency obligations with original maturities of three months or less from the date of acquisition.

Deferred bond costs: The revenue bond original discount and the revenue bond original issue premium, along with the issuance costs, are deferred and amortized over the term of the bonds, using the straight-line method, which approximates the effective interest method.

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Implementation of New Accounting Pronouncements

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement, issued November 2006, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the Airport Authority to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The Airport Authority currently has two site remediation projects; both projects are capitalized in accordance to the pronouncement.

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement, issued July 2007, will be effective for the Airport Authority beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. The Airport Authority early implemented GASB Statement No. 51 for the year ended June 30, 2009.

Pronouncements issued, not yet effective: The GASB issued pronouncements prior to June 30, 2009 that have an effective date that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following Statement may have on the financial statements of the Airport Authority:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement, issued June 2008, will be effective for the Airport Authority beginning with its year ending June 30, 2010. This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The objectives, terms and risks of hedging derivative instruments are required disclosures. Disclosures also include a summary of derivative instrument activity that provides an indication of the location of fair value amounts reported on the financial statements.

Reclassifications: Certain reclassifications have been made to the 2008 financial information in order to conform to the 2009 presentation. These reclassifications had no impact on net income or Airport Authority net assets.

Note 2. Cash and Investments

Summary of cash and investments: Cash and investments are reported in the accompanying balance sheets as follows at June 30:

	2009	2008
Unrestricted and undesignated, cash and cash equivalents	**$ 12,616,091**	$ 29,699,700
Unrestricted and undesignated, current investments	**46,090,303**	40,568,142
Unrestricted and undesignated, noncurrent investments	**9,535,642**	8,773,374
	68,242,036	79,041,216
Designated for specific capital projects and other commitments	**6,150,653**	9,470,599
Restricted:		
Bond reserves:		
Operations and maintenance reserve	**31,427,143**	33,441,290
Operations and maintenance subaccount reserve	**10,475,714**	11,147,097
Renewal and replacement reserve	**5,400,000**	5,400,000
	47,302,857	49,988,387
Passenger facility charges unapplied	**100,366,289**	73,281,895
Small Business Development Bond Guarantee	**4,000,000**	-
Customer facility charges unapplied	**661,445**	-
Commercial paper reserve	**94,712**	110,031
Total restricted	**152,425,303**	123,380,313
Total cash and investments, not with Trustee	**226,817,992**	211,892,128
Investments held by Trustee:		
Debt service payment held by Trustee	**4,149,082**	4,074,207
Bond guaranteed investment contract held by Trustee	**5,394,063**	5,394,063
Commerial paper interest held by Trustee	**12,849**	12,909
Total held by Trustee	**9,555,994**	9,481,179
Total cash and investments	**$ 236,373,986**	$ 221,373,307

Note 2. Cash and Investments, Continued

Components of cash and investments at June 30 are summarized below:

	2009	2008
Unrestricted cash on deposit:		
Cash on hand	**$ 51,966**	$ 51,976
Cash in banks	**41,212**	15
Total cash on deposit	**93,178**	51,991
Unrestricted cash equivalents:		
U.S. Bank Repurchase Agreements	**7,180,178**	14,983,480
Reserve Family Fund Money Market	**-**	20,069,837
Union Bank of California, Money Market	**15,493,388**	4,064,991
Total unrestricted cash equivalents	**22,673,566**	39,118,308
Unrestricted and restricted investments:		
Reserve Family Fund Money Market	**1,221,231**	-
Certificates of deposit	**20,151,759**	5,012,302
Local Agency Investment Fund	**35,547,847**	33,860,616
San Diego County Investment Pool	**35,137,094**	24,642,516
Union Bank of California, Investment Portfolio	**111,993,317**	109,206,395
Total unrestricted and restricted investments not with Trustee	**204,051,248**	172,721,829
Total cash equivalents and investments not with Trustee	**226,724,814**	211,840,137
Investments held by Trustee:		
Debt service payment held by Trustee	**4,149,082**	4,074,207
Bond guaranteed investment contract held by Trustee	**5,394,063**	5,394,063
Commercial paper interest held by Trustee	**12,849**	12,909
Total investments held by Trustee	**9,555,994**	9,481,179
Total cash equivalents and investments	**236,280,808**	221,321,316
Total cash and investments	**$ 236,373,986**	$ 221,373,307

Note 2. Cash and Investments, Continued

Investments authorized in accordance with California Government Code Section 3601 and under the provisions of the Airport Authority's investment policy: The table below identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Airport Authority, rather than general provisions of the Airport Authority's investment policy and State Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Banker's acceptances	180 days	AAA/Aaa	40%	10%
Commercial paper	270 days	A-1; P-1; F-1	25%	5%
Negotiable certificates of deposit	< 25 months	A	30%*	None
	25-36 months	AA		
Medium-term notes	< 25 months	A	15%	5%
	25-36 months	AA		
Repurchase agreements	1 year	102% collateral	None	None
Mortgage-backed securities	5 years	AAA	20%	None
Local Agency Investment Fund	N/A	N/A	None	$40 million
San Diego County Investment Pool	N/A	N/A	None	$40 million
Nonnegotiable certificates of deposit	1 year	N/A	30%*	None
Money market mutual funds	N/A	AAA/Aaa	None	None
California agency indebtedness	N/A	N/A	None	None
Active deposits	N/A	N/A	10%	None
Investment agreements/Guaranteed investment contracts	N/A	N/A	None	None

******Maximum percentage of portfolio for aggregate of negotiable certificates of deposit and nonnegotiable certificates of deposit is 30 percent.*

Note 2. Cash and Investments, Continued

Investments authorized by debt agreements: Investments held by the bond trustee are governed by the provisions of the debt agreement, rather than the general provisions of California Government Code or the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	None	N/A	None	None
U.S. agency securities	None	N/A	None	None
Banker's acceptances	360 days	AAA/Aaa	None	None
Commercial paper	270 days	A-1; P-1; F-1	None	None
Repurchase agreements	None	N/A	None	None
Money market portfolio	None	Two highest ratings	None	None
Cash	None	N/A	None	None
Deposit accounts	None	N/A	None	None
Municipal bonds	None	Two highest ratings	None	None
Local Agency Investment Fund	None	N/A	None	None
San Diego County Investment Pool	None	N/A	None	None
Certificates of deposit	None	Two highest ratings	None	None
Investment agreements	None	N/A	None	None

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority. Assets of the Airport Authority that are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, there are various credit criteria as defined in the Airport Authority's investment policies:

- Banker's acceptances which are eligible for purchase by the Federal Reserve System and are rated in the highest category by a nationally recognized statistical organization (NRSRO).

- Commercial paper of prime quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO.

Note 2. Cash and Investments, Continued

- Negotiated certificates of deposit issued by state or chartered bank or a state or federal savings institution. Shall be rated “A” or better by a NRSRO.

- Medium-term notes issued by corporations organized and operating within the United States shall be rated “A” or better by a NRSRO for maturities less than 24 months and “AA” for maturities less than or equal to 36 months.

- Money market mutual funds with management companies that are money market funds registered with the Securities and Exchange Commission (SEC), investing in the securities and obligations as authorized by the California Government Code 53601. These companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or (2) retain an investment advisor registered with the SEC with not less than five years experience investing in the securities and obligation market as authorized by California Government Code 53601, subdivision (a) to (m) inclusive, and with assets under management in excess of $500 million.

- U.S. government-sponsored agencies rated “AAA” issued mortgage-backed security with a maximum of five years maturity.

The Airport Authority has monies held by trustees pledged to the payment or security of certain bonds, the proceeds of which were used solely to pay for the expansion of the West Terminal at SDIA. At June 30, 2009 and 2008, the Series 2005 collateralized investment contract held by Trustee was $9,543,145 and $9,468,270, respectively, and commercial paper interest held by Trustee was $12,849 and $12,909, respectively. The Series 2005 Bond guaranteed investment contract earns interest at 5.162 percent and matures on July 1, 2020.

A cumulative rebate liability relating to arbitrage of the Series 2005 Bonds was recorded for $131,353 and $81,373 as of the fiscal years ended June 30, 2009 and 2008, respectively. Ninety percent of the cumulative rebate liability is due to the United States no later than 60 days after July 1, 2010. Additionally, should the bonds be retired prior to July 1, 2010, 100 percent of the accumulated rebate liability will be due and payable within 60 days of the retirement date.

Disclosures related to interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. This combination of shorter- and longer-term investments and the timing also provides managed cash flow and liquidity needs for the operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Note 2. Cash and Investments, Continued

Information about the sensitivity of the fair values of the Airport Authority's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that show the distribution of the entities investments by maturity as of June 30, 2009:

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Investments subject to interest rate risk:					
Repurchase agreement	$ 7,180,178	$ 7,180,178	$ -	$ -	$ -
LAIF	35,547,847	35,547,847	-	-	-
SDCIP	35,137,094	35,137,094	-	-	-
Corporate bonds	4,067,780	-	4,067,780	-	-
U.S. Treasury notes	2,638,867	1,015,940	1,622,927	-	-
U.S. agency securities	105,286,670	54,138,878	38,004,042	13,143,750	-
Guaranteed investment contract	5,394,063	-	-	-	5,394,063
Total investments subject to interest rate risk	195,252,499	133,019,937	43,694,749	13,143,750	5,394,063
Deposits not subject to interest rate risk:					
Money market account	20,876,550	20,876,550	-	-	-
Certificates of deposit	20,151,759	20,151,759	-	-	-
Total deposits not subject to interest rate risk	41,028,309	41,028,309	-	-	-
	$ 236,280,808	$ 174,048,246	$ 43,694,749	$ 13,143,750	$ 5,394,063

Custodial credit risk (deposits): Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains a bank account where, at the conclusion of each business day, balances in this account are swept into overnight investments which are either U.S. government securities (guaranteed) or in U.S. agency securities (government sponsored). The California Code, which is required to have 110 percent collateralization, and the Airport Authority's investment policy authorize these types of investments. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. At June 30, 2009, the Airport Authority bank deposits were fully insured. On October 3, 2008, Congress temporarily increased FDIC deposit insurance from $100,000 to $250,000 per depositor through December 31, 2009.

Note 2. Cash and Investments, Continued

Custodial credit risk (investments): Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC as the individual amounts do not exceed the FDIC-insured limits at June 30, 2009.

Disclosures related to credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2009 for each investment type:

Investment Type	Total	Unrated	AAA	A1
Investments subject to credit risk:				
Repurchase agreement	$ 7,180,178	$ -	$ -	$ 7,180,178
LAIF	35,547,847	35,547,847	-	-
SDCIP	35,137,094	-	35,137,094	-
Corporate bonds	4,067,780	-	4,067,780	-
U.S. Treasury notes	2,638,867	-	2,638,867	-
U.S. agency securities	105,286,670	-	105,286,670	-
Guaranteed investment contract	5,394,063	-	-	5,394,063
Total investments subject to credit risk	195,252,499	35,547,847	147,130,411	12,574,241
Deposits subject to credit risk:				
Money market account	20,876,550	20,876,550	-	-
Certificates of deposit	20,151,759	20,151,759	-	-
Total deposits subject to credit risk	41,028,309	41,028,309	-	-
	$ 236,280,808	$ 76,576,156	$ 147,130,411	$ 12,574,241

Source: Standard and Poor's

Note 2. Cash and Investments, Continued

Concentration of credit risk: The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated above. Investments that represent 5 percent or more of the Airport Authority's investments as of June 30, 2009 are as follows:

Issuer	Type	Fair Value	% of Portfolio
Federal National Mortgage Assoc.	U.S. agency securities	$ 21,658,755	9.16%
Federal Home Loan Bank	U.S. agency securities	40,592,956	17.17%
Federal Home Loan Mortgage Corp.	U.S. agency securities	27,022,272	11.43%
Federal Farm Credit Bank	U.S. agency securities	13,872,327	5.87%
		$ 103,146,310	43.63%

Investment in state investment pool: The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Investment in county investment pool: The Airport Authority is a voluntary participant in the San Diego County Investment Pool (SDCIP) that is regulated by California Government Code Section 16429 under the oversight of the County Treasurer of San Diego. The Airport Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Airport Authority's pro rata share of the amortized cost basis provided by SDCIP for the entire SDCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by SDCIP.

Investment liquidity and potential impairment: On September 17, 2008, the Airport Authority initiated full redemption of its funds invested with the Primary Liquidity Fund operated by The Reserve Money Management Corporation of New York (The Reserve Fund). Under policies initiated by the Board of The Reserve Money Management Corporation, the Airport Authority expected to receive funds in the amount of $12,157,575 within seven days of its request.

The redemption was initiated due to the bankruptcy of Lehman Brothers for which the Primary Liquidity Fund had a position of nearly $800 million in its securities. The Reserve Fund wrote down its Lehman holdings to zero value, causing a reduction in the value of holdings in their fund by 3 percent.

During that time period, The Reserve Fund filed an application with the SEC on behalf of two of its series, including the Primary Liquidity Fund, for a temporary suspension of the right of redemption of their outstanding redeemable securities and postponement of payment for shares which have been submitted for redemption for which payment has not been made.

Note 2. Cash and Investments, Continued

Effective as of September 17, 2008 and released in a statement from the SEC on September 22, 2008, the SEC ordered the temporary suspension and postponement of payments from The Reserve Fund. The SEC believed the temporary suspension was in the best interest of each of The Reserve Fund's shareholders. The Reserve Fund, under this order, created a plan for orderly liquidation of each of The Reserve Fund's assets to meet redemption requests and payments to each shareholder subject to SEC supervision. This order also requires The Reserve Fund to suspend sales and maintain appropriate records of these events.

On August 25, 2009, The Reserve Fund issued a statement regarding calculations of potential distributions on a pro rata basis. The Reserve Fund and its Independent Trustees support the distribution of the fund's remaining assets on a fair and equitable basis as quickly as possible. Additionally on August 25, they filed briefs with the U.S. District Court for the Southern District of New York. Those briefs explained that based on revised calculations and updated data, each unpaid shareholder may receive $0.9857 per share, pro rata, and possibly up to $0.99 per share, based on certain assumptions. The ultimate amount distributed will vary depending on the actual price received for the Lehman securities, the amount of Reserve Fund expenses and other factors.

To date, the Reserve Fund has distributed $46.08 billion through four interim distributions on a pro rata basis to remaining shareholders, representing $0.90 per share for each of the remaining 51.18 billion shares outstanding. The Reserve Fund holds $4.55 billion of remaining assets. The Reserve Fund Board has set aside $3.5 billion of the remaining assets in a special reserve to satisfy possible legal, accounting and other expenses. There can be no guarantee at this stage that the Court will approve the SEC's proposed plan or that the special reserve can be reduced, nor can there be a guarantee as to the price at which Lehman securities can be sold or the timing of any such sale. The Reserve Fund Board is hopeful that through the SEC's proposed distribution plan or through other resolution of the litigation, The Reserve Fund can release more to investors more quickly.

To date, the Airport Authority has received four distributions totaling $10,950,887 from The Reserve Fund. As of June 30, 2009 and 2008, the undistributed balance, including interest income, was $1,221,231 and $20,069,837, respectively. The Airport Authority has not written down any of the investment as of June 30, 2009 or 2008.

The Airport Authority's management, along with the Airport Authority's outside Investment and Financial Advisors, will continue to monitor this situation on a daily basis.

Investment in certificates of deposit: The Airport Authority has established a $4,000,000 line of credit with Union Bank, which is collateralized with a certificate of deposit. This line will be utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program. Both the Airport Authority and the sureties participate in the risk under this program. The objective of this program is to ensure that local small, disadvantaged, disabled veteran and other business enterprises have every opportunity to do business with the Airport Authority.

Note 3. Notes Receivable

As part of the transfer of airport operations, pursuant to the MOU, the District issued a $50 million unsecured promissory note to the Airport Authority. Pursuant to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years and will mature on December 31, 2030, subordinate to all bond indebtedness of the District, at a fixed interest rate of 5.5 percent per annum. On October 3, 2005, the Board authorized the District to issue an $8 million promissory note in favor of Carnival Corporation on parity with the $50 million note. At June 30, 2009 and 2008, the balance of the note receivable was $46,383,195 and $47,483,210, respectively. The current portion recorded on the note for the year ended June 30, 2009 and 2008 was $1,162,063 and $1,100,014, respectively.

As part of the transfer of airport operations, pursuant to the Act, the District reimbursed the Airport Authority for the fair market value of the Pond 20 property. The District is required to pay the Airport Authority monthly principal and interest payments over a 10-year period at an interest rate of prime (5.0 percent at June 30, 2008) plus 1.0 percent. A receivable for the Pond 20 property was recorded by the Airport Authority at January 1, 2003 at the District's preliminary appraised value of $2,378,000. Pursuant to the settlement agreement with the District, the negotiated appraised value was $3,329,000. Repayment terms remain unchanged. At June 30, 2009 and 2008, the note receivable was recorded at a value of $1,367,651 and $1,714,515, respectively. The current portion for the years ended June 30, 2009 and 2008 was $365,519 and $346,864, respectively.

The required principal payments owed from the District for the notes receivable for fiscal years ending June 30 are as follows:

Years Ending June 30,	Amount
2010	$ 1,528,000
2011	1,613,000
2012	1,696,000
2013	1,581,000
2014	1,447,000
2015-2019	8,548,000
2020-2024	11,245,000
2025-2029	14,800,000
2030-2031	5,293,000
	$ 47,751,000

Note 4. Capital Assets

Capital asset activity was as follows:

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Nondepreciable assets:				
Land	$ 22,452,007	$ -	$ -	$ 22,452,007
Construction in progress	53,453,659	80,720,960	(30,899,389)	103,275,230
Intangible asset	-	440,000	-	440,000
Total nondepreciable assets	75,905,666	81,160,960	(30,899,389)	126,167,237
Depreciable assets:				
Land improvements	1,129,612	-	-	1,129,612
Buildings and structures	390,442,393	22,046,567	(1,291,180)	411,197,780
Machinery and equipment	31,240,168	6,325,130	(346,446)	37,218,852
Runways, roads and parking lots	226,837,515	3,132,834	(1,109,790)	228,860,559
Total capital assets being depreciated	649,649,688	31,504,531	(2,747,416)	678,406,803
Less accumulated depreciation for:				
Land improvements	(1,119,795)	(8,537)	-	(1,128,332)
Building and structures	(231,434,285)	(20,128,651)	1,281,003	(250,281,933)
Machinery and equipment	(17,949,298)	(4,763,850)	326,652	(22,386,496)
Runaways, roads and parking lots	(138,111,877)	(13,225,855)	1,109,790	(150,227,942)
Total accumulated depreciation	(388,615,255)	(38,126,893)	2,717,445	(424,024,703)
Total capital assets being depreciated, net	261,034,433	(6,622,362)	(29,971)	254,382,100
Capital assets, net	$ 336,940,099	$ 74,538,598	$ (30,929,360)	$ 380,549,337

Note 4. Capital Assets, Continued

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Nondepreciable assets:				
Land	$ 22,452,007	$ -	$ -	$ 22,452,007
Construction in progress	45,154,051	39,504,032	(31,204,424)	53,453,659
Total nondepreciable assets	67,606,058	39,504,032	(31,204,424)	75,905,666
Depreciable assets:				
Land improvements	1,129,612	-	-	1,129,612
Buildings and structures	371,437,179	23,006,485	(4,001,271)	390,442,393
Machinery and equipment	26,616,498	5,418,109	(794,439)	31,240,168
Runways, roads and parking lots	239,449,229	2,118,011	(14,729,725)	226,837,515
Total capital assets being depreciated	638,632,518	30,542,605	(19,525,435)	649,649,688
Less accumulated depreciation for:				
Land improvements	(1,111,258)	(8,537)		(1,119,795)
Building and structures	(217,127,766)	(18,307,790)	4,001,271	(231,434,285)
Machinery and equipment	(14,408,972)	(4,300,611)	760,285	(17,949,298)
Runaways, roads and parking lots	(138,764,661)	(14,076,941)	14,729,725	(138,111,877)
Total accumulated depreciation	(371,412,657)	(36,693,879)	19,491,281	(388,615,255)
Total capital assets being depreciated, net	267,219,861	(6,151,274)	(34,154)	261,034,433
Capital assets, net	$ 334,825,919	$ 33,352,758	$ (31,238,578)	$ 336,940,099

Note 5. Debt

The following is a summary of changes in the long-term liability activity:

	Principal Balance at June 30, 2008	**Additions/ New Issuances**	**Reductions/ Repayments**	**Principal Balance at June 30, 2009**	**Due Within One Year**
Debt obligations:					
Commercial paper	**$ 49,430,000**	**$ 35,000,000**	**$ -**	**$ 84,430,000**	**$ -**
Bonds payable:					
Series 2005 Bonds	**50,085,000**	**-**	**(2,805,000)**	**47,280,000**	**2,950,000**
Bond premium	**2,727,246**	**-**	**(227,271)**	**2,499,975**	**-**
Deferred amounts on	**(2,782,479)**	**-**	**231,874**	**(2,550,605)**	**-**
Total bonds payable	**50,029,767**	**-**	**(2,800,397)**	**47,229,370**	**2,950,000**
Total debt obligations	**99,459,767**	**35,000,000**	**(2,800,397)**	**131,659,370**	**2,950,000**
Compensated absences	**2,385,663**	**2,249,245**	**(2,049,060)**	**2,585,848**	**2,049,060**
Long-term liabilities	**$ 101,845,430**	**$ 37,249,245**	**$ (4,849,457)**	**$ 134,245,218**	**$ 4,999,060**

	Principal Balance at June 30, 2007	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2008	Due Within One Year
Debt obligations:					
Commercial paper	$ 51,694,000	$ 264,572	$ (2,528,572)	$ 49,430,000	$ 1,930,000
Bonds payable:					
Series 2005 Bonds	52,755,000	-	(2,670,000)	50,085,000	2,805,000
Bond premium	2,954,517	-	(227,271)	2,727,246	-
Deferred amounts on refunding	(3,014,352)		231,873	(2,782,479)	-
Total bonds payable	52,695,165	-	(2,665,398)	50,029,767	2,805,000
Total debt obligations	104,389,165	264,572	(5,193,970)	99,459,767	4,735,000
Compensated absences	2,099,598	2,011,198	(1,725,135)	2,385,662	1,725,135
Long-term liabilities	$ 106,488,763	$ 2,275,770	$ (6,919,105)	$ 101,845,429	$ 6,460,135

Note 5. Debt, Continued

Commercial paper Series A and B: In November 1997, the District authorized borrowing of up to $100 million through September 2007. Proceeds from the issuance were designated to be used to finance further improvements to the airport. The new commercial paper offering is secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing payment of the Series 2005 Bonds. Each commercial paper note matures at the end of a period not to exceed 270 days. Each issuance can be rolled into another issuance. The commercial paper is classified as a long-term liability because the Airport Authority has an irrevocable letter of credit that expires no later than September 10, 2014 and is available if the commercial paper is not reissued. If the letter of credit is drawn upon and is not paid off within 90 days of being drawn upon, quarterly payments equal to the amount drawn will be paid. Interest is paid at a rate based on the market for similar commercial paper notes held by the bank.

On September 6, 2007, the Board authorized issuance of $250 million of subordinate commercial paper. The Airport Authority entered into an agreement with Lloyds TSB Bank as the letter-of-credit provider. This has replaced the letter of credit for $100 million that expired on September 26, 2007.

The Airport Authority used a portion of the $250 million to refinance the current $52 million expiring commercial paper. Approximately $125 million will be used as interim funding of capital improvement projects and the remaining $75 million will be used as a revolving credit line. The commercial paper notes secured by the irrevocable letter of credit from Lloyds TSB Bank is rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service.

On August 20, 2008, the Airport Authority issued an additional $35,000,000 in commercial paper. This additional Series B commercial paper was executed in accordance with the existing agreement with Lloyds TSB Bank that was previously authorized by the Board. The additional proceeds were used to reimburse the Airport Authority for prior expenditure reimbursement and future project expenditures. Commercial paper interest expense for the years ended June 30, 2009 and 2008 amounted to $541,494 and $1,487,508, including accrued interest of $101,053 and $110,031, respectively.

At June 30, 2009, the principal amount outstanding for Series A was $27,176,000, with an average annual interest rate of 1.07 percent, and the principal amount outstanding for Series B Commercial Paper was $57,254,000, with an average annual interest rate of 0.94 percent. At June 30, 2008, the principal amount outstanding for Series A was $27,176,000, with an average annual interest rate of 2.82 percent, and the principal amount outstanding for Series B Commercial Paper was $22,254,000, with an average annual interest rate of 3.17 percent.

The commercial paper notes require that the charges for services be set each year at rates sufficient to produce pledged revenues at least 110 percent times the debt service for that year. In addition, the commercial paper notes require the Airport Authority to maintain an interest reserve account with the note trustee and to reserve a certain amount in the Airport Authority's books. At June 30, 2009 and 2008, the amount held by the trustee was $12,849 and $12,909, respectively, and the amount reserved by the Airport Authority was $94,712 and $110,031, respectively.

Note 5. Debt, Continued

Airport Revenue Bonds, Series 2005 and Refunded Series 1995: In fiscal year 1996, the California Maritime Infrastructure Authority issued Airport Revenue Bonds (Series 1995 Bonds) for the San Diego Unified Port District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, together with investment income thereon, were used solely to pay a portion of the construction and installation of the West Terminal Expansion at SDIA, to fund a Reserve Account, and to pay certain expenses in connection with the issuance of the Series 1995 Bonds. In conjunction with the transfer of airport operations to the Airport Authority on January 1, 2003, these bond obligations were assumed by the Airport Authority. The Series 1995 Bonds were issued in the aggregate principal amount of $76,690,000, consisting of $29,895,000 in serial bonds and $46,795,000 in term bonds.

The Series 2005 Bonds were issued in the aggregate principal amount of $56,270,000 and were structured as serial bonds that bear interest at rates ranging from 4.5 percent to 5.25 percent and mature in fiscal years 2007 to 2021. The bonds were issued at a premium of $3,333,300, with deferred amounts on refunding of $3,400,800, which are being amortized over the life of the bonds. Interest on the bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the years ended June 30, 2009 and 2008 amounted to $2,391,975 and $2,532,225, respectively, including accrued interest of $1,195,988 and $1,266,113, respectively. The principal balance on the Series 2005 Bonds as of June 30, 2009 and 2008 was $47,280,000 and $50,085,000, respectively.

The Series 2005 Bonds are payable solely from and secured by pledged revenues. Pledged revenues are defined as all revenues and other cash receipts of the Airport Authority's airport operations, reduced by operation and maintenance expenses. Pledged revenues do not include cash received from passenger facility charges or federal grants.

The Series 2005 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the debt service for that year. In addition, the Series 2005 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books. At the years ended June 30, 2009 and 2008, the amount held by the trustee was $5,394,063 and $5,394,063, respectively. An additional amount of $4,149,082 and $4,074,207 was held at June 30, 2009 and 2008, respectively, for the July 1 payments. The total amount reserved by the Airport Authority for 2009 and 2008 was $47,302,857 and $49,988,387, respectively. The underlying public ratings of the Series 2005 Bonds as of June 30, 2009 and 2008 are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The debt is insured by the American Municipal Bond Assurance Corporation (AMBAC). On June 26, 2008, Fitch withdrew its ratings on AMBAC at the insurer's request. On April 13, 2009, Moody's downgraded the rating from Baaa to Ba3. On June 29, 2009, Standard & Poor's downgraded the rating from A to BBB.

Note 5. Debt, Continued

The required debt service payments for the Series 2005 Bonds for fiscal years ending June 30 are as follows:

	Principal	Interest	Total
2010	$ 2,950,000	$ 2,318,225	$ 5,268,225
2011	3,105,000	2,166,850	5,271,850
2012	3,265,000	2,007,600	5,272,600
2013	3,430,000	1,840,225	5,270,225
2014	3,610,000	1,664,225	5,274,225
2015-2019	20,930,000	5,412,288	26,342,288
2020-2021	9,990,000	531,300	10,521,300
	$ 47,280,000	$ 15,940,713	$ 63,220,713

Compensated absences: Employee vacation that vests is recorded when earned. Accumulated sick leave is not accrued because employee rights to receive compensation for the unused portion terminate upon severance of employment.

Line of credit: The Airport Authority established a $4,000,000 line of credit with Union Bank, which is collateralized with a certificate of deposit in 2009. This line will be utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2009, nothing had been drawn on the line of credit and no letters of credit had been issued.

Note 6. Defined-Benefit Plan

Plan description: The Airport Authority's defined-benefit pension plan is separately administered by the City of San Diego's City Employees' Retirement System (CERS). The San Diego County Regional Airport Authority Retirement Plan and Trust provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City of San Diego, the District and the Airport Authority, administered by the Retirement Board of Administration (the CERS Board). San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in CERS to the CERS Board. The Airport Authority contributes to the Federal Social Security Program. The CERS Board issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

Note 6. Defined-Benefit Plan, Continued

Funding policy: The City of San Diego municipal code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level and certain negotiated contracts, which provide for the Airport Authority to pay a portion of the employees' contributions. The Airport Authority contribution rate as determined through actuarial valuation, was 12.69 percent for 2009, 10.79 percent for 2008 and 13.76 percent for 2007, and is expressed as a percentage of covered payroll.

Annual pension cost: For the years ended June 30, 2009, 2008 and 2007, the annual pension cost included in salaries and benefits was $4,894,371, $2,503,543 and $2,941,640, respectively, for the CERS pension. The reduction in the annual required contribution (ARC) from 2006 to 2008 was due primarily to the change in valuing the assets from a book smoothing methodology to a market value methodology. The return on investments as reported by the CERS' investment advisor was negative 4.66 percent for 2008, positive 16.50 percent for 2007, and positive 11.28 percent for 2006. On an actuarial (smoothed) value of assets basis, the return for fiscal year 2008 was 6.24 percent. The annual pension costs are equal to the Airport Authority's required and actual contributions for each year. The required annual contribution will be determined as part of an actuarial evaluation using the entry-age-actuarial-cost method, which is the method utilized by CERS.

As of June 30, 2009, there have been a few changes in actuarial methods and procedures from the prior years:

- Retirement rates were increased and the assumption was changed to be based on the amount of service as opposed to the age of a member.
- Termination rates were increased.
- Disability rates were decreased.
- Mortality rates for active Airport Authority members was changed from the UP1994 table set back five years to the RP2000 Combined Healthy table projected to 2008.
- Mortality rates for retired Airport Authority members were changed from the UP1994 table set back five years to the RP2000 Combined Healthy table.
- The investment return assumption was lowered from 8.00 percent to 7.75 percent.
- The inflation assumption was lowered from 4.25 percent to 4.00 percent.

As of September 2006, the actuarial value of assets was equal to the market value of assets. The following year, the actuarial value was calculated by accepting 100 percent of the expected asset value plus 25 percent of the difference between the actual market value next year and the expected asset value. Any unfunded actuarially accrued liability would be funded as a level percentage of projected payrolls over a closed 18-year period. On September 16, 2004, the Airport Authority made a contribution payment in the amount of $3,900,000, in addition to the ARC, to reflect a desired funded ratio of 90 percent. On June 21, 2005, the Airport Authority made an additional contribution of $1,000,000. During the year ended June 30, 2006, the Airport Authority made an additional contribution of $513,627. As of the June 30, 2008 valuation date, the funding ratio was 101.7 percent. At June 30, 2009, 2008 and 2007, the total contribution of $5,413,627 less amortization of $1,395,790, $1,095,033 and $794,276, respectively, is recorded as a net pension asset of $4,017,837, $4,318,594 and $4,619,351, respectively. The contributions are being amortized over an 18-year period.

Note 6. Defined-Benefit Plan, Continued

Although the return on investments is not available for the fiscal year ended June 30, 2009 and subsequent periods, the Airport Authority expects CERS to report lower investment returns which should have the effect of increased future annual pension costs in the next few fiscal years. It is estimated by CERS that the fiscal year-end 2011 ARC will increase by approximately $1 million. The Airport Authority does not think that the increased rates will have a significant adverse effect on their future financial statements.

Schedule of Funding Progress for CERS ($ in thousands):

Schedule of Funding Progress for CERS ($ in thousands—unaudited):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll	Annual Pension Cost	% ARC Funded	Net Pension Obligation (NPO) Balance	(Increase) Decrease NPO	Amortization of NPO	ARC	Interest on the NPO at 8%	ARC Adjustment
6/30/06[1]	$ 41,222	$ 36,905	$ (4,317)	112.0	$ 19,116	(23.0)	$ 2,942	100%	$ (4,619)	$ -	$ 301	$ 2,942	$ 392	$ -
6/30/07	50,753	46,637	(4,117)	108.8	21,957	(18.8)	2,503	100%	(4,319)	-	300	2,503	392	-
6/30/08	57,748	56,808	(940)	101.7	23,488	(4.0)	4,894	100%	(4,018)	-	300	4,894	392	-

[1] *Reflects revised actuarial asset valuation methodology effective September 2006.*

Note 7. Employees' Deferred Compensation Plan

The Airport Authority offers its employees a deferred compensation plan, which was created in accordance with Internal Revenue Code (IRC) Section 457. The plan, which is available to all full-time Airport Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, total disability, death or unforeseeable emergency.

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

As such, employee assets to be held in the IRC Section 457 plans are not the property of the Airport Authority and are not subject to the claims of the Airport Authority's general creditors. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*, employee assets are not reflected in the Airport Authority's financial statements.

Note 8. Other Postemployment Benefits and Subsequent Event

In addition to pension benefits as described in Notes 6 and 7, the Airport Authority provides other postemployment benefits (OPEB).

The Airport Authority provides medical, dental and $10,000 life insurance postretirement benefits for nonunion employees hired prior to May 1, 2006 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's' Retiree Benefit Trust (CERBT) fund. The CERBT fund is an irrevocable Section 115 trust. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. The CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than $250 billion in assets for more than 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, a Section 115 Trust for the purpose of receiving employer contributions that will pre-fund health and other postemployment benefits costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: The CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the ARCs. As of May 9, 2009, the agreement with CERBT was approved. The 2008 and 2009 ARCs were funded on June 24, 2009, totaling $2,758,000.

Annual OPEB cost and actuarial methods and assumptions: The July 1, 2008 actuarial valuation for the ARC net of the employer contribution was $1,429,000 for fiscal year 2008 and $1,251,000 for fiscal year 2007. The ARC was determined as part of an actuarial evaluation using the entry-age-actuarial-cost method, with unfunded liabilities amortized over 30 years, which is the method utilized by CERBT. The actuarial assumptions used by CERBT include (a) 7.75 percent investment rate of return, net of administrative expenses and (b) projected salary increases of 3.25 percent. The inflation component ranged from 11 percent to 5 percent from one to seven years for medical and 7 percent to 5 percent for dental.

The entry-age-normal method spreads plan costs for each participant from entry date to the expected retirement date. Under the entry-age-normal cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The actuarial accrued liability is the cumulative value, on the valuation date, of prior service costs. For retirees, the actuarial accrued liability is the present value of all projected benefits.

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

Note 8. Other Postemployment Benefits and Subsequent Event, Continued

Development of Net OPEB Obligation (NOO) and Annual OPEB Cost ($ in thousands):

Actuarial Valuation Date	ARCs	Employer Contribution	NOO End of Year	Interest on NOO	Adjustment to the ARC	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
7/1/07	$ 1,309	$ 58	$ 1,251	$ -	$ -	$ 1,309	7.75%	3.25%	16.6
7/1/08	1,429	2,738	(38)	97	(77)	1,449	7.75%	3.25%	16.3

Schedule of Funding Progress ($ in thousands):

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/07	$ -	$ 8,924	$ 8,924	0%	$ 18,806	47.5%	7.75%	3.25%
Update	7/1/08	-	10,327	10,327	0%	19,417	53.2%	7.75%	3.25%

Schedule of Employer Contributions ($ in thousands):

Fiscal Year Ending	Annual OPEB Costs	Employer Contribution	Percentage Contribution	Net OPEB Obligation
June 30, 2008	$ 1,309	$ 58	4.4%	$ 1,251
June 30, 2009	1,449	2,758	190.3%	(38)

Note 9. Risk Management

The Airport Authority has developed a comprehensive Risk Management Program, including workers' compensation, which includes risk transfer, loss prevention, loss control and claims administration. The Airport Authority maintains $50 million in limits for primary owners' and operators' general liability insurance with a War, Hijacking and Other Perils endorsement. The war endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter. The Airport Authority maintains $450 million of general liability insurance in excess of the $50 million primary liability coverage. The Airport Authority's coverage includes a variety of retentions or deductibles.

Note 9. Risk Management, Continued

The cost of earthquake coverage remains exorbitant and is not available in significant amounts. The Federal Emergency Management Agency (FEMA) and the California Disaster Assistance Act (CDDA) are designed to assist public entities such as the Airport Authority in the event of a catastrophe. FEMA will pay up to 75 percent of a loss and CDDA will pay at a minimum 25 percent of the balance for nationally declared disasters. In addition, the California legislature has paid any remaining loss costs for all declared disasters since 1989. The Airport Authority in the past relied on these laws to pay loss costs beneath the attachment point for insurance coverage and above the coverage limit purchased. Effective July 1, 2007, based on the status of these laws and the condition of the insurance marketplace, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management program and increased reliance on the laws designed to assist public entities. As of June 30, 2009 and 2008, the Airport Authority had $1,475,998 and $602,000, respectively, for earthquake contingency reserve. This reserve is intended to increase as deemed by management.

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

The Airport Authority participates in an insurance purchasing program, with a $1 billion limit to provide all risk and flood coverage on physical assets. During fiscal year 2009, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

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

Note 10. Lease Revenues

The Airport Authority leases certain of its capital assets, such as loading bridges and building space, to signatory airlines and other tenants under operating leases. A majority of the lease payments are determined each year based upon actual costs of the airport. Such costs are allocated pro rata to each tenant based upon factors such as landed weights, enplanements, square footage, acres, etc.

Note 10. Lease Revenues, Continued

The future rental commitment under the above operating lease receivable agreements as of June 30 are due as follows:

Years Ending June 30,	Amount
2010	$ 5,866,000
2011	5,866,000
2012	5,739,000
2013	3,232,000
2014	1,821,000
2015-2019	6,427,000
	$ 28,951,000

The Airport Authority entered into a five-year lease agreement on January 9, 2009 with the San Diego World Trade Center (World Trade Center) for office space with a fair market value of $440,000. In lieu of rental payments, the Airport Authority received a 40 percent ownership of the World Trade Center license, which has a fair market value of $440,000. The license, an intangible asset with no expiration date, is included in nondepreciable assets in Note 4 to the financial statements. As of June 30, 2009, the Airport Authority recognized lease revenue of $41,627 under the World Trade Center lease.

Note 11. Lease Commitments

General Dynamics lease: The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement calls for predetermined rents through December 31, 2005, with future rents based upon a market rate established in late 2005 by an appraisal (or arbitration). The amended lease agreement calls for rent payments of $6,750,000 annually through December 31, 2068. The Airport Authority received a credit for $375,000 in reduced rent based on a previous lease agreement for the property in September 2006. The changes in terms for this lease were approved by the Airport Authority's Board on July 25, 2006. A portion of the land is leased to the District for employee parking for District administration building employees and is leased back by the District at the same fair market value rent paid by the Airport Authority.

SDIA lease: The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for $1 per year, for 66 years, through December 31, 2068.

Note 11. Lease Commitments, Continued

Teledyne Ryan lease: The Airport Authority is leasing from the District 46.88 acres on North Harbor Drive referred to as the Teledyne Ryan lease that commenced on January 1, 2005 and expires December 31, 2068, with $3 million in annual rent.

Other district leases: The Airport Authority leases from the District three additional properties adjacent to SDIA. These properties require monthly rentals of $86,083, $12,521 and $4,589 and expire in December 2013, December 2013 and April 2012, respectively. The Airport Authority received credits of $106,452 in reduced rent based on previous lease agreements for the properties during fiscal year 2006.

On July 24, 2006, the Airport Authority's Board approved a lease with the District for the property located at 2415 Winship Lane, known as the Sky Chef property. The term of the lease is 60 years with $350,000 in annual rent and commenced September 1, 2006.

Under current law, in the event SDIA is relocated and the District leases are no longer used by the Airport Authority for airport purposes, all District leases will terminate and use of the property will revert to the District.

Building lease: The Airport Authority leased modular buildings from an unrelated third party that required monthly rentals of $15,205 through the expiration date of October 2008.

Note 11. Lease Commitments, Continued

Deferred rent (benefit) liability: The Airport Authority accrues rent expense for its leases with predetermined escalating payments by the straight-line method over the respective lease terms. The accumulated benefit of the reduced scheduled payments of those leases is recorded as a deferred rent liability of $900,146 and $1,350,219 as of June 30, 2009 and 2008, respectively. The accumulated benefit (accrued liability) is expected to decrease gradually over the remaining 62 years. The future rental commitment under the above operating lease agreements as of June 30 are due as follows:

Years Ending June 30,	Amount
2010	$ 11,338,000
2011	11,338,000
2012	11,329,000
2013	11,283,000
2014	10,692,000
2015-2019	50,500,000
2020-2024	50,500,000
2025-2029	50,500,000
2030-2034	50,500,000
2035-2039	50,500,000
2040-2044	50,500,000
2045-2049	50,500,000
2050-2054	50,500,000
2055-2059	50,500,000
2060-2064	50,500,000
2065-2069	45,450,000
	$ 606,430,000

The total rental expense charged to operations for the year ending June 30 consists of the following:

	2009	2008
Rental payments made	**$ 11,338,009**	$ 11,350,942
(Decrease) in accumulated benefit of reduced rents	**(450,073)**	(450,073)
	$ 10,887,936	$ 10,900,869

Note 12. Commitments and Contingencies

Commitments: As of June 30, 2009 and 2008, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2009 and 2008, these funds totaled $4,182,128 and $3,747,319, respectively, and are classified on the accompanying balance sheet as Cash and Investments Designated for Specific Capital Projects and Other Commitments.

ii. Support Services—As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as the SDIA continues to operate at Lindbergh Field. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase, and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provided monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice and provision of appropriate supporting documentation. During the years ended June 30, 2009 and 2008, the Airport Authority expensed $13,318,272 and $13,018,481, respectively, for these services.

iii. In addition, the Airport Authority has a profit sharing plan as defined under Section 401(a) of the IRC. Under the plan, eligible employees receive annual discretionary employer contributions. Airport Authority contributions are immediately vested by the participants.

Note 12. Commitments and Contingencies, Continued

iv. Major contracts—During 2007 the Airport Authority Board approved a contract with The Jones Payne Group for $30 million for on-call architectural and engineering consultant services and support services associated with the capital improvement and airport master plan programs. At June 30, 2009, approximately $9.1 million had been spent and the remaining contract is due to be completed during fiscal year 2011. The Airport Authority Board approved a contract with C & S Engineers for $30 million for on-call architectural and engineering consultant services. At June 30, 2009, approximately $4.5 million had been spent and the remaining contract is due to be completed during fiscal year 2011. These major contracts are associated with the capital improvement and airport master plan programs. During 2006 the Airport Authority Board approved a contract with DMJM Aviation for $37.8 million, and in 2009 the Board approved additional funds of $38.7 million for program management and support services associated with the capital improvement program, major maintenance program and airport master plan program. At June 30, 2009, approximately $47.5 million had been spent and the remaining contract is due to be completed during fiscal year 2011. In 2009 the Board approved two design-build contracts for the Terminal Expansion Program or the "Green Build." The program is estimated to cost $865 million. The Green Build is scheduled to begin in 2010 and projected completion date is 2013. The Green Build provides for 10 additional passenger gates, a new dual-level roadway at Terminal 2 and additional aircraft remain-overnight parking areas. The first Green Build contract was approved for the Terminal 2 West Building and Airside Expansion to Turner/PCL/FCI Joint Venture for $13.1 million. The second was for the Terminal 2 Landside Improvements with the Kiewit/Sundt Joint Venture for $11 million. As of 2009, $1.2 million had been spent for the Turner/PCL/FCI Joint Venture contract and $2.6 million had been spent for the Kiewit/Sundt Joint Venture contract. Both contracts are scheduled for completion in fiscal year 2011. In 2009 the Board approved a contract with Jacobs Consultancy for aviation planning services to prepare the Regional Aviation Strategic Plan (RASP) for $2.2 million. At June 30, 2009, approximately $85,000 had been spent on this contract.

Contingencies: As of June 30, 2009, the Airport Authority is subject to contingencies arising from legal matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenant/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. Thus, according to the Airport Authority's legal counsel, when these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenant's/operator's insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

Note 12. Commitments and Contingencies, Continued

Teledyne Ryan Industries, Inc. (TDY)/Allegheny Technologies Inc. and San Diego Unified Port District

The former TDY property consists of approximately 44 acres of property located at 2701 N. Harbor Drive, San Diego, California. During 2004 the Airport Authority initiated litigation against the District. The litigation (State Court Case 779490 and Federal Case 3:03CV1146) has concluded and resulted in a comprehensive settlement agreement between the District and the Airport Authority and TDY. The property is still the subject of a Cleanup and Abatement Order (CAO) that names TDY as the only responsible party for the contamination on the site.

Cleanup and Abatement Order (CAO) No. R9-2004-0258: This action is ongoing and involves an order by the California Regional Water Quality Control Board, San Diego Region, entitled Cleanup and Abatement Order (CAO) No. R9-2004-0258, Code No. ICU:02-0381.05 for TDY Industries, Inc., TDY Holdings, LLC, Teledyne Ryan Aeronautical Company and Allegheny Technologies Incorporated, 2701 North Harbor Drive, San Diego, California, dated October 4, 2004, ordering the cleanup and abatement of the Property pursuant to California Water Code Section 13304. The demolition of the buildings and improvements currently located on the property are the joint financial responsibility of the District and the Airport Authority. The Airport Authority's share of the cost is estimated to be $9 million and will result in the creation of a long-term capital asset. As a result, the Airport Authority will capitalize its share of the demolition costs as these costs are incurred.

Save Our Heritage Organization v. San Diego Unified Port District, et al. (San Diego Superior Court Case No. 37-2009-000097828-CU-TT-CTL)

On September 4, 2009, Save Our Heritage Organization (SOHO) filed a Petition for Writ of Mandamus (Action) challenging the approval and certification of the TDY demolition project/EIR. The parties to the Action are: (1) the Petitioner, SOHO; (2) Respondents, San Diego Unified Port District and the Board of Port Commissioners (the lead agency under CEQA that approved the TDY demolition project and certified the EIR); and (3) Real Party in Interest, San Diego County Regional Airport Authority. The Action alleges violations of the California Environmental Quality Act (CEQA). SOHO requests the following remedy from the District: (1) set aside and void the certification of the EIR, set aside and void the approval of the demolition project, and set aside and void any other related approvals; (2) issue a temporary stay and preliminary injunction staying the District and their agents from physical actions pursuant to the TDY demolition project, including pre-demolition or demolition while the Action is pending; (3) a permanent injunction pending the District's full compliance with CEQA and all other applicable planning laws and ordinance; (4) award SOHO its reasonable costs and attorney fees; (5) award such other relief as the court finds proper. The Airport Authority does not believe a contingency loss, if any, would have a material effect on the financial statements.

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APPENDIX C

CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE SECOND SUPPLEMENTAL SUBORDINATE INDENTURE

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture.

"*Account*" means any account established pursuant to the Master Subordinate Indenture or any Supplemental Subordinate Indenture.

"*Accreted Value*" means (a) with respect to any Capital Appreciation Subordinate Obligations, as of any date of calculation, the sum of the amount set forth in a Supplemental Subordinate Indenture as the amount representing the initial principal amount of such Capital Appreciation Subordinate Obligation plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Subordinate Obligations, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Subordinate Obligations plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Subordinate Indenture authorizing the issuance of such Capital Appreciation Subordinate Obligation or Original Issue Discount Subordinate Obligations. All references in the Master Subordinate Indenture to "principal" will include Accreted Value, as applicable.

"*Act*" means Section 170000 *et seq*. of the California Public Utilities Code, as amended from time to time.

"*Airport Facilities*" or "*Airport Facility*" means a facility or group of facilities or category of facilities which constitute or are part of the Airport System.

"*Airport System*" means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including San Diego International Airport (Lindbergh Field), and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Authority or in which the Authority has other rights or from which the Authority derives revenues at such location; and including or excluding, as the case may be, such property as the Authority may either acquire or which shall be placed under its control, or divest or have removed from its control.

"*Authority*" means the San Diego County Regional Airport Authority, created under the provisions of the Act, and any successor to its function. Any action required or authorized to be taken by the Authority in the Master Subordinate Indenture may be taken by the Authorized Authority Representative with such formal approvals by the Authority as are required by the policies and practices of the Authority and applicable laws; provided, however, that actions taken by the Authorized Authority Representative in accordance with the provisions of the Master Subordinate Indenture will conclusively be deemed by the Subordinate Trustee and the Owners to be the act of the Authority without further evidence of the authorization thereof by the Authority.

"*Authorized Authority Representative*" means the Executive Director of the Authority, or such other officer or employee of the Authority or other person which other officer, employee or person has been designated by the Executive Director as an Authorized Authority Representative by written notice delivered by the Executive Director to the Subordinate Trustee.

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

"*Balloon Indebtedness*" means, with respect to any Series of Subordinate Obligations 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 Subordinate Obligations 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 Subordinate Obligations, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Subordinate Commercial Paper Program and the Commercial Paper constituting part of such Subordinate Program will not be Balloon Indebtedness.

"*Board*" means the board of directors of the Authority established pursuant to the provisions of the Act.

"*Bond Counsel*" means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Master Subordinate Indenture and which are acceptable to the Authority.

"*Business Day*" means a day on which banks located in New York, New York, in San Diego, California, and in the city in which the principal corporate trust office of the Subordinate Trustee is located are open, provided that such term may have a different meaning for any specified Series of Subordinate Obligations if so provided by Supplemental Subordinate Indenture.

"*Capital Appreciation Subordinate Obligations*" means Subordinate Obligations 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 Subordinate Indenture and is payable only upon redemption or on the maturity date of such Subordinate Obligations. Subordinate Obligations which are issued as Capital Appreciation Subordinate Obligations, but later convert to Subordinate Obligations on which interest is paid periodically will be Capital Appreciation Subordinate Obligations until the conversion date and from and after such conversion date will no longer be Capital Appreciation Subordinate Obligations, 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 Subordinate Obligations, if any, funded from the proceeds of the Subordinate Obligations or other monies that are deposited with the Subordinate Trustee in the Subordinate Debt Service Fund as will be described in a Supplemental Subordinate Indenture upon issuance of Subordinate Obligations to be used to pay interest on the Subordinate Obligations.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"*Commercial Paper*" means notes of the Authority with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Subordinate Program adopted by the Authority.

"*Consultant*" means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, financial advisory or investment banking firm, or other expert recognized to be well-qualified for work of the character required and retained by the Authority to perform acts and carry out the duties provided for such consultant in the Master Subordinate Indenture.

"*Costs*" or "*Costs of a Project*" means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (a) 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, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Authority or a Consultant; (d) costs of the Authority 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) financing expenses, including costs related to issuance of and securing of Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, a Subordinate Debt Service Reserve Fund, if any, Subordinate Trustee's fees and expenses; (f) any Swap Termination Payments due in connection with a Series of Subordinate Obligations or the failure to issue such Series of Subordinate Obligations, 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 Authority.

"*Costs of Issuance*" means all costs and expenses incurred by the Authority in connection with the issuance of the Subordinate Series 2010 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the preliminary and final official statements and the Subordinate Series 2010 Bonds, underwriters' compensation and the fees, costs and expenses of rating agencies, the Subordinate Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

"*Credit Facility*" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Subordinate Trustee for the payment of the principal of and/or interest on Subordinate Obligations whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Authority fails to do so.

"*Credit Provider*" means the party obligated to make payment of principal of and/or interest on the Subordinate Obligations under a Credit Facility.

"*Customer Facility Charge*" means a customer facility charge authorized to be imposed by the Authority in accordance with Section 1936 of the California Civil Code or any other applicable State law.

"*Debt Service Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit, deposited with the Subordinate Trustee for the credit of the Subordinate Debt Service Reserve Fund created for one or more series of Outstanding Subordinate Obligations in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy will be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"*Designated Debt*" means a specific indebtedness, designated by the Authority, in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series of Subordinate Obligations.

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

"*Event of Default*" means any occurrence or event specified in the Master Subordinate Indenture as described in "THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies" below.

"*Executive Director*" means the person at a given time who is the executive director of the Authority, as provided for in the Act, or such other title as the Authority may from time to time assign for such position, including, but not limited to President/CEO, and the officer or officers succeeding to such position as certified to the Subordinate Trustee by the Authority.

"*Facilities Construction Credit*" and "*Facilities Construction Credits*" means the amounts further described in the Master Senior Indenture resulting from an arrangement embodied in a written agreement of the Authority and another person or entity pursuant to which the Authority permits such person or entity to make a payment or payments to the Authority which is reduced by the amount owed by the Authority to such person or entity under such agreement, resulting in a net payment to the Authority by such person or entity. The "Facilities Construction Credit" will be deemed to be the amount owed by the Authority under such agreement which is "netted" against the payment of such person or entity to the Authority. Facilities Construction Credits are some times referred to as "rental credits."

"*First Supplemental Senior Indenture*" means the First Supplemental Trust Indenture, dated as of November 1, 2005, by and between the Authority and the Senior Trustee and which, among other things, sets forth the terms of the Senior Series 2005 Bonds.

"*First Supplemental Subordinate Indenture*" means the First Supplemental Subordinate Trust Indenture, dated as of September 1, 2007, by and between the Authority and the Subordinate Trustee and which, among other things, sets forth the terms of the Subordinate Commercial Paper Notes.

"*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 Authority designates as its fiscal year.

"*Fitch*" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any nationally recognized rating agency designated by the Authority.

"*Fund*" means any fund established pursuant to the Master Subordinate Indenture or any Supplemental Subordinate Indenture.

"*General Counsel*" means the in-house general counsel to the Authority who is responsible for representing the Authority on legal matters.

"*Government Obligations*" means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee 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 their highest rating category by one or more of the Rating Agencies, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Subordinate Obligations and such Rating Agencies are then maintaining a rating on any of the Subordinate Obligations; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Subordinate Obligations to be defeased have determined to be permitted defeasance securities.

"*Holder*," "*holder*," "*Owner*," "*owner*" or "*registered owner*" means the person in whose name any Subordinate Obligation or Subordinate Obligations are registered on the books maintained by the Registrar and will include any Credit Provider or Liquidity Provider to which a Subordinate Repayment Obligation is then owed, to the extent that such Subordinate Repayment Obligation is deemed to be a Subordinate Obligation under the provisions of the Master Subordinate Indenture.

"*Implemented*" means, when used with respect to a Subordinate Program, a Subordinate Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Subordinate Program, the items described the Master Subordinate Indenture have been filed with the Subordinate Trustee.

"*Independent*" means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Authority, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Authority as an official, officer or employee.

"*Initial Subordinate Obligations*" means the Subordinate Commercial Paper Notes.

"*Investment Agreement*" means an investment agreement or guaranteed investment contract by and between either the Authority or the Subordinate Trustee (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 items (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 Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

"*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 Subordinate Obligations.

"*Liquidity Provider*" means the entity, including a Credit Provider, which is obligated to provide funds to purchase Subordinate Obligations under the terms of a Liquidity Facility.

"*Mail*" means by first-class United States mail, postage prepaid.

"*Master Senior Indenture*" means the Master Trust Indenture, dated as of November 1, 2005, as amended from time to time, by and between the Authority and the Senior Trustee, together with all amendments thereto.

"*Master Subordinate Indenture*" means the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended from time to time, between the Authority and the Subordinate Trustee under which the Subordinate Series 2010 Bonds are authorized and secured.

"*Moody's*" means Moody's Investors Service Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized rating agency designated by the Authority.

"*Net Proceeds*" means insurance proceeds received as a result of damage to or destruction of Airport Facilities or any condemnation award or amounts received by the Authority from the sale of Airport Facilities under the threat of condemnation less expenses (including attorneys' fees and expenses and any fees and expenses of the Subordinate Trustee) incurred in the collection of such proceeds or award.

"*Net Revenues*" means, for any given period, the Revenues for such period, less the Operation and Maintenance Expenses of the Airport System for such period.

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

"*Operation and Maintenance Reserve Subaccount*" mean the "Operation and Maintenance Reserve Subaccount" created by the Authority within the Revenue Account pursuant to the provisions of the Master Senior Indenture.

"*Operation and Maintenance Reserve Subaccount Requirement*" means, as of any date of calculation, an amount equal to one-fourth (1/4) of the current annual budget of the Authority for Operation and Maintenance Expenses of the Airport System or such higher amount as may be established by the Authority from time to time.

"*Operation and Maintenance Subaccount*" means the "Operation and Maintenance Subaccount" created by the Authority within the Revenue Account pursuant to the provisions of the Master Senior Indenture.

"*Original Issue Discount Subordinate Obligations*" means Subordinate Obligations which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Subordinate Obligations by the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued.

"*Outstanding*" when used with respect to Subordinate Obligations means all Subordinate Obligations which have been authenticated and delivered under the Master Subordinate Indenture, except:

(a) Subordinate Obligations cancelled or purchased by the Subordinate Trustee for cancellation or delivered to or acquired by the Subordinate Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Subordinate Obligations deemed to be paid in accordance with the Master Subordinate Indenture;

(c) Subordinate Obligations in lieu of which other Subordinate Obligations have been authenticated under the Master Subordinate Indenture;

(d) Subordinate Obligations 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 Subordinate Trustee or a Paying Agent;

(e) Subordinate Obligations which, under the terms of the Supplemental Subordinate Indenture pursuant to which they were issued, are deemed to be no longer outstanding;

(f) Subordinate Repayment Obligations deemed to be Subordinate Obligations under the Master Subordinate Indenture to the extent such Subordinate Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Subordinate Obligations 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 Subordinate Obligations under the Master Subordinate Indenture, Subordinate Obligations held by or for the account of the Authority or by any person controlling, controlled by or under common control with the Authority, unless such Subordinate Obligations are pledged to secure a debt to an unrelated party.

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

"*Passenger Facility Charges*" means charges received and collected by the Authority pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"*Paying Agent*" or "*Paying Agents*" means, (a) for purposes of the Master Subordinate Indenture and with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Subordinate Indenture or a resolution of the Authority as the place where such Subordinate Obligations will be payable; and (b) for purposes of the Second Supplemental Subordinate Indenture and the Subordinate Series 2010 Bonds, the Subordinate Trustee, or any other institution appointed by the Authority.

"*Payment Date*" means, with respect to any Subordinate Obligations, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

"*Permitted Investments*" means any of the following, but only to the extent permitted by the laws of the State and the Authority's investment policy:

(a) United States 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 one of the two highest Rating Categories by one or more of the Rating Agencies;

(d) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the 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 at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (ii) fully secured by obligations described in item (a) or (b) of this definition of Permitted Investments (A) which are 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, (B) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (C) subject to a perfected first lien in favor of the Subordinate Trustee, and (D) free and clear from all third-party liens;

(f) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(g) Repurchase agreements which are (A) 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 one or more of the Rating Agencies and (B) fully secured by obligations specified in items (a) or (b) of this definition of Permitted Investments (1) which are 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 Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (3) subject to a perfected first lien in favor of the Subordinate 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 of one or more of the 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 (A) 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 (B) a money market fund or account of the Subordinate Trustee or its affiliates or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose own bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than $50,000,000 (all investments included in this clause (i) may include funds which the Subordinate Trustee or its affiliates provide investment advisory or other management services);

(j) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least $500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(k) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(l) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(m) Investment Agreements;

(n) Any other type of investment consistent with Authority policy in which the Authority directs the Subordinate Trustee to invest provided that there is delivered to the Subordinate Trustee a certificate of an Authorized Authority Representative stating that each of the Rating Agencies then maintaining a rating on the Subordinate Obligations has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Subordinate Obligations;

(o) Any state administered pool investment fund in which the Authority is statutorily permitted or required to invest (including but not limited to the State of California Local Agency Fund ("LAIF") established pursuant to Section 16429.1 et seq. of the Government Code of the State);

(p) The San Diego County Investment Pool ("SDCIP"). The Authority may invest in SDCIP up to the LAIF statutory limit; and

(q) any other investment which is a permitted investment of the Authority in accordance with the laws of the State.

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

“*Principal Amount*” or “*principal amount*” means, as of any date of calculation, (a) with respect to any Capital Appreciation Subordinate Obligation, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Subordinate Obligation, the Accreted Value thereof, unless the Supplemental Subordinate Indenture under which such Subordinate Obligation was issued will specify a different amount, in which case, the terms of the Supplemental Subordinate Indenture will control, and (c) with respect to any other Subordinate Obligations, the principal amount of such Subordinate Obligation payable at maturity.

“*Project*” means any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Subordinate Obligations.

“*Qualified Swap*” means any Swap (a) whose Designated Debt is all or part of a particular Series of Subordinate Obligations; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Subordinate Annual Debt Service or Subordinate Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Subordinate Trustee by the Authority as a Qualified Swap with respect to such Subordinate Obligations.

“*Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1,” in the case of Moody’s and “A+,” in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (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 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

“*Rating Agency*” and “*Rating Agencies*” means Fitch or Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Subordinate Obligations and such Rating Agencies are then maintaining a rating on any of the Subordinate Obligations.

“*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 or commercial paper 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 fund created by the Authority or the Subordinate Trustee pursuant to a Supplemental Subordinate Indenture in connection with the issuance of the Subordinate Obligations or any Series of Subordinate Obligations for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Record Date*” means, (a) for purposes of the Master Subordinate Indenture and with respect to any Series of Subordinate Obligations, the record date as specified in the Supplemental Subordinate Indenture which provides for the issuance of such Series; and (b) for purposes of the Second

Supplemental Subordinate Indenture, for a January 1 Interest Payment Date the preceding December 15 and for a July 1 Interest Payment Date the preceding June 15.

"*Refunding Subordinate Obligations*" means any Subordinate Obligations issued pursuant to the Master Subordinate Indenture to refund or defease all or a portion of any series of Outstanding Subordinate Obligations.

"*Registrar*" means, (a) for purposes of the Master Subordinate Indenture and with respect to the Subordinate Obligations or any Series of Subordinate Obligations, a bank, trust company or other entity designated in a Supplemental Subordinate Indenture or a resolution of the Authority to perform the function of Registrar under the Master Subordinate Indenture or any Supplemental Subordinate Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Subordinate Indenture and (b) for purposes of the Second Supplemental Subordinate Indenture and the Subordinate Series 2010 Bonds, the Subordinate Trustee.

"*Regularly Scheduled Swap Payments*" means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"*Released Revenues*" means Revenues in respect of which the following have been filed with the Senior Trustee:

(a) a resolution of the Board describing a specific identifiable portion of Revenues and approving that such Revenues be excluded from the term Revenues;

(b) either (i) a certificate prepared by an Authorized Authority Representative showing that Net Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of Revenues covered by the Board's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments pursuant to the flow of funds set forth in the Master Senior Indenture (see "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Flow of Funds" in the forepart of this Official Statement), or (B) an amount not less than 150% of average aggregate annual debt service on the Senior Bonds for each Fiscal Year during the remaining term of all Senior Bonds that will remain outstanding after the exclusion of such specific identifiable portion of Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Revenues (excluding the specific identifiable portion of Revenues covered in the resolution adopted by the Board described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Board, will not be less than the larger of (A) the amounts needed for making the required deposits and payments pursuant to the flow of funds set forth in the Master Senior Indenture (see "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Flow of Funds" in the forepart of this Official Statement), or (B) an amount not less than 150% of the average aggregate annual debt service on the Senior Bonds for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of Revenues and from the pledge and lien of the Master Senior Indenture will not, in and of itself, cause the interest on any outstanding Senior Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of Fitch, Moody's and S&P (provided such Rating Agencies have been requested by the Authority to maintain a rating on the Senior Bonds and such Rating Agencies are then maintaining a rating on any of the Senior Bonds) to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of the Master Senior Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Senior Bonds.

Upon filing of such documents, the specific identifiable portion of Revenues described in the resolution of the Board shall no longer be included in Revenues and shall be excluded from the pledge and lien of the Master Senior Indenture, unless otherwise included in Revenues and in the pledge and lien of the Master Senior Indenture pursuant to a supplemental indenture.

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

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

"*Responsible Officer*" means an officer or assistant officer of the Subordinate Trustee assigned by the Subordinate Trustee to administer the Master Subordinate Indenture.

"*Revenue Account*" means the "Revenue Account" created by the Authority within the Revenue Fund pursuant to the provisions of the Master Senior Indenture.

"*Revenue Fund*" means the "San Diego County Regional Airport Authority Revenue Fund" established by the Authority and held and maintained by the Authority for the purpose of depositing all Revenues and other moneys and funds not included in Revenues.

"*Revenues*" means except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Authority for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Authority, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, "Revenues" also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a supplemental indenture to fund the construction fund) from the investment of amounts held in the Revenue Account, any construction fund, any debt service fund (except Capitalized Interest on deposit therein), any debt service reserve fund and such additional revenues, if any, as are designated as "Revenues" under the terms of any supplemental indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the Authority from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of debt service on the bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the bonds (except to the extent Net Proceeds are utilized to pay Operation and Maintenance Expenses of the Airport System), and (iv) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in Master Senior Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a supplemental indenture or pursuant to a certificate of an Authorized Authority Representative: (A) any Swap Termination Payments paid to the Authority pursuant to a Qualified Swap, (B) Facilities Construction Credits, (C) Passenger Facility Charges, (D) Released Revenues, (E) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of the Master Senior Indenture by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, (F) investment income derived from any moneys or securities which may be placed in escrow or trust to defease bonds, (G) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and (H) Capitalized Interest. Further, interest earnings or other investment earnings on any construction fund established by any supplemental indenture are specifically excluded from "Revenues," unless otherwise provided for in such supplemental indenture..

"*Second Supplemental Senior Indenture*" means the Second Supplemental Trust Indenture, to be dated as of October 1, 2010, by and between the Authority and the Senior Trustee and which, among other things, sets forth certain amendments to the Master Senior Indenture.

"*Second Supplemental Subordinate Indenture*" means the Second Supplemental Subordinate Trust Indenture, to be dated as of October 1, 2010, by and between the Authority and the Subordinate Trustee and which, among other things, sets forth the terms of the Subordinate Series 2010 Bonds.

"*Senior Bonds*" means all "Bonds" issued pursuant to the terms of the Master Senior Indenture, including the Senior Series 2005 Bonds.

"*Senior Indenture*" means, collectively, the Master Senior Indenture, the First Supplemental Senior Indenture and the Second Supplemental Senior Indenture.

"*Senior Series 2005 Bonds*" means the $56,270,000 original principal amount of Senior Bonds designated as "San Diego County Regional Airport Authority Airport Revenue Refunding Bonds, Series 2005.

"*Senior Trustee*" means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., and any successor thereto.

"*Series*" means Subordinate Obligations designated as a separate Series by a Supplemental Subordinate Indenture and, with respect to Subordinate Program Obligations or a Subordinate Commercial Paper Program, means the full Subordinate Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Subordinate Indenture, designated as separate Series.

"*Significant Portion*" means any Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Authority at the beginning of an annual period which includes the month of commencement of the 12 month period ending on the day of such disposition would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Revenues directly attributable to such Airport Facilities and increased by the expenses of the Authority directly attributable to such Airport Facilities. The Authority will notify each of the Rating Agencies that the Authority has requested ratings from and who are then maintaining a rating on any of the Subordinate Obligations prior to the selling or disposing of a Significant Portion of any Airport Facilities or portions thereof.

"*S&P*" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, an entity organized and existing under the laws of the State of New York, its successors and their assigns, and if such entity will for any reason no longer perform the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"*Specified Project*" means a Project or a group of alternative Projects which are described in a certificate of an Authorized Authority Representative, which is delivered to the Consultant preparing the certificate described in the Master Subordinate Indenture, if applicable, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing the certificate under the Master Subordinate Indenture.

"*State*" means the State of California.

"*Subaccount*" means any subaccount established pursuant to the Master Subordinate Indenture or any Supplemental Subordinate Indenture.

"*Subordinate Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Subordinate Annual Debt Service on all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations. For purposes of calculating Subordinate Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal to be funded in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations in accordance with any amortization schedule established by the governing documents setting forth the terms of such Subordinate Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations maturing or scheduled for redemption in such year; in determining the amount of interest to be funded in each year, interest payable at a fixed rate will (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Subordinate Obligations will be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Subordinate Obligations, or Unissued Subordinate Program Obligations constitute Balloon Indebtedness (excluding Subordinate Program Obligations or Unissued Subordinate Program Obligations to which subsection (f) applies), then, for purposes of determining Subordinate Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years 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 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Subordinate Obligations, Unissued Subordinate Program Obligations or Subordinate Program Obligations only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Subordinate Program Obligations or Subordinate Program Obligations 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 (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Subordinate Obligations which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Subordinate Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Subordinate Aggregate Annual Debt Service a certificate of an Authorized Authority Representative stating that the Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon 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 Subordinate Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Subordinate Obligations (including Subordinate Program Obligations) or any Subordinate Obligations which are then proposed to be issued constitute Subordinate Tender Indebtedness (but excluding Subordinate Program Obligations or Subordinate Obligations as to which a Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Subordinate Aggregate Annual Debt Service, Subordinate Tender Indebtedness will be treated as if the principal amount of such Subordinate Obligations were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Subordinate Annual Debt Service payments and extending not later than 30 years from the date such Subordinate Tender Indebtedness was originally issued; the interest rate used for such computation will be 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Subordinate Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above 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 (e) or (f) below, as appropriate;

(e) if any Outstanding Subordinate Obligations constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Subordinate Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Subordinate Obligations will be 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Subordinate Program Obligations or Unissued Subordinate Program Obligations (other than a Subordinate Commercial Paper Program) (i) debt service on Subordinate Program Obligations then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Subordinate Program Obligations, it will be assumed that the full principal amount of such Unissued Subordinate Program Obligations will be amortized over a term certified by an Authorized Authority Representative at the time the initial Subordinate Program Obligations of such Subordinate Program are issued to be the expected duration of such Subordinate Program or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Subordinate Program at the time of such calculation, but not to exceed 30 years from the date the initial Subordinate Program Obligations of such Subordinate Program are issued and it will be assumed that debt service will be paid in substantially level Subordinate Annual Debt Service payments over such assumed term; the interest rate used for such computation will be 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Subordinate Repayment Obligations, to the extent such obligations constitute Subordinate Obligations under the Master Subordinate Indenture, will be calculated as provided therein;

(h) (i) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Authority elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the Authority fails to elect such rate, then it will be deemed to be the 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 Authority;

(ii) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations with respect to which a Swap has been entered into whereby the Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Subordinate Obligations to which such Swap pertains will be included in the calculation of Subordinate Aggregate Annual Debt Service, and the interest rate with respect to such Subordinate Obligations will, if the Authority elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Subordinate Commercial Paper Program which has been Implemented and not then terminated or with respect to any Subordinate Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Subordinate Authorized Amount of such Subordinate Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Subordinate Commercial Paper Program is Implemented and with substantially level Subordinate Annual Debt Service payments; the interest rate used for such computation will be 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 Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Subordinate Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Subordinate Aggregate Annual Debt Service or Subordinate Annual Debt Service; and

(k) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys have been irrevocably committed or are held by the Subordinate Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such

Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys are included in the definition of Revenues) and not included in calculating Subordinate Aggregate Annual Debt Service.

"*Subordinate Annual Debt Service*" means, with respect to any Subordinate Obligation, the aggregate amount of principal and interest becoming due and payable during the Fiscal Year, and if a Qualified Swap is in effect for any Subordinate Obligation, plus the amount payable by the Authority (or the Subordinate Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the Authority from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Subordinate Aggregate Annual Debt Service.

"*Subordinate Authorized Amount*" means, when used with respect to Subordinate Obligations, including Subordinate Obligations issued pursuant to a Subordinate Program, the maximum Principal Amount of Subordinate Obligations which is then authorized by a resolution adopted by the Board or a Supplemental Subordinate Indenture entered into by the Authority pursuant to the Master Subordinate Indenture to be Outstanding at any one time under the terms of such Subordinate Program or Supplemental Subordinate Indenture. If the maximum Principal Amount of Subordinate Obligations or Subordinate Program Obligations authorized by a preliminary resolution or form of Supplemental Subordinate Indenture approved by the Authority pursuant to the Master Subordinate Indenture exceeds the maximum Principal Amount of Subordinate Obligations set forth in the final definitive Supplemental Subordinate Indenture executed and delivered by the Authority pursuant to which such Subordinate Obligations are issued or such Subordinate Program is established, the Principal Amount of such Subordinate Obligations or Subordinate Program Obligations as is set forth in said final definitive Supplemental Subordinate Indenture as executed and delivered by the Authority will be deemed to be the "Subordinate Authorized Amount." Notwithstanding the provisions of this definition of "Subordinate Authorized Amount," in connection with the Master Subordinate Indenture and the calculation of Subordinate Aggregate Annual Debt Service, Subordinate Annual Debt Service or Subordinate Maximum Annual Debt Service with respect to a Subordinate Commercial Paper Program, "Subordinate Authorized Amount" means the lessor of (i) the authorized amount of Subordinate Program Obligations set forth in the Supplemental Subordinate Indenture establishing the Subordinate Commercial Paper Program or (ii) the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Subordinate Commercial Paper Program and the total amount of Subordinate Commercial Paper Notes that may be issued pursuant to an Unenhanced Subordinate Commercial Paper Program.

"*Subordinate Commercial Paper Notes*" means, collectively, the $250,000,000 original principal amount of Commercial Paper authorized under the Master Subordinate Indenture and the First Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Commercial Paper Notes, Series A-C."

"*Subordinate Commercial Paper Program*" means a Subordinate Program authorized by the Authority pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Subordinate Authorized Amount of such Subordinate Program.

"*Subordinate Construction Fund*" means any of the Subordinate Construction Funds authorized to be created as provided by the Master Subordinate Indenture.

"*Subordinate Debt Service Fund*" or "*Subordinate Debt Service Funds*" means a Subordinate Debt Service Fund or any of the Subordinate Debt Service Funds required to be created as provided by the Master Subordinate Indenture.

"*Subordinate Debt Service Reserve Fund*" means any Subordinate Debt Service Reserve Fund created by the Authority or the Subordinate Trustee pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series of Subordinate Obligations and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Obligations and under certain circumstances to provide additional security for such other designated Series of Subordinate Obligations issued pursuant to the terms of the Master Subordinate Indenture and as specified in any Supplemental Subordinate Indenture.

"*Subordinate Maximum Aggregate Annual Debt Service*" means the maximum amount of Subordinate Aggregate Annual Debt Service with respect to all Subordinate Obligations, Unissued Subordinate Program Obligations, and the Subordinate Authorized Amount of all Subordinate Obligations then proposed to be issued in the then current or any future Fiscal Year.

"*Subordinate Net Revenues*" means the Revenues remaining after the Authority has made the deposits to the Operation and Maintenance Subaccount, the senior debt service funds and the senior debt service reserve funds as further described in the forepart of this Official Statement under the caption "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Flow of Funds."

"*Subordinate Notes*" means Subordinate Obligations issued under the provisions of the Master Subordinate Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Subordinate Commercial Paper Program.

"*Subordinate Obligation*" or "*Subordinate Obligations*" means any debt obligation of the Authority issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Subordinate Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the Authority, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Subordinate Repayment Obligations to the extent provided in the Master Subordinate Indenture. The term "Subordinate Obligation" or "Subordinate Obligations" include any Subordinate Program Obligations.

"*Subordinate Program*" means a financing program identified in a Supplemental Subordinate Indenture, including but not limited to a Subordinate Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items described in the Master Subordinate Indenture have been filed with the Subordinate Trustee, (b) wherein the Authority has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Subordinate Authorized Amount, and (c) except for the Initial Subordinate Obligations, the Subordinate Authorized Amount of which has met the additional bonds test set forth in the Master Subordinate Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Subordinate Authorized Amount.

"*Subordinate Program Obligations*" means Subordinate Obligations issued and Outstanding pursuant to a Subordinate Program, other than Unissued Subordinate Program Obligations.

"*Subordinate Repayment Obligations*" means any obligation of the Authority arising under a written agreement of the Authority and a Credit Provider pursuant to which a Credit Facility is issued to pay debt service on any Subordinate Obligations or any obligation arising under a written agreement of the Authority and a Liquidity Provider pursuant to which a Liquidity Facility is issued to purchase Subordinate Obligations.

"*Subordinate Reserve Fund*" means the Subordinate Debt Service Reserve Fund established pursuant to the Second Supplemental Subordinate Indenture.

"*Subordinate Series 2010A Bonds*" means $313,150,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A."

"*Subordinate Series 2010A/B Tax Certificate*" means the Tax Compliance Certificate, dated the date of issuance of the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds, as amended from time to time, entered into by the Authority and executed with respect to the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds.

"*Subordinate Series 2010B Bonds*" means $44,055,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010B."

"*Subordinate Series 2010C Bonds*" means $215,360,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010C."

"*Subordinate Series 2010C Tax Certificate*" means the Tax Compliance Certificate, dated the date of issuance of the Subordinate Series 2010C Bonds, as amended from time to time, entered into by the Authority and executed with respect to the Subordinate Series 2010C Bonds.

"*Subordinate Series 2010 Bonds*" means, collectively, the Subordinate Series 2010A Bonds, the Subordinate Series 2010B Bonds and the Subordinate Series 2010C Bonds.

"*Subordinate Tender Indebtedness*" means any Subordinate Obligations or portions of Subordinate Obligations a feature of which is an obligation on the part of the Holders, under the terms of such Subordinate Obligations, to tender all or a portion of such Subordinate Obligations to the Authority, the Subordinate Trustee, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Subordinate Obligations or portions of Subordinate Obligations be purchased if properly presented.

"*Subordinate Trustee*" means Deutsche Bank National Trust Company, until a successor replaces it and, thereafter, means such successor.

"*Supplemental Senior Indenture*" means any document supplementing or amending the Master Senior Indenture or providing for the issuance of Senior Bonds and entered into as provided in the Master Senior Indenture.

"*Supplemental Subordinate Indenture*" means any document supplementing or amending the Master Subordinate Indenture or providing for the issuance of Subordinate Obligations and entered into as provided in the Master Subordinate Indenture.

"*Swap*" means any financial arrangement between the Authority and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued will reflect the time value of such funds; and (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement.

"*Swap Provider*" means a party to a Swap with the Authority.

"*Swap Termination Payment*" means an amount payable by the Authority or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

"*Synthetic Fixed Rate Debt*" means indebtedness issued by the Authority which: (a) is combined, as Designated Debt, with a Qualified Swap 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.

"*Unenhanced Subordinate Commercial Paper Program*" will be a Subordinate Commercial Paper Program that is authorized to be issued without the support of a Credit Facility, provided such Subordinate Commercial Paper Program has received a short-term rating of at least "P-2" from Moody's or "A-2" from S&P.

"*Unissued Subordinate Program Obligations*" means the bonds, notes or other indebtedness authorized to be issued pursuant to a Subordinate Program and payable from Subordinate Net Revenues, issuable in an amount up to the Subordinate Authorized Amount relating to such Subordinate Program, which have been approved for issuance by the Authority pursuant to a resolution adopted by the Board and with respect to which Subordinate Program, except as otherwise provided for in the Master Subordinate Indenture, the items described therein have been filed with the Subordinate Trustee but which have not yet been authenticated and delivered pursuant to the Subordinate Program documents.

"*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 Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any Subordinate Commercial Paper Program.

THE MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE" in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Subordinate 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 Master Subordinate Indenture.

Grant to Secure Subordinate Obligations; Pledge of Subordinate Net Revenues

To secure the payment of the principal and Accreted Value of, premium, if any, and interest on the Subordinate Obligations and the performance and observance by the Authority of all the covenants, agreements and conditions expressed or implied in the Master Subordinate Indenture or contained in the Subordinate Obligations, the Authority hereby pledges and assigns to the Subordinate Trustee and grants to the Subordinate Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following and provides that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Authority in the following: (a) the Subordinate Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Subordinate Trustee under the Master Subordinate Indenture, and to the extent provided in any Supplemental Subordinate Indenture moneys and securities held in any Subordinate Construction Fund whether or not held by the Subordinate Trustee, (c) earnings on amounts included in provisions (a) and (b) of this paragraph (except to the extent excluded from the definition of Revenues by the Master Subordinate Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Subordinate Trustee as additional security under the Master Subordinate Indenture, for the equal and proportionate benefit and security of all Subordinate Obligations, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this paragraph, be of equal rank without preference, priority or distinction as to any Subordinate Obligation over any other Subordinate Obligation or Subordinate Obligations, except as to the timing of payment of the Subordinate Obligations. Any Subordinate Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Subordinate Obligations, a specific Series of Subordinate Obligations or one or more Series of Subordinate Obligations may, as provided by a Supplemental Subordinate Indenture, secure only such specific Subordinate Obligations, Series of Subordinate Obligations or one or more Series of Subordinate Obligations and, therefore, will not be included as security for all Subordinate Obligations under the Master Subordinate Indenture unless otherwise provided by a Supplemental Subordinate Indenture and moneys and securities held in trust as provided in the Master Subordinate Indenture exclusively for Subordinate Obligations which have become due and payable and moneys and securities which are held exclusively to pay Subordinate Obligations which are deemed to have been paid under the Master Subordinate Indenture will be held solely for the payment of such specific Subordinate Obligations.

Subordinate Repayment Obligations Afforded Status of Subordinate Obligations

If a Credit Provider or Liquidity Provider makes payment of principal of and interest on a Subordinate Obligation or advances funds to purchase or provide for the purchase of Subordinate Obligations and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Authority, but is not reimbursed, the Authority's Subordinate Repayment Obligation under such written agreement may, if and to the extent so provided in the written agreement, be afforded the status of a Subordinate Obligation issued under the Master Subordinate Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Holder and such Subordinate Obligation will be deemed to have been issued at the time of the original Subordinate Obligation for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Master Subordinate Indenture; provided, however, notwithstanding the stated terms of the Subordinate Repayment Obligation, the payment terms of the Subordinate Obligation held by the Credit Provider or Liquidity Provider under the Master Subordinate Indenture will be as follows (unless otherwise provided in the written agreement with the Authority or a Supplemental Subordinate Indenture pursuant to which the Subordinate Obligations 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 in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Subordinate Obligations or (B) if longer, the final maturity of the Subordinate Repayment Obligation under the written agreement, and providing substantially level Subordinate Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Subordinate 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 Subordinate Repayment Obligation. Except as otherwise provided in a Supplemental Subordinate Indenture, any amount which comes due on the Subordinate Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Subordinate Obligation will be a subordinate obligation payable after its obligations to fund the Senior Bonds and the Subordinate Obligations of the Authority. This provision will not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Subordinate Indenture. The Subordinate 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 Subordinate Repayment Obligation is to be afforded the status of a Subordinate Obligation under the Master Subordinate Indenture.

Funds and Accounts

Funding of Subordinate Debt Service Funds. *Following is a description of the current provisions of the Master Subordinate indenture with respect to the funding of the Subordinate Debt Service Funds. However, see "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Subordinate Debt Service Deposits" in the forepart of this Official Statement for a description of certain proposed amendments being made to the Master Subordinate Indenture with respect to the funding of the Subordinate Debt Service Funds.*

The Subordinate Trustee will, at least five Business Days prior to the 20th day of each month immediately preceding each month within which a Payment Date for any Subordinate Obligation occurs, give the Authority notice by telephone, promptly confirmed in writing, of the amount, after taking into account Capitalized Interest, if any, on deposit in the Subordinate Debt Service Fund, required to be deposited with the Subordinate Trustee to make each required payment of principal and interest due on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental

Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the Authority of Payment Dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Subordinate Indenture will control.

The Authority, on or prior to the 20th day of each month immediately preceding each month within which a Payment Date occurs, will withdraw from the Revenue Account and pay to the Subordinate Trustee the full amount required to make the interest and/or principal payments due on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of paying the interest and/or principal payments due on a Payment Date, and, in such event, the terms of such Supplemental Subordinate Indenture will control.

On any day on which the Subordinate Trustee receives funds from the Authority to be used to pay principal of or interest on Subordinate Obligations, the Subordinate Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Subordinate Debt Service Funds for the Series of Subordinate Obligations for which such payments were made and any excess will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Subordinate Trustee does not have sufficient amounts in the Subordinate Debt Service Funds (without regard to any amounts which may be available from Subordinate Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Subordinate Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the various Subordinate Debt Service Reserve Funds) as follows: first to the payment of interest then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all interest on the Subordinate Obligations then due, then pro rata among the Series according to the amount of interest then due and second to the payment of principal then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all principal on the Subordinate Obligations then due, then pro rata among the Series according to the Principal Amount then due on the Subordinate Obligations.

If a Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Subordinate Obligations secured thereby, then the Authority may be required by Supplemental Subordinate Indenture to replenish such Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds or reimburse the Credit Provider from Subordinate Net Revenues provided that (a) no amount from Subordinate Net Revenues may be used for such purpose until all payments of principal of and interest on all Subordinate Obligations which have become due and payable will have been paid in full, (b) the required payments to replenish any such Subordinate Debt Service Reserve Fund or reimburse the Credit Provider will be due in no more than 12 substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Subordinate Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Subordinate Trustee for such purpose will be allocated among the various Subordinate Debt Service Reserve Funds pro rata on the basis of the Outstanding Principal Amount of Subordinate Obligations secured thereby.

Notwithstanding the foregoing, the Authority may, in the Supplemental Subordinate Indenture authorizing such Series of Subordinate Obligations, provide for different provisions and timing of deposits with the Subordinate Trustee and different methods of paying principal of or interest on such Subordinate Obligations depending upon the terms of such Subordinate Obligations and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective

Subordinate Debt Service Fund created for the Series of Subordinate Obligations for which such Credit Facility is provided.

If the Subordinate Net Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Obligations, the Authority may, at its election, pay to the Subordinate Trustee funds from any available sources with the direction that such funds be deposited into the Subordinate Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein

Additional Security. The pledge of Subordinate Net Revenues and the other security provided in the Master Subordinate Indenture, secure all Subordinate Obligations issued under the terms of the Master Subordinate Indenture on an equal and ratable basis, except as to the timing of such payments. The Authority may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Obligations or a Series of Subordinate Obligations with no obligation to provide such additional security or credit enhancement to other Subordinate Obligations.

Payment of Principal and Interest

The Authority covenants and agrees that it will duly and punctually pay or cause to be paid from the Subordinate Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Subordinate Obligation at the place and on the dates and in the manner provided in the Master Subordinate Indenture, in the Supplemental Subordinate Indentures and in the Subordinate Obligations specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements the Master Subordinate Indenture and in the Subordinate Obligations contained, provided that the Authority's obligation to make payment of the principal of, premium, if any, and interest on the Subordinate Obligations will be limited to payment from the Subordinate Net Revenues, the funds and accounts pledged therefore in the Granting Clauses of the Master Subordinate Indenture and any other source which the Authority may specifically provide for such purpose and no Holder will have any right to enforce payment from any other funds of the Authority.

Junior and Subordinated Obligations

The Authority may, from time to time, incur indebtedness with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the Authority will determine, provided that:

(a) any resolution or indenture or other instrument of the Authority authorizing the issuance of any subordinate obligations will specifically state that such lien on or security interest granted in the Subordinate Net Revenues is junior and subordinate to the lien on and security interest in such Subordinate Net Revenues and other assets granted to secure the Subordinate Obligations; and

(b) payment of principal of and interest on such subordinated obligations will be permitted, provided that all deposits required to be made to the Subordinate Trustee to be used to pay debt service on the Subordinate Obligations or to replenish the Subordinate Debt Service Reserve Fund, if any, are then current in accordance with the Master Subordinate Indenture.

Operation and Maintenance of Airport System

The Authority covenants that the Airport System will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Authority will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System will be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System will be made, subject to sound business judgment. The Authority will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Authority, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues, Subordinate Net Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues, Subordinate Net Revenues or the Airport System or any part thereof constituting part of the Airport System.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions: (a) the Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports; and (b) the Authority will place on file with the Subordinate Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Authority Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to the Airport System and the operations of the Authority. The Subordinate Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Subordinate Indenture or obtained by the Authority.

"*Qualified Self Insurance*" means insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Authority may have a material interest and of which the Authority may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Authority determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Authority 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 Authority 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 Authority.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Authority will create within the Revenue Account a special account and will credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Subordinate Obligations, or (iv) create an escrow fund pledged to pay specified Subordinate Obligations and thereby cause such Subordinate

Obligations to be deemed to be paid as provided in the Master Subordinate Indenture; provided, however, that the Authority will first deliver to the Subordinate Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Subordinate Obligations, the rate covenant as set forth in the Master Subordinate Indenture would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities

The Authority will not, except as provided in Section 170060 of the Act and except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. Any transfer of an asset over which the Authority retains substantial control in accordance with the terms of such transfer, will not, for so long as the Authority has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

Except as otherwise provided in Section 170060 of the Act, the Authority may transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under the preceding paragraph), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Revenue Account to be used as described below and the Authority believes that such disposal will not prevent it from fulfilling its obligations under the Master Senior Indenture or Master Subordinate Indenture; or (c) the Authority receives fair market value for the property, the proceeds are deposited in the Revenue Account to be used as described below, and prior to the disposition of such property, there is delivered to the Senior Trustee and the Subordinate Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Authority as evidenced by a certificate of an Authorized Authority Representative, the Consultant estimates that the Authority will be in compliance with the rate covenant of the Master Senior Indenture and the rate covenant of the Master Subordinate Indenture during each of the first five Fiscal Years immediately following such disposition.

Proceeds of the disposition of assets under the preceding two paragraphs above will be deposited into the Revenue Account and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing Airport Facilities, (ii) redeem Senior Bonds and/or Subordinate Obligations or (iii) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of the first paragraph of this Section, unless the Authority has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

Eminent Domain

If a Significant Portion of any Airport Facility or Airport Facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Authority will create within the Revenue Account a special account and credit the Net Proceeds received as a result of such taking or conveyance to such account and will within a reasonable period of time, after the receipt of such amounts, use such proceeds to (a) replace the Airport Facility or Airport Facilities which were taken or conveyed, (b) provide an additional revenue producing Airport Facility or Airport Facilities, (c) redeem Senior Bonds and/or Subordinate Obligations, or (d) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

Investments

Moneys held by the Authority and/or the Subordinate Trustee in the funds and accounts created in the Master Subordinate Indenture and under any Supplemental Subordinate Indenture will be invested and reinvested as directed by the Authority, in Permitted Investments subject to the restrictions set forth in the Master Subordinate Indenture and such Supplemental Subordinate Indenture and subject to the investment restrictions imposed upon the Authority by the laws of the State and the Authority's investment policy. The Authority will direct such investments by written certificate (which certificate will include a certification that such directions comply with the Authority's investment policy and upon which the Subordinate Trustee may conclusively rely) of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative; in the absence of any such instructions, the Subordinate Trustee will, to the extent practicable, invest in Permitted Investments specified in paragraph (i) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account of the Subordinate Trustee, provided it meets the requirements specified in paragraph (i) of the definition of Permitted Investments, which are Permitted Investments under State law.

Defeasance

Subordinate Obligations 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 Master Subordinate Indenture except for the purposes of payment from moneys, Government Obligations or obligations described in paragraph (b) of the definition of Permitted Investments held by the Subordinate Trustee or a Paying Agent for such purpose. When all Subordinate Obligations which have been issued under the Master Subordinate Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Subordinate Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Subordinate Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues and the other assets pledged to secure the Subordinate Obligations under the Master Subordinate Indenture will thereupon cease, terminate and become void, and thereupon the Subordinate Trustee will cancel, discharge and release the Master Subordinate Indenture, will execute, acknowledge and deliver to the Authority such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Authority any property and revenues at the time subject to the Master Subordinate Indenture which may then be in the Subordinate Trustee's possession, except funds or securities in which such funds are invested and are held by the Subordinate Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Obligations.

A Subordinate Obligation will be deemed to be paid within the meaning of the Master Subordinate Indenture and for all purposes thereof 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 Subordinate Obligations and the Master Subordinate Indenture or (b) will have been provided for, as certified to the Subordinate Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Subordinate 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 paragraph (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 Subordinate Obligations will be deemed to be paid under the Master Subordinate Indenture, such Subordinate Obligations will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in paragraph (b) of the definition of Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Subordinate Obligations. Once such deposit will have been made, the Subordinate Trustee will notify all holders of the affected Subordinate Obligations that the deposit required by (b) above has been made with the Subordinate Trustee and that such Subordinate Obligations are deemed to have been paid in accordance with the Master Subordinate Indenture. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued. The Authority may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Obligation deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Obligations or the Master Subordinate 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 Subordinate Obligation or Subordinate Obligations 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 item (b) of the definition of Permitted Investments to provide for the payment of such Subordinate Obligations. Notwithstanding anything in the Master Subordinate Indenture to the contrary, monies from the trust or escrow established for the defeasance of Subordinate Obligations may be withdrawn and delivered to the Authority so long as the requirements of subparagraphs (A) and (B) above are met prior to or concurrently with any such withdrawal.

Defaults and Remedies

Events of Default. Each of the following events will constitute and is referred to in the Master Subordinate Indenture as an "Event of Default":

(a) a failure to pay the principal of or premium, if any, on any of the Subordinate Obligations 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 Subordinate Obligations when such interest will become due and payable;

(c) a failure to pay the purchase price of any Subordinate Obligation when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Subordinate Indenture;

(d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the Authority and which are contained in the Master Subordinate Indenture or a Supplemental Subordinate Indenture, which failure, except for a violation under the Master Subordinate Indenture which will be controlled by the provisions set forth therein, 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 Authority by the Subordinate Trustee, which notice may be given at the discretion of the Subordinate Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding, unless the Subordinate Trustee, or the Subordinate Trustee and the holders of Subordinate Obligations in a Principal Amount not less than the Principal Amount of Subordinate Obligations 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 Subordinate Trustee or the Subordinate Trustee and the holders of such principal amount of Subordinate Obligations will be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority 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 Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within 60 days after such institution;

(f) the occurrence of any other Event of Default as is provided in a Supplemental Subordinate Indenture; or

(g) a default in the payment of principal of or interest on any Senior Bonds.

If, on any date on which payment of principal of or interest on the Subordinate Obligations is due and sufficient moneys are not on deposit with the Subordinate Trustee or Paying Agent to make such payment, the Subordinate Trustee will give telephone notice, followed by written confirmation, of such insufficiency to the Authority.

Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Subordinate Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Subordinate Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, and require the Authority to carry out any agreements with or for the benefit of the Holders and to perform its or their duties under the Act or any other law to which it is subject and the Master Subordinate Indenture;

(ii) bring suit upon the Subordinate Obligations;

(iii) commence an action or suit in equity to require the Authority to account as if it were the trustee of an express trust for the Holders; 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 Holders.

(b) The Subordinate Trustee will be under no obligation to take any action with respect to any Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Event of Default.

(c) Except as otherwise provided in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture, a Credit Facility or a Liquidity Facility, in no event, upon the occurrence and continuation of an Event of Default described in the Master Subordinate Indenture, will the Subordinate Trustee, the Holders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Subordinate Obligations Outstanding.

Holders' Right To Direct Proceedings. Anything in the Master Subordinate Indenture to the contrary notwithstanding, holders of a majority in Principal Amount of the Subordinate Obligations then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Subordinate Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Subordinate Trustee under the Master Subordinate Indenture to be taken in connection with the enforcement of the terms of the Master Subordinate Indenture or exercising any trust or power conferred on the Subordinate Trustee by the Master Subordinate Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Subordinate Indenture and that there will have been provided to the Subordinate Trustee security and indemnity satisfactory to the Subordinate Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Subordinate Trustee.

Limitation on Right To Institute Proceedings. No Holder 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 Master Subordinate Indenture, or any other remedy under the Master Subordinate Indenture or on such Subordinate Obligations, unless such Holder or Holders previously will have given to the Subordinate Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding will have made written request of the Subordinate Trustee to do so, after the right to institute such suit, action or proceeding the Master Subordinate Indenture will have accrued, and will have afforded the Subordinate 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 Subordinate Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Subordinate 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 Subordinate 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 Holders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Subordinate Indenture, or to enforce any right under the Master Subordinate Indenture or under the Subordinate Obligations, except in the manner provided in the Master Subordinate 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 Master Subordinate Indenture and for the equal benefit of all Holders.

Application of Moneys. If an Event of Default will occur and be continuing, all amounts then held or any moneys received by the Subordinate Trustee, by any receiver or by any Holder pursuant to any right given or action taken under the provisions of the Master Subordinate Indenture (which will not include 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 Subordinate Trustee or by any receiver and of the expenses, liabilities and advances incurred or made by the Subordinate Trustee in connection with its performance of its powers and duties under the Master Subordinate Indenture and any Supplemental Subordinate 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 Subordinate Obligations, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Subordinate 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 (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Obligations which will have become due with interest on such Subordinate Obligations at such rate as provided in a Supplemental Subordinate Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Obligations 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 Subordinate 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 Subordinate 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 Subordinate 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 Holders and will not be required to make payment to any Holder until such Subordinate Obligations will be presented to the Subordinate Trustee for appropriate endorsement or for cancellation if fully paid.

The Subordinate Trustee

Standard of Care. If an Event of Default has occurred and is continuing, the Subordinate Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Subordinate 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: (i) the Subordinate Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (ii) the Subordinate 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 Holders or the Authority in the manner provided in the Master Subordinate Indenture.

Individual Rights of Subordinate Trustee. The Subordinate Trustee in its individual or any other capacity may become the owner or pledgee of Subordinate Obligations and may in such role otherwise deal with the Authority with the same rights it would have if it were not Subordinate Trustee. Any Paying Agent or other agent may do the same with like rights.

Notice 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 Authority is required before such events will become Events of Default, such notice has been given, then the Subordinate Trustee will promptly, after obtaining actual notice of such Event of Default or event described in (b), give notice thereof to each Holder. Except in the case of a default in payment or purchase on any Subordinate Obligations, the Subordinate Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

Eligibility of Subordinate Trustee. The Master Subordinate Indenture will always have a Subordinate 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 Subordinate Trustee. The Subordinate Trustee may resign by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Subordinate Obligations may remove the Subordinate Trustee by notifying the removed Subordinate Trustee in writing and may appoint a successor Subordinate Trustee with the Authority's consent. The Authority may remove the Subordinate Trustee, by notice in writing delivered to the Subordinate Trustee at least 60 days prior to the proposed removal date; provided, however, that the Authority will have no right to remove the Subordinate 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 Subordinate Trustee under this Section will be effective until a new Subordinate Trustee has taken office and delivered a written acceptance of its appointment to the retiring Subordinate Trustee and to the Authority. Immediately thereafter, the retiring Subordinate Trustee will transfer all property held by it as Subordinate Trustee to the successor Subordinate Trustee, the resignation or removal of the retiring Subordinate Trustee will then (but only then) become effective and the successor Subordinate Trustee will have all the rights, powers and duties of the Subordinate Trustee under the Master Subordinate Indenture.

If the Subordinate Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Subordinate Indenture, the Authority will promptly appoint a successor Subordinate Trustee.

If a Subordinate Trustee is not performing its duties under the Master Subordinate and a successor Subordinate Trustee does not take office within 60 days after the retiring Subordinate Trustee delivers notice of resignation or the Authority delivers notice of removal, the retiring Subordinate Trustee, the Authority or the holders of a majority in Principal Amount of the Subordinate Obligations may petition any court of competent jurisdiction for the appointment of a successor Subordinate Trustee.

Successor Subordinate Trustee or Agent by Merger. If the Subordinate 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 Master Subordinate Indenture, the resulting, surviving or transferee corporation without any further act will be the successor Subordinate Trustee, Paying Agent or Registrar.

Amendments

Amendments Not Requiring Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Holders, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending the Master Subordinate Indenture or any Supplemental Subordinate Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Subordinate Obligations under the provisions of the Master Subordinate Indenture and to set forth the terms of such Subordinate Obligations and the special provisions which will apply to such Subordinate Obligations;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Subordinate Indenture or any Supplemental Subordinate Indenture, provided such supplement or amendment is not materially adverse to the Holders;

(c) to add to the covenants and agreements of the Authority in the Master Subordinate Indenture or any Supplemental Subordinate Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, provided such supplement or amendment will not adversely affect the interests of the Holders;

(d) to confirm, as further assurance, any interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues or in and to the funds and accounts held by the Subordinate Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Master Subordinate Indenture or to otherwise add additional security for the Holders;

(e) to evidence any change made in the terms of any Series of Subordinate Obligations if such changes are authorized by the Supplemental Subordinate Indenture at the time the Series of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Subordinate 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 Master Subordinate Indenture or any Supplemental Subordinate Indenture in any other respect which is not materially adverse to the Holders;

(h) to provide for uncertificated Subordinate Obligations or for the issuance of coupons and bearer Subordinate Obligations or Subordinate Obligations registered only as to principal;

(i) to qualify the Subordinate Obligations or a Series of Subordinate Obligations for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Subordinate Obligations which are issued or are proposed to be issued or of a Subordinate Program 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 Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series of Subordinate Obligations; 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 Subordinate Obligations, including, without limitation, the segregation of Revenues, Net Revenues and Subordinate Net Revenues into different funds.

Before the Authority will, pursuant to this Section, execute any Supplemental Subordinate Indenture, there will have been delivered to the Authority and Subordinate Trustee an opinion of Bond

Counsel to the effect that such Supplemental Subordinate Indenture: (x) is authorized or permitted by the Master Subordinate Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and (y) will not cause interest on any of the Subordinate Obligations 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 Subordinate Indenture executed and delivered in accordance with paragraph (a) above.

Amendments Requiring Consent of Bondholders. Except for any Supplemental Subordinate Indenture entered into pursuant to the Master Subordinate Indenture, subject to the terms and provisions contained in this Section and elsewhere in the Master Subordinate Indenture and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Subordinate Obligations then Outstanding will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Subordinate Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture; provided, however, that, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding or unless such change affects less than all Series of Subordinate Obligations and the following paragraph is applicable, nothing contained in the Master Subordinate 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 Subordinate Obligations or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations or the rate of interest thereon; and provided that nothing contained in the Master Subordinate Indenture, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Subordinate Indenture) upon or pledge of the Subordinate Net Revenues created by the Master Subordinate Indenture, ranking prior to or on a parity with the claim created by the Master Subordinate Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Obligations, a preference or priority of any Subordinate Obligation or Subordinate Obligations over any other Subordinate Obligation or Subordinate Obligations with respect to the security granted therefore under the Master Subordinate Indenture, or (v) a reduction in the aggregate Principal Amount of Subordinate Obligations the consent of the Holders of which is required for any such Supplemental Subordinate Indenture. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the execution of any Supplemental Subordinate Indenture as authorized in the Master Subordinate Indenture, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

The Authority may, from time to time and at any time, execute a Supplemental Subordinate Indenture which amends the provisions of an earlier Supplemental Subordinate Indenture under which a Series or multiple Series of Subordinate Obligations were issued. If such Supplemental Subordinate Indenture is executed for one of the purposes set forth in the Master Subordinate Indenture, no notice to or consent of the Holders will be required. If such Supplemental Subordinate Indenture contains provisions which affect the rights and interests of less than all Series of Subordinate Obligations Outstanding and the Master Subordinate Indenture is not applicable, then this paragraph rather than the preceding paragraph will control and, subject to the terms and provisions contained in the Master Subordinate Indenture and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Subordinate Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Subordinate Indenture and affecting only the Subordinate Obligations of such Series; provided, however, that, unless approved in writing by the holders of all the Subordinate Obligations of all the affected Series then Outstanding, nothing contained in the Master Subordinate 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 Subordinate Obligations of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations of such Series or the rate of interest thereon. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the adoption of any Supplemental Subordinate Indenture as authorized in the Master Subordinate Indenture, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

THE SECOND SUPPLEMENTAL SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS" in this Official Statement, the following is a summary of certain provisions of the Second Supplemental Subordinate Indenture. Such summary is only a brief description of limited provisions of limited provisions of such document and is qualified in its entirety by reference to the full text of the Second Supplemental Subordinate Indenture.

Terms of the Subordinate Series 2010 Bonds

The Second Supplemental Subordinate Indenture sets forth the terms of the Subordinate Series 2010 Bonds, most of which terms are described earlier in this Official Statement under "DESCRIPTION OF THE SUBORDINATE SERIES 2010 BONDS."

Establishment of Funds and Accounts

Pursuant to the Second Supplemental Subordinate Indenture, the Subordinate Trustee will establish and maintain the following funds and accounts: the Subordinate Series 2010A Debt Service Fund, the Subordinate Series 2010B Debt Service Fund and the Subordinate Series 2010C Debt Service Fund (collectively, the "Subordinate Series 2010 Debt Service Funds"), and within each Subordinate Series 2010 Debt Service Fund an Interest Account, a Principal Account and a Redemption Account; the Subordinate Series 2010A Construction Fund, the Subordinate Series 2010B Construction Fund, and the Subordinate Series 2010C Construction Fund (collectively, the "Subordinate Series 2010 Construction Funds"); the Subordinate Series 2010 Costs of Issuance Fund, and therein a Subordinate Series 2010A Costs of Issuance Account, a Subordinate Series 2010B Costs of Issuance Account and a Subordinate Series 2010C Costs of Issuance Account; the Subordinate Reserve Fund, and therein a Subordinate Series 2010A/B Reserve Account and a Subordinate Series 2010C Reserve Account; the Subordinate Series 2010A/B Rebate Fund; and the Subordinate Series 2010C Rebate Fund.

The funds and accounts will be initially funded by the proceeds of the sale of the Subordinate Series 2010 Bonds as described earlier in this Official Statement under "PLAN OF FINANCE AND APPLICATION OF SUBORDINATE SERIES 2010 BOND PROCEEDS."

Subordinate Series 2010 Debt Service Funds. The Subordinate Trustee will deposit into the respective Interest Accounts of the Subordinate Series 2010 Debt Service Funds amounts received from the Authority, as provided in the Master Subordinate Indenture, to be used to pay interest on the Subordinate Series 2010 Bonds. The Subordinate Trustee will also deposit into the respective Interest

Accounts any other amounts deposited with the Subordinate Trustee for deposit in the respective Interest Accounts or transferred from other funds and accounts for deposit therein. Earnings on amounts representing Capitalized Interest on deposit in the respective Interest Accounts will be retained in the respective Interest Accounts until the Series 2010 Project is completed. On the completion date of the Series 2010 Project, any amounts representing Capitalized Interest, and any earnings thereon, remaining on deposit in the respective Interest Accounts will be transferred to the respective Subordinate Series 2010 Construction Funds. Earnings on Passenger Facility Charges deposited in the respective Interest Accounts will be retained in the respective Interest Accounts.

The Subordinate Trustee will deposit into the respective Principal Accounts of the Subordinate Series 2010 Debt Service Funds amounts received from the Authority to be used to pay principal of the Subordinate Series 2010 Bonds whether at maturity or by mandatory sinking fund redemption as provided in the Second Supplemental Subordinate Indenture. Earnings on Passenger Facility Charges deposited in the respective Principal Accounts will be retained in the respective Principal Accounts. On or about July 15 of each Fiscal Year, earnings on the respective Principal Accounts (except earnings on Passenger Facility Charges) will be withdrawn by the Subordinate Trustee and paid to the Authority for deposit into the Revenue Account unless an Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such Principal Accounts.

The Subordinate Trustee will deposit into the respective Redemption Accounts of the Subordinate Series 2010 Debt Service Funds amounts received from the Authority or from other sources to be used to pay the redemption price of Subordinate Series 2010 Bonds being redeemed in advance of their maturity as provided in the Master Subordinate Indenture. Earnings on amounts in the respective Redemption Accounts will be retained in such account or paid to the Authority for deposit into the Revenue Account in accordance with instructions given to the Subordinate Trustee by an Authorized Authority Representative at the time of such deposit.

The Subordinate Series 2010 Debt Service Funds will be invested and reinvested in Permitted Investments as directed by the Authority.

Subordinate Series 2010 Construction Funds. Amounts in the respective Subordinate Series 2010 Construction Funds will be disbursed from time to time, upon requisition of the Authority, to pay the costs or to reimburse the Authority for costs incurred in connection with the portion of the Series 2010 Projects for which the Subordinate Series 2010 Bonds were issued. Moneys held in the respective Subordinate Series 2010 Construction Funds will be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments. Earnings on the respective Subordinate Series 2010 Construction Funds will be retained in the respective Subordinate Series 2010 Construction Funds.

Subordinate Series 2010 Costs of Issuance Fund. The proceeds of the Subordinate Series 2010 Bonds deposited into the Subordinate Series 2010 Costs of Issuance Fund will be disbursed by the Subordinate Trustee, from time to time, to pay Costs of Issuance of the Subordinate Series 2010 Bonds. Amounts in the Subordinate Series 2010 Costs of Issuance Fund will be invested and reinvested in Permitted Investments as directed by the Authority and the earnings upon such accounts will be credited to such fund.

Subordinate Reserve Fund, Subordinate Series 2010A/B Reserve Account and Subordinate Series 2010C Reserve Account. For a description of the Subordinate Reserve Fund, the Subordinate Series 2010A/B Reserve Account and the Subordinate Series 2010C Reserve Account, reference is made to the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2010 BONDS—Subordinate Reserve Fund."

Subordinate Series 2010A/B Rebate Fund. The Second Supplemental Subordinate Indenture creates the Subordinate Series 2010A/B Rebate Fund for the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds established for the purpose of complying with certain provisions of the Code which require that the Authority pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Subordinate Trustee with respect to the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds. Such excess is to be deposited into the Subordinate Series 2010A/B Rebate Fund and periodically paid to the United States of America. The Subordinate Series 2010A/B Rebate Fund while held by the Subordinate Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Subordinate Series 2010A Bonds or the Subordinate Series 2010B Bonds.

Subordinate Series 2010C Rebate Fund. The Second Supplemental Subordinate Indenture creates the Subordinate Series 2010C Rebate Fund for the Subordinate Series 2010CBonds established for the purpose of complying with certain provisions of the Code which require that the Authority pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Subordinate Trustee with respect to the Subordinate Series 2010C Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Subordinate Series 2010C Bonds. Such excess is to be deposited into the Subordinate Series 2010C Rebate Fund and periodically paid to the United States of America. The Subordinate Series 2010C Rebate Fund while held by the Subordinate Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Subordinate Series 2010C Bonds.

APPENDIX D-1

PROPOSED AMENDMENTS TO MASTER SENIOR INDENTURE

The Master Senior Indenture Amendments will not become effective until the Authority has received the consent of the owners of not less than a majority in aggregate principal amount of all of the Senior Bonds Outstanding, the consent of the Senior Series 2005 Bond Insurer, the consent of the owners of not less than a majority in aggregate principal amount of all of the Subordinate Obligations Outstanding, and the consent of the CP Bank. By the purchase and acceptance of the Subordinate Series 2010 Bonds, the owners of the Subordinate Series 2010 Bonds will be deemed to have irrevocably consented to the Master Senior Indenture Amendments. At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects that it will receive the consent of the owners of at least a majority in aggregate principal amount of all of the Subordinate Obligations then Outstanding and the consent of the CP Bank to the Master Senior Indenture Amendments. At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects that the Senior Series 2005 Bond Insurer will have irrevocably consented to the amendments with respect Customer Facility Charges, but will not have irrevocably consented to the amendments with respect to the exclusion of the Federal Direct Payments from Revenues. Additionally, at the time of issuance of the Subordinate Series 2010 Bonds, the owners of a majority in aggregate principal amount of the outstanding Senior Bonds will not have irrevocably consented to the Master Senior Indenture Amendments. The Senior Series 2005 Bond Insurer has indicated that it will not give its consent to the amendments with respect to the exclusion of the Federal Direct Payments from Revenues. The Authority does not expect the amendments with respect to the exclusion of the Federal Direct Payments from Revenues will become effective while the Senior Series 2005 Bonds remain outstanding. The Senior Series 2005 Bonds have a final maturity date of July 1, 2020. The Authority also does not expect to receive the consent of the owners of a majority in aggregate principal amount of the outstanding Senior Bonds until sometime between calendar year 2011 and calendar year 2013, when it expects to issue one or more series of Additional Senior Bonds.

At this time there can be no assurance that the Master Senior Indenture Consent Requirement will be met within any definite time frame. See “INTRODUCTION—Amendments to Master Senior Indenture” in the forepart of this Official Statement.

Additions to the Master Senior Indenture are shown in **bold and double underline** and deletions are shown in ~~strikethrough~~.

ARTICLE I – Definitions

The following definitions are to be amended or added to read as follows:

(a) The fourth sentence of the definition of “Revenues”

In addition, the following, including any investment earnings thereon, are specifically excluded from “Revenues,” unless designated as “Revenues” under the terms of a Supplemental Indenture or pursuant to a certificate of an Authorized Authority Representative: (A) any Swap Termination Payments paid to the Authority pursuant to a Qualified Swap, (B) Facilities Construction Credits, (C) Passenger Facility Charges, (D) Released Revenues, (E) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of this Indenture by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, (F) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Bonds, (G) any arbitrage earnings which are required to be paid to the

U.S. Government pursuant to Section 148 of the Code, ~~and~~ (H) Capitalized Interest, **(I) Customer Facility Charges, and (J) Federal Direct Payments**.

(b) The definition of "Customer Facility Charge"

"Customer Facility Charge" shall mean a customer facility charge authorized to be imposed by the Authority in accordance with Section 1936 of the California Civil Code or any other applicable State law.

(c) The definition of "Federal Direct Payments"

"Federal Direct Payments" means amounts payable by the federal government to the Authority pursuant to Sections 54AA and 6431 of the Code, and any amendments thereto, in connection with the Authority's issuance of Bonds or Subordinate Obligations, in lieu of any credit otherwise available to the bondholders of such Bonds or Subordinate Obligations.

APPENDIX D-2

PROPOSED AMENDMENTS TO MASTER SUBORDINATE INDENTURE

The Master Subordinate Indenture Amendments will not become effective until the Authority has received the consent of the owners of not less than majority in aggregate principal amount of all of the Subordinate Obligations Outstanding and the consent of the CP Bank. By the purchase and acceptance of the Subordinate Series 2010 Bonds, the owners of the Subordinate Series 2010 Bonds will be deemed to have irrevocably consented to the Master Subordinate Indenture Amendments. At the time of issuance of the Subordinate Series 2010 Bonds, the Authority expects that it will receive the consent of the owners of at least a majority in aggregate principal amount of all of the Subordinate Obligations then Outstanding and the consent of the CP Bank to the Master Subordinate Indenture Amendments. Therefore, at the time of issuance of the Subordinate Series 2010 Bonds, the Master Subordinate Indenture Consent Requirement will be met.

Additions to the Master Senior Indenture are shown in **bold and double underline** and deletions are shown in ~~strikethrough~~.

ARTICLE I – Definitions

The following definitions are to be amended or added to read as follows:

(a) Subsection (k) of the definition of "Aggregate Annual Debt Service"

(k) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, **Federal Direct Payments,** or other moneys have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, **Federal Direct Payments,** or other moneys or from earnings thereon shall be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, **Federal Direct Payments,** or other moneys are included in the definition of Revenues) and not included in calculating Aggregate Annual Debt Service.

(b) The definition of "Annual Debt Service"

"Annual Debt Service" shall mean, with respect to any Subordinate Obligation, the aggregate amount **required to be on deposit in the respective 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** ~~the~~ Fiscal Year **or in a future Fiscal Year**, and if a Qualified Swap is in effect for any Subordinate Obligation, plus the amount payable by the Authority (or the Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the Authority from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service.

(c) The definition of "Federal Direct Payments"

"Federal Direct Payments" shall have the meaning set forth in Article I of the Senior Lien Trust Indenture.

Section 2.11(b)

Subsections (ii) and (iii) of Section 2.11(b) are to be amended to read as follows:

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations through and including the last Fiscal Year during any part of which **the amount of** interest on such Series of Subordinate Obligations **to be on deposit in the respective Debt Service Fund or such other Fund or Account** is expected to be ~~paid~~ **funded** from the proceeds thereof, the Consultant estimates that the Authority will be in compliance with Section 5.04(a) and (b) of this Indenture; and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations during which no amount of interest on such Series of Subordinate Obligations **to be on deposit in the respective Debt Service Fund or such other Fund or Account** is expected to be ~~paid~~ **funded** from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Subordinate Obligations, or (B) the third full Fiscal Year during which no **amount of** interest on such Series of Subordinate Obligations **to be on deposit in the respective Debt Service Fund or such other Fund or Account** is expected to be ~~paid~~ **funded** from the proceeds thereof, the estimated Subordinate Net Revenues for each such Fiscal Year, will be at least equal to 110% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed Series of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

San Diego County Regional Airport Authority
San Diego, California

$313,150,000
San Diego County
Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2010A

$44,055,000
San Diego County
Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2010B

$215,360,000
San Diego County
Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2010C

Ladies and Gentlemen:

We have acted as Bond Counsel to the San Diego County Regional Airport Authority (the "Authority") in connection with the issuance and sale by the Authority of $313,150,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A (the "Subordinate Series 2010A Bonds"), $44,055,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010B (the "Subordinate Series 2010B Bonds"), and $215,360,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010C (the "Subordinate Series 2010C Bonds," and collectively with the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds, the "Subordinate Series 2010 Bonds"). The Subordinate Series 2010 Bonds are being issued to (a) finance certain capital improvements at San Diego International Airport, (b) fund a portion of the interest accruing on the Subordinate Series 2010 Bonds, (c) refund $142,176,000 aggregate principal amount of the Authority's outstanding Subordinate Airport Revenue Commercial Paper Notes, (d) fund the subordinate reserve fund, and (e) pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Subordinate Series 2010 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "Act"); the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the California Government Code), excluding Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in subdivision (b) of Section 54402 of the California Government Code, which shall not apply to the issuance and sale of bonds pursuant to the Act (collectively, the "Revenue Bond Law"); the Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company, as trustee (the "Subordinate Trustee"); and the Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010 (the "Second Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. Issuance of the Subordinate Series 2010 Bonds has been authorized by Resolution No. 2010-0087 adopted by the board of directors of the Authority on August 23, 2010 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture.

In connection with the issuance of the Subordinate Series 2010 Bonds, we have examined the following:

(a) a copy of the Act and the Revenue Bond Law;

(b) a certified copy of the Resolution;

(c) an executed counterpart of the Master Subordinate Indenture;

(d) an executed counterpart of the Second Supplemental Subordinate Indenture;

(e) certifications of the Authority and others;

(f) an executed copy of a Tax Compliance Certificate dated this date relating to the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds (the "Subordinate Series 2010A/B Tax Certificate");

(g) an opinion of the Authority's General Counsel; and

(h) such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The Authority validly exists as a local government entity of regional government pursuant to the laws of the State of California, with the power to issue the Subordinate Series 2010 Bonds.

2. The Master Subordinate Indenture and the Second Supplemental Subordinate Indenture have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Subordinate Trustee, represent valid and binding agreements of the Authority enforceable in accordance with their terms.

3. The Subordinate Series 2010 Bonds have been validly authorized and issued in accordance with the Act, the Revenue Bond Law, the Resolution, the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture and represent valid and binding special obligations of the Authority. The Subordinate Series 2010 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of Subordinate Net Revenues and certain funds and accounts created under the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2010 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City of San Diego, the County of San Diego, the State of California or any political subdivision or agency of the State of California is pledged to the payment of the principal of or interest on the Subordinate Series 2010 Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2010A Bonds is excluded from gross income for federal income tax purposes; except that such exclusion does not apply with respect to interest on any Subordinate Series 2010A Bond for any period during which such Subordinate Series 2010A Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2010A Bonds or a person "related" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Subordinate Series 2010A Bonds is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2010B Bonds is excluded from gross income for federal income tax purposes. Interest on the Subordinate Series 2010B Bonds is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2010 Bonds is exempt from present State of California personal income tax.

The opinions set forth in paragraphs 4 and 5 regarding the exclusion of interest on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds from gross income of the recipient is subject to continuing compliance by the Authority with covenants regarding federal tax law contained in the Master Subordinate Indenture, the Second Supplemental Subordinate Indenture and the Subordinate Series 2010A/B Tax Certificate. Failure to comply with such covenants could cause interest on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds to be included in gross income retroactive to the date of issue of the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds. Although we are of the opinion that interest on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Interest on the Subordinate Series 2010C Bonds is not excludable from gross income for federal income tax purposes. Other than as expressly described in paragraph 6 above, we express no opinion regarding the tax consequences relating to the ownership of, receipt of interest on or disposition of the Subordinate Series 2010C Bonds. The tax discussion regarding the Subordinate Series 2010C Bonds was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The discussion was written in connection with the promotion or marketing of the Subordinate Series 2010C Bonds (within the meaning of United States Treasury Circular 230). Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

The obligations of the Authority and the security provided therefor, as contained in the Subordinate Series 2010 Bonds, the Master Subordinate Indenture and the Second Supplemental Subordinate 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, 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 cities in the State of California. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated September 23, 2010, or any other offering material relating to the Subordinate Series 2010 Bonds and express no opinion relating thereto. Our engagement with respect to the

Subordinate Series 2010 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

Very truly yours,

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption "—General" below has been provided by DTC. The Authority makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Subordinate Series 2010 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE AUTHORITY NOR THE SUBORDINATE 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 SUBORDINATE SERIES 2010 BONDS UNDER THE SUBORDINATE 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 SUBORDINATE SERIES 2010 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 SUBORDINATE SERIES 2010 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SUBORDINATE SERIES 2010 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Subordinate Series 2010 Bonds. The Subordinate Series 2010 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 Subordinate Series 2010 Bond certificate will be issued for each maturity of the Subordinate Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Subordinate Trustee.

DTC 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 Bonds 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 Standard & Poor's highest rating: "AAA." The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The Authority has not undertaken any responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on the websites described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Subordinate Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Subordinate Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Subordinate Series 2010 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 Subordinate Series 2010 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 Subordinate Series 2010 Bonds, except in the event that use of the book-entry system for the Subordinate Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Subordinate Series 2010 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 Subordinate Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Subordinate Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Subordinate Series 2010 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.

While the Subordinate Series 2010 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Subordinate Series 2010 Bonds are being redeemed, DTC's practice is to determine by lot (unless otherwise instructed) the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Subordinate Series 2010 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 Subordinate Trustee 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 Subordinate Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Subordinate Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, the Subordinate Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, the Subordinate Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Subordinate 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 Subordinate Series 2010 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Subordinate Series 2010 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Subordinate Series 2010 Bonds will be printed and delivered to the registered holders of the Subordinate Series 2010 Bonds.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SUBORDINATE SERIES 2010 BONDS AND WILL NOT BE RECOGNIZED BY THE SUBORDINATE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the San Diego County Regional Airport Authority (the "Authority") in connection with the issuance of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A (the "Subordinate Series 2010A Bonds"), San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010B (the "Subordinate Series 2010B Bonds"), and San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010C (the "Subordinate Series 2010C Bonds," and collectively with the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds, the "Subordinate Series 2010 Bonds"). The Subordinate Series 2010 Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and Deutsche Bank National Trust Company, as trustee (the "Subordinate Trustee"), and the Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010 (the "Second Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture and all supplements thereto, the "Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. Additionally, the Subordinate Series 2010 Bonds have been authorized by Resolution No. 2010-0087 adopted by the board of directors of the Authority on August 23, 2010 (the "Resolution"). The Subordinate Series 2010 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "Act"), and in accordance with Revenue Bond Law of 1941 Chapter 6 (commencing with §54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with §54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code §54402(b), which shall not apply to the issuance and sale of bonds pursuant to the Act.

In consideration of the purchase of the Subordinate Series 2010 Bonds by the Participating Underwriter (as defined below), the Authority covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Subordinate Series 2010 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

Section 2. Definitions. In addition to the definitions set forth in the Subordinate Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"*Beneficial Owner*" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Subordinate Series 2010 Bonds (including persons holding Subordinate Series 2010 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Subordinate Series 2010 Bonds for federal income tax purposes.

"*Dissemination Agent*" means the Authority, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"*EMMA System*" means the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"*Holders*" means either the registered owners of the Subordinate Series 2010 Bonds, or if the Subordinate Series 2010 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"*Listed Events*" means any of the events listed in Section 5(a) of this Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, or any successor thereto.

"*Obligated Person*" means the Authority and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System for the prior two Fiscal Years of the Authority.

"*Official Statement*" means the Official Statement, dated September 23, 2010, prepared and distributed in connection with the initial sale of the Subordinate Series 2010 Bonds.

"*Participating Underwriter*" means any of the original underwriters of the Subordinate Series 2010 Bonds required to comply with the Rule in connection with the offering of the Subordinate Series 2010 Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" means the State of California.

Section 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 of this Certificate by not later than 181 days after the end of the Authority's fiscal year in each fiscal year. The Authority's first Annual Report shall be due December 28, 2010. Not later than 15 Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate. The audited financial statements of the Authority may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the Authority's fiscal year. If the Authority's fiscal year changes, the Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Authority) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Authority is unable to provide to the MSRB or the Dissemination Agent (if other than the Authority), an Annual Report by the date required in subsection (a), the Authority shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (or the Authority, as applicable) shall confirm in writing to the Authority that the Annual Report has been filed as required hereunder, stating the date filed.

Section 4. Content of Annual Reports.

(a) The Authority's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Subordinate Series 2010 Bonds, unless otherwise noted):

(i) Audited financial statements of the Authority, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Authority, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Table 3 — San Diego County Regional Airport Authority, Future Rental Commitments;

(iii) Table 4 — San Diego International Airport, Air Carriers Serving San Diego International Airport;

(iv) Table 5 — San Diego International Airport, Total Enplanements;

(v) Table 6 — San Diego International Airport, Air Traffic Data;

(vi) Table 7 — San Diego International Airport, Historical Enplaned and Deplaned Freight and U.S. Mail Cargo;

(vii) Table 8 — San Diego International Airport, Enplanements by Air Carriers;

(viii) Table 9 — San Diego International Airport, Total Revenue Landed Weight;

(ix) Table 11 — San Diego County Regional Airport Authority, Investments;

(x) Table 12 — San Diego County Regional Airport Authority, Historical Operating Statements;

(xi) Table 13 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Providers;

(xii) Table 14 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Sources;

(xiii) Table 15 — San Diego County Regional Airport Authority, Historical Senior Debt Service Coverage, and Table 21 — San Diego County Regional Airport Authority, Projected Debt Service Coverage (provide both Historical Senior Debt Service Coverage and Historical Subordinate Debt Service Coverage);

(xiv) Table 16 — San Diego International Airport, Airline Derived Revenue Per Passenger;

(xv) Table 19 — San Diego County Regional Airport Authority, Approved PFC Applications; and

(xvi) Table 20 — San Diego County Regional Airport Authority, Annual Receipt of PFCs;

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events, if material:

(i) principal and interest payment delinquencies;

(ii) nonpayment related defaults;

(iii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax exempt status of the Subordinate Series 2010A Bonds or the Subordinate Series 2010B Bonds;

(vii) modifications to rights of bondholders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Subordinate Series 2010 Bonds; and

(xi) rating changes.

(b) Whenever a Listed Event occurs with respect to the Subordinate Series 2010 Bonds, the Authority shall as soon as possible, but in no event more than ten (10) days following such event, determine if such event would be material under applicable federal securities laws.

(c) If the Authority determines that a Listed Event would be material under applicable federal securities laws, the Authority shall promptly provide written notice of such occurrence to the Dissemination Agent (if other than the Authority) or to the MSRB through the EMMA System. If the Dissemination Agent is not the Authority, upon receipt of written notice of a Listed Event the Dissemination Agent shall promptly provide such notice of a Listed Event to the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Subordinate Series 2010 Bonds pursuant to the Subordinate Indenture.

Section 6. Termination of Reporting Obligation. The Authority's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Subordinate Series 2010 Bonds, or upon delivery to the Dissemination Agent (if other than the Authority) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Subordinate Series 2010 Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. From time to time, the Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Authority) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees). The Dissemination Agent (if other than the Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the Authority may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Subordinate Series 2010 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Subordinate Series 2010 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Subordinate Series 2010 Bonds in the same manner as provided in the Subordinate Indenture for amendments to the Subordinate Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Subordinate Series 2010 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Subordinate Series 2010 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Dissemination Agent (if other than the Authority), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Subordinate Indenture and the sole remedy under this Certificate in the event of any failure of the Authority or the Dissemination Agent (if other than the Authority) to comply with this Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Subordinate Indenture. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Subordinate Series 2010 Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and the Holders and beneficial Owners from time to time of the Subordinate Series 2010 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this 5th day of October, 2010.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By: ____________________________________
Name: __________________________________
Title: ___________________________________

Approved as to form:

By ______________________________
General Counsel

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Diego County Regional Airport Authority
Name of Bond Issue:	Subordinate Airport Revenue Bonds, Series 2010A
	Subordinate Airport Revenue Bonds, Series 2010B
	Subordinate Airport Revenue Bonds, Series 2010C
Date of Issuance:	October 5, 2010
CUSIP:	79739G____

NOTICE IS HEREBY GIVEN that the San Diego County Regional Airport Authority (the "Authority") has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated October 5, 2010, executed by the Authority for the benefit of the holders and beneficial owners of the above referenced bonds. The Authority anticipates that the Annual Report will be filed by _________, 20__.

Dated:____________________________

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By: ____
Authorized Representative

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY • Subordinate Airport Revenue Bonds, Series 2010A, Series 2010B and Series 2010C

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