NEW ISSUE—BOOK-ENTRY ONLY **RATINGS:** (See "RATINGS" herein.)

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the documents pertaining to the Series 2009 Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Series 2009 Bonds is not includable in the gross income of the owners of the Series 2009 Bonds for federal income tax purposes, except for any Series 2009B Bond during any period in which such Series 2009B Bond is held by a "substantial user" of the facilities financed with the proceeds of the Series 2009B Bonds or a "related person" (as such terms are defined in the Code). In the further opinion of Bond Counsel, interest on the Series 2009 Bonds (i) is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations, and (ii) is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the Series 2009 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

$233,115,000
COUNTY OF ORANGE, CALIFORNIA
Airport Revenue Bonds

$67,305,000
Series 2009A

$165,810,000
Series 2009B

Dated: Date of Delivery **Due:** July 1, as shown herein

The Airport Revenue Bonds, Series 2009A and Series 2009B (collectively, the "Series 2009 Bonds") are being issued by the County of Orange, California (the "County") to (i) finance a portion of the costs of certain airport facilities and improvements (the "Airport Improvement Program"), (ii) fund a debt service reserve account for the Series 2009 Bonds, (iii) fund capitalized interest on a portion of the Series 2009 Bonds and (iv) pay certain expenses in connection with the issuance of the Series 2009 Bonds.

The Series 2009 Bonds are being issued as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2009 Bonds. Individual purchases of the 2009 Bonds will be made in book-entry form only. Purchasers of the 2009 Bonds will not receive physical certificates representing their interest in the 2009 Bonds purchased. The Series 2009 Bonds will bear interest at the rates, and mature in the amounts and on the dates, as set forth in the Maturity Schedule on the inside front cover page of this Official Statement. See APPENDIX G – "BOOK-ENTRY SYSTEM."

The Series 2009 Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2009 Bonds, payable semiannually on each January 1 and July 1, commencing January 1, 2010, and principal of the Series 2009 Bonds will be paid by U.S. Bank National Association, as Trustee and Bond Registrar. The Series 2009 Bonds are subject to optional, mandatory sinking and extraordinary redemption prior to maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2009 BONDS."

THE SERIES 2009 BONDS ARE LIMITED OBLIGATIONS OF THE COUNTY PAYABLE SOLELY FROM THE NET REVENUES (AS DEFINED HEREIN) OF THE AIRPORT (AS DEFINED HEREIN) AND THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2009 BONDS EXCEPT FROM THE NET REVENUES. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE, AND THE CREDIT OR TAXING POWER OF THE COUNTY IS NOT PLEDGED, FOR THE PAYMENT OF THE SERIES 2009 BONDS. THE SERIES 2009 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE AIRPORT. THE OWNERS OF THE SERIES 2009 BONDS HAVE NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNTY.

This cover page contains certain information for general reference only. It is not a summary of the security or terms of the Series 2009 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2009 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Sidley Austin LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP. Certain legal matters will be passed upon for the County by the Office of County Counsel and by Sidley Austin LLP, San Francisco, California, as Disclosure Counsel. Frasca & Associates, L.L.C. has acted as Financial Advisor to the County in connection with the issuance of the Series 2009 Bonds. It is expected that the Series 2009 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about July 9, 2009.

Citi **Morgan Stanley**
Banc of America Securities LLC **J.P. Morgan**

July 1, 2009

MATURITY SCHEDULE

$233,115,000
County of Orange, California
Airport Revenue Bonds

$67,305,000 Series 2009A

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP† Number
2010	$ 320,000	3.00%	1.10%	684212DW0
2011	340,000	3.00	1.73	684212DX8
2012	1,410,000	3.00	2.14	684212DY6
2013	1,450,000	3.00	2.60	684212DZ3
2014	1,495,000	3.00	3.02	684212EA7
2015	1,540,000	3.50	3.35	684212EB5
2016	1,595,000	4.00	3.66	684212EC3
2017	1,655,000	5.00	3.92	684212ED1
2018	1,740,000	4.00	4.12	684212EE9
2019	1,810,000	5.00	4.28	684212EF6
2020	1,900,000	5.00	4.46*	684212EG4

$11,080,000 5.25% Term Bonds due July 1, 2025 Priced to Yield 4.95%* CUSIP† No. 684212EH2
$15,940,000 5.00% Term Bonds due July 1, 2031 Priced to Yield 5.35% CUSIP† No. 684212EJ8
$25,030,000 5.25% Term Bonds due July 1, 2039 Priced to Yield 5.50% CUSIP† No. 684212EK5

$165,810,000 Series 2009B

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP† Number
2010	$ 4,125,000	3.00%	1.10%	684212EL3
2011	4,345,000	4.00	1.73	684212EM1
2012	4,515,000	3.00	2.14	684212EN9
2013	5,340,000	3.00	2.60	684212EP4
2014	5,500,000	3.00	3.02	684212EQ2
2015	1,255,000	3.50	3.35	684212ER0
2015	4,410,000	5.00	3.35	684212ES8
2016	5,935,000	5.00	3.66	684212ET6
2017	6,225,000	5.00	3.92	684212EU3
2018	2,340,000	4.00	4.12	684212EV1
2018	4,195,000	5.00	4.12	684212EW9
2019	6,845,000	5.00	4.28	684212EX7
2020	7,185,000	5.00	4.46*	684212EY5
2021	7,545,000	5.00	4.58*	684212EZ2
2024	1,960,000	4.75	4.88	684212FA6

$6,600,000 5.25% Term Bonds due July 1, 2024 Priced to Yield 4.88%* CUSIP† No. 684212FB4
$25,700,000 5.00% Term Bonds due July 1, 2028 Priced to Yield 5.23% CUSIP† No. 684212FC2
$15,760,000 5.25% Term Bonds due July 1, 2034 Priced to Yield 5.55% CUSIP† No. 684212FD0
$25,345,000 5.75% Term Bonds due July 1, 2034 Priced to Yield 5.55%** CUSIP† No. 684212FE8
$20,685,000 5.25% Term Bonds due July 1, 2039 Priced to Yield 5.55% CUSIP† No. 684212FF5

* Priced to optional call date of July 1, 2019.
** Priced to optional call date of July 1, 2017.

COUNTY OF ORANGE

County Executive Office
Hall of Administration, 333 W. Santa Ana Boulevard, Santa Ana, California 92701

Board of Supervisors

Patricia C. Bates (Fifth District), Chair
Janet Nguyen (First District), Vice Chair
John M.W. Moorlach (Second District)
Bill Campbell (Third District)
Chris Norby (Fourth District)

County Officials

Thomas G. Mauk, County Executive Officer
Chriss W. Street, County Treasurer-Tax Collector
David E. Sundstrom, County Auditor-Controller

Orange County Airport Commission

Chris Welsh (Second District), Chair
Cheri Pham (First District)
Bruce B. Junor (Third District)
Stephen W. Bristol (Fourth District)
Stephen Blythe, (Fifth District)

John Wayne Airport Officials

Alan L. Murphy, Airport Director
Loan Leblow, Assistant Airport Director

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Sidley Austin LLP
San Francisco, California

Trustee

U.S. Bank National Association
Los Angeles, California

Financial Advisor

Frasca & Associates, L.L.C.
New York, New York

Airport Consultant

Jacobs Consultancy
Burlingame, California

The information and expressions of opinion herein are subject to change without notice and neither 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 County or the Airport since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2009 Bonds and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities 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.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2009 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2009 Bonds. Statements contained in this Official Statement which involve estimates, projections, 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.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE AIRPORT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2009 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "JOHN WAYNE AIRPORT," "AIRPORT OPERATIONS," "FINANCIAL INFORMATION" and "AIRPORT CONSULTANT'S REPORT" and Appendices A and B in this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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* Including Note 15, which provides an event occurring subsequent to the date of the Independent Auditor's Report.

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$233,115,000
County of Orange, California
Airport Revenue Bonds

$67,305,000	**$165,810,000**
Series 2009A	**Series 2009B**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (this "Official Statement"), is to furnish information concerning the County of Orange, California (the "County") and John Wayne Airport (the "John Wayne Airport" or the "Airport"), and certain other information in connection with the sale by the County of $233,115,000 aggregate principal amount of Airport Revenue Bonds, consisting of Series 2009A in the principal amount of $67,305,000 (the "Series 2009A Bonds") and Series 2009B in the principal amount of $165,810,000 (the "Series 2009B Bonds," and, together with the Series 2009A Bonds, the "Series 2009 Bonds").

This Introduction contains only a brief summary of the terms of the Series 2009 Bonds being offered and a brief description of this Official Statement. All statements contained herein are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions.

Purpose of Bonds

The proceeds of the Series 2009 Bonds will be used to (i) finance a portion of the costs of certain airport facilities and improvements (the "Airport Improvement Program"), (ii) fund a debt service reserve account for the Series 2009 Bonds, (iii) fund capitalized interest on a portion of the Series 2009 Bonds and (iv) pay certain expenses in connection with the issuance of the Series 2009 Bonds.

Authorization

The Series 2009 Bonds are issued pursuant to Chapter 14 of Division 2 of Title 3 (Sections 26301 to 26400.53, inclusive), as amended, of the Government Code of the State of California, as supplemented by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (Sections 53580 to 53589.5, inclusive) (the "Act") and an Indenture, dated as of July 1, 1987, (the "Original Indenture"), by and between the County and U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented pursuant to a First Supplemental Indenture, dated as of June 1, 1993 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as of December 1, 1996 (the "Second Supplemental Indenture"), a Third Supplemental Indenture, dated as of May 1, 2003 (the "Third Supplemental Indenture") and a Fourth Supplemental Indenture, dated as of July 1, 2009 (the "Fourth Supplemental Indenture"). The Original Indenture, First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture and Fourth Supplemental Indenture are collectively referred to herein as the "Indenture."

John Wayne Airport

John Wayne Airport is owned and operated by the County of Orange. The Airport serves Orange County and adjacent portions of Los Angeles, Riverside and San Bernardino Counties, which is considered its "air trade area." Orange County is the third most populous county in the State and the seventh most populous in the nation.

John Wayne Airport is classified as a medium air traffic hub by the Federal Aviation Administration (the "FAA"). According to data the FAA publishes, the Airport was the nation's 41st busiest airport in terms of enplaned passengers in the United States for calendar year 2007. In the same year, the Airports Council International ranked the Airport 28th busiest in terms of total aircraft operations.

The Airport functions as an origination and destination airport primarily serving the short-to-medium haul market in its trade area. The Airport is currently served by eleven major/national carriers and three regional/commuter carriers. In Fiscal Year 2008, the Airport enplaned 4,780,487 passengers. See "AIRPORT OPERATIONS—Enplaned Passengers at John Wayne Airport" and APPENDIX A – "AIRPORT CONSULTANT'S REPORT."

Operations at the Airport are generally influenced by a variety of factors including: the condition of the national and local economy, local demographic factors, the price and availability of fuel, the threat of terrorism, the financial condition of the airlines serving the Airport and other factors. See "FACTORS AFFECTING AIRPORT OPERATIONS AND REVENUES." Operations at the Airport are also subject to and limited by the terms of a Settlement Agreement resolving litigation with the neighboring City of Newport Beach and two community groups. See "JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement."

Capital Improvement Program

The County is implementing numerous capital improvements to the Airport facilities, totaling approximately $456.6 million (the "Airport Improvement Program" or "AIP"). Concurrent with the Airport Improvement Program, the Airport anticipates undertaking approximately $86.5 million in ancillary capital projects (the "Other CIP Projects," and, together with the Airport Improvement Program, the "Capital Improvement Program"). Funding for the Capital Improvement Program may be provided from various sources, including: (i) the Series 2009 Bonds, (ii) Airport available funds; (iii) the FAA Airport Improvement Program grants; (iv) the airlines, for the cost of the hydrant fuel system; (v) future subordinated debt; and (vi) pay-as-you-go Passenger Facility Charges. See "JOHN WAYNE AIRPORT—Capital Improvement Program."

Security for the Bonds

Pursuant to the Indenture, the County has pledged to the payment of its Airport Revenue Refunding Bonds, Series 1997 (the "Series 1997 Bonds"), its Airport Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), the Series 2009 Bonds and any Additional Bonds hereafter issued (collectively, the "Bonds"), the Net Revenues of the Airport and its rights to receive Net Revenues. On and after the issuance of the Series 2009 Bonds, Revenues will include certain Passenger Facility Charge revenues set aside by the County. No other assets or revenues of the County are pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS."

On May 29, 2009 the County gave notice of its intention to redeem on July 1, 2009 all of the outstanding Series 1997 Bonds (in the principal amount of $44,155,000) from its available resources. On May 5, 2009, the County deposited cash and Government Obligations in an escrow fund to defease the Series 1997 Bonds as of that date.

The Series 2009 Bonds will be secured by Net Revenues on parity with the Series 2003 Bonds, which are currently outstanding in the aggregate principal amount of $33,190,000, and any Additional Bonds hereafter issued.

The County has obtained consent from Financial Security Assurance Inc., the Series 2003 Bond Insurer, on behalf of the holders of the Series 2003 Bonds for certain amendments to the Original Indenture set forth in the Fourth Supplemental Indenture. Those amendments are effective and are incorporated in the description of the Bonds below. See "SECURITY FOR THE BONDS."

Passenger Facility Charges

The County has received approval from the FAA to impose and use a Passenger Facility Charge of $4.50 per enplaned passenger at the Airport. Pursuant to the Fourth Supplemental Indenture, the County has irrevocably committed and pledged Passenger Facility Charge revenues received in each of the Fiscal Years 2010 - 2015 inclusive (herein referred to as "Available PFC Revenues") for the purpose of paying a portion of the debt service on the Series 2009 Bonds. See "SECURITY FOR THE BONDS—Available Revenues" and "FINANCIAL INFORMATION—Passenger Facility Charges" herein.

Rate Covenant

Pursuant to the Indenture the County has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and has covenanted to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of certain deposits required by the Indenture and to produce Net Revenues in each Fiscal Year at least equal to 125% of the Long-Term Debt Service Requirement for such Fiscal Year. For Fiscal Year 2008, Net Revenues were equal to 300% of the Long-Term Debt Service Requirement on the Outstanding Bonds.

If, during any such period, estimated Revenues are less than the amount required in the preceding paragraph, the County has covenanted to revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such period. See "SECURITY FOR THE BONDS—Rate Covenant" herein.

For the purposes of determining compliance with the Rate Covenant in any Fiscal Year, the County is entitled to deduct from the Long-Term Debt Service Requirement any Available PFC Revenues irrevocably committed and pledged by the County for the payment of debt service and received in such Fiscal Year. See "SECURITY FOR THE BONDS—Rate Covenant" herein.

Airport Consultant's Report

Included as APPENDIX A to this Official Statement is a Report of the Airport Consultant, dated June 15, 2009 (the "Airport Consultant's Report"), prepared by Jacobs Consultancy (the "Airport Consultant"), in conjunction with the issuance of the Series 2009 Bonds. The Airport Consultant's Report includes, among other things, a description of the underlying economic base of the Airport; a description of historical air traffic activity at the Airport; the Airport Consultant's forecast of air traffic activity at the Airport through Fiscal Year 2015 and a description of the assumptions on which such forecasts are based; a description of existing and planned facilities at the Airport; and the Airport Consultant's projections of debt service, expenses and revenues through Fiscal Year 2015 and a description of the assumptions on which such projections were based. No assurances can be given that the projections and expectations discussed in the Airport Consultant's Report will be achieved. The Airport Consultant's Report is an integral part of this Official Statement and should be read in its entirety.

See "FACTORS AFFECTING AIRPORT OPERATIONS AND REVENUES—Assumptions in the Airport Consultant's Report" and APPENDIX A – "AIRPORT CONSULTANT'S REPORT."

Continuing Disclosure

The County has covenanted for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County and the Airport by not later than 240 days following the end of each Fiscal Year (currently June 30) (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Summaries and Additional Information

There follows in this Official Statement a description of the Airport and certain information relating to the County and sources of payment for the Bonds, together with summaries of the terms of the Bonds and certain provisions of the Indenture. All references herein to agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Bonds are further qualified by reference to the information with respect thereto contained in the Indenture.

Unless otherwise defined herein, all capitalized terms used herein shall have the definitions set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE—Certain Definitions."

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 County or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2009 Bonds. The County and the Airport maintain websites at www.oc.ca.gov and www.ocair.com, respectively. Except as otherwise provided herein, information on such websites is not part of this Official Statement nor has such information been incorporated by reference herein, and such websites should not be relied upon in deciding whether to invest in the Series 2009 Bonds.

DESCRIPTION OF THE SERIES 2009 BONDS

General

The Series 2009 Bonds will be issued in an aggregate principal amount of $233,115,000, consisting of $67,305,000 Series 2009A and $165,810,000 Series 2009B, will be dated their date of delivery, and will bear interest from their dated date to their respective maturities or prior redemption dates in amounts and at the rates set forth on the inside front cover page of this Official Statement. Interest on the Series 2009 Bonds will be payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2010.

The Series 2009 Bonds will be issued as fully registered bonds without coupons, in denominations of $5,000 or any integral multiple thereof.

The principal of, premium, if any, and interest on the Series 2009 Bonds will be paid by U.S. Bank National Association, Trustee and Bond Registrar.

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds shall initially be issued in "book-entry" form only. See APPENDIX G – "BOOK-ENTRY SYSTEM" hereto.

Optional Redemption

Series 2009A. The Series 2009A Bonds maturing on or before July 1, 2019 shall not be subject to optional redemption. The Series 2009A Bonds maturing on or after July 1, 2020 are subject to redemption prior to their respective maturities, at the option of the County, from and to the extent of any source of available funds, on or after July 1, 2019, in whole or in part on any date from such maturities as shall be determined by the County and by lot within any maturity, at a redemption price equal to the principal amount of the Series 2009A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Series 2009B. The Series 2009B Bonds maturing on or before July 1, 2019 shall not be subject to optional redemption.

The Series 2009B Bonds maturing on July 1, 2034 (the "2034 Series 2009B Term Bonds") are subject to redemption prior to their maturity, at the option of the County, from and to the extent of any source of available funds, on or after July 1, 2017, in whole or in part on any date, from such applicable 2034 Series 2009B Term Bonds as shall be determined by the County and by lot within such applicable 2034 Series 2009B Term Bonds, at a redemption price equal to the principal amount of such 2034 Series 2009B Term Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Series 2009B Bonds maturing on or after July 1, 2020 (except for the 2034 Series 2009B Term Bonds) are subject to redemption prior to their respective maturities, at the option of the County, from and to the extent of any source of available funds, on or after July 1, 2019, in whole or in part on any date from such maturities as shall be determined by the County and by lot within any maturity, at a redemption price equal to the principal amount of the Series 2009B Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

Series 2009A. The Series 2009A Bonds maturing on July 1, 2025 are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009A Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2021, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	Mandatory Sinking Fund Subaccount Payment
2021	$1,995,000
2022	2,100,000
2023	2,215,000
2024	2,325,000
2025*	2,445,000

* Final Maturity

The Series 2009A Bonds maturing on July 1, 2031 are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009A Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2026, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	Mandatory Sinking Fund Subaccount Payment
2026	$2,580,000
2027	2,705,000
2028	2,840,000
2029	2,985,000
2030	2,355,000
2031*	2,475,000

* Final Maturity

The Series 2009A Bonds maturing on July 1, 2039 are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009A Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2032, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	Mandatory Sinking Fund Subaccount Payment
2032	$2,600,000
2033	2,735,000
2034	2,875,000
2035	3,030,000
2036	3,190,000
2037	3,355,000
2038	3,530,000
2039*	3,715,000

* Final Maturity

Series 2009B. The Series 2009B Bonds maturing on July 1, 2024 are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009B Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2022, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	Mandatory Sinking Fund Subaccount Payment
2022	$2,265,000
2023	2,385,000
2024*	1,950,000

* Final Maturity

The Series 2009B Bonds maturing on July 1, 2028 are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009B Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2025, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	Mandatory Sinking Fund Subaccount Payment
2025	$5,960,000
2026	6,260,000
2027	6,575,000
2028*	6,905,000

* Final Maturity

The Series 2009B Bonds maturing on July 1, 2034 and bearing interest at 5.25% are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009B Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2022, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	**Mandatory Sinking Fund Subaccount Payment**
2022	$2,125,000
2023	2,240,000
2024	1,830,000
2025	1,230,000
2026	1,290,000
2027	1,355,000
2028	1,420,000
2029	4,020,000
2030	50,000
2031	50,000
2032	50,000
2033	50,000
2034*	50,000

* Final Maturity

The Series 2009B Bonds maturing on July 1, 2034 and bearing interest at 5.75% are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009B Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2022, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	**Mandatory Sinking Fund Subaccount Payment**
2022	$3,545,000
2023	3,725,000
2024	3,050,000
2025	2,050,000
2026	2,150,000
2027	2,255,000
2028	2,370,000
2029	5,950,000
2030	50,000
2031	50,000
2032	50,000
2033	50,000
2034*	50,000

* Final Maturity

The Series 2009B Bonds maturing on July 1, 2039 are subject to redemption prior to their stated maturity, in part, by lot, from Series 2009B Sinking Fund Subaccount Payments on any July 1, on or after July 1, 2029, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Fund Subaccount Payment Date (July 1)	**Mandatory Sinking Fund Subaccount Payment**
2029	$1,380,000
2030	1,455,000
2031	1,540,000
2032	1,625,000
2033	1,715,000
2034	1,810,000
2035	2,010,000
2036	2,115,000
2037	2,225,000
2038	2,345,000
2039*	2,465,000

* Final Maturity

Extraordinary Redemption

The Series 2009 Bonds are subject to redemption in whole or in part on any date, upon instructions from the County, from the Net Proceeds of insurance or Eminent Domain which are deposited in the subaccount of the Revenue Bond Redemption Account, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date.

Notice of Redemption

Not less than 30 nor more than 60 days before the redemption date of any Series 2009 Bonds, the Trustee on behalf of the County will cause a notice of any such redemption to be mailed, by first class mail to (i) all registered owners of Series 2009 Bonds to be redeemed in whole or in part, (ii) the securities depositories, (iii) one or more Information Services, and (iv) the repositories. The failure to mail such notice to any registered owner or any one or more of the Information Services or securities depositories, or any defect therein, shall not affect the validity of the proceedings for the redemption of the Series 2009 Bonds. On the date designated for redemption, notice having been given as aforesaid, the Series 2009 Bonds or portions thereof so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2009 Bonds or such portions thereof on such date, and from and after such redemption date interest on such Series 2009 Bonds shall cease to accrue.

If less than all of the Series 2009 Bonds are to be called for redemption, the Trustee shall select the Series 2009 Bonds to be redeemed among such series and maturities as directed by the County Representative, and within the maturity of any series by lot.

To the extent that Cede & Co. is the registered owner for DTC, DTC will be responsible for notifying the DTC Participants, which in turn will be responsible for notifying the Beneficial Owners. See APPENDIX G – "BOOK-ENTRY SYSTEM."

SECURITY FOR THE BONDS

The summary of the Indenture contained herein and in APPENDIX D – "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE" includes amendments that will become effective upon the issuance of the Series 2009 Bonds. These amendments include, most importantly, provisions authorizing the County to make an irrevocable agreement to deposit Passenger Facility Charges ("PFCs") or grant revenues into the Revenue Fund during any future fiscal year for the purpose of paying debt service on Bonds (such PFC revenues and grant revenues being generally defined as "Available Revenues") and authorizing the County to use Available Revenues as an offset to the Long-Term Debt Service Requirement in determining compliance with the Rate Covenant and the Additional Bonds test as described below. Such amendments are reflected in the description of the Bonds below and in APPENDIX D – "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE." Financial Security Assurance Inc., as bond insurer for the Series 2003 Bonds, on behalf of the holders of the Series 2003 Bonds, has consented to the amendments and the amendments will become effective upon issuance of the Series 2009 Bonds.

Pledge of Net Revenues

Pursuant to the Indenture, the County has pledged to the payment of the Bonds, the Net Revenues of the Airport and its rights to receive Net Revenues.

The term "Airport" generally means the John Wayne Airport, as now located within the County, including runways, taxiways, landing pads, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated by the County in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions and improvements thereto. The term "Airport" also includes any Additional Airport which becomes part of the Airport pursuant to the terms of the Indenture described under "—Additional Airports" below. The term "Airport" however, excludes any Special Purpose Facility so long as any indebtedness issued to finance such Special Purpose Facility is outstanding. The County has no such indebtedness outstanding.

"Net Revenues" means the excess, if any, of Revenues over Current Expenses for any period.

"Revenues" generally means (a) except to the extent excluded below, all payments, proceeds, fees, charges, rents and all other income derived by or for the County for the use of and for the services and facilities furnished by or from the operation or ownership of, the Airport; (b) investment income from funds, accounts and subaccounts but only to the extent credited or charged against the Revenue Fund as provided under the Indenture; (c) amounts which the County is authorized, but not obligated, to pay or transfer to the Revenue Fund, but excluding amounts transferred to the Airport General Fund pursuant to the Indenture in the current Fiscal Year, which amounts will become Revenues only at the time of payment or transfer to the Revenue Fund; (d) amounts transferred from the Rebate Account to the Revenue Fund in any Fiscal Year; (e) any proceeds of business interruption insurance and (f) Available Revenues. There will *not* be included in Revenues, unless in the case of (vi) or (vii) paid or transferred pursuant to (c) above, (i) any gifts, grants (excluding Available Grant Revenues), bequests, contributions or donations, which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (ii) proceeds from the sale and disposition of all or any part of the Airport; (iii) reimbursements to the County of its advances to the Operating Fund; (iv) to the extent and for so long as such payments are pledged to secure the financing of the same, rentals or other payments (including debt service) from the financing of Special Purpose Facilities except to the extent otherwise provided by the County in respect of any such facilities; (v) any proceeds of Eminent Domain or insurance other than the business interruption insurance which is not restricted by its terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (vi) PFCs or other per passenger taxes collected at the Airport, but excluding Available PFC Revenues; (vii) any other taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of capital improvements at the Airport or noise abatement with respect to Airport operations; and (viii) the proceeds of any indebtedness.

"Current Expenses" generally means the County's current expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles, including (a) all ordinary and usual expenses of operation, maintenance and repair, (b) administrative expenses, (c) salaries, (d) payments to any retirement plan or plans properly chargeable to the Airport, (e) insurance expenses, (f) engineering expenses, (g) fees and expenses of the Trustee and Bond Registrar, legal expenses, and fees of consultants, and any other expenses required to be paid by the County under the Indenture or by law; but Current Expenses will not include: (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation, (iii) any interest, (iv) any principal payment in respect of capital leases or indebtedness including the Bonds, (v) any deposits to any fund or account created under the Indenture, (vi) any loss from the sale, exchange or other disposition of capital assets at the Airport; (vii) any unrealized gains or losses on securities held for investment by or on behalf of the County for the Airport, or any unrealized gains or losses from the write down, reappraisal or revaluation of assets including investments for "other than temporary declines" in book value; (viii) any loss resulting from the extinguishment of indebtedness or (ix) any Current Expense described in clause (a) through (h) above which are paid with amounts other than Revenues.

In addition, as security for the payment of the Bonds, the County has pledged the money and Investment Obligations in any and all of the related subaccounts of the Revenue Bond Funds and Accounts and the money and Investment Obligations in the Renewal and Replacement Fund, the Project Account and any Additional Facilities Account, to the extent such money and Investment Obligations have not been encumbered by the County. Moneys or Investment Obligations in the Airport General Fund or in the Rebate Account are not pledged to the payment of the Bonds nor is any other property of the County other than the Net Revenues and funds and accounts described above.

The Indenture creates a special fund, designated the Revenue Fund, to which the County is required to deposit all Revenues of the Airport when received by the County. The Indenture requires that moneys or deposits in the Revenue Fund shall be applied solely in accordance with the order of priorities established by the Indenture. See "—Application of Revenues" below.

Moneys in the Revenue Fund will be continuously invested and reinvested as directed by the County Representative in Investment Obligations to the extent practicable. The interest accruing on Investment Obligations in the Revenue Fund, the Renewal and Replacement Fund and the Operating Fund and any profit or loss realized upon the disposition or maturity of such Investment Obligations will be credited to the Revenue Fund. Investment Obligations in the Revenue Fund will be valued at least annually (just prior to each principal payment date) (a) at face value if such Investment Obligations mature within 12 months from the date of valuation thereof, and (b) if such Investment Obligations mature more than 12 months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option, if so redeemable, or, if not so redeemable, at the lesser of (1) the cost of such Investment Obligations plus the amortization of any premium or minus the amortization of any discount thereon plus accrued interest, and (2) the market value of such Investment Obligations plus accrued interest.

Available Revenues

Pursuant to a Supplemental Indenture or a resolution of the County, the County, from time to time, in its sole discretion, may irrevocably agree to deposit into the Revenue Fund or an Available Revenue Account (as defined below) and pledge Grant Revenues and/or PFCs, to the extent received by the County, in such amounts and during such periods as specified in a Supplemental Indenture or a resolution for the purpose of paying Principal of and interest on the Bonds. Such irrevocably committed and pledged Grant Revenues and/or PFCs shall constitute Available Revenues under the Indenture. Available Revenues will be deposited to the Revenue Fund or to one or more separate and segregated accounts (each an "Available Revenue Account"). If not deposited directly into the Revenue Fund, the County shall transfer or cause to be transferred, on a monthly basis, Available Revenues on deposit in the respective Available Revenue Account(s) to the Revenue Fund, so that such moneys are available for transfer to the respective subaccounts established to pay debt service on the Bonds for such periods as provided in the Supplemental Indenture and any resolution of the County.

Pursuant to the Fourth Supplemental Indenture, the County has irrevocably committed and pledged PFCs, including any investment earnings thereon, in the following amounts and in the following Fiscal Years will be Available Revenues:

Fiscal Year Ending June 30	Amount
2010	$10,944,326
2011	$11,198,688
2012	$11,194,688
2013	$11,193,738
2014	$11,193,438
2015	$11,193,638

The County has heretofore established an account (the "PFC Revenue Account") into which the County deposits all PFCs. The County has irrevocably committed to set aside in a separate subaccount of the PFC Revenue Account, which will constitute an Available Revenue Account, the Available PFC Revenues specified above. The County further agrees to deposit and pledge such Available PFC Revenues, on a monthly basis, to the extent received, into the Revenue Fund so that such amounts will be available to pay debt service on the Bonds. The County's agreement to deposit such Available PFC Revenues is irrevocable. See "FINANCIAL INFORMATION—Passenger Facilities Charges" for a discussion of certain matters relating to PFC Revenues.

Limited Obligations

The Bonds (including the Series 2009 Bonds) are limited obligations of the County payable solely from the Net Revenues of the Airport, and the County is not obligated to pay the Bonds except from the Net Revenues.

The General Fund of the County is not liable, and the credit or taxing power of the County is not pledged, for the payment of the Bonds or their interest. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon, any of the property of the County or any of its income or receipts, except the Net Revenues of the Airport. The owners of the Bonds have no right to compel the exercise of any taxing power of the County.

Application of Revenues

In addition to the Revenue Fund, in which there is established a Rebate Account, the Indenture creates the following accounts and subaccounts: (1) Operating Fund; (2) Revenue Bond Fund and the Revenue Bond Interest Account, Revenue Bond Principal Account, Revenue Bond Sinking Fund Account, Revenue Bond Redemption Account and Revenue Bond Reserve Account therein; (3) Subordinated Debt Fund; (4) Renewal and Replacement Fund; (5) Airport General Fund; and (6) Insurance and Condemnation Award Fund.

Moneys in the Revenue Fund (other than amounts in the Rebate Account) are required to be transferred and applied to the following accounts and subaccounts on or before the 25th day of each month, except as provided in the provisions of the Indenture summarized in paragraphs (e), (f) and (h) below, in the following manner and order of priority:

(a) the Operating Fund an amount equal to the difference between (i) one-sixth of the amount shown by the Annual Budget as (a) Current Expenses for the then current Fiscal Year plus (b) the County's cost of capital items which are budgeted to be paid from the Operating Fund for the then current Fiscal Year, and (ii) the amount of unencumbered funds on deposit in the Operating Fund;

(b) each subaccount in the Revenue Bond Interest Account, one-sixth of the interest due on the Bonds payable from such subaccount on the next ensuing Interest Payment Date;

(c) each subaccount in the Revenue Bond Principal Account, one-twelfth of the principal becoming due and payable on all Serial Bonds of the Bonds payable from such subaccount maturing on the next ensuing July 1;

(d) each subaccount in the Revenue Bond Sinking Fund Account, one-twelfth of the amount required to retire the Term Bonds of the Bonds payable from such subaccount for which annual mandatory redemption is required, which are required to be called by mandatory redemption or to be paid at maturity on the next ensuing July 1, in accordance with the Sinking Fund Requirement therefor;

(e) the appropriate subaccount in the Revenue Bond Reserve Account in the manner set forth in the Indenture, in any month in which the amount on deposit in any such subaccount in the Revenue Bond Reserve Account is less than the Reserve Requirement for the related Series of Bonds due to the application of money therein in accordance with the terms of the Indenture, the reduction in value of Investment Obligations therein or the issuance of Additional Bonds and a corresponding increase in the Reserve Requirement;

(f) the Subordinated Debt Fund, with respect to any Series of Subordinated Bonds authorized pursuant to a Supplemental Indenture, such amounts as are specified in such Supplemental Indenture;

(g) the Renewal and Replacement Fund one-twelfth of the amount budgeted for renewal and replacements as shown in the Annual Budget for the current Fiscal Year or such greater amount as the County may determine, provided that the County shall not be obligated to make any such deposits in excess of the budgeted amounts, and in any month in which the amount on deposit in the Renewal and Replacement Fund is less than the Renewal and Replacement Fund Requirement at the level required for such month, one-twelfth of the amount of such deficiency, and shall make a deposit in approximately equal amounts in the next eleven months; and

(h) the Airport General Fund, whenever in any Fiscal Year there shall have been deposited in the respective accounts or subaccounts referred to above all amounts required to be deposited in such accounts or subaccounts for the then current Fiscal Year, both accrued and thereafter becoming due in the balance of such Fiscal Year.

The Indenture provides that if there shall not be sufficient Revenues to make the payments required in paragraphs (b) through (d) above into the applicable subaccounts, such deposits shall be made pro rata to each subaccount in accordance with the aggregate principal amount then required to be deposited with respect to each Series of Bonds.

As directed by the County, the Trustee shall set aside in the applicable subaccount in the Rebate Account or shall withdraw from the Rebate Account the amount certified to the Trustee by the County Representative as provided in the Indenture.

If in any month the County has failed to make any deposit or payment required by paragraphs (a) through (e) above, the County is required to deposit or pay, in addition to the amounts then due, but only from Revenues, an amount sufficient to cure the deficiency in deposit or payment in the prior month unless such deficiency is cured by a transfer, pursuant to the terms of the Indenture, of money or Investment Obligations to such fund or account from other funds and accounts under the Indenture.

Rate Covenant

Pursuant to the Indenture, the County has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and has covenanted to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of the deposits required by provisions of the Indenture described in paragraphs (a) through (g) under the heading "Application of Revenues" above and to produce Net Revenues in each Fiscal Year at least equal to 125% of the Long-Term Debt Service Requirement for such Fiscal Year (collectively, the "Rate Covenant"). At the option of the County, moneys including, but not limited to PFCs and Grant Revenues, which are on deposit with the Trustee or have been otherwise so set aside and segregated prior to the commencement of any Fiscal Year, and/or PFCs and Grant Revenues which the County irrevocably agrees to deposit with the Trustee (herein referred to as "Available Revenues") and which the County expects to receive in any Fiscal Year, may be used to reduce the amount of Long-Term Debt Service Requirement for the purposes of setting rates and charges for the upcoming Fiscal Year. To the extent that Available Revenues are applied to satisfy all or a portion of the Long-Term Debt Service Requirement in any Fiscal Year when calculating compliance with the Rate Covenant, such Available Revenues are not included as Revenues in such calculation. See APPENDIX D – "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE" for the definition of "Long-Term Debt Service Requirement."

If, during any such period, estimated Revenues are less than the amount required in the preceding paragraph, the County has covenanted to revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such period.

If the audit report for any Fiscal Year indicates that the County has not satisfied the Rate Covenant for such Fiscal Year, then as soon as practicable (but not later than 60 days) after the receipt of the audit report, the County is required to employ an Airport Consultant to review and analyze the financial status and the administration and operations of the Airport, to inspect the properties constituting the Airport, and to submit to the Board of Supervisors (the "Board") of the County and the County Representative, within 60 days after employment of the Airport Consultant, a written report, including the action which the Airport Consultant recommends should be taken by the County with respect to the revision of its rates, fees, rentals and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the following twelve month period or if less, the maximum amount deemed feasible by the Airport Consultant. Promptly upon its receipt of the recommendations, the County is required, after giving due consideration to the recommendations, to revise its rates, fees, rentals and charges or alter its methods of operation, although such revisions or alterations need not comply with the Airport Consultant's recommendations so long as such revisions or alterations are projected to result in compliance with the Rate Covenant. For the purpose of determining compliance in any audit report, only Available Revenues actually deposited with the Trustee (as opposed to projected deposits) will be applied as a credit against the Long-Term Debt Service Requirement.

In the event the County fails to take action as required by the provisions of the Indenture described in the two preceding paragraphs, the Trustee may, and upon request of the Owners of not less than 10% in principal amount of all Bonds Outstanding shall, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the County to comply with its obligations.

Budgetary Procedures

The Indenture requires that, on or before the first day of each Fiscal Year, the County will prepare a proposed budget for such Fiscal Year for the Airport in the form of the budget then required by law. Each budget is to be prepared in such manner as to specify Current Expenses and the amounts to be deposited in the various funds, accounts and subaccounts created by the Indenture during the Fiscal Year for which the budget is prepared. The budget is to be accompanied by a pro forma statement of Revenues, Current Expenses and rates, fees, rentals and charges estimated to be necessary to meet the Rate Covenant and is to include or make reference to the amounts to be expended during such Fiscal Year from the Construction Fund and the Renewal and Replacement Fund Requirement for such Fiscal Year.

The budget for the Airport is prepared by the County in each Fiscal Year in conjunction with the preparation of the overall budget for all County departments and operations. The Indenture requires that the County adopt a final budget for the Airport for each Fiscal Year by not later than October 1 of such Fiscal Year and to certify to the Trustee on or before October 1 of each year as to its compliance with the foregoing requirements of the Indenture. The County has never failed to comply with the foregoing requirements of the Indenture.

The County may at any time adopt an amended or supplemental budget for the remainder of the then-current Fiscal Year, and must do so when any periodic financial statement indicates that the County is unable to maintain or operate the Airport and comply with the Rate Covenant within the budgetary guidelines and statements related thereto.

Revenue Bond Reserve Account

Pursuant to the Indenture, the Trustee has established the Revenue Bond Reserve Account in the Revenue Bond Fund. The Revenue Bond Reserve Account contains subaccounts for each Series of Bonds, including the Series 2003 Bonds and, upon issuance, the Series 2009A Bonds and the Series

2009B Bonds. Each subaccount is, or with respect to each series of the Series 2009 Bonds will be, fully funded with cash in an amount equal to the Reserve Requirement. "Reserve Requirement" means, with respect to any Series of Bonds, the amount required to be placed or maintained in a separate subaccount within the Revenue Bond Reserve Account with respect to such Series of Bonds as set forth in the Indenture or any related Supplemental Indenture.

As of May 31, 2009, there was $4,629,953 on deposit in the subaccount for the Series 2003 Bonds.

The Fourth Supplemental Indenture defines the Reserve Requirement for each Series of Series 2009 Bonds to be the average annual Long-Term Debt Service Requirement for such Series of Series 2009 Bonds, and establishes a subaccount for each such Series of Series 2009 Bonds in the Revenue Bond Reserve Account (the "Series 2009A Reserve Subaccount," the "Series 2009B Reserve Subaccount," and together, the "2009 Series Reserve Subaccount," respectively). See "PLAN OF FINANCING." Amounts in each Series 2009 Reserve Subaccount will be used to pay principal of and interest on the related Series of Series 2009 Bonds, on a pari passu basis, to the extent that moneys in the related Series 2009 Interest Subaccount, Series 2009 Principal Subaccounts or Series 2009 Sinking Fund Subaccounts are insufficient. Amounts in accounts and subaccounts in the Revenue Bond Reserve Account (other than the Series 2009 Reserve Subaccounts) are not pledged to the payment of the Series 2009 Bonds. Amounts in each Series 2009 Reserve Subaccount are not pledged to payment of Bonds other than the Series 2009 Bonds of the related Series.

Moneys held in the Revenue Bond Reserve Account may be invested and reinvested at the direction of the County Representative in Government Obligations and certain repurchase agreements or investment agreements as provided in the Indenture. Investments in the Revenue Bond Reserve Account may be valued by the Trustee at any time requested by the County upon reasonable notice. As set forth in the Indenture, whenever the value of any subaccount of the Revenue Bond Reserve Account is less than the applicable Reserve Requirement, the Trustee will compute and immediately give the County notice of the amount necessary to cure such deficiency. The County is not liable for any deficiency except from Revenues. Whenever the valuation of cash and Investment Obligations in any subaccount of the Revenue Bond Reserve Account is greater than the applicable Reserve Requirement, the Trustee will compute and transfer the excess amount to the County for deposit into the Revenue Fund.

In lieu of funding the Revenue Bond Reserve Account with cash or Investment Obligations, the County, at its option, may fund all or any portion of the Reserve Requirement by providing to the Trustee (a) an irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated at the time of its deposit into the Revenue Bond Reserve Account in the highest rating category by each nationally recognized rating agency then rating any Series of Bonds or if no Series of Bonds is then rated, by any nationally recognized rating agency or (b) an insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and issued by a municipal bond or other insurance company, obligations insured by which are rated at the time of its deposit into the Revenue Bond Reserve Account in one of the two highest rating categories by each nationally recognized rating agency then rating any Series of Bonds or if no Series of Bonds is then rated, by any nationally recognized rating agency. Currently, the Revenue Bond Reserve Account is fully funded with cash and Investment Obligations.

Additional Parity Bonds

The Indenture permits the County to issue Additional Bonds, including refunding bonds, payable from Net Revenues on a parity with the Series 2009 Bonds and the Series 2003 Bonds as described and under the conditions set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN

ADDITIONAL PROVISIONS OF THE INDENTURE—General Covenants and Representations—Issuance of Additional Bonds."

The County is also permitted by the terms of the Indenture to issue Additional Bonds as Long-Term Bonds or Short-Term Bonds, if such additional Long-Term Bonds are in an amount which does not exceed 10% of Total Operating Revenues for the most recent Fiscal Year, subject to certain other requirements, and may issue Completion Bonds and other Additional Bonds for the purpose of funding the cost of certain environmental mitigation measures, under the terms and restrictions set forth in the Indenture.

The County has covenanted in the Indenture not to issue any other indebtedness other than capital leases payable as described in the definition of Current Expenses, which will have a lien on Net Revenues prior to the lien established by the Indenture.

Subordinated Debt

Subordinated Bonds, payable from a subordinate lien on Net Revenues, may be issued by the County without limitation. The Indenture does not restrict or limit the right of the County to incur indebtedness, other than Bonds and capital leases payable as described in the definition of Current Expenses, provided that debt service on such indebtedness is not payable on a prior or parity basis with the Bonds from Net Revenues.

There are no Subordinated Bonds or other subordinated debt payable from Net Revenues currently outstanding.

Special Purpose Facilities Obligations

The Indenture permits the County to finance the acquisition or construction of any Special Purpose Facilities permitted by law if certain requirements are met. See APPENDIX D – "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE—General Covenants and Representations—Financing of Special Purpose Facilities."

Any Special Purpose Facility so financed or otherwise acquired by the County and not constituting a part of the Airport may be added to the Airport by resolution of the Board, provided that at the date of inclusion of such Facility in the Airport the County delivers to the Trustee: (a) a certificate of the County Representative stating that no Default has occurred and is continuing or, if any Default then exists, that action taken pursuant to the Indenture will cure the same; and (b) a report of an Airport Consultant stating that based upon its knowledge and analysis of the financial performance and operations of the Airport, the requirements of the Indenture with respect to any indebtedness would be satisfied.

There are no Special Purpose Facilities obligations currently outstanding.

Additional Airports

The Indenture permits the County to acquire or construct or operate, or participate with others through a joint exercise of powers agreement or otherwise in the acquisition or construction or operation of, one or more Additional Airports separate and apart from the John Wayne Airport; provided, that if acquisition or construction or operation of any such Additional Airport (and any contemplated additions or improvement to such Additional Airport) separate and apart from the Airport would result in a reduction of Revenues or Net Revenues below the minimum required to be maintained pursuant to the Rate Covenant in any future Fiscal Year, the County shall cause such Additional Airport to become part of the Airport, and in each instance the County shall execute an amendment to the Indenture incorporating such Additional Airport into the definition of Airport (and, if necessary, by making any joint exercise of powers agency a co-obligor thereunder) and thereafter such Additional Airport and the revenues therefrom shall be subject to the terms of the Indenture, and provided, further, that no Bonds will be issued or incurred in connection with such acquisition or construction except as permitted by the Indenture. Notwithstanding the foregoing, the County may, at its option, cause any such Additional Airport to become part of the Airport.

In the event that an Additional Airport is acquired or constructed or operated and not made a part of the Airport, and the scope of operations of such Additional Airport is materially changed from that originally contemplated at the time of such acquisition or construction, the County shall cause such Additional Airport to become part of the Airport if required to comply with the foregoing provision.

The Indenture provision described above pertains only to Additional Airports involving County ownership or participation and thus would not affect airport facilities that may be developed within the Airport's Trade Area (as hereinafter defined) by persons or entities other than the County.

The Settlement Agreement (described below) committed the County to facilitate the funding for an alternative airport site to serve the Trade Area. However, with the abandonment of the County's efforts to convert the El Toro Marine Air Base to a civilian airport, the County is not currently investigating any alternative site for an airport. See "JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement."

Insurance

As described in APPENDIX D – "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE—General Covenants and Representations—Insurance," the County is required to purchase and maintain or cause to be maintained insurance covering such properties belonging to the Airport as customarily insured against, including loss or damage from such causes as are customarily insured by enterprises of a similar nature in the State, business interruption insurance and comprehensive general liability insurance on the Airport for bodily injury and property damage, with such reasonable deductibles as may be available.

If an Insurance Consultant and the County certify to the Trustee that the amount of insurance coverage required by the terms of the Indenture is not available on reasonable terms and conditions, the insurance coverage required by the terms of the Indenture may be modified in accordance with such determination, and the coverage as modified shall constitute the minimum requirements of the terms of the Indenture.

Unless the insurance coverage required by the terms of the Indenture is maintained through Qualified Self Insurance as described in the Indenture, such coverage shall be maintained through policies that (A) are issued by a financially responsible insurer or insurers qualified to write the respective insurance in the State and of recognized standing, (B) are in such form and contain such provisions (including, without limitation, the loss payable clause, the waiver of subrogation clause, deductibility clauses and the designation of the named insured parties) as are generally considered customary provisions for the type of insurance involved, and (C) prohibit cancellation or substantial modification by the insurer without at least 30 days prior written notice to the County and the Trustee. Copies of each policy shall be provided to the Trustee upon request.

Currently, the County maintains the following insurance on the Airport:

(a) All risk insurance, including coverage for business interruption, in the amount of $400,000,000 per occurrence with a $10,000 per occurrence deductible. Earthquake coverage is $125,000,000 per occurrence and annual aggregate, with a deductible of 5% per unit of insurance and subject to a $100,000 minimum per occurrence. Flood coverage is $125,000,000 with a deductible of 5% of the insurable values and subject to a $1,000,000 minimum for any one occurrence.

(b) Bodily injury and property damage insurance in the amount of $200,000,000 per occurrence, with a deductible of $2,500 per claim (not to exceed $25,000 annual aggregate) and $5,000 per claim for non-owned physical damage.

Builder's risk insurance, which indemnifies against loss to buildings and materials during the construction period, has been or will be obtained for all major projects in the Capital Improvement Program. In addition to builder's risk insurance that may be provided as part of construction contract provisions, coverage for projects up to $50 million is available through County participation in group coverage coordinated by the California State Association of Counties (CSAC).

Similar to many other airports, the County does not currently maintain terrorism insurance at the Airport due to the high cost of such coverage.

The County intends to continue to secure insurance coverage levels as indicated above if commercially available and economically feasible. See "FACTORS AFFECTING AIRPORT OPERATIONS AND REVENUES—Aviation Security Concerns."

The County is entitled to provide the coverage required by the Indenture through Qualified Self Insurance, provided that the requirements contained in the Indenture are satisfied. "Qualified Self Insurance" means insurance maintained though the program of self insurance or insurance maintained with a fund, company or association in which the County has a material interest or of which the County has control, either singly or with others.

Events of Default and Remedies; No Acceleration

Events of Default under the Indenture and related remedies are described in APPENDIX D – "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE—Events of Default." The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2009 Bonds to the Trustee or the Holders of the Series 2009 Bonds. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the County under the Indenture.

TABLE 1
SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are presented below:

	Series 2009A	Series 2009B	Total
Sources:			
Par Amount	$67,305,000.00	$165,810,000.00	$233,115,000.00
Net Original Issue Premium/(Discount)	(964,335.95)	1,251,772.70	287,436.75
TOTAL:	$66,340,664.05	$167,061,772.70	$233,402,436.75
Uses:			
Deposit to the Series 2009 Project Subaccount of the Construction Fund	$57,381,330.27	$151,938,307.88	$209,319,638.15
Deposit to the 2009 Reserve Subaccount	4,359,164.64	9,462,226.86	13,821,391.50
Deposit to the 2009 Capitalized Interest Subaccount	4,010,286.02	4,206,302.18	8,216,588.20
Costs of Issuance[(1)]	589,883.12	1,454,935.78	2,044,818.90
TOTAL:	$66,340,664.05	$167,061,772.70	$233,402,436.75

(1) Costs of Issuance include legal fees, underwriters' discount, printing costs, rating agency fees and other miscellaneous expenses.

OUTSTANDING BONDS AND DEBT SERVICE REQUIREMENTS

On May 5, 2009 the County deposited cash and Government Obligations into an escrow fund in an amount sufficient to defease all outstanding Series 1997 Bonds.

Consequently, the only outstanding Bonds under the Indenture are the Series 2003 Bonds in the aggregate principal amount of $33,190,000.

The estimated debt service requirements of the Series 2009 Bonds and the Series 2003 Bonds are shown in APPENDIX C – "ANNUAL DEBT SERVICE REQUIREMENTS."

The County does not anticipate issuing Additional Bonds to finance the remainder of the Capital Improvement Program.

JOHN WAYNE AIRPORT

General

John Wayne Airport is located on a 503-acre parcel in the south/central portion of the County that has convenient access to three major freeways and is adjacent to the cities of Costa Mesa, Newport Beach and Irvine.

John Wayne Airport serves the County and adjacent portions of Los Angeles, Riverside and San Bernardino Counties, which is considered its "air trade area" (the "Trade Area"). Orange County is the third most populous county in the State and the seventh most populous in the nation.

The Airport is classified as a medium air traffic hub by the FAA. According to data published by the FAA, John Wayne Airport was the nation's 41st busiest airport in terms of enplaned passengers in the

United States for calendar year 2007. In the same year, the Airports Council International ranked the Airport 28th busiest in terms of total aircraft operations.

The flight paths to and from John Wayne Airport generally require overflights of residential neighborhoods, including neighborhoods within the City of Newport Beach and the unincorporated community of Santa Ana Heights, a factor which has influenced the development of John Wayne Airport as described below.

APPENDIX A – "AIRPORT CONSULTANT'S REPORT" should be read in its entirety for a description of the Airport, its facilities, its operations and forecasts of traffic, revenues and expenses.

Historical Background and the Settlement Agreement

In response to the growth in commercial operations at John Wayne Airport and its associated noise impact on neighborhoods adjacent to John Wayne Airport, in the early 1970's the County adopted a policy limiting access to John Wayne Airport to the incumbent airlines. Following deregulation of the airline industry in 1978, the FAA required that the County provide reasonable, and not unjustly discriminatory, opportunities for service to John Wayne Airport by all qualified air carriers. In 1981, the County adopted a master plan for improvements to address the rapid passenger growth at John Wayne Airport and the inadequacies of the existing terminal, parking and related facilities.

The Settlement Agreement. In 1985, the Board approved a new Master Plan for John Wayne Airport and certified Environmental Impact Report 508 ("EIR 508"), which served as a joint state and federal impact statement. The Master Plan resulted in a controversy between the County and surrounding communities regarding the legality of EIR 508 and the proposed improvements at John Wayne Airport. Accordingly, the County initiated a declaratory relief action in federal court naming the City of Newport Beach and two citizen groups as defendants. A settlement agreement (the "Settlement Agreement") arose out of that litigation concerning the extent of physical improvements at John Wayne Airport and the level of permitted operations at John Wayne Airport through the year 2005.

As a result of the Settlement Agreement, the County adopted the John Wayne Airport Commercial Airline Access Plan and Regulation, and furthermore amended its ordinances to include the noise and access restrictions set forth in the Settlement Agreement. Pursuant to the Settlement Agreement, the County agreed to modify its Master Plan and to provide for development to occur at John Wayne Airport in two phases. The Settlement Agreement provided, among other things, that following completion of a new terminal (which occurred in 1990) and through 2005, average daily departures ("ADDS") by commercial aircraft exceeding a designated noise threshold were capped at 73 ADDS and the total amount of passengers using the Airport (enplaning and deplaning) was limited to 8.4 million annual passengers ("MAP") per year. More than 73 ADDS would be permitted to depart from the Airport on a daily basis, so long as those aircraft operate at a noise level which is quieter than the noise levels for Class A or Class AA aircraft and so long as the 8.4 MAP is not exceeded. The County also agreed, in the Settlement Agreement, to maintain John Wayne Airport as a self-supporting entity and maintain the existing nighttime curfew on air carrier operations. See "AIRPORT OPERATIONS—Aircraft Operations and Noise Limitations." The Settlement Agreement also limited the total square footage of the Terminal and the number of parking spaces at the Airport.

In addition, the County agreed in the Settlement Agreement to support efforts to identify an alternative airport site and to facilitate funding for such a study. This study process, led by the Airport Site Coalition, was unable to identify an alternative airport site that was acceptable to participating stakeholders. See "*Alternative Airports*" below.

The Prior Improvement Project. Following ratification of the Settlement Agreement, the County commenced an extensive capital improvement program, which included a two-level 337,900 square foot terminal building with 14 gates, improvements to the terminal apron and taxiways, three multi-story parking structures, general aviation improvements and freeway and on-site traffic circulation improvements (collectively, the "Prior Improvement Project"). The Prior Improvement Project, with a total construction cost of approximately $268.9 million, was funded with bond proceeds, federal grants, and Airport revenue and investment income. By September 1990, the Prior Improvement Project had been substantially completed and the new terminal facility, the Thomas F. Riley Terminal (the "Terminal"), was occupied by the County.

2003 Amendment to the Settlement Agreement. On June 25, 2002, the Board certified an environmental impact report and approved an amendment to the Settlement Agreement (the "2003 Amendment") to permit significant enhancements to commercial airline operating capacity and significant improvements to the Terminal and airline facilities as early as January 1, 2003. By letter from the Chief Counsel to the FAA the amendments to the Settlement Agreement were determined to be consistent with federal law. The 2003 Amendment was approved by all parties, and by the Federal District Court.

The 2003 Amendment extended the life of the Settlement Agreement through December 31, 2015, expanded operating capacity and increased airline operating flexibility at John Wayne Airport. Specifically, the 2003 Amendment: (i) increased the number of ADDS for non-exempt aircraft operations from 73 to 85; (ii) created four new Class A ADDS for commercial cargo operations (raising the non-exempt aircraft operations total to 89); (iii) increased the annual passenger limits from 8.4 to 10.3 MAP beginning on January 1, 2003 through December 31, 2010, and from 10.3 to 10.8 MAP from January 1, 2011 through December 31, 2015 and (iv) increased the permitted number of loading bridges at the Terminal from 14 to 20 gates. The 2003 Amendment no longer limits the square footage of the Terminal or the number of parking spaces allowed at the Airport. See "—Capital Improvement Program" below.

The Settlement Agreement expires on December 31, 2015. Historically, the community signatories have asked that the County enter into negotiations with respect to extensions to provisions in the Settlement Agreement. The County's objectives in any possible future negotiations would be consistent with the long standing and adopted policy of the County to operate the Airport in a manner that provides the maximum air transportation opportunities, ensures that the Airport operations do not unreasonably result in adverse environmental impacts on the surrounding communities, and is consistent with covenants with the County's bondholders.

Alternative Airports. Following the closure of the Marine Corps Air Station El Toro in 1999, the County initiated a reuse planning process to convert the El Toro facility to a commercial airport. In March 2002, the voters of the County changed the permitted land use of the El Toro facility from an airport to alternative open space uses. The County is no longer actively investigating any alternative site for an airport. See "JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement—The Settlement Agreement."

The "Spheres" Agreement. In October 2006, the County entered into a "Cooperative Agreement" with the City of Newport Beach intended to address a number of issues and projects of mutual concern. With respect to the Airport, the Cooperative Agreement states that the County and the City of Newport Beach would continue their efforts to promote compatibility between operations at the Airport and land uses within and in proximity to the City of Newport Beach. Specifically, the City of Newport Beach agreed that it would not initiate proceedings to annex the Airport or any portions of the Airport or other County-owned land without the written consent of the County. The County agreed that, prior to its acquisition of land for the purpose of constructing a second air carrier runway or extension of its existing air carrier runway to the south, it would present a plan for construction of the runway to the City of Newport Beach and would proceed with the plan only with approval of the City Council of the City of Newport Beach. The County is not actively pursuing any plans to build a second carrier runway or extend its existing carrier runway.

Existing Airport Facilities

John Wayne Airport has two parallel runways designated as Runway 19R-1L and 19L-1R.

TABLE 2
JOHN WAYNE AIRPORT RUNWAYS
(In Feet)

Runway	Length	Width
19R-1L	5,700	150
19L-1R	2,887	75

Runway 19R-1L serves both commercial air carrier and general aviation aircraft. Runway 19L-1R, which is shorter and more narrow than Runway 19R-1L, is used by general aviation aircraft and serves as a taxiway for commercial aircraft during peak morning departure hours.

The length, width and strength of Runway 19R-1L is adequate to accommodate commercial air carrier activities consistent with the Airport's existing and future role in the Trade Area serving origination and destination markets as a short to medium haul facility with some long haul demand (for example, the Airport accommodates long haul service to markets in Newark (2,439 air miles from the Airport) and Atlanta (1,913 air miles from the Airport)). Runway 19R-1L is sufficient for current and future generation narrow body aircraft (Boeing 737NG series, 757-200W and Airbus A319/320/321) and large regional aircraft (CRJ 900, EMB 190) to serve the Trade Area.

Jet fuel for commercial aircraft is stored in three tanks with a capacity of nearly 300,000 gallons each, which can accommodate two to three days of jet fuel needs. See "FACTORS AFFECTING AIRPORT OPERATIONS AND REVENUES—Fuel Costs and Availability" herein.

The existing Terminal and related facilities opened in 1990 and provide for 14 second-level jet gates with loading bridges for air carriers and two temporary holdrooms for commuter aircraft. Terminals A and B, which together comprise the Terminal, each provide a concourse for aircraft loading and unloading; a landside building for passenger ticketing, check in, baggage makeup and screening, passenger security screening, and baggage claim; and a shared, centrally located food court and restaurant on the airside. The Terminal provides a total of approximately 458,000 square feet of space on three levels. The arrivals (lower) level contains baggage claim and rental car counters. The departures (second) level provides passenger ticketing, check in, passenger security screening, gates, and concession facilities. Two airline lounges are located on the mezzanine (third) level.

The Terminal's apron provides aircraft parking for the 14 second-level jet gates, 4 commuter aircraft positions, and 30 remain-over-night spaces.

Automobile parking facilities include three multi-level parking structures located adjacent to the Terminal with a total of about 4,500 spaces and one nearby temporary parking area with almost 900 spaces. As part of the Airport Improvement Program (described below), a new parking structure will add approximately 2,000 spaces. Once the new parking structure is opened, the County intends to close the temporary area. At that time, the Airport will have more than 6,500 parking spaces. The lower level of the east parking facility accommodates rental car pickup and drop-off operations. The Airport also provides nearly 2,000 off-site parking spaces. In addition to Terminal self-parking facilities, there are approximately 800 spaces available for valet parking.

John Wayne Airport supports a significant general aviation community and provides a home to fixed base operators ("FBO"), hangars, tie-downs, aircraft maintenance, flight instruction, fueling and other services for this segment of the traveling public. FBOs are located on both the east and west sides of the airfield, with the west side primarily designated for aircraft storage. The County currently monitors approximately 380 licenses with tiedown tenants.

Hangars and tie-down facilities accommodate approximately 594 aircraft: 380 in County facilities and the remainder at FBOs. There is a substantial waiting list for tiedown and hangar space at the Airport. The general aviation area of the Airport also includes offices and maintenance shops.

Access to John Wayne Airport is available from three nearby freeways, Interstate 405 and the 55 and 73 freeways. The 55 freeway provides direct access to the Airport from the north, while major arterial street access connects all three freeways to the Airport. MacArthur Boulevard, an eight-lane arterial street, provides convenient access to the Airport from Interstate 405.

The Airport Improvement Program will not result in any changes to the ground access to or from the Terminal area or to the on-site circulation system.

For a map of existing terminal layout at the Airport, see APPENDIX A – "AIRPORT CONSULTANT'S REPORT."

Capital Improvement Program

History. Subject to the provisions of the 2003 Amendment, the County developed an improvement program to increase passenger capacity at the Airport and to build new facilities to accommodate additional passengers, while maintaining an environmentally sensitive operation (the "Capital Improvement Program"). The Capital Improvement Program includes construction of a new multi-level terminal building with six new commercial passenger gates, six new security checkpoints, baggage screening capacity enhancements, additional parking structures, and new commuter facilities.

In 2003, the County retained a consultant to assess the financial feasibility of undertaking the Capital Improvement Program. In July 2005, the consultant completed the Capital Improvement Program Financial Analysis and Preliminary Financial Plan report, wherein it concluded that the program was financially feasible and provided its analysis of various financing alternatives for the County's consideration. A preferred financing program was approved by the Board in December 2005.

Airport Improvement Program. The Airport Improvement Program consists of numerous direct improvements to the Airport facilities, with a total estimated cost of approximately $457 million. The Airport Improvement Program includes substantial construction in three of four stages over a five-year period.

- Stage 1, which was completed in January 2009, included the extension of the South Remain-Over-Night aircraft parking area to the south and east of its existing location.

- Stage 2, which was completed in May 2009, consisted of the razing of the existing Parking Structure B1 to make way for Terminal C.

- Stage 3 includes construction of Terminal C, Parking Structure C (Phase 1) and north and south commuter/regional terminals. This stage is anticipated to be completed in November 2011. Bids on construction contracts for both Terminal C and the Parking Structure C (Phase 1) have been received by the County. See "*Status of Construction: Terminal C and Parking Structure C*" below.

- Stage 4, includes the opening of and transition to the new Terminal C, Parking Structure C (Phase 1) and the South Remain-Over-Night aircraft parking area.

Construction of Parking Structure C (Phase 2) will begin some time after Terminal C is open and operational and as demand warrants.

Other CIP Projects. Concurrent with the Airport Improvement Program, the Airport anticipates undertaking approximately $87 million in ancillary capital projects (the "Other CIP Projects") that are included in the Capital Improvement Program. The Other CIP Projects include: a new central plant, a seismic elevated roadway and various other projects.

Plan of Financing. The total estimated cost of the Capital Improvement Program (which includes the Airport Improvement Program and the Other CIP Projects) is $543.1 million. The estimated costs of individual projects within the Capital Improvement Program are shown below in Table 3. Through April 30, 2009, the County had expended approximately $98.7 million on the Capital Improvement Program.

TABLE 3
JOHN WAYNE AIRPORT
CAPITAL IMPROVEMENT PROGRAM
(Dollars in Millions)

Project	Cost[(1)]	Expended through April 30, 2009[(2)]
Airport Improvement Program		
Terminal C Main Structure	$127.4	$28.0
Terminal Baggage Handling	22.9	0.0
Passenger Loading Bridges	11.0	2.4
Common Use Terminal Equipment	19.0	0.0
Other Terminal Projects	29.6	5.2
Subtotal – Terminal Projects	$209.9	$35.6
South Remain Over Night Aircraft Parking Area	40.2	39.1
Parking Structure C (Phase 1)	48.5	5.2
Parking Structure C (Phase 2)	43.7	0.4
Professional Services	52.4	1.7
Other Projects	26.9	4.1
Contingency	35.0	0.0
Subtotal – Airport Improvement Program	$456.6	$86.1
Other CIP Projects		
Central Plant	27.7	3.8
Seismic Elevated Roadway	9.0	1.1
Other Projects	36.8	7.7
Contingency	13.0	0.0
Subtotal – Other CIP Projects	$ 86.5	12.6
Total	$543.1	$98.7

(1) For AIP projects through April 30, 2009 only, approximately 76% of project costs are based on bids or contract awards. For all projects through April 30, 2009, the percentage is approximately 72%.
(2) Most current data available.
Source: Airport Management.

Funding for the Capital Improvement Program may be provided from various sources, including some or all of the following: (i) the Series 2009 Bonds, (ii) Airport available funds; (iii) FAA Airport Improvement Program grants; (iv) the airlines, for the cost of the hydrant fuel system; (v) future subordinated debt; (vi) pay-as-you-go PFCs. The Airport anticipates approximately 56% of the debt service on the Series 2009 Bonds will be paid with PFCs. Table 4 shows the current estimated funding sources for the Capital Improvement Program:

TABLE 4
JOHN WAYNE AIRPORT
SOURCE OF FUNDING FOR THE
CAPITAL IMPROVEMENT PROGRAM
(Dollars in Millions)

Source of Funds	Cost
Net Proceeds, Series 2009 Bonds	$ 210.7
Airport Funds	201.9
PFC Revenues (Pay-As-You-Go)	48.7
Future Subordinated Debt	43.7
FAA Grants	27.3
State Seismic Grant	9.0
Airline Reimbursement	1.8
Total	$ 543.1

Source: Airport Management.

Status of Construction: Terminal C and Parking Structure C. On April 1, 2009, the County received bids for the construction of Terminal C. The apparent low fixed price contract bid was approximately $101 million. The bid was approximately $71 million (or 41%) below the County's budget estimate for Terminal C construction. Another bidder, whose lower-price bid was determined by the County to be non-responsive, has protested the proposed award of the contract to the apparent low, responsive bidder, which protest could possibly delay the contract award date which is currently anticipated to be July 14, 2009. Under the contract documents, the contractor is providing a 100% performance bond and a 100% labor & material bond (payment bond). The County has included in its budget a $48 million contingency for the Capital Improvement Program. The expected date of beneficial occupancy of Terminal C is November 2011. In the event of unexcused construction delays, the construction contract requires payment by the contractor of $27,100 in liquidated damages per day.

The Terminal C Project has been approved by Orange County Public Works ("OCPW"), the County Planning Department. OCPW will issue a permit to the contractor once the contract has been awarded.

On March 25, 2009 the County received bids for the construction of Parking Structure C (Phase 1). The apparent low fixed price contract bid was approximately $34.6 million, which was roughly $14 million (or 29%) below the County's budget estimate. Other bidders have protested the anticipated award of the contract to the apparent low, responsive bidder, which protests could possibly delay the contract award date which is currently anticipated to be July 14, 2009. Under the contract documents, the contractor is providing a 100% performance bond and a 100% labor & material bond (payment bond). The County has included in its budget a $48 million contingency for the Capital Improvement Program. The expected date of beneficial occupancy of Parking Structure C (Phase 1) is November 2011. In the event of unexcused construction delays, the construction contract requires payment by the contractor of $10,120 in liquidated damages per day.

The Parking Structure C (Phase 1) Project has been approved by OCPW. OCPW will issue a permit to the contractor once the contract has been awarded.

AIRPORT MANAGEMENT

General

John Wayne Airport is operated as a department of the County under the direct control of the County's five-member elected Board of Supervisors. The Board creates policy for the management of the Airport. The Board also appoints a five-member advisory commission called the Orange County Airport Commission (the "Commission") that makes recommendations to the Board for development, maintenance and operation of John Wayne Airport. Commission members have terms that are concurrent with the term of the County Supervisor that made the appointment.

The Airport is accounted for as a self-supporting enterprise fund on an accrual basis in accordance with generally accepted accounting principles for governmental entities. Attached as APPENDIX B are the audited financial statements for the Airport enterprise fund for the fiscal years ended June 30, 2007 and 2008, including an audited schedule of Passenger Facility Charge Revenues and Expenditures for the fiscal year ended June 30, 2008.

Airport Management

The Airport is under the supervision of an Airport Director, who is appointed by, and serves at the pleasure of, the County Executive Officer. The Airport Director oversees a staff of approximately 175 full-time employees, including a management team comprised of the Assistant Airport Director and five deputy directors.

Alan L. Murphy has been Airport Director since 2000. Prior to serving as Director, Mr. Murphy served as the Interim Assistant Airport Director at the Airport from 1998 to 1999. Mr. Murphy had also served as the Deputy Airport Director of Facilities at the Airport, where he was responsible for airport development, engineering, maintenance, and planning and environmental compliance. Mr. Murphy is a current member of the American Association of Airport Executives, the Southwest American Association of Airport Executives. Mr. Murphy has a Bachelor of Arts Degree in Business and Economics from the University of California, Santa Barbara.

Loan Leblow has served as Assistant Airport Director of John Wayne Airport since January 2000. As Assistant Airport Director, her responsibilities include assisting the Airport Director in policy development and overseeing the day-to-day operations of all Airport activities, which include the divisions of Business Development, Facilities, Finance and Administration, Operations, and Public Affairs. These divisions are managed by Deputy Airport Directors. Prior to her current position, Ms. Leblow served as Interim Airport Director at the Airport from 1998 to 1999. She has also served as Deputy Airport Director of Finance and Administration, at which time she was responsible for airport finance, investment, accounting, information systems, human resources and administrative activities. In addition to being a certified public accountant, Ms. Leblow has a Bachelor of Arts Degree in Accounting and Finance from California State University, Fullerton. Ms. Leblow is a current member of the American Association of Airport Executives.

Roy Freeman has served as Deputy Airport Director of Business Development for John Wayne Airport since 2006. The duties of the Deputy Director for Business Development include full responsibility for planning, organizing and controlling business development activities including revenue development, properties, procurement and insurance. Prior to his current position, Mr. Freeman served as a Senior Real Property agent for the Airport and has worked at the Airport since 1990. He has been a senior member of the International Right of Way Association and has his Bachelor of Arts degree in sociology from California State University, Los Angeles, and holds a community college teaching credential.

Scott Hagen has served as Deputy Airport Director of Operations for John Wayne Airport since 2005. In this role, Mr. Hagen's responsibilities include oversight of Airport operations staff, as well as two major service contracts comprised of the Aircraft Rescue and Fire Fighting contract with the Orange County Fire Authority and the Orange County Sheriff's Department, Airport Police Services Division contract. Functional responsibilities within the Operations Division include Federal Aviation Administration airport certification compliance, Transportation Security Administration regulatory compliance, Airport contract operational oversight, Automated Vehicle Identification program administration, emergency planning and response, construction coordination, and tenant/public relations. Prior to his current position, Mr. Hagen served as the Manager, Landside Operations at John Wayne Airport for over six years. He also served six years in the Operations Department at Bob Hope (Burbank) Airport at the start of his airport management career. Mr. Hagen is a graduate of Embry-Riddle Aeronautical University with a Bachelor of Science Degree in Aeronautics and is an FAA-licensed Private Pilot and Airframe & Power Plant mechanic.

Courtney Wiercioch has served as Deputy Airport Director of Public Affairs for John Wayne Airport since 2004. As Director of Public Affairs, her responsibilities include oversight of all aspects of the Access and Noise Program, government relations, customer relations, public relations, and media. Prior to her current position, Ms. Wiercioch served as Director, Public Affairs for CalOptima, an agency that provides managed health care throughout Orange County. Before joining CalOptima, she served in a number of other capacities with the County of Orange including Manager of the El Toro Master Development Program, Assistant County Executive Officer for Public Affairs, Deputy Airport Director, Government/Community Relations and Executive Assistant to Supervisor Thomas F. Riley. Ms. Wiercioch has a Bachelor and Master of Science Degree in Political Science from the University of California, Irvine and is a graduate of the Coro Foundation's Orange County Focus Program.

Steve Siemion became the Deputy Airport Director of Finance and Administration in 2009. Mr. Siemion's responsibilities include oversight of airport financial, accounting, and administrative activities and functions; preparation of airline terminal rent rates & charges; monitoring capital improvement budgets and expenses; monitoring airport cash flow and investments; coordinating investor relations; and managing all aspects of the Airport debt and bond indenture compliance programs. Prior to his current position, Mr. Siemion served as Interim Finance Manager for John Wayne Airport. Previously he was Manager of Fiscal and Business Services for the Orange County Public Library system. Mr. Siemion has a Bachelor of Science degree in Accounting from California State University, Long Beach.

Larry Serafini has served as Deputy Airport Director of Facilities for John Wayne Airport since 2001. Mr. Serafini's responsibilities include oversight of airport development, engineering, information systems, maintenance and planning and environmental compliance. Prior to his current position, Mr. Serafini served as Principal for JHTM & Associates. Mr. Serafini has a Masters of Science Degree in Environmental Engineering from California State University, Long Beach and a Bachelor of Arts Degree in Civil Engineering from Rensselaer Polytechnic Institute.

Airport Employees and Employees Relations

The Airport has approximately 173 employees. As shown in Table 5 below, most employees of John Wayne Airport are represented by four recognized employee organizations pursuant to Memoranda of Understanding with the County. The County has never experienced a labor stoppage.

TABLE 5
JOHN WAYNE AIRPORT
RECOGNIZED EMPLOYEE ORGANIZATION

Organization	Number of Represented Employees (Approximate)	Memorandum of Understanding Expiration Date	Represented Employees
Alliance of Orange County Workers	12	June 2009	Operations and Service Maintenance[1]
International Union of Operating Engineers	21	June 2009	Craft and Plant Engineers[1]
Orange County Employees Association (OCEA)	107	June 2009	General, Clerical and Supervisory[1]
Orange County Managers Association (OCMA)	33	January 2010	Administrative Managers

(1) Contract renewal negotiations are currently under way for these organizations.
Source: Airport Management.

Two senior managers are unrepresented by a labor organization.

The Airport contracts with the Orange County Sheriff-Coroner for security services, and with the Orange County Fire Authority for aircraft rescue and firefighting.

Job titles and descriptions for John Wayne Airport employees are determined by classifications established and controlled by the County. The County Executive Officer negotiates contractual agreements with recognized employee organizations and is responsible for relations between the organizations and the County.

The current Airport employment vacancy rate of 2.9% has little or no effect on Airport operations. Vacant positions are usually the result of staff turnovers and the time required to recruit replacements.

During Fiscal Year 2008, the Airport enplaned 27,317 passengers per employee.

Airport employees are covered by the Orange County Employees Retirement System ("OCERS"), which is an independent, defined benefit retirement plan in which the employees of the County and employees of certain cities and special districts within Orange County participate. Like most defined benefit plans, the OCERS has actuarial unfunded liabilities.

During the fiscal years ended June 30, 2007 and June 30, 2008, salaries and employee benefits paid from Airport Revenues were approximately $14,592,000 and $15,451,000 respectively, or approximately 23.1% or 24.5% of Total Operating Expenses. See "FINANCIAL INFORMATION—

Historical Operating Results" below. Further information concerning OCERS may be found in the County's Annual Financial Report, dated December 28, 2008, and the County's Official Statement, dated June 10, 2009, relating to its $150,000,000 County of Orange 2009-10 Tax and Revenue Anticipation Notes, Series A, which have been filed with the Municipal Securities Rulemaking Board, which can be accessed at www.msrb.org, and which may also be accessed on the County's website, at www.oc.ca.gov.

AIRPORT OPERATIONS

Airport's Role in the Region

The Airport has a unique role in the overall aviation network of southern California, complementing the five other commercial service airports in the region. The Airport functions as an origination and destination airport primarily serving the short-to-medium haul market in its Trade Area. See "—Destination Markets" below. As a consequence of this unique role, the Airport's operations and financial performance has been largely unaffected by the expansion (or contraction) of activities at the other four Los Angeles basin airports.

Demand in the County for long haul domestic and international markets is served primarily by Los Angeles International Airport ("LAX"). However, due to convenience factors, airport access issues and growing east-west service at the Airport, the number of passengers using the Airport for long haul domestic service has grown.

Residents in the northeast portion of the County can access LA/Ontario International Airport (operated by the City of Los Angeles) ("ONT"), however, it is not convenient to residents and businesses in other areas of the County, including the large business population which surrounds the Airport. Residents in the northwest portion of the County have convenient access to Long Beach Airport ("LGB"), which has seen increased passenger activity since 2003. LGB operates under flight slot restrictions imposed by the City of Long Beach.

The impact of Burbank-Glendale-Pasadena Airport upon activity at the Airport is negligible due to the limited number of scheduled departures, its inconvenient location for County residents in relation to the Airport and the relative proximity of three alternative airports.

See APPENDIX A – "AIRPORT CONSULTANT'S REPORT—AIRPORT ROLE—Commercial Service Airports Serving Orange County and Southern California" for additional discussion and statistics.

Enplaned Passengers at John Wayne Airport

As shown in Table 6 below, the number of annual enplaned passengers increased from 3,642,951 in Fiscal Year 1999 to 4,780,487 in Fiscal Year 2008. Over the same 10-year period, national enplanement for domestic passengers grew at an average rate of 2.3% per year compared to the Airport's average yearly growth of 3.2%. Also as shown below, the number of enplaned passengers decreased 3.6% from Fiscal Year 2007 to Fiscal Year 2008 and further decreased 11.5% for the eleven-month period ended May 31, 2009 when compared with the eleven-month period ended May 31, 2008. The Airport Consultant projects that enplanements will decrease 11% for the full Fiscal Year 2009 (as compared to Fiscal Year 2008). See APPENDIX A – "AIRPORT CONSULTANT'S REPORT."

TABLE 6
JOHN WAYNE AIRPORT
HISTORICAL ENPLANEMENTS

Fiscal Year Ended June 30	Enplanements	Annual Growth Rate
1999	3,642,951	–
2000	3,906,514	7.2%
2001	3,813,539	-2.4%
2002	3,713,237	-2.6%
2003	4,042,287	8.9%
2004	4,523,096	11.9%
2005	4,770,223	5.5%
2006	4,808,643	0.8%
2007	4,956,525	3.1%
2008	4,780,487	-3.6%

Eleven-Month Period Ended	Enplanements	% Change
May 31, 2008	4,381,738	–
May 31, 2009	3,876,119	-11.5%

Source: Airport Management.

Table 7 below presents monthly enplanement figures for Fiscal Years 2006 through 2008 and for the first eleven months of Fiscal Year 2009. Like other airports, enplanements during this period decreased due in large part to the effects of the recession. In addition, enplanement levels were affected in 2008 by the cessation of operations by Aloha Airlines. The County expects that the addition of new carriers, Air Canada and Virgin America, will replace enplanement activity lost by the departure of Aloha Airlines. Additionally, the Airport has a waiting list for new carriers desiring gate space. The Airport Consultant estimates a total of approximately 4.25 million enplaned passengers for Fiscal Year 2009 and approximately 4.5 million enplaned passengers for Fiscal Year 2010.

TABLE 7
JOHN WAYNE AIRPORT
MONTHLY ENPLANEMENTS

	Enplaned Passengers				% Change	% Change	% Change
Month	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	2006 to 2007	2007 to 2008	2008 to 2009
July	448,310	437,895	456,592	411,909	-2.3%	4.3%	-9.8%
August	453,798	446,311	478,329	419,764	-1.6%	7.2%	-12.2%
September	381,840	373,111	388,735	342,455	-2.3%	4.2%	-11.9%
October	396,737	401,655	414,229	362,867	1.2%	3.1%	-12.4%
November	390,193	395,973	390,115	325,972	1.5%	-1.5%	-16.4%
December	386,018	407,416	366,854	344,026	5.5%	-10.0%	-6.2%
January	346,250	371,721	350,450	293,094	7.4%	-5.7%	-16.4%
February	345,682	365,513	350,533	288,899	5.7%	-4.1%	-17.6%
March	406,676	432,975	408,656	355,758	6.5%	-5.6%	-12.9%
April	412,639	433,370	392,136	362,190	5.0%	-9.5%	-7.6%
May	410,434	438,341	385,109	369,185	6.8%	-12.1%	-4.1%
June	430,066	452,244	398,749	–	5.2%	-11.8%	–
Totals:	4,808,643	4,956,525	4,780,487		3.1%	-3.6%	

Source: Airport Management.

As discussed above in "JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement," the 2003 Amendment limits the total number of passengers served (enplanements and deplanements) annually. In 2011, the MAP Cap, as defined in the Settlement Agreement, the 2003 Amendment and the Access Plan, increases to 10.8 million through 2015 when the Settlement Agreement and the 2003 Amendment expire. Table 8 below shows the actual number of passengers served by the Airport as compared to the limits imposed by the Settlement Agreement and the 2003 Amendment for the last ten fiscal years and for the first eleven months of Fiscal Years 2008 and 2009.

TABLE 8
JOHN WAYNE AIRPORT
HISTORICAL PASSENGER ACTIVITY
MILLION ANNUAL PASSENGER (MAP) CAP

Fiscal Years	Total Passengers[1]	MAP Limit
1999	7,302,232	8,400,000
2000	7,799,602	8,400,000
2001	7,610,961	8,400,000
2002	7,408,476	8,400,000
2003	8,075,128	10,300,000
2004	9,035,648	10,300,000
2005	9,530,981	10,300,000
2006	9,600,953	10,300,000
2007	9,910,016	10,300,000
2008	9,566,043	10,300,000

Eleven Month Period Ended	Total Passengers[1]	MAP Limit
May 31, 2008	8,768,100	N/A
May 31, 2009	7,766,712	N/A

(1) Enplanements and deplanements.
Source: Airport Management.

Airlines and Market Shares

Table 9 sets forth the airlines serving the Airport and the number and share of enplaned passengers for such airlines for Fiscal Years 2006 through 2008. Also, see APPENDIX A – "AIRPORT CONSULTANT'S REPORT—HISTORICAL AIRLINE TRAFFIC—Airlines Serving the Airport."

TABLE 9
JOHN WAYNE AIRPORT
AIRLINE ENPLANEMENTS MARKET SHARE

	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008	
Air Carrier	Enplaned Passengers	%	Enplaned Passengers	%	Enplaned Passengers	%
Southwest	1,169,368	24.3%	1,343,830	27.1%	1,305,570	27.3%
American	681,060	14.2%	735,121	14.8%	722,305	15.1%
Alaska	585,688	12.2%	570,982	11.5%	562,892	11.8%
United	575,351	12.0%	566,620	11.4%	516,946	10.8%
US Airways [(1)]	465,608	9.7%	468,521	9.5%	422,175	8.8%
Delta[(2)]	363,361	7.6%	343,966	6.9%	338,519	7.1%
Continental	270,895	5.6%	286,553	5.8%	294,187	6.2%
Frontier[(3)]	93,308	1.9%	103,025	2.1%	146,412	3.1%
American Eagle	159,902	3.3%	119,256	2.4%	120,244	2.5%
Aloha [(4)]	169,574	3.5%	164,555	3.3%	119,413	2.5%
Northwest[(2)]	126,479	2.6%	108,833	2.2%	104,636	2.2%
Skywest - United Express	81,196	1.7%	77,026	1.6%	60,313	1.3%
Skywest - Delta Connect	21,084	0.4%	29,552	0.6%	34,412	0.7%
Mesa (dba US Airways Express)	38,346	0.8%	38,685	0.8%	32,463	0.7%
Atlantic Southeast [(5)]	7,423	0.2%	–	–	–	–
Totals [(6)]	4,808,643	100.0%	4,956,525	100.0%	4,780,487	100.0%

(1) US Airways data include America West passengers prior to merger of US Airways and America West. The merger was completed in September 2005 and the FAA granted a single operating certificate in September 2007.

(2) Delta Airlines merged with Northwest Airlines, effective October 2008.

(3) Frontier filed for bankruptcy in April 2008 but has continued to operate at the Airport while in bankruptcy proceedings.

(4) Aloha Airlines discontinued operations after March 2008.

(5) Atlantic Southeast Airlines discontinued operations after December 2005.

(6) Totals may not foot due to rounding.

Source: Airport Management.

Landing fees at the Airport are determined based upon landed weight of the aircraft. Certain historic landed weight information for air carriers (including all cargo carriers) serving the Airport is shown in Table 10.

TABLE 10
JOHN WAYNE AIRPORT
AIR CARRIER LANDED WEIGHT MARKET SHARE
Fiscal Years 2006-2008

	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008	
Air Carrier	Pounds[1]	%	Pounds[1]	%	Pounds[1]	%
Southwest	1,447,994	22.7%	1,709,942	25.7%	1,689,728	25.7%
American	853,094	13.3%	906,902	13.6%	937,428	14.3%
United	867,421	13.6%	831,474	12.5%	813,512	12.4%
Alaska	736,618	11.5%	739,785	11.1%	725,944	11.0%
US Airways [2]	621,183	9.7%	643,762	9.7%	587,389	8.9%
Delta [3]	523,988	8.2%	467,248	7.0%	483,193	7.3%
Continental	339,176	5.3%	341,850	5.1%	365,483	5.6%
Frontier [4]	142,823	2.2%	154,721	2.3%	194,716	3.0%
Aloha [5]	240,896	3.8%	260,864	3.9%	188,928	2.9%
American Eagle	196,689	3.1%	153,072	2.3%	155,999	2.4%
Northwest [3]	165,745	2.6%	141,229	2.1%	142,195	2.2%
Skywest	80,472	1.3%	132,659	2.0%	119,220	1.8%
FedEx	67,052	1.0%	72,587	1.1%	74,398	1.1%
UPS	49,980	0.8%	51,450	0.8%	51,840	0.8%
Mesa (dba US Airways Express)	49,586	0.8%	48,731	0.7%	46,138	0.7%
Atlantic Southeast [6]	9,045	0.1%	–	–	–	–
Totals [7]	6,391,562	100.0%	6,656,276	100.0%	6,576,111	100.0%

(1) Measured in thousands.
(2) US Airways data include America West passengers prior to merger by US Airways and American West. The merger was completed in September 2005 and the FAA granted a single operating certificate in September 2007.
(3) Delta Airlines merged with Northwest Airlines, effective October 2008.
(4) Frontier filed for bankruptcy in April 2008 but has continued to operate at the Airport while in bankruptcy proceedings.
(5) Aloha Airlines discontinued operations after March 2008.
(6) Atlantic Southeast Airlines discontinued operations after December 2005.
(7) Totals may not foot due to rounding.

Source: Airport Management.

Destination Markets

The Airport provides service to various destinations that meet the needs of business and leisure travelers. A 2007 Airport Passenger Survey conducted by Redhill Group, Inc. found that approximately 48% of Airport passengers were traveling mainly for pleasure or leisure; 42% were traveling for business; 9% were traveling for personal reasons and the remaining 1% were traveling for school. Table 11 below presents a listing, in order of enplanements, of the destinations served by the Airport in calendar year 2008.

As evidenced by the 15 most popular non-stop destinations identified below in Table 11, the Airport serves a diverse mix of short-haul and medium-haul destinations as well as several long-haul locations. Further, a balanced mix of airlines serves the Airport, including legacy carriers Alaska, American, Continental, Delta, Northwest and United; low cost carriers Frontier, Mesa (dba US Airways Express), Southwest, US Airways, and Virgin America; and commuter carriers American Eagle and Skywest. The Airport currently has no regularly scheduled service to or from international markets.

TABLE 11
JOHN WAYNE AIRPORT
TOP 15 NON-STOP DESTINATIONS SERVED
Calendar Year 2008

Non-Stop Destination	Enplaned Passengers	Average Daily Departures
Phoenix	545,691	15
Dallas Fort Worth	424,604	10
Las Vegas	384,703	12
Chicago	382,289	7
San Jose	377,728	15
Oakland	376,956	10
Denver	351,341	9
Seattle	274,342	8
Sacramento	263,027	7
Atlanta	211,732	4
Houston	194,281	5
San Francisco	188,668	11
Salt Lake City	163,867	5
Portland	133,613	4
Minneapolis-St. Paul	104,988	3

Source: Airport Management.

Aircraft Operations and Noise Limitations

As described under "JOHN WAYNE AIRPORT – Historical Background and the Settlement Agreement," the Airport is subject to the Settlement Agreement and the 2003 Amendment regarding the development and use of the Airport. The Phase 2 Commercial Airline Access Plan and Regulation (the "Access Plan") describes how the provisions of the Settlement Agreement and the 2003 Amendment are applied and enforced. General aviation operations are unaffected by these limitations.

Specifically, the Access Plan defines a series of operating parameters that apply to all commercial and commuter carriers. These parameters include, but are not limited to, limits on aircraft noise, ADDS and annual passengers as well as a nighttime curfew. Noise limits are set for two classes of aircraft, Class A and Class E, both of which must meet defined decibel requirements as measured at each of seven noise monitoring locations. While both classes meet FAA's Stage 3 requirements, Class E departures are more quiet and are generally used for short- or medium-haul destinations. The Airport may allocate, and carriers may operate, a maximum of 89 "Class A" ADDS. The number of Class E departures is limited only by the MAP Cap, as defined in the Settlement Agreement, the 2003 Amendment and the Access Plan. The Airport does not believe the noise limits imposed by the Settlement Agreement or the 2003 Amendment will impair its ability to pay debt service on the Series 2009 Bonds or meet its other financial obligations.

Table 12 below sets forth a summary of aircraft operations and their classifications for Fiscal Years 2004 through 2008 and the eleven months ended May 31, 2008 and 2009.

TABLE 12
JOHN WAYNE AIRPORT
SCHEDULED DEPARTURES

Type of Aircraft	Fiscal Years					Eleven Months Ended May 31,	
	2004	2005	2006	2007	2008	2008	2009
Class A	30,066	30,390	30,650	30,952	29,928	27,511	24,835
Class E	21,999	21,535	21,025	21,572	20,907	19,390	17,308
Total	52,065	51,925	51,675	52,524	50,835	46,901	42,143

Source: Airport Management.

General Aviation Operations

As shown in Table 13 below, annual general aviation operations decreased from 351,292 to 218,021 between Fiscal Year 1998 and Fiscal Year 2008 and from 179,513 to 101,214 for the eleven month periods ended May 31, 2008 and 2009, respectively. This represents an average annual decrease of approximately 4.2% during the 10-year period. Despite a decline in general aviation operations, FBO revenues increased by 1.4% between Fiscal Year 2007 and Fiscal Year 2008 because aircraft tiedown fees increased by 6.9% during the same period. See Table 15, STATEMENT OF REVENUES AND EXPENSES.

TABLE 13
JOHN WAYNE AIRPORT
GENERAL AVIATION OPERATIONS

Fiscal Years	General Aviation Operations	Annual Percent Increase (Decrease)
2000	340,212	–%
2001	287,506	(15.5)
2002	277,213	(3.6)
2003	260,029	(6.2)
2004	252,401	(2.9)
2005	258,015	2.2
2006	251,395	(2.6)
2007	236,742	(5.8)
2008	215,777	(8.9)

Eleven Months Ended May 31,	General Aviation Operations	Annual Percent Increase (Decrease)
2008	198,750	–
2009	112,064	(43.6)

Source: 2000 – 2008: U.S. Department of Transportation, Federal Aviation Administration, Air Traffic Control System (ATADS), www.faa.gov; 2009: Airport Management.

FINANCIAL INFORMATION

Airline Revenue

As of April 29, 2009, there were fourteen scheduled airlines operating out of the Airport: Alaska, American, American Eagle, Continental, Delta, Frontier, Mesa (dba US Airways Express), Northwest, Skywest (dba Delta Connection), Skywest (dba United Express), Southwest, United, US Airways, and Virgin America. The leases for the ten airlines operating under lease agreements expire on March 31, 2011 with a 90-day cancellation provision exercisable by either party. One carrier, Mesa Airlines (dba US Airways Express), operates under a license agreement instead of a lease agreement. The three commuter airlines operating out of John Wayne Airport—American Eagle Airlines Inc., Skywest (dba Delta Connection) and Skywest (dba United Express)—operate under permits and agreements with the County.

Airline revenue consisting of terminal rents, landing fees, apron fees, utility and janitorial reimbursement, security reimbursement and ramp equipment storage accounted for 35.5% of total revenues in Fiscal Year 2008.

Airline rates and charges are calculated in accordance with a Board "Revenue Policy." In compliance with this policy and in accordance with federal regulations, the Airport utilizes a compensatory fee system to establish rates for terminal rentals, landing fees and apron fees.

Landing fees and apron charges payable by the scheduled air carriers are used to pay Airport operating and maintenance costs for the airfield and apron, including a pro rata share of debt service on the Bonds. With respect to terminal rentals, the formulas utilized by the Airport provide for the establishment of rental rates such that the scheduled air carriers are paying their proportionate share (based upon rentable area) of all budgeted terminal area costs and reserves. See APPENDIX A – "AIRPORT CONSULTANT'S REPORT—Financial Analysis—Framework for Financial Operations—Airline Lease and Revenue Policy" for additional information on the airline lease agreements and the Revenue Policy.

Frontier Airlines filed for protection under Chapter 11 of the United States Bankruptcy Code in April 2008. Under the Federal bankruptcy law, airlines have an option to accept or reject the airport leases in their bankruptcy plans. While the reorganization plan for Frontier Airlines has not yet been approved, Frontier Airlines continues in substantial compliance with lease obligations at John Wayne Airport, and its pre-petition unpaid lease obligations to the Airport are insignificant. Moreover, Airport management expects that as part of the plan of reorganization, Frontier Airlines will elect to accept its lease at John Wayne Airport and continue to operate at the Airport as a tenant. As shown in Table 9, enplaned passengers from Frontier flights accounted for approximately 3.1% of the Airport enplanements in Fiscal Year 2008. Frontier accounted for 3.4% of the total airline revenue during Fiscal Year 2008.

There are currently four national and regional airlines on the new entrant carrier waiting list, including Air Canada, AirTran Airways, WestJet Airlines and Horizon Air.

Passenger Facility Charges

PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, and authorized airport sponsors to collect PFCs in the amount of $1.00 to $3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21) increased the maximum PFC airport sponsors could collect to $4.50 per enplaning passenger. In return for the right to assess PFCs up to $3.00, large and medium hub airports forego up to 50% of their AIP entitlement funds. Large and medium-hub airports (such as the Airport) that collect a PFC of $4.00 or $4.50 forego 75% of their AIP entitlement funds.

In April 2006, the County received approval from the FAA to impose and use a PFC of $4.50 per eligible enplaned passenger at the Airport, and has imposed the PFC since July 1, 2006. The County has FAA approval in connection with its PFC application to collect $321 million in PFC revenues for project and financing costs associated with the construction of various approved projects, including the terminal building expansion, common use passenger processing system, baggage screening compliance and south remain-over-night parking. The County has collected approximately $47.3 million in PFC revenues including interest earnings from July 1, 2006 through December 31, 2008. The County believes that use of PFC revenues to pay debt service with respect to the Series 2009 Bonds, as described in "SECURITY

FOR THE BONDS—Available Revenues," is in compliance with applicable FAA regulations and does not require further FAA approval.

As described above under "SECURITY FOR THE BONDS," the County has irrevocably agreed to deposit with the Trustee, to the extent received by the County, PFCs in the Fiscal Years 2010-2015, inclusive; such PFC revenues will constitute Available Revenues under the Indenture and will be used to pay debt service on the Bonds (including the Series 2009 Bonds). The County expects to irrevocably commit and pledge additional PFCs to the payment of debt service on the Series 2009 Bonds after Fiscal Year 2015. In addition, the County may use additional PFCs, not otherwise irrevocably committed and pledged, for the payment of debt service on the Series 2009 Bonds as permitted by FAA regulations. The financial forecasts set forth in the Airport Consultant's Report anticipate receipt by the Airport of PFCs in amounts ranging from approximately $17.7 million in Fiscal Year 2009 to approximately $22.0 million in Fiscal Year 2015, and the use of such PFCs to pay the cost of capital projects, and to pay debt service on the Series 2009 Bonds as described in "SECURITY FOR THE BONDS—Available Revenues." In the event that PFCs are not available in the amounts and during the times projected in the Airport Consultant's Report, there can be no assurances that such circumstances would not materially adversely affect the financial condition of the Airport.

Federal Grants

The Airport is eligible to receive grants-in-aid from the FAA under the AIP for up to 80.59% of the costs of eligible projects at the Airport. AIP grants are available to airport operators in the form of entitlement funds and discretionary funds and are payable on a reimbursement basis. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all cargo aircraft; discretionary funds are available at the discretion of the FAA based upon a national priority system. The AIP currently is funded from federal excise taxes, which must be authorized and approved by Congress. Large and medium-hub airports (including the Airport) that collect a PFC of $4.00 or $4.50 (such as the Airport) forego 75% of their AIP entitlement funds.

Although the Airport has applied for discretionary grants, none have been received or assumed in the plan of finance at this time. As shown, the Airport estimates that it will receive at least $27.3 million in federal airport grant funding, of which $18.6 million has been received through March 31, 2009, for certain elements of the AIP and non-AIP projects in the CIP. The Airport has also applied for grants from the Transportation Security Administration ("TSA") for payment of certain of the costs of the Terminal C baggage system. The County plans to submit an application to the FAA for voluntary airport low emission ("VALE") grant funding for preconditioned air on the new gates. TSA and VALE grants are not included in the plan of finance at this time.

Non-Airline Revenue

Automobile parking, concessions including car rental, food and beverage, tie-down fees and other miscellaneous revenue accounted for approximately 64.5% of total revenues in Fiscal Year 2008.

Public automobile parking is the largest source of revenues at the Airport. As shown in Table 15, automobile parking accounted for 30.5% of operating revenues in Fiscal Year 2008. On-site Airport parking facilities are operated by Parking Concepts Inc. pursuant to a management contract. On July 29, 2008, the Board approved a $3.00 increase to the daily maximum parking rate at Airport facilities, to $20.00, and a $1.00 increase to the hourly rate. Rates at a remote Airport parking lot were increased to $2.00 per hour with a $14.00 daily maximum. At projected levels of passenger activity, the rate increases are expected to generate approximately $1 million of additional revenue per year.

Concessionaires operating in the Terminal complex include: (i) six rental car lessees (Avis, Budget, Enterprise, Hertz, Thrifty and Vanguard); (ii) several food and beverage operators (including HMSHost and McDonalds); (iii) one advertising firm (JCDecaux); and (iv) a number of news and gift merchandisers (including Paradies and Hudson Group). All concessionaires operate under five-year contracts, with the exception of the food and beverage operators which hold ten-year contracts. HMSHost and McDonalds are currently on month-to-month holdover.

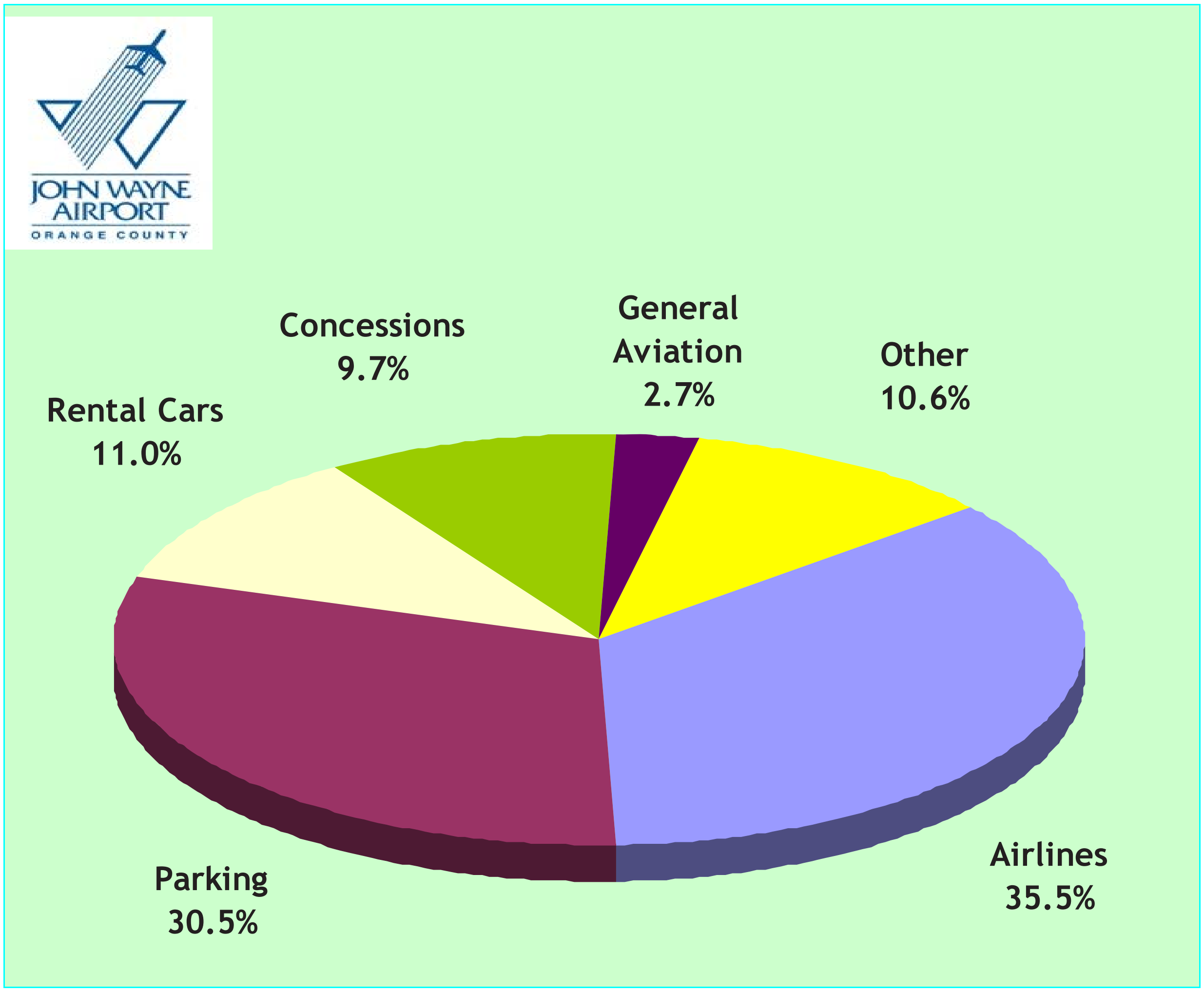
The minimum annual guarantee for all concessions in the Terminal is adjusted annually to the greater of 80% of the previous year's payments to the County or an amount that would result if the minimum annual guarantee for the previous year were to be increased by the same percentage as did the Consumer Price Index in the same period. Under no circumstances does the minimum annual guarantee decrease.

See APPENDIX A – "AIRPORT CONSULTANT'S REPORT—Financial Analysis—Nonairline Revenues" for additional discussion of Non-Airline Revenues.

Revenue Sources

Table 14 presents the revenue sources at the Airport for Fiscal Year 2008.

TABLE 14
JOHN WAYNE AIRPORT
REVENUE SOURCES
Fiscal Year 2008



Source: John Wayne Airport audited financial statements and Airport Management

Historical Operating Results

Table 15 sets forth a Statement of Revenues and Expenses for the John Wayne Airport Enterprise Fund (the "Airport Fund") for the Fiscal Years 2004 through 2008 which have been extracted from data contained in the audited financial statements of the County. This data should be read in conjunction with the audited financial statements for the County. This data is presented in a detailed format to identify specific types of revenue earned at the Airport that are included in the audited financial statements. The data for the eleven month periods ending May 31, 2009 and 2008 are not audited. See APPENDIX B – "JOHN WAYNE AIRPORT AUDITED FINANCIAL STATEMENTS FOR YEARS ENDED JUNE 30,

2008 AND 2007, INCLUDING AUDITED SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2008."

TABLE 15
COUNTY OF ORANGE
JOHN WAYNE AIRPORT ENTERPRISE FUND
STATEMENTS OF REVENUES AND EXPENSES
(Prepared on an accrual basis)
(In Thousands)

	Fiscal Years Ended June 30					Eleven Months Ended May 31	
	Audited					Unaudited	
	2004	2005	2006	2007	2008	2008	2009
REVENUES:							
Airline Terminal Rent	$15,214	$15,996	$16,633	$17,025	$18,654	$18,007	$18,110
Airline Landing Fees	10,398	10,271	10,344	11,105	11,448	9,215	9,501
Airline Apron Fees	2,351	2,410	2,273	2,450	2,403	1,879	2,038
Utility & Janitorial Reimbursement	2,698	2,624	2,807	2,845	3,183	3,038	3,479
Security Reimbursement (1)	5,344	5,039	5,848	6,903	5,392	4,819	5,797
Parking	32,653	35,312	37,121	37,709	36,130	33,046	33,269
Rental Cars	10,321	11,053	12,530	12,983	13,066	11,158	10,572
Food & Beverage	3,132	3,742	4,027	4,404	4,651	3,931	3,512
Other Concessions	4,365	4,651	5,542	6,193	6,801	5,701	5,255
Aircraft Tiedown Fees	1,451	1,448	1,493	1,526	1,631	1,461	1,401
FBO Fees	1,178	1,359	1,557	1,601	1,624	1,546	3,430
Ramp Equipment Storage	935	941	922	922	982	967	884
Interest Revenue	1,952	3,179	5,773	9,259	8,114	7,349	3,532
Miscellaneous Revenue (2)	1,172	1,015	3,679	3,004	4,365	1,704	1,470
Total Operating Revenues	93,164	99,040	110,549	117,929	118,444	103,821	102,250
OPERATING EXPENSES							
Professional and Specialized Services	25,075	26,512	28,343	29,988	30,233	24,477	24,293
Salaries and Employee Benefits	10,756	11,412	12,164	14,592	15,451	15,550	16,673
Other Services and Supplies	13,743	13,774	16,970	18,497	17,491	13,618	12,393
Total Operating Expenses	49,574	51,698	57,477	63,077	63,175	53,645	53,359
NET REVENUES (3)	$43,590	$47,342	$53,072	$54,852	$55,269	$50,176	$48,891
Debt Service on Series 1997 Bonds (4)	(13,751)	(13,746)	(13,749)	(13,745)	(13,747)	---	---
Debt Service on Series 2003 Bonds (5)	(4,657)	(4,657)	(4,658)	(4,656)	(4,656)	---	---
Total Debt Service on Series 1997 Bonds and Series 2003 Bonds	(18,408)	(18,403)	(18,407)	(18,401)	(18,403)	---	---
NET REVENUE AFTER DEBT SERVICE PAYMENTS	$25,182	$28,939	$34,665	$36,451	$36,866	---	---
Coverage Calculation (6)	2.37	2.57	2.88	2.98	3.00	---	---

(1) Represents airlines' share of post September 11, 2001 security costs. See "FACTORS AFFECTING AIRPORT OPERATIONS AND REVENUES—Aviation Security Concerns."

(2) "Miscellaneous Revenue" includes penalties and forfeitures, ground transportation fees, and other miscellaneous revenues.

(3) Conforms to Indenture definition, net of depreciation expense.

(4) On May 5, 2009, moneys were placed in an escrow fund in order to defease the Series 1997 Bonds as of that date. On May 29, 2009, the County gave notice of its intention to redeem on July 1, 2009 all of the outstanding Series 1997 Bonds.

(5) The Indenture requires that the Net Revenues for each Fiscal Year must be at least 125% of the Long-Term Debt Service Required for the Fiscal Year.

(6) Representing Net Revenue divided by Total Debt Service on all outstanding Bonds.

Source: John Wayne Airport audited financial statements and Airport Management.

Management's Discussion of Financial Results

During the five fiscal years ended June 30, 2008, the Airport consistently generated positive cash flow in excess of debt service coverage requirements. Debt service coverage exceeded 2.25x for each fiscal year during that period, reaching approximately 3.0x in Fiscal Year 2008.

The Airport has maintained careful management of operating expenses and oversight of revenue generating agreements to ensure a steady stream of revenues. During the past five fiscal years, total operating revenue grew approximately $25.2 million, for an average annual growth rate of 6.2% while total operating expenses grew by $13.6 million for the same period, at an average annual growth rate of 6.2%. Even with the departure of Aloha Airlines, a comparatively small increase in revenue was experienced in Fiscal Year 2008. (Subsequently the Airport added a new carrier, Virgin America, which initiated operations on April 29, 2009. In addition, the Airport is working with Air Canada on its request to initiate service in 2010.) Total revenue was also affected in Fiscal Year 2008 by the termination of a Security Reimbursement contract with the TSA.

Parking revenues, the single largest source of revenue, increased by an average of 2.6% per year over the five year period. Although parking revenues decreased in Fiscal Year 2008, a parking rate increase implemented in August 2008 is expected to generate over $1 million per year of additional parking revenue in Fiscal Year 2009.

Collectively, airline terminal rents, landing fees and apron fees are the second largest source of airport revenues. These revenues (consisting of the line items Airline Terminal Rent, Airline Landing Fees and Airline Apron Fees on Table 15) grew conservatively over the five year period, increasing at an average of 3.8% annually. The stability of airline revenues is consonant with stable enplanement and landing weight activity at the Airport.

Other concession revenue (including the line items Rental Cars, Food & Beverage and Other Concessions on Table 15) increased by an average of 8.3% over the five year period. Concession revenues continue to be durable, despite weakened passenger activity, because of minimum annual guarantee provisions in tenant lease agreements.

During the first eleven months of Fiscal Year 2009, total revenues decreased by 1.5 % compared to the first eleven months of FY 2008, largely because of decreased interest earnings. Revenue from airline terminal rents, landing fees and apron fees remained stable because of the compensatory rate structure at the Airport, showing a 1.9% increase during this period. Parking rate increases produced a 0.7% increase in parking revenues, despite a pause in passenger growth. A 7.0% decrease in other concession revenues reflected the decrease in passenger volume.

During the same five year period ending June 30, 2008, total operating expenses grew by $13.6 million, from $49.6 million to $63.2 million, which represents an average annual growth rate of 6.2%. In Fiscal Year 2008, growth in operating expenses was virtually flat over Fiscal Year 2007 results. Additionally, eleven months results for Fiscal Year 2009 show the same flat growth over the prior comparable period.

Since 1990 the Airport has funded all capital improvement projects on a pay–as-you-go basis, utilizing FAA funding, PFCs and available Airport reserves. The total amount expended for capital improvements from Fiscal Year 1990 through Fiscal Year 2008 was $238.8 million.

As noted in "SECURITY FOR THE BONDS—Budgetary Procedures" herein, the Airport prepares an annual budget for estimated revenues and expenses. Actual results are constantly monitored and planned activity is adjusted according to available resources. An amended or supplemental budget may be adopted at any time for the remainder of the then-current Fiscal Year.

AIRPORT CONSULTANT'S REPORT

The Airport Consultant has been retained on a non-contingent basis to prepare an Airport Consultant's Report for inclusion in this Official Statement as APPENDIX A. The Airport Consultant's Report provides certain information with respect to the Airport and the Capital Improvement Program and presents forecasts of Revenues, Current Expenses, Net Revenues, PFCs, and debt service coverage for the Bonds in each year of the forecast period (Fiscal Year 2009 to Fiscal Year 2015), and sets forth the information and assumptions upon which the forecasts and the findings of the Airport Consultant's Report are based. Certain information concerning the Airport in this Official Statement has been excerpted from the Airport Consultant's Report.

Calculation of Forecast Airport Revenues, Current Expenses and Debt Service Coverage

The exhibits to the Airport Consultant's Report present forecast Revenues, Current Expenses, and debt service coverage, all calculated in accordance with the Indenture. As described in the Airport Consultant's Report, the forecasts are based on a variety of assumptions as set forth in the Airport Consultant's Report that were provided by, or reviewed and approved by, the County. In the opinion of the Airport Consultant, the assumptions provide a reasonable basis for the forecasts set forth in the Airport Consultant's Report. Specific assumptions regarding the forecasts of airline traffic are discussed in the sections "Forecast Airline Traffic" and "Key Factors Affecting Future Airline Traffic," assumptions regarding PFCs are discussed in the sections "Passenger Facility Charge Program" and "Passenger Facility Charge Revenues," assumptions regarding operating expenses in the section "Current Expenses," and assumptions regarding airline and nonairline revenues in the section "Revenues" of the Airport Consultant's Report.

Airport management (1) has made available to the Airport Consultant all information of which it is aware that is relevant to the financial forecasts, (2) has reviewed the Airport Consultant's Report and believes that it appropriately discloses all information that is relevant to the forecasts, (3) has reviewed the assumptions underlying the forecasts and agrees that they are reasonable, appropriate and reflect management's expected course of action during the forecast period, and (4) agrees that, in management's judgment, the forecasts present fairly the expected financial results of the Airport.

As noted in the Airport Consultant's Report, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances could occur. Therefore, there will be differences between the forecast and the actual results, and those differences may be material. See APPENDIX A – "AIRPORT CONSULTANT'S REPORT."

The following table, which demonstrates projected compliance with the Airport's rate covenants, has been excerpted from the Airport Consultant's Report. The Airport Consultant's Report must be read in its entirety for a description of the information set forth in the table, the underlying assumptions, as well as the various factors taken into account for purposes of preparing the Airport Consultant's Report. Gross Debt Service for the Series 2009 Bonds, as provided in Table 16, was forecast as of June 15, 2009, and does not reflect actual Gross Debt Service. The Gross Debt Service and Available PFC Revenue forecasts in the Airport Consultant's Report assume, among other things, an all-in interest rate on the Series 2009 Bonds of 6.0%. Actual Gross Debt Service is less than the Gross Debt Service forecast in the Airport Consultant's Report. The actual all-in true interest cost on the Series 2009 Bonds is approximately 5.2%.

TABLE 16
FORECAST RATE COVENANT COMPLIANCE
John Wayne Airport
(for the 12 months ending June 30)

	Estimate 2009	Forecast 2010	2011	2012[1]	2013	2014	2015
Revenues	$113,284,710	$116,731,654	$121,651,029	$123,864,942	$133,141,936	$137,466,566	$142,356,080
Less: Current Expenses	(69,019,600)	(73,089,654)	(77,021,525)	(84,608,985)	(91,688,684)	(96,298,618)	(101,141,088)
Net Revenues	$44,265,110	$43,642,000	$44,629,504	$39,255,956	$41,453,251	$41,167,948	$41,214,992
Gross Debt Service[2]							
Outstanding Bonds[3]	$18,399,194	$4,656,175	$4,655,425	$4,657,175	$4,660,925	$4,656,175	$4,661,250
Proposed Series 2009 Bonds (allocable to General Aviation Revenues)	-	-	-	2,971,650	7,498,300	7,500,000	7,496,000
Proposed Series 2009 Bonds (allocable to PFC Projects)	-	12,300,700	12,300,600	12,301,700	12,303,100	12,298,900	12,303,500
Gross Debt Service[2]	$18,399,194	$16,956,875	$16,956,025	$19,930,525	$24,462,325	$24,455,075	$24,460,750
Less: Available PFC Revenues	-	(12,300,700)	(12,300,600)	(12,301,700)	(12,303,100)	(12,298,900)	(12,303,500)
Long Term Debt Service Requirement	$18,399,194	$4,656,175	$4,655,425	$7,628,825	$12,159,225	$12,156,175	$12,157,250
Debt Service Coverage	241%	937%	959%	515%	341%	339%	339%

	Estimate 2009	Forecast 2010	2011	2012[1]	2013	2014	2015
Application of Revenues and Rate Covenant per 704(a)							
Operating Fund							
Current Expenses	$69,019,600	$73,089,654	$77,021,525	$84,608,985	$91,688,684	$96,298,618	$101,141,088
Annual Equipment Purchases	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Operating Reserve	947,410	678,342	655,312	1,264,577	1,179,950	768,322	807,078
Revenue Bond Fund	18,399,194	4,656,175	4,655,425	7,628,825	12,159,225	12,156,175	12,157,250
Revenue Bond Reserve Account	-	-	-	-	-	-	-
Subordinated Debt Fund	-	-	-	-	-	-	-
Renewal and Replacement Fund	-	-	-	-	-	-	-
Airport General Fund	23,891,816	37,307,482	38,318,767	29,362,555	27,114,076	27,243,451	27,250,663
Total	$113,284,710	$116,731,654	$121,651,029	$123,864,942	$133,141,936	$137,466,566	$142,356,080

(1) The expected Date of Beneficial Occupancy of Terminal C is November 2011.
(2) Gross Debt Service is net of capitalized interest. Gross Debt Service for the Series 2009 Bonds was forecast as of June 15, 2009, and does not reflect actual Gross Debt Service. The Gross Debt Service and Available PFC Revenue forecasts in the Airport Consultant's Report assume, among other things, an all-in interest rate on the Series 2009 Bonds of 6.0%. Actual Gross Debt Service is less than the Gross Debt Service forecast in the Airport Consultant's Report. The actual all-in true interest cost on the Series 2009 Bonds is approximately 5.2%.
(3) The Series 1997 Bond were defeased on May 5, 2009.

Source: Airport Consultant's Report.

FACTORS AFFECTING AIRPORT OPERATIONS AND REVENUES

Airport operations and revenue are influenced by a variety of factors including the health of the economy and the demographics of the Trade Area. The following is a general discussion of certain factors affecting Airport operations and revenue. The discussion does not purport to be an exhaustive listing of factors and other considerations affecting the airline industry and Airport operations. The

County makes no representation that there are not other factors that may affect Airport operations and revenues.

Demand for Air Travel

The Series 2009 Bonds are payable solely from Net Revenues and other available funds, including, but not limited to PFCs. Net Revenues and PFCs are dependant primarily on the level of aviation activity and enplaned passenger traffic at the Airport. The level of aviation activity and enplaned passenger traffic at the Airport are dependant upon a number of factors including local, regional, national and international economic conditions; political conditions and international hostilities such as those occurring in the Middle East; world health concerns such as the recent "Swine Flu" contagion; aviation security concerns; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices, aging aircraft fleets and other factors discussed in more detail under "– Financial Condition of the Airlines" below; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports; and reliability of air service; and the availability and convenience of service at the Airport, among others. Many of these factors are outside the County's control. Declines in aviation activity and enplaned passenger traffic at the Airport would result in reduced Net Revenues and PFCs. As stated earlier, the number of enplaned passengers for Fiscal Year 2009 is estimated to decline 11% from Fiscal Year 2008 levels. A number of these factors are also discussed in APPENDIX A – "AIRPORT CONSULTANT'S REPORT."

California High Speed Rail

The California High Speed Rail 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 extensions to Sacramento, California, and San Diego, California. As of July 2008, all program-level environmental review work has been completed. The 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. The California High Speed Rail Authority is currently applying for a share of the $8 billion in federal stimulus funding designated for high speed rail projects. If sufficient funds become available, the Authority expects that Phase 1 of the project could be completed in 10 years.

The California High Speed Rail Authority plans to price its fares below air fares. The impact of the high speed rail system on the Airport cannot be determined at this time.

The California Nevada Super Speed Train Commission (created by California and Nevada legislatures) was formed to plan for a high speed rail route to connect Las Vegas, Nevada, to Anaheim, California, with stops in Ontario, Victorville, Barstow (California) and Primm (Nevada) using a magnetic levitation system. The commission recently received $45 million from the SAFETEA-LU Technical Corrections Act of 2008, of which the commission will need to provide 20 percent matching funds. Work on the environmental impact statement is continuing, as is design/engineering work and preparation of cost estimates. As shown in APPENDIX A – "AIRPORT CONSULTANT'S REPORT," the Las Vegas market accounted for 5.8% of the total originating passengers at the Airport flying on the scheduled airlines in Fiscal Year 2008-09.

Limitations Under the Settlement Agreement and the 2003 Amendment

The Settlement Agreement and the 2003 Amendment limits the number of ADDS for non-exempt aircraft operations to 85 through December 31, 2015 and the annual passenger limits to 10.3 MAP until December 31, 2010, and to 10.8 MAP from January 1, 2011 through December 31, 2015. The County and the Airport may negotiate future limitations beyond 2015 through an extension of, or amendment to the Settlement Agreement. For additional discussion of the Settlement Agreement and the 2003 Amendment, see "JOHN WAYNE AIRPORT—Historical Background and the Settlement Agreement" herein.

Financial Condition of the Airlines

Revenues may be affected by the ability of the airlines serving the Airport, individually or collectively, to meet their obligations to pay rates, rentals, fees and charges. Nearly all of the airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Certain information, including financial information, concerning such airlines (or their respective parent corporations) is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected and copies obtained at prescribed rates at the SEC's principal offices at 100 F Street, N.E., Washington, D.C. 20549, and should be available for inspection and copying at the SEC's regional offices located at 233 Broadway, New York, New York 10279, and 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661. The public may obtain information during the hours of operation of the Public Reference Room by calling the SEC at 1-800-SEC-0380. The SEC maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically the SEC. Some of the airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation ("USDOT"). Such reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, USDOT, 400 Seventh Street, S. W., Washington, D.C. 20590, and copies of such reports can he obtained from the USDOT 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 file limited information only with the USDOT.

The County has no responsibility for the completeness or accuracy of information available from the USDOT or SEC, including, but not limited to, updates of information on the SEC's Internet site or links to other Internet sites accessed through the SEC's site. The County has not reviewed or verified any of the information contained in such reports filed with the SEC and makes no representation as to the accuracy, completeness or fairness of any such reports or other information made available to the public by the airlines or their respective parent corporations.

Effect of Airline Bankruptcies

A bankruptcy of an airline operating at the Airport could result in delays or reductions in payments to the County which could affect the County's ability to pay debt service on the Series 2009 Bonds.

In the last several years, US Airways, United Airlines, Delta Air Lines and Northwest Airlines have emerged from bankruptcy. Bankruptcies of other airlines could occur. The bankruptcy of an airline with significant operations at the Airport could have a material adverse effect on operations of the Airport, Revenues, and the cost to the other airlines operating at the Airport.

On March 20, 2008, Aloha Airlines filed for bankruptcy protection and ceased operations. Aloha Airlines' operations accounted for less than 2.5% of enplanements at the Airport in Fiscal Year 2008. The County does not believe that the Aloha Airlines bankruptcy filing and cessation of operations will have a material adverse impact on the financial condition of the Airport.

In addition, on April 10, 2008, Frontier Airlines filed for bankruptcy protection, stating that it intended to continue normal operations during the reorganization process. Frontier Airlines' operations accounted for approximately 3.1% of enplanements at the Airport in Fiscal Year 2008. The County does not believe that the Frontier Airlines bankruptcy filing will have a material adverse impact on the financial condition of the Airport.

In the event of an airline bankruptcy, the automatic stay provisions of the Bankruptcy Code could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline to the County or any action to enforce any obligation of the airline to the County. With the authorization of the bankruptcy court, the airline may be able to repudiate some or all of its agreements with the County and stop performing its obligations (including payment obligations) under such agreements. Such repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline may be able, without the consent and over the objection of the County, the Trustee, and the holders of the Series 2009 Bonds, to alter the terms, including the payment terms, of its agreements with the County, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline may be able to assign its rights and obligations under any of its agreements with the County to another entity, despite any contractual provisions prohibiting such an assignment. However, the County maintains that neither the County's approval to operate at the Airport nor its permitted allotment of ADDS may be assigned, as they are property of the Airport. The Trustee and the holders of the Series 2009 Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series 2009 Bonds and that was received by the County or the Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the County under any lease with the airline may be subject to limitations.

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

There may be delays in payments on the Series 2009 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline that could result in delays or reductions in payments on the Series 2009 Bonds. Regardless of any specific adverse determinations in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2009 Bonds.

Effect of County Bankruptcy

The County previously filed for bankruptcy in December 1994 under Chapter 9 of the United States Bankruptcy Code and emerged in June 1996. The County's bankruptcy did not delay or reduce any payments on the then outstanding Bonds.

Should the County become the debtor in a bankruptcy case the holders of the Series 2009 Bonds will not have a lien on Revenues received by the County or the Trustee after the commencement of the bankruptcy case unless such revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used to provide transportation services, as well as other revenues or receipts derived from particular functions of the debtor. While the County believes that the Revenues should be treated as special revenues, no assurance can be given that a court would not find otherwise. If Revenues are not special revenues, there could be delays or reductions in payments on the Series 2009 Bonds. If a court determines that Revenues are special revenues, the County will be able to continue to use such revenues to pay operation and maintenance costs of the Airport, notwithstanding any provision of the Indenture or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the County that could result in delays or reductions in payments on the Series 2009 Bonds.

Regardless of any specific adverse determinations in a County bankruptcy proceeding, a County bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2009 Bonds.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the aftermath of the September 11, 2001 terrorist attacks and in the context of the current hostilities in Iraq and elsewhere in the Middle East, other potential international hostilities and terrorist attacks and world health concerns 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.

Since the September 11, 2001 terrorist attacks and the hostilities in Afghanistan and Iraq, intensified security precautions have been instituted by government agencies, airlines and airport operators. For example, all checked bags are now required to be screened for explosives and a national threat level system has implemented under which increased security measures are required to be implemented at higher threat levels. The Airport is in material compliance with all current federal safety requirements. Federal law also requires that eventually all passenger bags, mail and cargo be screened to prevent the carriage of weapons (including chemical and biological weapons), explosives or incendiary devices; however, no regulations regarding these enhanced security measures have been finalized as of the date of this Official Statement. Current and future security measures may create significantly increased inconvenience and delays at the Airport and may adversely affect the Airport's operations and revenues. In general, a reduction of non-airline derived revenues has the effect of increasing the costs of airlines to utilize the Airport.

Seismic Vulnerability

The Airport is located in an area which is proximate to active faults. In 1997, the County sponsored an extensive site specific Ground Motion Study for the Terminal Parking Structures and

Bridges, based upon California Department of Transportation ("Caltrans") seismic requirements and standards. This study was followed up with a seismic response analysis of these structures. The County set a baseline standard for all of the Airport facilities based upon the following criteria, with the ultimate objective of satisfying the 2% in 50 year standard.

Probabilistic Seismic Hazard	Estimated Recurrence Rate	Minimum Facility Response Criteria
50% probability of exceedence in 50 years	Once every 25 years	No damage No interruption of use
10% probability of exceedence in 50 years	Once every 500 years	No damage Minimum interruption of use
2% probability of exceedence in 50 years	Once every 2000 years	Minor damage No collapses Minor interruption of use

Based upon the County's seismic response analysis, the Terminal building structure required no additional work to meet the 2% in 50 year hazard response criteria. Parking structures and bridges also meet the minimum 2% in 50 year standard. The Capital Improvement Program will meet or exceed this 2% in 50 year hazard response criteria.

The County currently maintains earthquake insurance on its Airport facilities. See "SECURITY FOR THE BONDS—Insurance" herein for a discussion of the property insurance maintained by the County for John Wayne Airport. However, no assurance can be given that earthquake insurance will continue to be available at reasonable costs and in meaningful amounts.

Considerations Regarding Passenger Facility Charges

The County has received FAA authorization to collect PFCs as described under "FINANCIAL INFORMATION – Passenger Facility Charges."

The County expects to pay a portion of the debt service on the Series 2009 Bonds with Available PFC Revenues, and as a result, this amount of debt service is not included in the coverage calculations described in APPENDIX A – "AIRPORT CONSULTANT'S REPORT." See also "SECURITY FOR THE BONDS—Available Revenues."

The County's authority to collect PFCs at the Airport is currently expected to expire in January 2022, although PFCs received in years after fiscal year 2014-2015 are not pledged to the payment of the Series 2009 Bonds. The forecasts in the Airport Consultant's Report assume the availability of PFC receipts to pay debt service on the Series 2009 Bonds throughout the forecast period, which ends in Fiscal Year 2015. No assurance can be given that the County's authority to collect PFCs will be increased or extended. Further, no assurance can be given that PFCs will actually be received in the amounts or at the times contemplated by the County. The amount and timing of receipt of actual PFCs will vary depending on actual levels of qualified passenger enplanements at the Airport. See "—Demand for Air Travel" above.

In addition, the FAA may terminate the County's ability to impose PFCs, subject to informal and formal procedural safeguards, if (a) PFCs are not being used for approved projects in accordance with the FAA's approval, the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 C.F.R. Part 158, as amended from time to time (collectively, the "PFC

Acts"), or (b) the County otherwise violates the PFC Acts. The County's authority to impose the PFC may also be terminated if the County violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act ("ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the County's authority to impose a PFC would not be summarily terminated. No assurance can be given that the County's authority 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 by the FAA so as to reduce PFCs available to the County or that the County will not seek to decrease the amount of the PFC to be collected.

In the event the FAA or Congress reduced or terminated the County's ability to collect PFCs, or PFC collections were otherwise less than anticipated, the County would need to find other funding sources to pay debt service on the portion of the Series 2009 Bonds it expects to pay with PFCs. In addition, in such a circumstance the County might need to find other sources of funding, including issuing additional parity securities, to finance the projects currently being paid for, or projected to be paid for, with PFCs.

Cost of Capital Improvement Program

As described herein, the County is undertaking a significant capital improvement program with respect to the Airport. The County has entered into and will enter into agreements for the construction of such capital improvements. See "JOHN WAYNE AIRPORT—Capital Improvement Program." The County 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 County to complete the Capital Improvement Program may be adversely affected by various factors including: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the projects, including changes to federal security regulations, (4) delays in contract awards, (5) material and/or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions and other force majeure events, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation and (11) environmental issues. No assurance can be made that the existing projects in the Capital Improvement Program 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 the Airport less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the County will not materially adversely affect the financial condition or operations of the Airport.

Unavailability of, or Delay in, Anticipated Funding Sources

As described herein, the County anticipates that funding for the Airport Improvement Program will be provided through a portion of the proceeds of the Series 2009 Bonds, internally generated cash flow, PFCs, federal grants, and other sources. See APPENDIX A – "AIRPORT CONSULTANT'S REPORT" for a description of the financing plan for the Airport Improvement Program and future capital improvements. 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 Airport; or any other reason, the completion of the Airport Improvement Program 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 the Airport.

Assumptions in the Airport Consultant's Report

The Airport Consultant's Report included as APPENDIX A to this Official Statement contains certain assumptions and forecasts. The Airport Consultant's Report should be read in its entirety for a discussion of historical and forecast results of the Airport and the assumptions and rationale underlying the forecasts. As noted in the Airport Consultant's 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.

Accordingly, the projections contained in the Airport Consultant's Report or that may be contained in any future certificate of the County or a consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the County assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the County 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 Series 2009 Bonds are cautioned not to place undue reliance upon the Airport Consultant's 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 and PFCs may be materially less than expected and consequently, the ability of the County to make timely payment of the principal of and interest on the Series 2009 Bonds may be materially adversely affected.

Neither the County's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the forecast of Net Revenues, 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 forecast of Net Revenues.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the County to pay the principal of and interest on the Series 2009 Bonds depends on the ability of the County to generate Net Revenues at or above the levels required by the Indenture. Although, as more particularly described herein, the County expects that sufficient Revenues will be generated through the imposition and collection of the fees, rents charges and other Revenues described herein, there is no assurance that such imposition of fees, rents charges or other Revenues will result in the generation of Net Revenues in the amounts required by the Indenture. As a result, the County covenant does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2009 Bonds.

The County can provide no assurances that compliance with the Rate Covenant will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the Rate Covenant requires the County to increase airline rates and charges in order to provide sufficient funds to pay debt service on the Series 2009 Bonds, but the increased airline rates or charges are deemed to be reasonable, then the County will not be able to increase such rates or charges and would be required to increase non-airline rates and charges or take other actions to meet the Rate Covenant. Under such circumstances there could be delays or reductions in payments on the Series 2009 Bonds. See "—Federal Law Affecting Airport Rates and Charges" below.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees be reasonable and that, in order to collect PFCs and receive federal funding (such as AIP grants, TSA funding, and other federal grants) 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. Pursuant to the requirements of the Federal Aviation Administration Authorization Act of 1994 (the "1994 Aviation Act"), the USDOT and the FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of airport rates and charges, and have also promulgated a policy statement (the "Rates and Charges Policy"), which sets forth the standards that the USDOT uses in determining the reasonableness of the fees charged to airlines and other aeronautical users.

On August 1, 1997, the United States Court of Appeals for the District of Columbia Circuit (the "U.S. Court of Appeals") vacated the Rates and Charges Policy in part and remanded it to the USDOT. On October 15, 1997, the U.S. Court of Appeals determined that a portion of the Rates and Charges Policy was arbitrary and capricious, including use of any "reasonable methodology" for valuation of non-airfield assets, and therefore vacated the policy and remanded it to the USDOT. The USDOT has not yet adopted revisions to the Rates and Charges Policy. The costs that will be permitted to be included in determining an airport's rate base and the extent to which such future guidelines may limit the County's flexibility in setting rates and charges for use of the Airport's airfield and non-airfield facilities cannot be determined at this time. Any new FAA guidelines or any standards promulgated by a court in connection with a dispute could limit the amounts and allocation of costs payable by airlines serving the Airport. Until the USDOT promulgates a new policy regarding rates and charges, the guiding principle for determining whether rates and charges established for use of airport assets is the requirement of federal law that such charges be "reasonable."

The County is not aware of any formal dispute involving the Airport over any existing rates and charges. Under federal law and FAA regulations, FAA approval of the rates charged by the County is not required prior to adoption and implementation. However, airlines have the right to challenge the rates and charges to the extent they believe that such rates are not reasonable or otherwise not in compliance with federal law or applicable FAA regulations.

The County would be authorized to collect such rates during the pendency of any challenge; provided, however, that the County would be required to post a bond or letter of credit to secure potential refunds resulting from a determination that the rates were not reasonable or otherwise violated applicable federal law or FAA regulations.

The County believes that the rates and charges methodology utilized by the County and the rates and charges imposed by it upon 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 County challenging such methodology and the rates and charges established by the County and, if a judgment is rendered against the County, there can be no assurance that rates and charges paid by aeronautical users of the Airport will not be reduced.

A successful challenge to the compensatory rates which limits the ability of the County to charge rates materially below the levels anticipated by the County could have a material adverse impact on the financial condition of the Airport.

See APPENDIX A – "AIRPORT CONSULTANT'S REPORT" for a discussion of the rates and charges and related matters.

Fuel Costs and Availability

Fuel costs comprise a significant portion of an airline's operating costs. Fluctuations in the price of fuel significantly affect the financial performance of all airline companies. Fuel supply and the resultant market prices are sensitive to disruptions resulting from international political and military conflicts. Continued or new hostilities in the Middle East or other petroleum producing regions could dramatically impact the price and availability of aviation fuel.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY FOR BONDS – Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under the 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 Series 2009 Bonds upon an Event of Default under the 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 Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Series 2009 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2009 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.

LITIGATION

At the time of delivery of the Series 2009 Bonds the Office of County Counsel will deliver an opinion that, except as described in this Official Statement, no litigation is pending or to the best of County Counsel's knowledge, threatened (1) challenging the titles of the officials of the County signatory to any of the Indenture, the Purchase Contract, or the Continuing Disclosure Certificate to their respective offices; (2) contesting or affecting the validity of the Indenture, the Purchase Contract, the Continuing Disclosure Certificate or the Bonds; (3) seeking to restrain or enjoin the collection, allocation or transfer of the Revenues pledged to pay the principal or and interest on the Bonds; or (4) asserting that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

General tort liability claims filed against the Airport are administered by the County's Risk Management operation. Of the pending Airport liability claims, based upon the current status of such claims, it is not anticipated that they will have a financially significant potential for recovery.

RATINGS

The Series 2009 Bonds have been assigned ratings of "Aa3" by Moody's Investors Service ("Moody's"), "AA-" by Standard & Poor's Rating Service, a Division of The McGraw Hill Companies, Inc. ("S&P") and "AA-" by Fitch, Inc. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 1 World Trade Center, 250 Greenwich Street, 23rd floor, New York, New York 10007; Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041 and Fitch, Inc., One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. 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 any of such ratings may have an adverse effect on the market price of the Series 2009 Bonds.

TAX MATTERS

General

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the Indenture, Continuing Disclosure Certificate and other documents pertaining to the Series 2009 Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Series 2009 Bonds, and the timely payment of certain investment earnings to the United States, interest on the Series 2009 Bonds is not includable in the gross income of the owners of the Series 2009 Bonds for federal income tax purposes, except for any Series 2009B Bond during any period in which such Series 2009B Bond is held by a "substantial user" of the facilities financed with the proceeds of the Series 2009B Bonds or a "related person" (as such terms are defined in the Code). Failure to comply with such covenants and requirements may cause interest on the Series 2009 Bonds to be included in gross income retroactively to the date of issuance of the Series 2009 Bonds.

In the further opinion of Bond Counsel, interest on the Series 2009 Bonds (i) is not treated as an item of preference in calculating the federal alternative minimum taxable income of individuals and corporations, and (ii) is not included as an adjustment in calculating federal alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Series 2009 Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, Continuing Disclosure Certificate and other documents pertaining to the Series 2009 Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Series 2009 Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than Sidley Austin LLP with respect to the exclusion from gross income of the interest on the Series 2009 Bonds for federal income tax purposes.

Premium Bonds

Certain of the Series 2009 Bonds may be purchased in the initial offering for an amount in excess of their principal amount (hereinafter, the "Premium Bonds"). The excess of the tax basis of a purchaser of a Premium Bond (other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Bond is "bond premium." Bond premium is amortized for federal income tax purposes over the term of a Premium Bond based on the purchaser's yield to maturity in the Premium Bond, except that in the case of a Premium Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond. A purchaser of a Premium Bond is required to decrease his or her adjusted basis in such Premium Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Premium Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of a Premium Bond, and with respect to the state and local tax consequences of owning and disposing of a Premium Bond.

Original Issue Discount

The initial public offering price of certain of the Series 2009 Bonds may be less than their principal amount (hereinafter, the "Discount Bonds"). The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes under the conditions and limitations described above. The amount of original issue discount that accrues on a Discount Bond in each year, however, is treated as an item of tax preference for purposes of calculating federal alternative minimum taxable income. Additionally, such accrued original issue discount is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner's adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2009 Bonds to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Series 2009 Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2009 Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation and regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Series 2009 Bonds.

Prospective purchasers of the Series 2009 Bonds should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX E.

UNDERWRITING

The Series 2009 Bonds are being purchased for reoffering by the Underwriters referred to on the cover page of this Official Statement (the "Underwriters") from the County. The Underwriters have agreed to purchase the Series 2009 Bonds at a purchase price equal to $232,132,322.93, (consisting of the principal amount of the Series 2009 Bonds of $233,115,000.00, plus a net original issue premium of $287,436.75 less an underwriters' discount of $1,270,113.82). The purchase contract pursuant to which the Series 2009 Bonds are being sold provides that the Underwriters will purchase all of the Series 2009 Bonds if any such Series 2009 Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Series 2009 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

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

J.P. Morgan Securities Inc., one of the underwriters of the Series 2009 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2009 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009 Bonds with UBS Financial Services Inc.

FINANCIAL STATEMENTS

John Wayne Airport Financial Statements for the fiscal years ended June 30, 2008 and 2007, which are included in APPENDIX B to this Official Statement, have been audited by independent auditors Vavrinek, Trine, Day & Co., LLP, as stated in their report herein.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners and beneficial owners of the Series 2009 Bonds to provide certain financial information and operating data relating to the County and the Airport by not later than 240 days following the end of the County's fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the 2008-2009 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and any notice of material events will be filed by the County with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized under the caption APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Failure of the County to comply with these covenants does not constitute an Event of Default under the Indenture. The County has been in compliance in all material respects with its continuing disclosure undertakings for the past five years.

LEGAL MATTERS

The validity of the Series 2009 Bonds and certain other legal matters are subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E hereto. As Bond Counsel, Sidley Austin LLP, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP. Certain legal matters will be passed upon for the County by the Office of the County Counsel and by Sidley Austin LLP, San Francisco, California, as Disclosure Counsel.

FINANCIAL ADVISOR

Frasca & Associates, L.L.C. has acted as Financial Advisor to the County in connection with the issuance of the Series 2009 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. All of the fees of the Financial Advisor with regard to the issuance of the Series 2009 Bonds are contingent upon the issuance and delivery of the Series 2009 Bonds.

MISCELLANEOUS

There are appended to this Official Statement information pertaining to the County and the Airport, the Airport Consultant's Report the SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE, certain audited financial statements of John Wayne Airport, the proposed form of opinion of Bond Counsel, the description of the Book-Entry Only System and the form of Continuing Disclosure Certificate. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture are available upon request from the County of Orange, Hall of Administration, 10 Civic Center Plaza, Santa Ana, California 92701, Attention: Director of Public Finance and Insurance.

So far as any statements made in this Official Statement involve matters of opinion, forecast or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2009 Bonds.

COUNTY OF ORANGE, CALIFORNIA

By: /s/ Thomas L. Beckett
Thomas L. Beckett
Public Finance Manager

By: /s/ Alan L. Murphy
Alan L. Murphy
John Wayne Airport Director

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APPENDIX A

AIRPORT CONSULTANT'S REPORT

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

COUNTY OF ORANGE, CALIFORNIA
AIRPORT REVENUE BONDS SERIES 2009A AND 2009B
JOHN WAYNE AIRPORT

Prepared for

County of Orange, California

Prepared by

Jacobs Consultancy
Burlingame, California

June 15, 2009

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JACOBS
CONSULTANCY

555 Airport Boulevard, Suite 300
Burlingame, California 94010 U.S.A.
1.650.579.7722 Fax: 1.650.343.5220

June 15, 2009

Mr. Alan Murphy
Airport Director
John Wayne Airport
3160 Airway Avenue
Costa Mesa, California 92626

Re: Report of the Airport Consultant, County of Orange, California Airport Revenue Bonds Series 2009A and 2009B for John Wayne Airport

Dear Mr. Murphy:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of the County of Orange, California, Airport Revenue Bonds, Series 2009A and Series 2009B, referred to collectively in this report as the 2009 Bonds by the County of Orange (the County) for improvements at John Wayne Airport. This letter and the accompanying attachment and exhibits constitute our report.

The report presents our forecast of passengers enplaning at John Wayne Airport (the Airport) and evaluates the ability of the Airport to generate Net Revenues* sufficient to satisfy the requirements of the Rate Covenant (defined below) under the Indenture, dated as of July 1, 1987 (the Original Indenture), as supplemented by the First Supplemental Indenture, dated as of June 1, 1993; the Second Supplemental Indenture, dated as of December 1, 1996; the Third Supplemental Indenture, dated as of May 1, 2003; and the Fourth Supplemental Indenture, dated as of June 1, 2009 (collectively referred to as the Indenture) between the County and U.S. Bank National Association, as Trustee, for the forecast period FY 2009 through FY 2015.**

*Capitalized terms in this report and not otherwise defined have the meanings given to such terms as defined in the Indenture and the preliminary official statement.

**The County's Fiscal Year (FY) ends June 30. The forecast period for the Additional Bonds Test in the Indenture is (a) each of the first three full Fiscal Years succeeding the date on which the Additional Facilities are expected to be completed and in operation or (b) each of the first five Fiscal Years succeeding the date on which the Long-Term Bonds are issued, whichever period is later. Phase 1 of the Airport Improvement Program is expected to be completed in FY 2012, therefore the forecast period extends through FY 2015.

The Airport is owned by the County and operated as a self-supporting enterprise fund of the County. The Airport is one of six commercial service airports in southern California and the only commercial airport in Orange County.

Proceeds of the 2009 Bonds will be used to (1) pay a portion of the costs of Phase 1 of the Airport Improvement Program or AIP (defined below), (2) fund the 2009 Bonds debt service reserve account, (3) fund capitalized interest on a portion of the 2009 Bonds, and (4) pay the costs of issuance of the 2009 Bonds.

Capital Improvement Program

The County prepares a multi-year Capital Improvement Plan (CIP) each year in the course of preparing its annual budget for the Airport. The FY 2009-2015 CIP identifies approximately $543 million in potential future capital projects for the Airport. The largest element of the CIP is the $457 million AIP. The County developed the AIP to build new facilities to accommodate additional passengers, while maintaining an environmentally sensitive operation. Recent and planned terminal projects in the AIP will provide the terminal capacity to allow increases in airline service and passengers.

The County has identified two discrete phases for the AIP. Phase 1 consists of (1) relocation of the South Remain-Over-Night (RON) aircraft parking, (2) construction of a new multi-level, 6-gate Terminal C with approximately 275,000 square feet that will be attached to existing Terminal B, (3) construction of a north and a south commuter/regional terminal fa cility which will each accommodate four regional aircraft at ground level, (4) demolition of Parking Structure B1 to make room for new Terminal C, (5) construction of a new 2,000-space Parking Structure C (Phase 1) adjoining Terminal C, (6) roadway improvements, and (7) construction of a new maintenance building. While Terminal C is under construction, automobiles displaced by the demolition of Parking Structure B1 are being accommodated on a temporary basis on the South RON apron. Parking Structure C (Phase 1) is expected to open in September 2010 and Terminal C is expected to open in late 2011.

Phase 2 will consist of construction of an extension to the new Parking Structure C (referred to as Parking Structure C, Phase 2) and renovation of Terminals A and B. Renovation of Terminals A and B is expected to be completed by the end of FY 2014 and Parking Structure C (Phase 2) will be constructed when demand warrants. At this time, it was assumed that Parking Structure C (Phase 2) would be constructed in FY 2015 and be operational in FY 2016.

The County intends to fund the costs of the AIP through a combination of (1) the 2009 Bonds—a portion of which will be paid by Passenger Facility Charges (PFCs), (2) pay-as-you go PFC revenues, (3) internally generated funds, (4) federal Airport Improvement Program grants-in-aid, (5) future subordinate debt or Airport funds for Parking Structure C (Phase 2), and (6) airline funding for the hydrant fueling system.

In addition, the County has submitted an application for Transportation Security Administration (TSA) grants for a portion of the security infrastructure costs associated with Terminal C and is currently in discussions with TSA. The County is also considering submitting an application to the FAA for voluntary airport low emission (VALE) grant funding for pre-conditioned air on the new gates. TSA and VALE grants are not included in the funding plan at this time.

The existing Thomas F. Riley Terminal at the Airport and related facilities, which opened in 1990, is designed to serve 8.4 million annual passengers (MAP). The Airport served 9.6 MAP in 2008. Existing facilities have been stretched to their operational limits as the Airport accommodates more passengers per gate than any other airport in the country. The 1985 Settlement Agreement formalized a consensus reached between the County and the local community on the nature and extent of facility and operational improvements that could be implemented at the Airport. In 2003, the original four signatories approved a series of amendments to the Settlement Agreement that allowed for additional facilities and operational capacity and continued to provide environmental protections for the local community.

In addition to the AIP project elements, the CIP includes approximately $87 million in additional projects for the Airport. The largest of these projects include a new central utility plant ($28 million) and an elevated roadway seismic retrofit ($9 million). The County expects to finance these other CIP projects primarily with internally generated funds as well as state Caltrans grants ($9 million) and federal grants ($3 million). The County does not expect to fund any of these projects with Bonds or other debt.

The CIP represents to the County's best knowledge and belief at this time, all of the significant capital improvements expected to be undertaken through FY 2015. The County reassesses its Airport capital needs at least annually and will modify the CIP as necessary to accommodate traffic activity, security needs, and other factors, which could result in increases or decreases to the CIP, or extend the timing to complete certain projects consistent with the 1985 Settlement Agreement and 2003 Amendment. Cost estimates were provided by the County and its consultants and include allowances for design, construction management, contingencies, and escalation. Contracts covering approximately 76% of the estimated project costs for the AIP (excluding contingencies) have been determined to date.

The costs and potential revenues related to all future currently anticipated capital improvements in the CIP, including the AIP but excluding Parking Structure C (Phase 2), are reflected in the accompanying financial forecasts.

Passenger Facility Charges

In April 2006, the County received approval from the Federal Aviation Administration (FAA) to impose a PFC of $4.50 per eligible enplaned passenger at the Airport, and has imposed the PFC since July 1, 2006. The FAA approved collection of $321 million in PFC revenue for five projects: (1) an inline baggage screening system (constructed in 2002), (2) the new South RON, (3) costs of developing the PFC application, (4) Terminal C construction and associated soft costs, and (5) Common Use Passenger Processing Systems (CUPPS). In addition, the FAA approved collection and use of PFCs to pay debt service on the PFC-eligible cost of the bonds issued to finance Terminal C and CUPPS.

PFC-use approval is reflected in the financial forecasts presented in this report; in particular, the authorization to use PFC revenues to pay a portion of the debt service on the 2009 Bonds. Under the Fourth Supplemental Indenture, the County intends to irrevocably commit and pledge to apply certain amounts of PFCs to pay eligible debt service on the 2009 Bonds through FY 2015.

2009 Bonds

In July 2009, the County plans to encumber funds and enter into contracts for major elements of the AIP. The 2009 Bonds are expected to provide funds for construction of the AIP in the approximate amount of $211 million to finance a portion of the costs of the AIP, as described further in the attachment (and shown in Exhibits A and B).

Debt service requirements on the 2009 Bonds were provided by Frasca and Associates, the County's financial advisor, who assumed that (1) the 2009 Bonds will be fixed rate, (2) the non-PFC-backed portion will be amortized over a 30-year period from the date of issuance with interest capitalized through the expected Phase 1 completion date in November 2011, (3) the PFC-backed portion will be amortized over a 20-year period with no interest capitalized, and (4) the 2009 Bonds would have an all-in interest rate of 6.0%.

Indenture

The 2009 Bonds are being issued under the terms and conditions of the Original Indenture and a Fourth Supplemental Indenture. The 2009 Bonds will be secured by Net Revenues on a parity basis under the Indenture with the outstanding Series 2003 Bonds.* As defined in the Indenture, Bonds are special, limited obligations of the County payable from the Net Revenues (Revenues less Current Expenses) of the Airport. Principal and interest on the 2009 Bonds is additionally payable from Available PFC Revenues. In the Fourth Supplemental Indenture, the County has irrevocably committed and pledged to deposit into the Revenue Fund certain PFCs (Available PFC Revenues) to pay principal and interest on PFC-eligible portions of the 2009 Bonds from FY 2010 through FY 2015. The Available PFC Revenues are to be transferred by the County from the Available Revenues Account to the Revenue Bond Fund each year. The County has FAA approval to use PFC revenues to pay

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*On May 5, 2009, moneys were placed in an escrow fund in order to defease the 1997 Bonds as of that date. The 1997 Bonds will be redeemed on July 1, 2009.

eligible debt service for these projects. The general fund of the County is not pledged to the payment of the 2009 Bonds.

In addition, as security for the payment of the Bonds, the County has pledged the money and Investment Obligations in all of the related subaccounts of the Revenue Bond Fund and Accounts (including the 2009 Reserve Account) and the money and Investment Obligations in the Renewal and Replacement Fund, the Series 2009 Project Account, the 2009 Reserve Account, and any Additional Facilities Account, to the extent such money and Investment Obligations have not been encumbered by the County.

Revenues are generally defined as all income, receipts, earnings, and revenues received by the County from the operation and ownership of the Airport, subject to certain specific exclusions, including PFC revenues, grants-in-aid for capital projects (except Available Grant Revenues), Special Purpose Facility rentals or other payments, customer facility charges (CFCs) *, and certain other amounts.

Current Expenses are the County's current expenses for the operation, maintenance, and repair of the Airport as determined in accordance with generally accepted accounting principles, excluding: (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation, (iii) any interest, (iv) any principal payment in respect of capital leases or indebtedness including the Bonds, (v) any deposits to any Fund or Account created under the Indenture and payments of principal, premium, if any, and interest from such Funds and Accounts, (vi) any loss from the sale, exchange or other disposition of capital assets at the Airport; (vii) any unrealized losses on securities held for investment by or on behalf of the County for the Airport; (viii) any loss resulting from the extinguishment of indebtedness; and (ix) Current Expenses which are paid with amounts other than Revenues.

Under the definition of Long-Term Debt Service Requirement, principal and interest to be paid from Available Revenues and from the proceeds of Long-Term Bonds (i.e., capitalized interest) are excluded from the determination of the Long-Term Debt Service Requirement.

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*Customer facility charges are paid by rental car customers. The County currently does not charge a CFC and has no plans to levy one.

Rate Covenant

In Section 704 of the Indenture (referred to as the Rate Covenant), the County has covenanted to fix, charge, and collect rates, fees, rentals, and charges for the use of the Airport and has covenanted to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to:

- Produce Revenues (which, pursuant to the Fourth Supplemental Indenture, includes Available PFC Revenues as well as any additional PFC Revenues that the County elects to deposit with the Trustee) in each Fiscal Year at least equal to:

  – Current Expenses for the then current Fiscal Year plus the County's cost of capital items which are budgeted to be paid from the Operating Fund for the then current Fiscal Year,

  – Amounts required to be deposited to the Revenue Bond Fund to pay principal and interest due in the current Fiscal Year,

  – Amounts required to be deposited to the Revenue Bond Reserve Account if the account has less than the Reserve Requirement,

  – Amounts required to be deposited to the Subordinated Debt Fund for principal and interest payable for the current Fiscal Year,

  – Amounts required to be deposited to the Renewal and Replacement Fund equal to the amount in the Annual Budget for the current Fiscal Year, <u>and</u>

- Produce Net Revenues in each Fiscal Year at least equal to 125% of the Long-Term Debt Service Requirement for such Fiscal Year.

Additional Bonds Test

Section 716 of the Indenture (referred to as the Additional Bonds Test), sets forth the conditions under which Additional Bonds may be issued for Additional Facilities other than Completion Bonds. The County must provide to the Trustee, among other things, evidence indicating that the County is in compliance with the Rate Covenant and either:

(i) a certificate of the County Representative stating that Net Revenues for the most recent Fiscal Year for which audited financial statements are available preceding the date of issuance of the proposed Series of Bonds were not less than 1.50 times the Long-Term Debt Service Requirement on all outstanding Long-Term Bonds and the Long-Term Bonds to be issued; or

(ii) a report of an Airport Consultant stating that projected Net Revenues will be sufficient to satisfy the Rate Covenant for (a) each of the first three full Fiscal Years succeeding the date on which the Additional Facilities are expected to be completed and in operation or (b) each of the first five Fiscal Years succeeding the date on which the Long-Term Bonds are issued, whichever period is later; or

(iii) additional Long-Term Bonds in an amount not to exceed 10% of Total Operating Revenues for the most recent Fiscal Year for which audited financial statements are available.

This report provides the documentation needed from the Airport Consultant to demonstrate compliance with the Additional Bonds Test for the 2009 Bonds.

Airline Lease and Revenue Policy

All but one of the passenger airlines operating at the Airport have entered into an agreement with the County known as the Certified Passenger Airline Lease (Airline Lease).* The Airline Lease became effective January 1, 2006, and expires on March 31, 2011. The rents, fees, and charges in the Airline Lease are established in accordance with (1) Resolution 02-062, adopted by the County Board of Supervisors on March 12, 2002, which reasserts and establishes the John Wayne Airport Revenue Planning Policy (Revenue Policy) that was adopted in 1987 under Resolution 87-825 and (2) the Indenture.

Under the Revenue Policy, airline terminal rental rates are established under a commercial compensatory methodology where the rental rate is calculated to recover the average cost of each square foot of Rentable Space in the Terminal cost center. (Rentable Space is the total amount of space, in square feet, available for rent in the Terminal to airlines, concessions, and other tenants.) The landing fee and apron fee rates are established under a cost center residual approach where certain non-airline revenues are credited to each of the Airfield and Apron cost centers to determine the net cost to be paid by the airlines. Airport management adjusts airline rates and charges semiannually in accordance with the terms of the Airline Lease.

Scope of Report

The report was prepared to address the ability of the Airport to meet the requirements of the Rate Covenant during the forecast period taking into account the outstanding Series 2003 Bonds and the proposed 2009 Bonds and to demonstrate compliance with Additional Bonds Test for the 2009 Bonds. In conducting our study, we analyzed:

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*Mesa Airlines (dba US Airways Express), operates under a license agreement instead of a lease agreement

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the airport service region, historical trends in airline traffic, recent airline service developments and airfares, the Settlement Agreement and Amendments, and other key factors that may affect future airline traffic.

- The status and estimated costs of the AIP and the FY 2009-2015 CIP.

- Estimated sources and uses of funds and annual Long-Term Bond Debt Service Requirement for the 2009 Bonds.

- Historical and estimated future PFC revenues and the use of certain PFC revenues to pay a portion of the annual Long-Term Bond Debt Service Requirement on the 2009 Bonds.

- The County's intended use of PFC revenues during the forecast period under the terms of the Indenture and the Fourth Supplemental Indenture.

- Historical relationships among revenues, expenses, and airline traffic for the Airport.

- The facilities expected to be provided, as included in the CIP, the estimated completion date of the AIP, and other operational considerations affecting Airport revenues and expenses.

- Audited financial results for the Airport for FY 2008 and the County's current estimate of Revenues and Current Expenses for FY 2009.

- The Airline Lease and Revenue Policy and the associated calculation and adjustment of airline rentals, fees, and charges.

- Other contractual agreements relating to the use and lease of the Airport such as the operation of public automobile parking and other concession and service privileges, and the leasing of buildings and grounds.

We have relied upon the County and the AIP design team for estimates of project costs and construction schedules for the AIP; upon the County for estimates of project costs, funding sources, and construction schedules for the rest of the CIP; and upon the County's Financial Advisor for the plan of debt finance and estimated debt service requirements for the 2009 Bonds.

We also identified key factors upon which the future financial results of the Airport may depend and formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts presented in the accompanying exhibits provided at the end of this report.

Forecast Debt Service Coverage and Rate Covenant Compliance

As shown in Exhibits G and H at the end of this report, and the table below, Revenues are forecast to be sufficient to pay Current Expenses and to meet the other funding requirements of the Indenture. The following table summarizes forecasts of Net Revenues, Long-Term Bond Debt Service Requirements, and debt service coverage as well as the application of Revenues.

FORECAST RATE COVENANT COMPLIANCE
John Wayne Airport
(for the 12 months ending June 30)

	Estimate 2009	Forecast 2010	2011	DBO /1 2012	2013	2014	2015
Revenues	$ 113,284,710	$ 116,731,654	$ 121,651,029	$ 123,864,942	$ 133,141,936	$ 137,466,566	$ 142,356,080
Less: Current Expenses	(69,019,600)	(73,089,654)	(77,021,525)	(84,608,985)	(91,688,684)	(96,298,618)	(101,141,088)
Net Revenues	$ 44,265,110	$ 43,642,000	$ 44,629,504	$ 39,255,956	$ 41,453,251	$ 41,167,948	$ 41,214,992
Gross Debt Service /2							
Existing Bonds	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 4,657,175	$ 4,660,925	$ 4,656,175	$ 4,661,250
Proposed Series 2009 GARB	-	-	-	2,971,650	7,498,300	7,500,000	7,496,000
Proposed Series 2009 PFC	-	12,300,700	12,300,600	12,301,700	12,303,100	12,298,900	12,303,500
Gross Debt Service /2	$ 18,399,194	$ 16,956,875	$ 16,956,025	$ 19,930,525	$ 24,462,325	$ 24,455,075	$ 24,460,750
Less: Available PFC Revenues	-	(12,300,700)	(12,300,600)	(12,301,700)	(12,303,100)	(12,298,900)	(12,303,500)
Long Term Debt Service Requirement	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 7,628,825	$ 12,159,225	$ 12,156,175	$ 12,157,250
Debt Service Coverage	241%	937%	959%	515%	341%	339%	339%
Application of Revenues and Rate Covenant per 704(a)							
Operating Fund							
Current Expenses	$ 69,019,600	$ 73,089,654	$ 77,021,525	$ 84,608,985	$ 91,688,684	$ 96,298,618	$ 101,141,088
Annual Equipment Purchases	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Operating Reserve	974,100	678,342	655,312	1,264,577	1,179,950	768,322	807,078
Revenue Bond Fund	18,399,194	4,656,175	4,655,425	7,628,825	12,159,225	12,156,175	12,157,250
Revenue Bond Reserve Account	-	-	-	-	-	-	-
Subordinated Debt Fund	-	-	-	-	-	-	-
Renewal and Replacement Fund	-	-	-	-	-	-	-
Airport General Fund	23,891,816	37,307,482	38,318,767	29,362,555	27,114,076	27,243,451	27,250,663
Total	$ 113,284,710	$ 116,731,654	$ 121,651,029	$ 123,864,942	$ 133,141,936	$ 137,466,566	$ 142,356,080

Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.
2. Gross Debt Service is net of capitalized interest.

The calculation of the Long-Term Bond Debt Service Requirement for the 2009 Bonds excludes principal and interest to be paid from capitalized interest and Available PFC Revenues. Exhibit D presents annual PFC revenue collection and the application of PFC revenues.

The calculation of debt service coverage through FY 2015 forecasts compliance with the Rate Covenant in each year of the forecast period.

Assumptions Underlying the Financial Forecasts

The forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by Airport management. The forecasts reflect Airport management's expected course of action during the forecast period and, in Airport management's judgment, present fairly the expected financial results of the Airport.

Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither Jacobs Consultancy nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the report. We have no responsibility to update this report to reflect events and circumstances occurring after the date of the report.

Sensitivity Analysis Projection

As a result of the current economic recession and the potential implications for the airline industry, uncertainties exist about the number of passengers that will enplane at the Airport in the future. To test the sensitivity of the financial forecasts to hypothetical levels of passenger activity, a sensitivity analysis projection was developed in addition to the base forecasts. The sensitivity analysis projection should not be considered as a forecast of expected future results. For the purposes of this hypothetical scenario, it was assumed that enplaned passengers at the Airport would be 10% lower than the base forecast.

Under the sensitivity analysis projection, concessions and other revenues associated with passengers, including PFC revenues, were assumed to be reduced. In addition, debt service coverage is projected to be lower, but to meet or exceed the coverage requirements of the Rate Covenant.

* * * * *

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

Respectfully submitted,

Jacobs Consultancy

JACOBS CONSULTANCY

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

John Wayne Airport

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CONTENTS

CONTENTS *(continued)*

TABLES

FIGURES

EXHIBITS

AIRLINE TRAFFIC ANALYSIS

The section provides a summary of existing Airport facilities, a description of the region served by the Airport, a description of the role of the Airport, the economic basis for airline traffic at the Airport, key factors affecting future airline traffic, and forecasts of enplaned passengers and aircraft landed weight.

AIRPORT FACILITIES

John Wayne Airport is located on a 503-acre parcel in the south/central portion of Orange County near to the cities of Costa Mesa, Newport Beach, Tustin, Santa Ana, and Irvine. It is the only commercial service airport in Orange County, California and is located approximately 35 miles south of Los Angeles. Access to the Airport is provided by, among other roads, Interstate 405, which bounds the Airport site to the northeast, Costa Mesa Freeway (State Route 55) to the northwest, and Corona Del Mar Freeway (State Route 73) to the south.

Airfield

The Airport has two runways and an associated system of taxiways. Runway 19R-1L, which is 5,700 feet long and 150 feet wide, can accommodate Airplane Design Group IV aircraft (with certain limitations) and serves both commercial air carrier and general aviation aircraft. Runway 19L-1R, which is 2,887 feet long and 75 fee wide, can accommodate Group II aircraft and is used by general aviation aircraft. Runway 19L-1R also serves as a taxiway for air carrier aircraft during peak morning departure hours.

The length, width, and strength of Runway 19R-1L is adequate to accommodate short to medium haul as well as some long haul commercial air carrier activities consistent with the Airport's existing and future role serving origination and destination markets in the Airport Service Region. The length of Runway 19R-1L has been adequate to accommodate current and future generation narrow body aircraft (Boeing 737NG series, 757-200W and Airbus A319/320/321) and large regional aircraft (CRJ 900, EMB 190). For example, the Airport currently accommodates long haul service to markets in Newark (2,439 air miles from the Airport) and Atlanta (1,913 air miles from the Airport).

Passenger Terminals

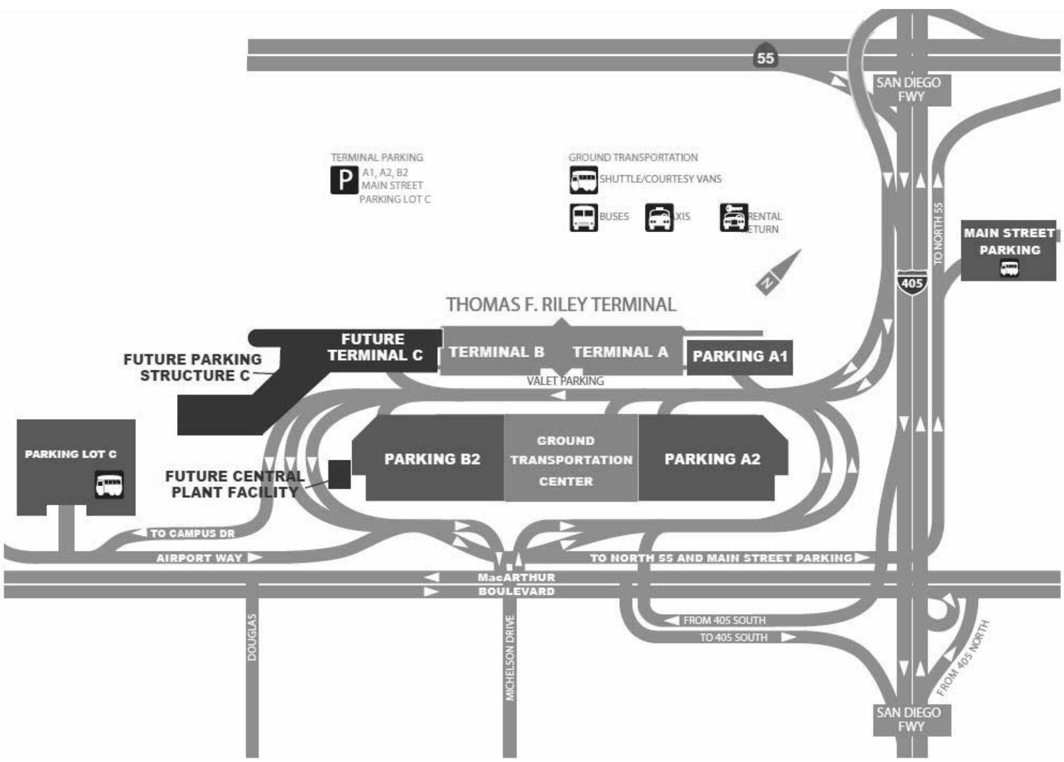
The existing Thomas F. Riley Terminal (the Terminal) and related facilities opened in 1990 and provide 14 second-level jet gates with loading bridges for air carriers and two temporary holdrooms for commuter aircraft. Terminals A and B, which together comprise the Terminal, each provide a concourse for aircraft loading and unloading; a landside building for passenger ticketing, check-in, baggage makeup and screening, passenger security screening, and baggage claim; and a shared, centrally located food court and restaurant on the airside. The Terminal currently provides a total of approximately 458,000 square feet of space on three levels. The arrivals (lower) level contains baggage claim and rental car counters. The departures (second) level provides passenger ticketing, check-in, passenger security screening, gates, and concession facilities. Airline lounges are located on the mezzanine (third) level.

Alaska, American, American Eagle, Continental, Delta/Northwest, Delta Connection (SkyWest), and Virgin America, currently operate in Terminal A while Frontier, Mesa, Southwest, United, United Express (Skywest), and US Airways currently operate in Terminal B.

The terminal apron currently provides aircraft parking for the 14 second-level jet gates, 4 commuter aircraft positions, and 15 remain-over-night (RON) spaces.

Figure 1 shows the current and future layout of the terminal area and the locations of the parking facilities.

Figure 1
EXISTING TERMINAL AREA LAYOUT – JOHN WAYNE AIRPORT



Source: John Wayne Airport, Orange County records.

Parking and Ground Transportation Facilities

Parking facilities include three multi-level parking structures located adjacent to the Terminal (Parking Structures A1, A2, and B2) with a total of 4,499 spaces, 622 valet spaces in Parking Structures A2 and B2, one nearby temporary parking area (Lot C) with 899 spaces, and a remote lot (Main Street) with 1,959 spaces. Full-service curbside valet parking is available on the departures level roadway located between Terminals A and B. The parking garages are connected directly to the Terminal by crosswalks on the upper and lower levels.

Parking Structure B1 (with 1,242 spaces) was permanently closed on September 2, 2008 to make room for new Terminal C. Parking Lot C opened for service on August 1, 2008 to provide temporary replacement spaces. Free shuttle bus service is provided to Lot C and the Main Street Lot by the County. New Parking Structure C (Phase 1) will be constructed in Phase 1 of the Airport Improvement Program or AIP (described below) and will contain approximately 2,040 spaces. In Phase 2 of the AIP, Parking Structure C will be expanded by approximately 1,200 spaces.

The lower level of Parking Structures A2 and B2 accommodates rental car pickup and drop-off operations. There are seven on-site rental car brands – Alamo, Avis, Budget, Enterprise, Hertz, National, and Thrifty. Off-Airport rental car companies are licensed to pick up passengers from the Terminal and shuttle them to their off-site locations. The off-Airport companies include American Eagle Car Rental, AM-PM Rent-A-Car, Go Rent-A-Van, Newport Beach Rent A Car, Rent 4 Less, Fox/Payless Rent-A-Car, Stop Then Go Rent-A-Car, and United Auto Rental.

A ground transportation center is located between Terminals A and B on the arrivals (lower) level and has dedicated curbsides for taxis, courtesy vehicles, buses to Parking Lot C and the Main Street Lot, and public transportation.

General Aviation and Other Facilities

The Airport also supports a variety of general aviation activities, including charter, flight instruction, recreation, business, law enforcement, media, and medical/mercy flights (air ambulance). There are facilities for fixed base operators (FBOs), hangars, tie-downs, fueling, and other services that accommodate 594 general aviation aircraft. County facilities accommodate 380 of these aircraft while FBO facilities accommodate the remaining 214 aircraft. Tenants serving general aviation include full service FBOs, hangar operators, aircraft maintenance, and flight instruction. The general aviation area also includes offices and maintenance shops. FBOs are located on both the east and west sides of the airfield. The west side has been primarily designated for aircraft storage. There are two full-service FBOs on the Airport—Atlantic Aviation and Signature Flight Support.

Federal Express and United Parcel Services air cargo package handling and sorting operations are located on the South RON. FedEx and UPS primarily process "next day" and "second day" cargo through the Airport.

The Airport administrative building is located on Airport property across the airfield opposite the Terminal and outside the perimeter fence. Fuel storage facilities for commercial jets consist of three-300,000 gallon tanks, which can accommodate two to three days of jet fuel needs.

SETTLEMENT AGREEMENT

The use, operations, and development of the Airport are subject to the terms of the 1985 Settlement Agreement that resolved litigation with the neighboring City of Newport Beach and two community groups, a 2003 Amendment to the 1985 Settlement Agreement, and other amendments. A more complete description of the 1985 Settlement Agreement and its history is provided in the Official Statement. For purposes of the financial forecasts, certain aspects of the 1985 Settlement Agreement and the 2003 Amendment are relevant as described below.

The 1985 Settlement Agreement, as amended, limits the amount of regularly scheduled commercial passenger service and cargo activity at the Airport. Specifically, it limits the number of average daily departures (ADDs) and the number of passengers the Airport can serve on an annual basis, which limit is expressed in millions of annual passengers referred to as the MAP Cap. The 2003 Amendment allows the Airport to increase ADDs and the MAP Cap, add up to six new terminal gates, and eliminate the limits on terminal square footage and parking spaces.

Table 1 presents key provisions of the 1985 Settlement Agreement and the 2003 Amendment.

Role of ADDs

As a result of the 1985 Settlement Agreement, the County adopted the Phase 2 Commercial Airline Access Plan and Regulation (Access Plan), which defines a series of operating parameters that apply to all commercial and commuter carriers. These parameters include limits on aircraft noise, ADDs, and the MAP Cap as well as a nighttime curfew. There are currently noise limits for two classes of departures: Class A and Class E. While both classes meet the FAA's Stage 3 requirements, Class E departures are quieter and are generally used for short- or medium-haul destinations. The Airport may allocate, and carriers may operate, a maximum of 89 "Class A" ADDs. The number of Class E departures is limited only by the MAP Cap. Most aircraft that presently operate at the Airport, including B757, B737, A320 and MD90, can fly in all categories, depending on take-off weight. In FY 2008, there were a total of 101,670 scheduled arrivals and departures at the Airport, including 59,856 Class A operations and 41,814 Class E (air carrier and commuter) operations.

Table 1

SUMMARY OF 1985 SETTLEMENT AGREEMENT AND 2003 AMENDMENT
John Wayne Airport

	1985 Agreement	2003 Amendment
Term	Phase 1: April 1, 1985 through September 30, 1990 Phase 2: October 1, 1990 *(a)* through December 31, 2005	January 1, 2003 through December 31, 2015
Average Daily Departures (ADDs)	Phase 1: *(b)* Maximum of 55 Class A & AA ADDs No more than 39 Class A departures Phase 2: *(b)* Maximum of 73 Class A & AA ADDs No more than 39 Class A departures	Maximum of 85 *(d)* Class A ADDs for passenger service Additional four (4) ADDs for all-cargo service
Passengers/MAP Cap *(c)*	Phase 1: 4.75 MAP	10.3 MAP (through 12/31/10)
	Phase 2: 8.4 MAP	10.8 MAP (through 12/31/15)
Terminal	Not to exceed 337,900 sq. ft	No limit
Departure Lounge	Not to exceed 37,000 sq. ft. ea.	No limit
Parking	Not to exceed 8,400 spaces	No limit
	No parking structure to have more than four levels	No limit
Loading Bridges	Not to exceed 14 total	Not to exceed 20 total

(a) The Settlement Agreement defined the start of Phase 2 as April 1, 1990 or the opening date of the new passenger terminal, whichever came later. As a result of the mid-September 1990 terminal completion, Phase 2 began on October 1, 1990.
(b) Three noise-based "classes" of departures were defined: Class A, AA, and E with Class E the most restrictive.
(c) The million annual passenger (MAP) limitation applies to the combination of passengers served in all classes of departures ("MAP Cap").
(d) Under the 2003 Amendment, Class A and Class AA departures were condensed into one Class A category.

Source: John Wayne Airport, Orange County records.

Each year the Airport Director submits recommendations to the County Board of Supervisors regarding the allocation of operating capacity for the coming Plan Year, which extends from April 1 through March 31 of the following year. This plan provides for the allocation of Regulated Class A ADDs, Seat Capacity, Remain-Over-Night (RON) Capacity, and Passenger Capacity to Commercial Air Carriers (Carriers) and Commuter Air Carriers. As part of this process, the Airport requests that incumbent and, when sufficient space and capacity are available, potential new entrant Carriers submit their capacity requests. Those requests and all related information are then reviewed by Airport staff in formulating its specific allocation recommendations for the Plan Year to achieve the following objectives:
(1) accommodate, to the extent possible, ADD, Seat Capacity, RON, and Passenger Capacity requests received from the incumbent Carriers, (2) accommodate, to the extent possible, ADD, Seat Capacity, and RON capacity requests received from the Carriers currently on the New Entrant Waiting List, (3) provide internal County controls in order to ensure compliance with the MAP Cap, (4) provide internal County controls in order to ensure compliance with the annual cap on numbers of ADDs, and (5) meet all other legal and regulatory obligations.

During the 2003 allocation process of the new capacity provided by the 2003 Amendment, the County provided the Airport Director with the discretion to allocate up to two Commercial Cargo ("Cargo") Class A ADDs to passenger Carriers when not needed for Cargo operations. This capacity, however, may only be allocated on a supplemental basis for one Plan Year in any year where those ADDs have not been requested by Cargo Carriers.

The County retains ownership of the ADDs and allows airlines to use them subject to the annual capacity allocation plan. The Access Plan includes provisions permitting the County to withdraw operational capacity at its sole and exclusive discretion to ensure that the MAP Cap is not exceeded during any Plan Year.

For the 2009-10 Plan Year allocation process, the County Board of Supervisors approved authorization to allocate capacity to two new entrant Carriers -- Air Canada and Virgin America. Virgin America has been allocated five ADDs and Air Canada one ADD.

AIRPORT SERVICE REGION

The primary area of the Airport Service Region consists of Orange County, which accounts for 15% of the population of the Airport Service Region, as shown in Table 2. The secondary area served by the Airport, which includes parts of the surrounding four counties of Los Angeles, San Bernardino, San Diego, and Riverside, is defined by the location of (and the airline service provided at) other commercial service air carrier airports in southern California, as shown on Figure 2. The total population and population densities for the five counties, as shown in Table 2 and on Figure 2, respectively, underline the importance of this region and the large demand for air service.

Table 2

POPULATION DISTRIBUTION IN THE AIRPORT SERVICE REGION

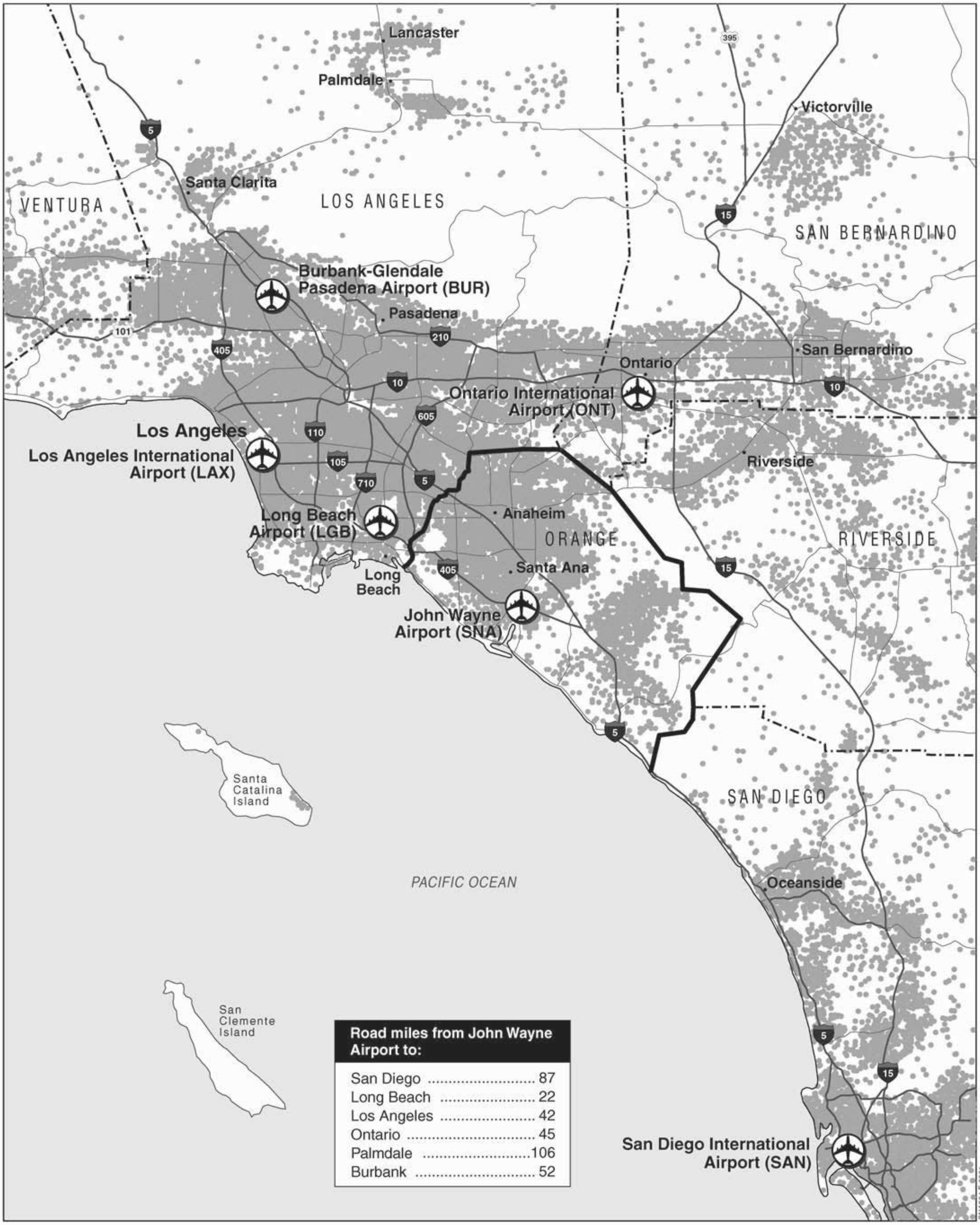
County	2008 Population	Percent of total
Primary area		
Orange	3,121,251	15.0%
Secondary area		
Los Angeles	10,363,850	49.9%
San Bernardino	2,055,766	9.9
San Diego	3,146,274	15.1
Riverside	2,088,322	10.1
	17,654,212	85.0%
Total	20,775,463	100.0%

Source: California Department of Finance, *E-5 County/State Population and Housing Estima*tes, accessed January 1, 2009.

AIRPORT ROLE

The Airport plays an important role in the national, state, and local air transportation systems. The Airport is one of six commercial service airports in southern California, the only commercial airport in Orange County serving its origin-destination passenger base, and a medium air traffic hub airport* in the national air transportation system. In addition, the Airport accommodated 215,777 general aviation aircraft operations in FY 2008, accounting for 64% of total aircraft operations at the Airport.

*A medium hub is defined as a community that enplanes between 0.25% and 0.1% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States.



Road miles from John Wayne Airport to:	
San Diego	87
Long Beach	22
Los Angeles	42
Ontario	45
Palmdale	106
Burbank	52

LEGEND

1 dot = 500 people

Primary area

Passenger air carrier service

Source: U.S. 2000 census data.

N

8 0 8 16

Graphic Scale in Miles

Figure 2

AIRPORT SERVICE REGION

John Wayne Airport

March 2009

JACOBS CONSULTANCY

Commercial Service Airports Serving Orange County and Southern California

The Airport enplaned 4.8 million passengers in FY 2008, accounting for 9.3% of the 51.2 million passengers enplaned at the six commercial service airports serving southern California, as shown in Table 3. Southern California (including San Diego) is the largest air travel market in the United States and provides a large base of passengers for continued service development at the Airport.

Table 3

ENPLANED PASSENGERS AT COMMERCIAL SERVICE AIRPORTS IN SOUTHERN CALIFORNIA

Airport	FY 2008 Enplaned passengers *(a)*	Percent of total
John Wayne	4,780,487	9.3%
Bob Hope (Burbank)	2,889,259	5.7
Long Beach	1,374,371	2.7
Los Angeles International	29,474,064	57.6
Ontario International	3,396,893	6.6
San Diego International	9,252,403	18.1
Total	51,167,477	100.0%

Note: For Fiscal Years ended June 30.

(a) Includes domestic and international activity.

Sources: John Wayne Airport, Orange County records.
U.S. Department of Transportation, Schedule T100, online database, accessed January 2009.

Origin-Destination Passenger Base

The Airport's large origin-destination (O&D) passenger base reflects the strength of Orange County's economy. The Airport primarily serves O&D passengers (i.e., passengers beginning or ending their trips at the Airport). From FY 2000 through FY 2008, O&D passengers accounted for an average of 98% of all passengers enplaned at the Airport.

A recent passenger survey conducted at the Airport provides additional information on the composition and trip purpose of O&D passengers. According to the survey, visitors accounted for 62% of Airport passengers in 2007, with Orange County residents accounting for the remaining 38%. In 2007, approximately 42% of passengers at the Airport were taking business trips, 48% traveling mainly for leisure, and the remaining 10% were taking trips for personal, school or education, and other purposes. The convenient location of the Airport was the top reason cited by both telephone and intercept survey respondents in their choice of airports, with 92% and 81% of total responses, respectively.* According to the survey results, the mean household income range of the intercept and telephone participants was $100,000 to $149,999.

Medium Air Traffic Hub

The FAA classifies John Wayne Airport as a medium air traffic hub airport. According to FAA data, the Airport was the nation's 41st busiest airport in terms of enplaned passengers in 2007. As of April 2009, the Airport was served by 7 mainline passenger airlines, 4 regional affiliate airlines, and 3 low cost airlines, which together provided 129 daily nonstop departures to 17 destinations. On April 29, 2009, Virgin America, a California based airline, started service from the Airport to San Francisco International Airport, with five daily departures. In addition, the Airport is working with Air Canada on its request to initiate service later in 2010, which would be the Airport's first pre-cleared international service. The Airport was also served by two all-cargo airlines, Federal Express and United Parcel Service.

ECONOMIC BASIS FOR AIRLINE TRAFFIC

Orange County is a primary business center in southern California with a diverse economic base, including aerospace manufacturing, educational institutions, financial services, healthcare services, and tourism.

In general, the development and diversity of the economic base of an airport service region are the primary drivers of traffic growth at an airport serving a region. This is particularly true where the industries in the region rely on the airport for passenger and cargo service. This section presents a discussion of the economic basis for airline traffic at the Airport—the historical population, employment, and per capita income of Orange County, industry clusters, and tourism--and a summary of the economic outlook for the United States, California, and Orange County.

Historical Population, Employment, and Per Capita Income

Figure 3 summarizes historical economic indicators—population, nonagricultural employment, and per capita income—for Orange County, the State of California, and the United States from 2000 through 2008. The average annual increase in enplaned passengers at the Airport, the State of California, and the United States during this period is also presented in Figure 3 for comparison with the trends in economic activity and will be discussed in the section titled "Historical Airline Traffic". Notwithstanding employment losses in 2007 and 2008 related to the national economic recession, Orange County experienced higher employment, per

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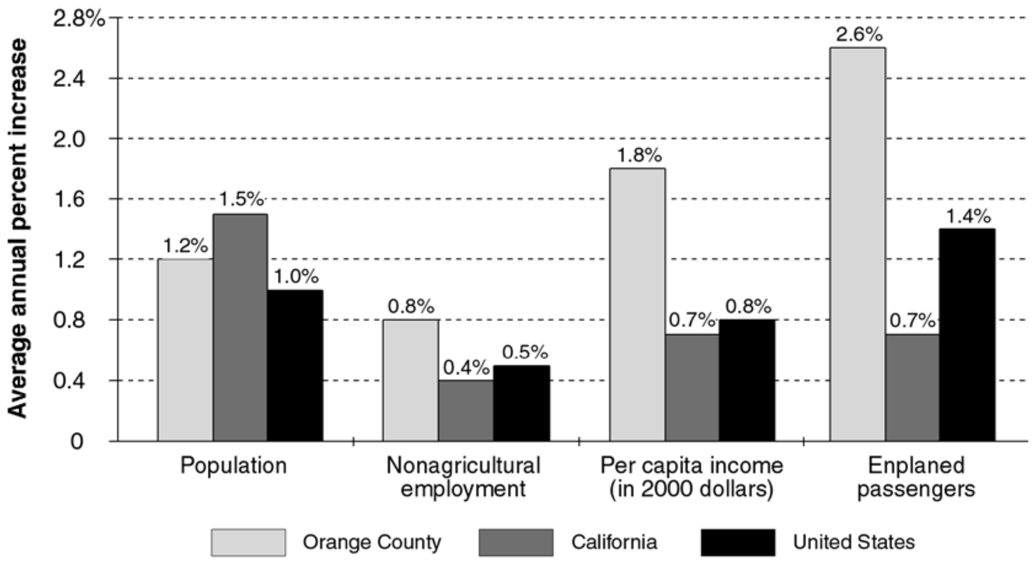
*John Wayne Airport, *Passenger Survey 2007*, Final Report, prepared by the Redhill Group, Inc.

capita income, and passenger traffic growth than the State of California and the nation between 2000 and 2008.

Figure 3

ECONOMIC INDICATORS AND ENPLANED PASSENGERS
Orange County, State of California, and United States
2000-2008



Sources: Population—California Department of Finance, *E-5 County/State Population and Housing Estimates*, accessed January, 2009. U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed January 2009.

Nonagricultural employment—State of California, Employment Development Department, Labor Market Information Division, www.edd.ca.gov, accessed December 2008. U.S. Bureau of Labor Statistics, www.bls.gov, accessed March 2009.

Per capita income—U.S. Bureau of Economic Analysis, www.bea.gov, accessed January 2009. The percent change in per capita income is for 2000 through 2006 (the most recent available year).

Enplaned passenagers—John Wayne Airport, Orange County records. U.S. Department of Transportation, Schedule T100, online database, accessed February 2009. Data are for Fiscal Years ended June 30.

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Table 4 presents comparative historical trends in population, nonagricultural employment, and per capita income in Orange County, the State of California, and the United States.

Population. As shown in Table 4, the population of Orange County increased at average annual growth rates higher than the national average and lower than rates for the State of California (except from 1990 to 2000). Population growth in Orange County has slowed since 1980, increasing an average of 2.2% per year between 1980 and 1990, 1.7% per year between 1990 and 2000, and 1.2% per year between 2000 and 2008. In 2008, the population of Orange County totaled 3,121,000.

Table 4

HISTORICAL SOCIOECONOMIC DATA

Orange County, State of California, and United States

1980-2008

	Population (thousands)			Nonagricultural employment (thousands)			Per capita income in 2000 dollars *(a)*		
	Orange County *(b) (c)*	State of California *(b) (c)*	United States *(c)*	Orange County *(d) (e)*	State of California *(d) (e)*	United States *(e)*	Orange County	State of California	United States
1980	1,923	23,678	226,546	836	9,849	90,528	$27,951	$24,975	$21,136
1990	2,411	29,760	248,710	1,172	12,500	109,487	33,327	28,509	25,661
2000	2,846	33,873	281,422	1,389	14,488	131,785	37,097	32,462	29,845
2001	2,890	34,431	285,040	1,414	14,602	131,826	36,597	31,973	29,928
2002	2,939	35,064	287,727	1,404	14,458	130,341	36,534	31,421	29,502
2003	2,981	35,653	290,211	1,429	14,393	129,999	37,274	31,402	29,484
2004	3,017	36,199	292,892	1,457	14,533	131,435	38,524	32,307	30,195
2005	3,045	36,675	295,561	1,491	14,801	133,703	40,087	33,031	31,646
2006	3,066	37,115	298,363	1,519	15,060	136,086	41,179	33,847	32,360
2007	3,090	37,559	301,290	1,516	15,174	137,623	n.a.	n.a.	n.a.
2008	3,121	38,049	304,060	1,485	14,994	137,066	n.a.	n.a.	n.a.
	Average annual percent increase (decrease)								
1980-1990	2.2%	2.3%	0.9%	3.4%	2.4%	1.9	1.8%	1.3%	2.0%
1990-2000	1.7	1.3	1.2	1.7	1.5	1.9	1.1	1.3	1.5
2000-2008	1.2	1.5	1.0	0.8	0.4	0.5	1.8 *(f)*	0.7*(f)*	0.8 *(f)*
	Percent increase (decrease)								
2000-2001	1.5%	1.6%	1.3%	1.8%	0.8%	0.0%	(1.3%)	(1.5%)	(0.4%)
2001-2002	1.7	1.8	0.9	(0.7)	(1.0)	(1.1)	(0.2)	(1.7)	(0.8)
2002-2003	1.4	1.7	0.9	1.8	(0.4)	(0.3)	2.0	(0.1)	(0.1)
2003-2004	1.2	1.5	0.9	1.9	1.0	1.1	3.4	2.9	2.4
2004-2005	0.9	1.3	0.9	2.4	1.8	1.7	4.1	2.2	1.5
2005-2006	0.7	1.2	0.9	1.9	1.7	1.8	2.7	2.5	2.3
2006-2007	0.8	1.2	1.0	(0.2)	0.8	1.1	n.a.	n.a.	n.a.
2007-2008	1.0	1.3	0.9	(2.0)	(1.2)	(0.4)	n.a.	n.a.	n.a.

n.a. = Not available.

(a) U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed January 2009. Adjusted to constant 2000 dollars using the U.S. Department of Labor, Consumer Price Index for Urban Consumers (1982-84 = 100), www.bls.gov.

(b) State of California, Department of Finance, *E-5 County/State Population and Housing Estimates*, accessed January 2009.

(c) U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed January 2009.

(d) State of California, Employment Development Department, Labor Market Information Division, www.edd.ca.gov, accessed March 2009.

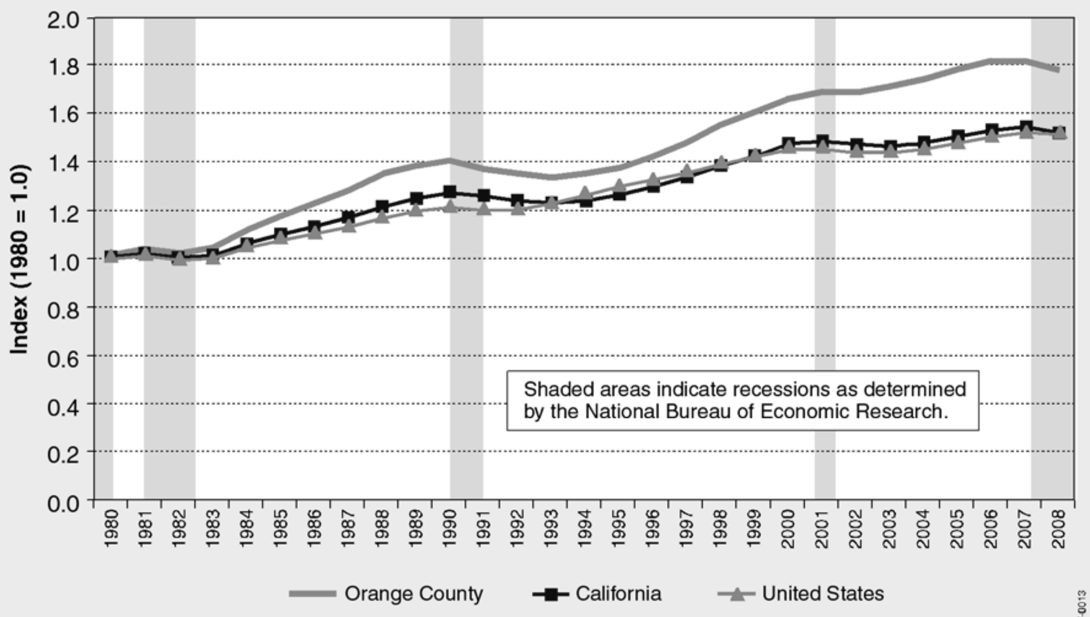
(e) U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed March 2009.

(f) Represents the average annual percent change from 2000 through 2006.

Nonagricultural Employment. Nonagricultural employment in Orange County increased at average annual growth rates higher than those for the State of California and the nation, as shown in Table 4. Following the trends in population, growth in nonagricultural employment in Orange County has slowed since 1980, increasing an average of 3.4% per year between 1980 and 1990, 1.7% per year between 1990 and 2000, and 0.8% per year between 2000 and 2008. During the past four national economic recessions, economic activity in Orange County, as measured by nonagricultural employment, has followed national and state trends, as shown on Figure 4. In the current economic recession which started in December 2007, the County's nonagricultural employment decreased 0.2% in 2007 and 2.0% in 2008, exceeding decreases in the State of California and the nation. The recent decreases in nonagricultural employment in Orange County reflect large employment losses in the financial services sector (a decrease of 17.7% between 2006 and 2008) related to the sub-prime mortgage lending crisis and the construction sector (a decrease of 14.4% between 2006 and 2008).

Figure 4

TRENDS IN NONAGRICULTURAL EMPLOYMENT



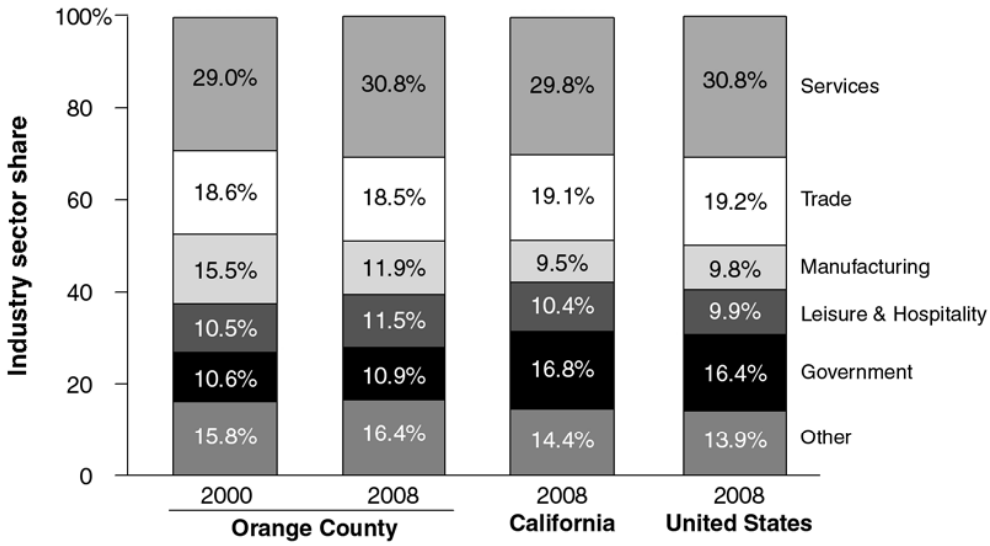
Sources: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed March 2009.

Per Capita Income. Per capita income (in 2000 constant dollars) in Orange County has historically exceeded that for the State of California and the nation, as shown in Table 4. From 2000 to 2006, Orange County per capita income increased an average of 2.1% per year, compared to 1.1% per year in the State and 1.2% per year in the United States.

Nonagricultural Employment by Industry Sector. Figure 5 shows a comparative distribution of nonagricultural employment by industry sector for Orange County in 2000 and in 2008, and for the State and the nation in 2008. Employment in services (30.8%), including health, professional, business, and other services, in trade (18.5%), and in the manufacturing sector (11.9%) accounted for 61.2% of total nonagricultural employment in Orange County in 2008.

Figure 5

COMPARATIVE DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT



Sources: State of California, Employment Development Department, Labor Market Information Division, www.edd.ca.gov, accessed December 2008.

U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed January 2009.

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Unemployment Rates. In addition to the employment trends cited above, the unemployment rate is also indicative of the general economic climate. Table 5 shows comparative annual unemployment rates in Orange County, the State, and the nation as a whole for 2000 through 2008. The unemployment rate in Orange County has followed but remained consistently lower than the trends in the State and the nation during this period.

Table 5

COMPARATIVE ANNUAL UNEMPLOYMENT RATES

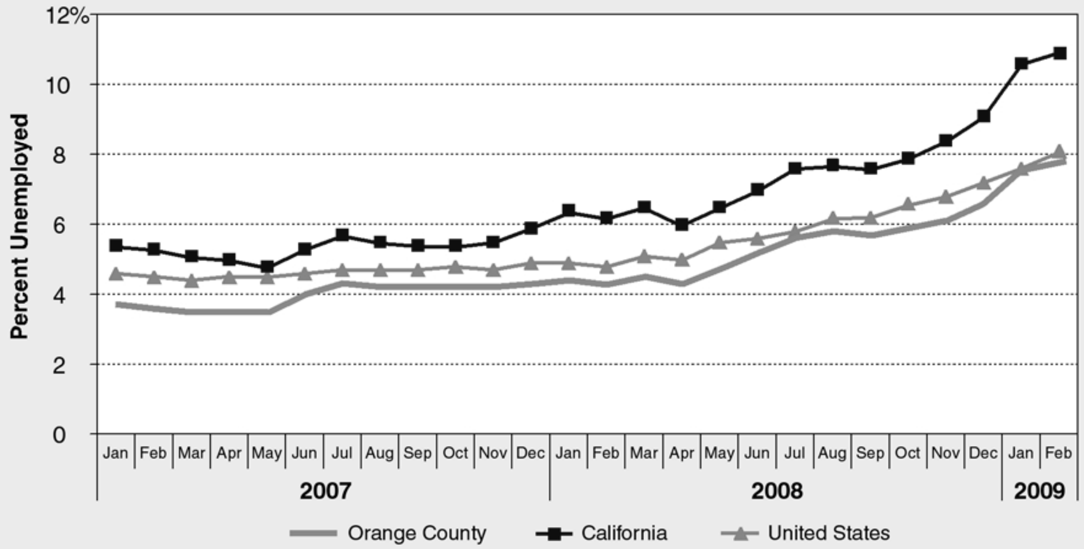
	Orange County *(a)*	State of California *(a)*	United States *(b)*
2000	3.5%	4.9%	4.0%
2001	4.0	5.4	4.7
2002	5.0	6.7	5.8
2003	4.8	6.8	6.0
2004	4.3	6.2	5.5
2005	3.8	5.4	5.1
2006	3.4	4.9	4.6
2007	3.9	5.4	4.6
2008	5.2	7.1	7.2

(a) State of California, Employment Development Department, Labor Market Information Division, www.edd.ca.gov, accessed December 2008.
(b) U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed January 2009.

Since the beginning of the recession in December 2007, monthly unemployment rates in Orange County, the State of California, and the United States have increased, as shown in Figure 6. In February 2009, the Orange County unemployment rate was 7.8%, similar to that for the nation (8.1%) but lower than that for the State (10.9%).

Figure 6

MONTHLY UNEMPLOYMENT RATES



Sources: California Department of Finance, E-5 County/State Population and Housing Estimates, accessed March 2008.
U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed March 2009.

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Major Employers. Table 6 lists the largest employers in Orange County as of 2008. The list of major employers reflects the diversity of the companies and organizations in the region.

Table 6

MAJOR EMPLOYERS IN ORANGE COUNTY IN 2008

Employers	Industry	Orange County employees
Walt Disney Company	Amusement parks and hotels	20,000
County of Orange	Government	18,301
University of California, Irvine	Education	17,500
St. Joseph Health System	Healthcare services	10,656
The Boeing Company	Aerospace manufacturing	8,100
Yum Brands, Inc.	Restaurants	7,000
Target Corporation	General merchandise retail	6,100
Supervalu, Inc.	Grocery stores	6,082
California State University, Fullerton	Education	5,768
Bank of America Corporation	Financial institution	5,500
Kaiser Permanente	Healthcare services	5,496
Home Depot, Inc.	Home supplies stores	5,450
Memorial Health Services, Inc	Healthcare services	5,309
Wal-Mart Stores, Inc.	General merchandise retail	5,260
AT&T, Inc.	Communications	4,730
Costco Wholesale Corporation	General merchandise	4,500
Kroger Company	Grocery stores	4,500
Hoag Memorial Hospital Presbyterian	Healthcare services	4,150
Tenet Healthcare Corporation	Healthcare services	4,000
Cedar Fair LP	Amusement parks and hotels	3,950
CVS Caremark Corporation	Pharmacy stores	3,920
UnitedHealth Group, Inc.	Insurance	3,900
Irvine Company	Real estate management	3,700
Edison International	Energy and utilities	3,545
Marriott International, Inc.	Hotel	3,379
Automobile Club of Southern California	Insurance and transportation	3,325

Source: The Orange County Business Journal, *Book of Lists*, 2009 edition.

Orange County Industry Clusters

The Orange County Business Council (OCBC) and the Orange County Workforce Investment Board (OCWIB) together advocate and plan for the development of the infrastructure, workforce, and work force housing for Orange County. As part of this joint effort, the OCBC and OCWIB compile and analyze information on Orange

County's primary industry clusters* to reflect changes in the economy and to define policy goals for improving economic growth. OCBC and OCWIB research has identified 10 active and emerging industry clusters key to the County's economic strength, including biotechnology and nanotechnology; business and professional services; construction; energy, environment, and green technologies; finance, insurance, real estate (FIRE); healthcare; information technology; logistics and transportation; manufacturing; and tourism.

According to the OCBC and OCWIB, the three largest industry clusters in Orange County are manufacturing, tourism, and management and administration (a sub-cluster of business and professional services). Two clusters—energy, environment, and green technologies and biotechnology and nanotechnology—are defined as emerging industry clusters which include firms involved in cutting-edge fields and may provide potential sources of future economic growth for Orange County.
A brief description of the 10 Orange County industry clusters is provided below.

Business and Professional Services. The business and professional services industry cluster includes areas such as law, accounting, architecture, computer programming, consulting market research, and advertising. Within this cluster, the management and administration sub-cluster includes firms involved with the management of companies, administrative support, employment and temporary help services, document preparation, telemarketing companies, collection agencies, credit bureaus, janitorial services, locksmiths, security services, and convention and trade show organizations.

Energy, Environment, and Green Technologies. The energy, environment, and green technologies industry cluster will respond to the emerging legislative mandates affecting the economy by applying high technology in the transportation and construction sectors and in response to climate change. Green technologies will promote efficiencies and the recycling of resources to respond to energy needs and shortages while also growing the economy. Leading Orange County companies in energy and environmental technology include Fluor Daniels, GE/Energy and Environmental Research, Sverdrup Civil Inc., TRC, and URS Corporation.

Construction. The construction industry cluster includes housing construction, industrial building construction, utility system construction, highway construction, and specialized contractors.

Finance, Insurance, and Real Estate (FIRE). The FIRE industry cluster includes banks, credit unions, mortgage loan originators, insurance companies, rental centers, and real estate offices.

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*Industry clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a particular region or local economy, as reported in the 2008-2009 Workforce report prepared by the Orange County Business Council and the Orange County Workforce Investment Board.

Healthcare. The healthcare industry cluster includes hospitals, outpatient care centers, family planning centers, home healthcare services, ambulance services, nursing care facilities, social assistance agencies, intermediate care facilities, and residential care facilities.

Information Technology. The information technology industry cluster includes computer software, telecommunications, internet service provision, motion pictures, and publishing businesses. Leading software and IT companies include ADP Automatic Data Processing, FileNET, DPRC/Compuware, and Quest Software.

Logistics and Transportation. The logistics and transportation industry cluster includes firms and occupations which manage the flow of goods, information, and other resources, including energy and people, between the point of origin and the point of consumption. Logistics involves the integration of information, transportation, inventories, warehousing, material-handling, and packaging. Businesses in this cluster include wholesalers, railroads, trucking, taxis, and charter buses.

Manufacturing. The manufacturing industry cluster includes businesses that create finished goods from raw materials, such as food products, wood products, apparel, printing, paper, plastics, biotechnology goods, glass, aluminum, semiconductors, transportation items (aerospace, automobiles, boats), and furniture. This cluster also includes firms and occupations that specialize in emerging elements of high-technology manufacturing. Leading defense and aerospace manufacturing in Orange County include the Boeing Company, TRW, Inc., Parker Aerospace Group, BF Goodrich Aerospace, C&D Aerospace, and Sundstrand Aerospace.

Biotechnology and Nanotechnology. The biotechnology and nanotechnology industry includes pharmaceuticals, medical device manufacturing, discoveries from the human genome project, nanotechnology, and advances in biological knowledge. Leading biotechnology companies in Orange County include Glidewell Laboratories, Terra Universal, Medtronic Heart Valve, Edwards Lifesciences, Applied Medical Resources, Nobel Biocare, and Sechrist Industries.

Tourism. The tourism industry cluster includes hotels, museums, amusement parks, casinos, restaurants, caterers, restaurants, casinos, and caterers. Orange County businesses in this cluster include the Walt Disney Company, and Cedar Fair LP (operator of Knotts Berry Farm).

Tourism

Tourism represents an important source of economic activity in Orange County. According to the Anaheim/Orange County Visitor and Convention Bureau, a total of 43.1 million people visited the Anaheim/Orange County region in 2008 and spent $7.9 billion, as shown in Table 7. From 2000 to 2008, visitor spending increased an average of 2.5% per year, outpacing the growth in the number of visitors (an increase of 0.9% per year).

Business travel is another key factor in the success of Orange County's visitor industry. From 2000 to 2008, convention attendance at the Anaheim Convention Center increased an average of 4.8% per year, as shown in Table 7. The Anaheim Convention Center has 1.6 million square feet of facility space and consistently draws more than one million meeting attendees annually. In 2008, the hotel inventory in Orange County totaled more than 55,000 guest rooms, of which 20,000 guest rooms are located in the Anaheim area.

Table 7

ORANGE COUNTY TOURISM

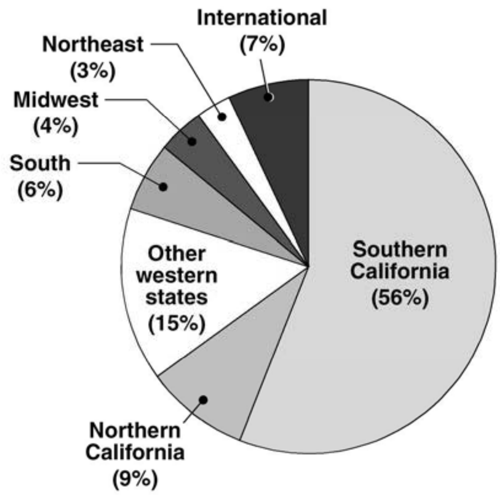
	Number of visitors (millions)	Visitor spending (billions)	Convention attendance (thousands))
2000	40.2	6.5	860
2001	40.9	6.5	959
2002	41.8	6.4	1,008
2003	42.7	6.8	1,161
2004	43.5	7.2	1,194
2005	44.7	7.8	1,113
2006	44.9	8.0	1,126
2007	44.4	8.3	1,197
2008	43.1	7.9	1,252
Average annual increase: 2000-2008	0.9%	2.5%	4.8%

Source: Anaheim/Orange County Visitor and Convention Bureau www.anaheimoc.org, accessed January 2009.

According to the Anaheim/Orange County Visitor and Convention Bureau, about 80% of visitors to Orange County originated from the western United States in 2008, with 56% accounted for by southern California, as shown on Figure 7. The remaining 20% of visitors to Orange County in 2008 came from international locations (7%), the South (6%), the Midwest (4%), and the Northeast (3%). In addition to nine beaches and four harbors, some of the attractions in Orange County include the Disneyland Resort, Knott's Berry Farm, the Orange County Performing Arts Center, the Mission San Juan Capistrano, the Discovery Science Center, and the Angel Stadium at Anaheim.

Figure 7

ORIGINS OF VISITORS TO ORANGE COUNTY IN 2008



Source: Anaheim/Orange County Visitor and Convention Bureau, Preliminary 2008 Orange County Visitor Survey, prepared by CIC Research, Inc.

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Economic Outlook

Economic activity in Orange County and the State of California is directly linked to the production of goods and services in the rest of the United States. Both airline travel and the movement of cargo through the Airport depend on the economic linkages between the regional, State, and national economies.

U.S. Economy. While the short-term economic outlook is negative, the U.S. economy exhibits a generally favorable medium- and long-term outlook through 2015. The current recession in the U.S. economy started with a contraction in the real estate markets combined with a surge in energy and other commodity prices in 2006. As the economy weakened, financial markets began to show signs of stress during the summer of 2007, as the value of investment securities and other financial assets that were backed by real estate properties were adversely affected by the decline in real estate prices. During the first half of 2008, mortgage-related problems with some large investment and commercial banks triggered a financial system crisis in the United States. In October, Congress passed the Emergency Economic Stabilization Act of 2008, which provided for a government bailout of troubled banks.

The financial crisis was one of the triggers of the U.S. recession, the depth and duration of which will be influenced by a number of factors, such as the magnitude of the decline in the real estate sector and its effects on the rest of the economy, the degree of inflationary pressures that have been building over the past two years, changes in the fiscal and trade deficits, and the relative strength of the U.S. dollar versus other currencies. The spillover effects from the U.S. recession and financial crisis have also weakened the economies of other countries with the increasing possibility of a global recession.

On January 8, 2009, the Congressional Budget Office (CBO) anticipated that the current economic recession will last until the second half of 2009, making it the longest recession since World War II. The CBO forecasts are based on the assumption that "the current laws and policies governing federal spending and taxes do not change" and, therefore, do not include the potential effects of the recently approved federal stimulus package. As shown in Table 8, the CBO forecasts in the near-term (in 2009 and 2010) reflect:

- A marked contraction in the U.S. economy in 2009, with real (inflation-adjusted) gross domestic product (GDP) falling by 2.2%.
- A slow recovery in 2010, with real GDP growing by 1.5%.
- An unemployment rate that is expected to exceed 9% early in 2010.
- A continued decline in inflation, both because energy prices have been falling and because inflation, excluding energy and food prices, tends to ease during and immediately after a recession. In 2009, CBO anticipates that inflation, as measured by the consumer price index for all urban consumers (CPI-U), will be 0.1%. In 2010, the CBO expects the CPI-U to be 1.7% higher than in 2009, reflecting the potential for higher energy prices.

The CBO does not predict cyclical movements in the U.S. economy beyond 2010. Therefore, the CBO forecasts for 2009 through 2015 reflect its near-term forecasts for 2009 and 2010 and its long-term expectations for economic growth. As shown in Table 8, the CBO forecasts in the long-term (from 2008 through 2015) reflect:

- Real GDP is projected to grow an average of 2.6% per year from 2008 through 2015.
- Inflation is expected to average 1.7% annually from 2008 through 2015, well below the historical average of 3.5%. While U.S. inflation has trended up during the past 5 years, mostly as a result of high global demand for commodities, reaching 4.4% in 2008, the recession is expected to result in lower inflation from 2010 through 2015.

Table 8

ECONOMIC PROJECTIONS FOR THE U.S. ECONOMY
2009-2015

	Historical	Projected		
	1980-2008	2008-2009	2009-2010	2008-2015
	Average annual percent growth			
Real GDP				
CBO	3.0%	(2.2%)	1.5%	2.6%
Blue Chip Consensus		(1.1)	n.a.	n.a.
FOMC		(2.5) – 0.2	1.5 – 4.5	2.4 – 3.0
CPI-U *(a)*				
CBO	3.5%	0.1%	1.7%	1.7%
Blue Chip Consensus		0.6%	n.a.	n.a.
	Calendar year average percent			
Unemployment rate (percent)				
CBO	6.1% *(b)*	8.3%	9.0%	4.9% *(c)*
Blue Chip Consensus		7.8	n.a.	n.a.
FOMC		8.0 – 9.2	7.0 – 9.2	4.5 – 5.5
Three-Month Treasury Bill rate				
CBO	5.6% *(b)*	0.2%	0.6%	4.7% *(c)*
Blue Chip Consensus		0.7	n.a.	n.a.
Ten-Year Treasury Note rate				
CBO	7.4% *(b)*	3.0%	3.2%	5.4% *(c)*
Blue Chip Consensus		3.4	n.a.	n.a.

Note: GDP = Gross Domestic Product
CBO = Congressional Budget Office
The Blue Chip Consensus is the average of about 50 forecasts by private-sector economists and does not extend past 2009.
FOMC = Federal Reserve Board, Federal Open Market Committee
n.a. = not available.

(a) The consumer price index for all urban consumers.
(b) Represents the average from 1980 through 2008.
(c) Level in 2015.

Sources: Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2009-2019*, January 8, 2009. Federal Reserve Board, Federal Open Market Committee, *Summary of Economic Projections*, January 27-28, 2009.

Table 8 also presents a comparison of the CBO forecasts with the forecasts presented in the *Blue Chip* Consensus and the Federal Reserve Board (FRB), Federal Open Market Committee (FOMC) published January 27, 2009. The *Blue Chip* Consensus is the average of about 50 forecasts by private-sector economists and does not extend past 2009. The FOMC economic projections reflect the input of its participants based on their assumptions regarding factors likely to affect economic outcomes and appropriate monetary policy and are expressed as a range of potential outcomes in Table 8. As noted earlier, the CBO forecasts do not include the potential effects of the federal stimulus package. In contrast, both the *Blue Chip* Consensus and the FRB forecasts reflect the effects of fiscal stimulus and Federal Reserve measures to provide support to credit markets. The long-term growth rates for each of three forecasts (through 2015) do not include assumptions regarding further economic and other shocks.

California Economy. The California economy followed national economic trends in 2008, with falling home prices, worsening credit availability, shrinking equity values, and growing job losses. In February 2009, the unemployment rate in California was 10.9%, higher than the national average (8.1%). According to the economic analysis prepared in support of the California Governor's Budget for 2009-2010, the outlook for California is for a weak first three quarters of 2009, with limited prospects for recovery in the fourth quarter. It is expected that California's coastal regions will be impacted by declining imports coming through California ports, while the global recession will weaken demand for manufactured California exports.

Recent near-term projections for California prepared by Chapman University and the Los Angeles Economic Development Corporation (LAEDC) are shown in Table 9. It is important to note that the LAEDC forecasts were based on full year actual data for 2008 while the Chapman University projections were based on an estimate of 2008 activity. The fourth quarter of 2008 included significant decreases in economic activity as well as revisions to previously reported data. As a result, the two projections together represent a range of future economic activity. Nonagricultural employment in California is expected to decrease 0.5% to 3.0% in 2009, with LAEDC projecting a further decrease of 1.0% in 2010. Total personal income (in 2000 constant dollars) is projected to decrease 0.5% to 0.6% in 2009, with LAEDC projecting a further decrease of 0.3% in 2010. Taxable retail sales are projected to decrease 1.3% to 6.0% in 2009, with LAEDC projecting an increase of 3.1% in 2010.

Long-term projections of nonagricultural employment growth prepared by the California Employment Development Department (EDD) are for an average of 1.4% per year between 2008 and 2015.

Table 9

COMPARISON OF SOCIOECONOMIC PROJECTIONS FOR ORANGE COUNTY AND CALIFORNIA

	Average annual percent growth			
	Historical	Projected		
	1980-2008	2008-2009	2009-2010	2008-2015
Population				
Orange County	1.7%	1.6%	1.6%	1.0%
State of California	1.7	1.2	1.2	1.2
Nonagricultural employment				
Orange County				
Chapman University	2.1%	(0.6%)	n.a.	n.a.
LAEDC		(2.9)	(0.9)	n.a.
CDR		n.a.	n.a.	1.1%
EDD		n.a.	n.a.	1.3
State of California				
Chapman University	1.5%	(0.5%)	n.a.	n.a.
LAEDC		(3.0)	(1.0)	n.a.
EDD		n.a.	n.a.	1.4%
Total personal income (in 2000 dollars)				
Orange County				
Chapman University	1.5%*(a)*	(0.7%)	n.a.	n.a.
LAEDC		(0.7)	(0.5)	n.a.
State of California				
Chapman University	1.2%*(a)*	(0.5%)	n.a.	n.a.
LAEDC		(0.6)	(0.3)	n.a.
Taxable retail sales				
Orange County				
Chapman University	4.1% *(b)*	(0.9%)	n.a.	n.a.
LAEDC		(5.9)	2.7	n.a.
State of California				
Chapman University	3.5% *(b)*	(1.3%)	n.a.	n.a.
LAEDC		(6.0)	3.1	n.a.

Notes: LAEDC = Los Angeles County Economic Development Corporation
EDD = State of California, Employment Development Department
CDR = The Center for Demographic Research
n.a. = not available.

(a) Reflects the average annual increase from 1980 through 2006.
(b) Reflects the average annual increase from 2000 through 2008.

Sources: Chapman University, *The Economic and Business Review*, Volume 27, Number 1, December 2008. Los Angeles County Economic Development Corporation, *Economic Forecast and Industry Outlook, 2009-2010*, February 2009. The Center for Demographic Research, *Orange County Projections 2006*, 2006. The base year of the projections was 2003. State of California, Employment Development Department, Labor Market Information Division, *Industry Employment Projections, 2006-2016*, www.edd.ca.gov, accessed March 2009.

Orange County Economy. As noted earlier, the Orange County economy has been impacted by the sub-prime mortgage lending crisis which contributed to employment losses in the financial services and the construction sectors in 2007 and 2008. Local economists expect that the national economic recession that began in December 2007 will result in job losses and slower economic growth in Orange County in 2009 and 2010. Projections of economic activity through 2015 (the last year of the forecast period) are summarized below and presented in Table 9.

- **Population**—The Center for Demographic Research projects that Orange County's population will increase an average of 1.0% per year between 2008 and 2015, lower than the rate for the State (1.2% per year).

- **Nonagricultural employment**— Near-term projections of nonagricultural employment for Orange County are for decreases ranging from 0.6% to 2.9% in 2009, with LAEDC projecting a 0.9% decrease in 2010, similar to the projection for California. Long-term projections of nonagricultural employment in the Orange County range from an average increase of 1.1% to 1.3% per year between 2008 and 2015, compared to 1.4% per year in the State.

- **Total personal income**— Total personal income (in 2000 dollars) is projected to decrease 0.7% in 2009, with LAEDC projecting a further decrease of 0.5% in 2010.

- **Consumer Spending**—Local economists expect that job losses, higher unemployment rates, decreasing home prices, and the recent stock market correction will continue to negatively affect consumer confidence and spending. In 2009, Chapman University economists project a decrease of 0.9% in total taxable retail sales, a measure of consumer spending. In comparison, LAEDC projects a 5.9% decrease in 2009 and a 2.7% increase in 2010.

Factors expected to contribute to economic growth in Orange County once the recession ends and associated increases in airline travel include (1) the diversity in the economic base, which lessens its vulnerability to weaknesses in particular industry sectors, (2) growth in the existing and emerging Orange County industry clusters described earlier, (3) continued growth in the professional services sector, (4) an educated labor force able to support the development of knowledge-based and service industries, and (5) continued reinvestment to support the development of tourism, conventions, and other businesses. This outlook is reflected in the airline traffic forecasts presented later in this Report.

Risks to the Economic Outlook. While the projections presented in this section represent a range of the most likely economic scenarios, there are some risks to the economic outlook. In the near term, the principal risk is that the federal government's policy response to the current financial crisis and recession in the United States may not be effective in providing the foundation for a recovery in the latter half of 2009. Inflation risks still persist due to the sizable amount of liquidity that the Federal Reserve Bank has injected into the banking system, which could eventually trigger upward pressures on prices. A prolonged global slowdown extending beyond 2009 could result in a lower average annual growth rate of the United States, California, and Orange County economies between 2008 and 2015. In the longer term, the principal risks to U.S. economic performance are the sizable external and fiscal deficits. The continuing deficits in the U.S. balance of payments could result in greater volatility in the currency markets, which would then translate into higher interest rates and, therefore, slower economic growth. These consequences could be compounded if the fiscal deficit does not shrink within the next 5 years, thereby leading to much larger financing requirements and subsequent increases in interest rates, which could lead to slower investment and, consequently, slower productivity growth.

HISTORICAL AIRLINE TRAFFIC

Information on the airlines serving the Airport, enplaned passengers and factors that influence passenger numbers, airline market shares, origin-destination markets and airline service, airline fares, cargo activity, and aircraft landed weight.

Airlines Serving the Airport

As of April 2009, fourteen passenger airlines—seven mainline, four regional affiliates, and three low-cost carriers—are scheduled to provide service at the Airport, as shown in Table 10. On April 29, 2009, Virgin America, a California based airline started service from the Airport to San Francisco International Airport, with five daily departures. The Airport is also served by two all-cargo airlines, Federal Express and United Parcel Service.

Table 10

SCHEDULED AIRLINE SERVICE BY AIRLINE
John Wayne Airport
April 2009

Airlines	Average daily scheduled nonstop departures
Mainline carriers	
Alaska Airlines	11
American Airlines	13
Continental Airlines	7
Delta Air Lines	10
Northwest Airlines	3
United Airlines	12
US Airways	12
	68
Regional affiliates	
American Eagle	12
Delta Connection (Skywest)	1
United Express (Skywest)	3
US Airways Express (Mesa)	2
	18
Low-cost carriers	
Frontier Airlines *(a)*	4
Southwest Airlines	39
Virgin America	*(b)*
	43
Total	129

(a) Filed for Chapter 11 bankruptcy protection on April 10, 2008.
(b) Started service on April 29, 2009 with 5 daily flights.

Sources: Official Airline Guides, Inc., online database, accessed December 2008.

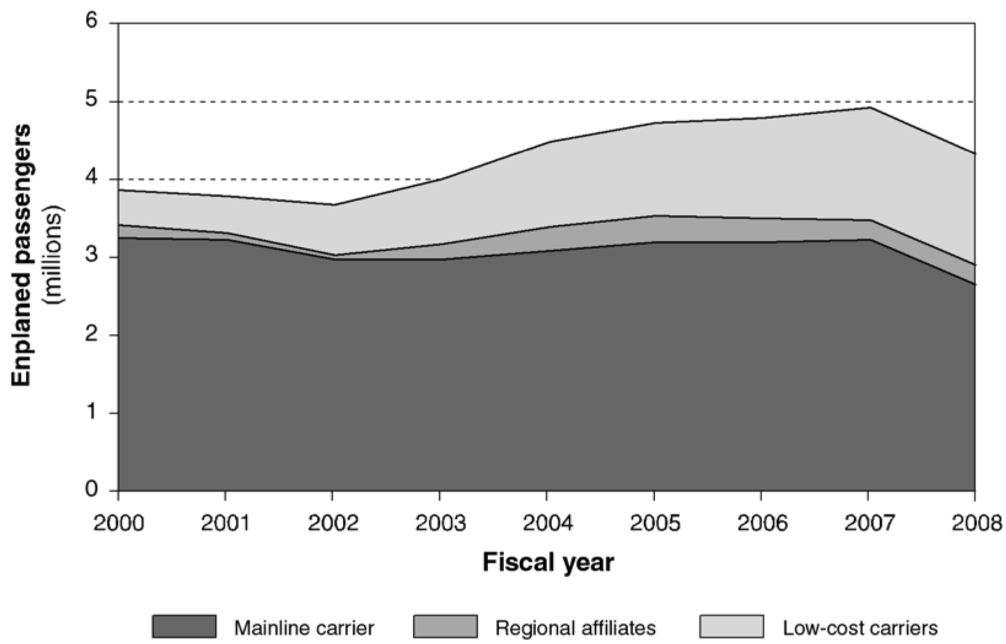
Enplaned Passengers

Table 11 and Figure 8 present trends in enplaned passengers at the Airport between FY 2000 and FY 2008. The total number of enplaned passengers increased an average of 2.6% per year between FY 2000 and FY 2008, from 3,906,514 to 4,780,487. Strong growth in enplaned passenger traffic occurred from FY 2002 through FY 2007—an average annual increase of 5.9%, reflecting the continued development of low cost service by Southwest Airlines and the initiation of service by Frontier Airlines in FY 2004. The number of passengers enplaned on low cost carriers increased an average of 17.5% per year between FY 2002 and FY 2007. In FY 2008, enplaned passengers decreased 3.6% as a result of the cessation of passenger operations by Aloha Airlines on March 31, 2008, decreases in the numbers of passengers enplaned by mainline carriers and their regional affiliates, and an overall softening in passenger demand related to the national economic recession. In FY 2008, four of the fourteen airlines serving the Airport—American Eagle, Continental, Frontier, and Delta Connection—reported an increase in the number of enplaned passengers.

Figure 8

ENPLANED PASSENGER TRENDS

John Wayne Airport



Note: Fiscal year ended June 30.
Source: John Wayne Airport, Orange County records.

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As outlined in Table 1 and presented by year in Table 11, the MAP Cap increased from 8.4 million annual passengers in FY 2002 to 10.3 million annual passengers in FY 2003 as a result of the 2003 Settlement Agreement and amendments. Following this change, strong growth in the numbers of enplaned passengers at the Airport occurred in each of the following three fiscal years—increases of 8.9% in FY 2003, 11.9% in FY 2004, and 5.5% in FY 2005. Since 2005, total passengers (enplaned and deplaned) utilized more than 90% of the MAP Cap.

Table 11

HISTORICAL ENPLANED PASSENGERS

John Wayne Airport

Airline	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Percent increase (decrease) FY 2000-FY 2008 *(a)*	First 11 months FY 2008	First 11 months FY 2009	First 11 months Percent change
Mainline carriers													
Alaska Airlines	416,706	467,250	462,196	518,435	530,585	569,483	585,688	570,982	562,892	3.8%	525,118	344,834	(34.3%)
Aloha Airlines *(b)*	--	9,557	75,750	82,556	137,147	145,194	169,574	164,555	119,413	--	119,413	--	(100.0)
American Airlines *(c)*	985,514	860,344	745,086	719,611	682,490	671,419	681,060	735,121	722,305	(2.6)	658,409	563,817	(14.4)
Continental Airlines	196,236	199,048	190,380	194,916	225,341	248,514	270,895	286,553	294,187	5.2	267,562	255,239	(4.6)
Delta Air Lines	325,553	319,848	304,300	338,511	372,682	417,672	363,361	343,966	338,519	0.5	301,848	348,329	15.4
Midwest Airlines	--	--	--	--	22,380	21,690	--	--	--	--	--	--	--
Northwest Airlines	161,092	145,514	140,255	147,080	148,331	150,155	126,479	108,833	104,636	(5.3)	94,449	97,988	2.7
Trans World Airlines	106,788	109,471	38,298	--	--	--	--	--	--	--	--	--	--
United Airlines	627,888	590,768	507,268	538,224	585,622	609,371	575,351	566,620	516,946	(2.4)	473,061	400,290	(15.4)
US Airways *(d)*	541,997	541,265	540,297	470,829	431,491	416,597	465,608	468,521	422,175	--	389,388	330,347	(15.2)
	3,361,774	3,243,065	3,003,830	3,010,162	3,136,069	3,250,095	3,238,016	3,245,151	3,081,073	(2.5)	2,830,248	2,340,844	(17.3)
Percent change		(0.7%)	(7.4%)	0.2%	4.2%	3.6%	(0.4%)	0.2%	(5.1%)				
Regional affiliates													
American Eagle	--	--	--	74,592	128,827	126,544	159,902	119,256	120,244	--.	110,054	116,038	(5.4)
Delta Connection *(e)*	13,960	13,673	14,843	15,764	72,577	64,288	28,507	29,552	34,412	11.9	32,165	22,326	(30.6)
United Express (Skywest)	65,269	66,656	47,241	41,121	43,948	64,267	81,196	77,026	60,313	(1.0)	56,124	51,873	(7.6)
US Airways (Mesa)	--	--	165	44,017	52,631	69,550	38,346	38,685	32,463	--	30,201	25,975	(14.0)
	79,229	80,329	62,249	175,494	297,983	324,649	307,951	264,519	247,432	4.5	228,544	216,212	(5.4)
Percent change		1.4%	(22.5%)	181.9%	69.8%	8.9%	(5.1%)	(14.1%)	(6.5%)				
Low cost carriers													
Frontier Airlines*(f)*	--	--	--	--	66,776	86,280	93,308	103,025	146,412	--	133,571	127,078	(4.9)
Southwest Airlines	465,511	490,145	647,158	856,631	1,022,268	1,109,199	1,169,368	1,343,830	1,305,570	13.8	1,189,375	1,183,610	(0.5)
Virgin America *(g)*	--	--	--	--	--	--	--	--	--	--	--	8,375	--
	465,511	490,145	647,158	856,631	1,089,044	1,195,479	1,262,676	1,446,855	1,451,982	15.3	1,322,946	1,319,063	(0.3)
Percent change		5.3%	32.0%	32.4%	27.1%	9.8%	3.7%	14.6%	0.4%				
Total	3,906,514	3,813,539	3,713,237	4,042,287	4,523,096	4,770,223	4,808,643	4,956,525	4,780,487	2.6	4,381,738	3,876,119	(11.5)
Percent change		(2.4%)	(2.6%)	8.9%	11.9%	5.5%	0.8%	3.1%	(3.6%)				
Total passengers (enplaned and deplaned)	7,799,602	7,610,961	7,408,476	8,075,128	9,035,648	9,530,981	9,600,953	9,910,016	9,566,043				
MAP Cap *(h)*	8,400,000	8,400,000	8,400,000	9,350,000	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000				
Total passengers as percent of MAP Cap	93%	91%	88%	86%	88%	93%	93%	96%	93%				

Notes: For Fiscal Years ended June 30.
This table was updated to include data for March through May 2009, which were not available when the forecasts were prepared.

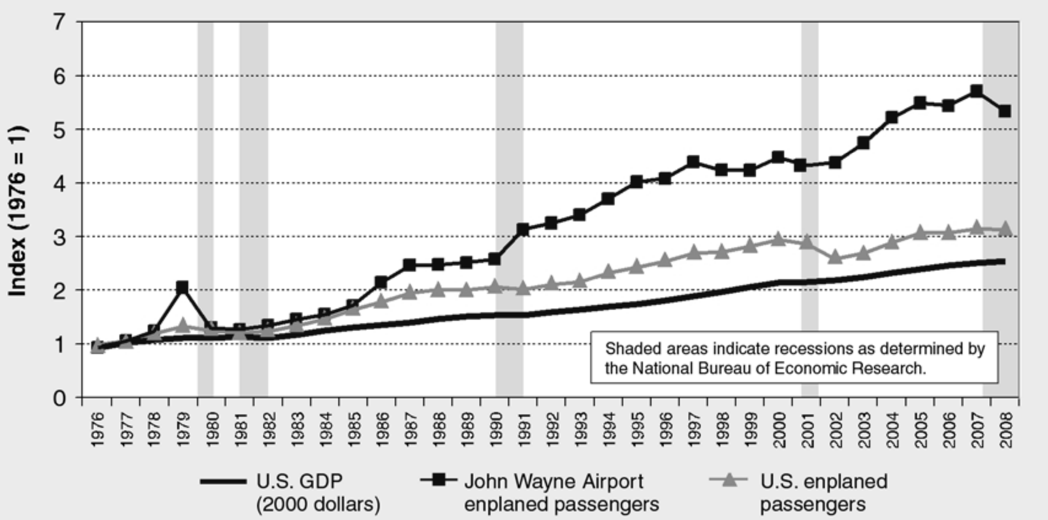
(a) Represents the average annual percent increase from FY 2000 to FY 2008.
(b) Ceased passenger operations on March 31, 2008.
(c) Includes activity for Reno Air in July and August 1999. Reno Air was acquired by American Airlines in February 1999 and flew its last flight on August 30, 1999.
(d) Includes America West.
(e) Includes activity of Skywest from FY 2000 through FY 2009 and Atlantic Southeast Airlines from FY 2004 through FY 2006.
(f) Filed for Chapter 11 bankruptcy protection on April 10, 2008.
(g) Started service on April 29, 2009.
(h) Defined in the 1985 Agreement and 2003 Amendment, as outlined in Table 1.

Source: John Wayne Airport, Orange County records.

Figure 9 presents the trends in U.S. Gross Domestic Product (GDP) and enplaned passengers at the Airport and in the nation from 1976 through 2008 (using 1976 as the index year). Overall, there is a positive, gradually increasing trend in U.S. GDP and enplaned passengers, with the Airport showing stronger growth in passenger traffic than that for the nation as a whole. From 1976 to 2008, GDP increased an average of 3.0% per year, compared with average annual increases of 3.7% and 5.4%, respectively, in the numbers of enplaned passengers in the nation and at the Airport. As shown in Figure 9, national passenger traffic has closely followed the trends in GDP since 1976, including decreases during the current and past four national economic recessions. In contrast, passenger traffic at the Airport has either experienced an increase during the past four national economic recessions (such as the increase during the 1991 recession) or more moderate decreases than those for the nation as a whole. However, during the current economic recession, the number of passengers enplaned at the Airport decreased 3.6% in FY 2008 and 11.5% during the first 11 months of FY 2009 (July through May). In comparison, the number of U.S. enplaned passengers increased 1.8% in FY 2008 (for fiscal years ended June 30) and decreased 6.8% during the first 6 months of FY 2009 (July through December) based on the most recent data available from the U.S. Department of Transportation.

Figure 9

U.S. GROSS DOMESTIC PRODUCT AND ENPLANED PASSENGERS



Sources: U.S.GDP—U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov. Enplaned passengers—U.S. Department of Transportation, Federal Aviation Administration, www.faa.gov. Passenger data are for Federal Fiscal years ended September 30.

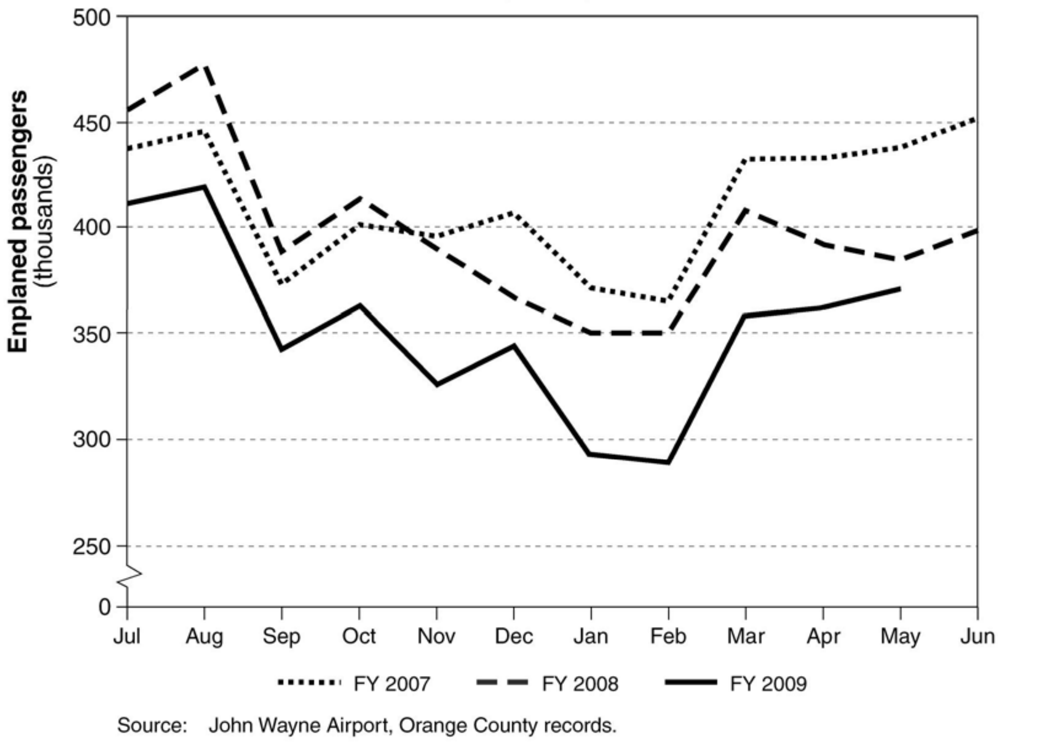
Monthly Trends in Enplaned Passengers and Seats

Figure 10 shows monthly enplaned passenger data for the Airport for July 2006 through May 2009.* The monthly data show the seasonal variation in enplaned passenger traffic, with peak levels occurring from March through August, lower levels from September through December, and the lowest monthly activity in January and February. The monthly data also indicate that, in addition to the reduction in April 2008 related to the cessation of service by Aloha Airlines, passenger activity at the Airport has been less than FY 2007 levels since November 2007, one month prior to the beginning of the national economic recession. During the first 11 months of FY 2009 (July through May 2009), monthly passenger traffic was less than activity for both FY 2007 and FY 2008.

Figure 10

MONTHLY ENPLANED PASSENGERS

John Wayne Airport

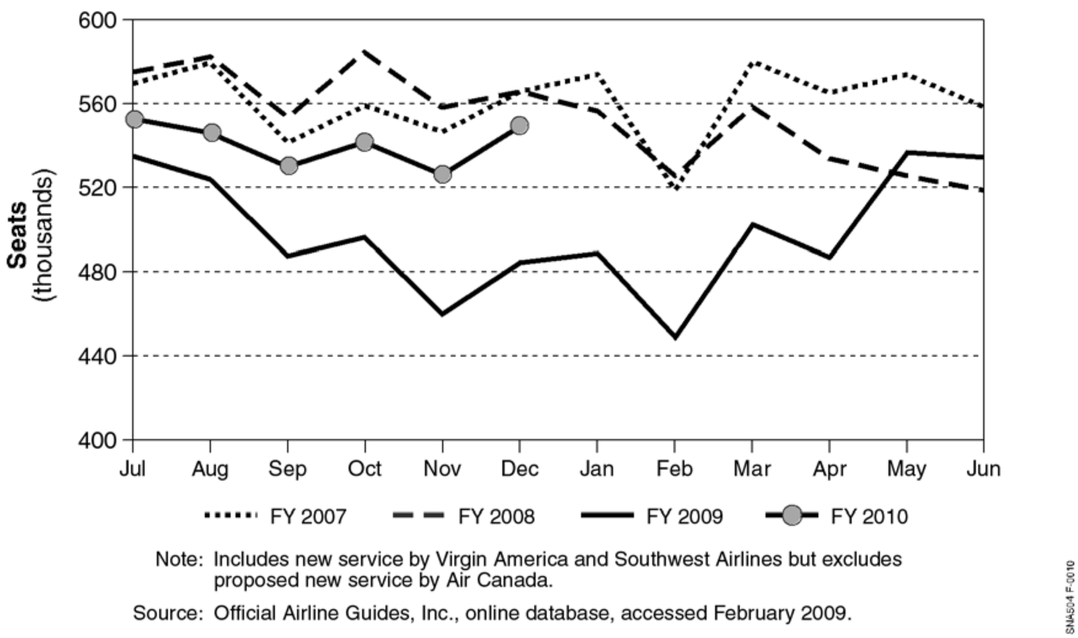


Source: John Wayne Airport, Orange County records.

*Figure 10 was updated to include data for March through May 2009, which were not available when the forecasts were prepared.

Figure 11 shows monthly scheduled departing seats for the Airport for July 2006 through December 2009. In contrast to the monthly trends in enplaned passengers, there is less seasonal variation in the number of scheduled departing seats, largely because of differences in monthly load factors (the percentage of occupied seats on an aircraft). During FY 2008, seating capacity at the Airport tracked FY 2007 levels until March 2008 when Aloha Airlines ceased operations. Since then, monthly scheduled departing seats have been less than FY 2007 and FY 2008 levels. Advance schedule data for FY 2010 (July through December 2009) show increased seating capacity, reflecting the new service started by Virgin America on April 29, 2009 and Southwest Airlines on May 9, 2009.

Figure 11
MONTHLY SCHEDULED DEPARTING SEATS
John Wayne Airport



Note: Includes new service by Virgin America and Southwest Airlines but excludes proposed new service by Air Canada.

Source: Official Airline Guides, Inc., online database, accessed February 2009.

Heightened fuel prices during 2008 and softening travel demand have exacerbated financial pressures on the airlines and, in their efforts to maintain profitability, airlines have been making capacity cuts throughout their route systems. As a result, widespread year-over-year capacity cuts began to occur in the fourth quarter of 2008, and most airlines are expected to offer fewer seats in 2009 than in 2008. During the first 6 months of 2009 (January through June), airline seating capacity, in terms of the number of scheduled departing seats for all airlines at all U.S. airports, is expected to decrease by approximately 8-10%, compared with the same period in 2008, according to published schedules.

As discussed earlier in the section called "Settlement Agreement", the annual capacity allocation plan requires the submission of capacity requests from both incumbent and potential new entrant carriers and a careful review by Airport staff in formulating its specific allocation recommendations for the Plan Year. As a result of this process, there tends to be less variation in the annual seating capacity at the Airport than at other airports where airlines are not required to commit to providing a specific level of service. Variation from the annual capacity allocation plan can occur if there are unexpected airline bankruptcies, such as the cessation of service by Aloha Airlines in 2008, or if overall economic conditions limit an airline's ability to maintain or provide additional service.

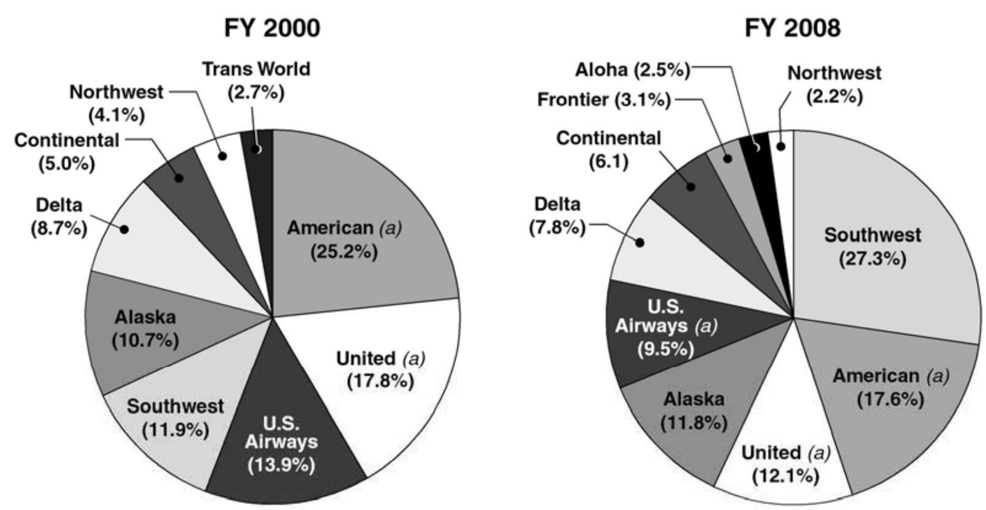
Airline Shares of Passengers

Table 12 and Figure 12 show the airline market shares of enplaned passengers at the Airport in FY 2000 and FY 2008. In FY 2008, Southwest Airlines enplaned the largest share of passengers at the Airport, with 27.3%, followed by American (mainline and regional affiliate) with 17.6%. Southwest's market share of enplaned passengers more than doubled from 11.9% in FY 2000 to 27.3% in FY 2008. In FY 2008, the mainline carriers accounted for 64.4% of enplaned passengers at the Airport compared to 86.0% in FY 2000. Regional affiliates accounted for 5.2% of enplaned passengers at the Airport in FY 2008, more than twice their 2.0% share in FY 2000.

Figure 12

ENPLANED PASSENGER MARKET SHARES

John Wayne Airport



Note: For fiscal years ended June 30.
(a) Includes regional affiliates.

Source: John Wayne Airport, Orange County records.

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Table 12

ENPLANED PASSENGERS BY AIRLINE
John Wayne Airport

Airline	FY 2000 Enplaned passengers	FY 2000 Market share	FY 2008 Enplaned passengers	FY 2008 Market share
Mainline carriers				
Alaska Airlines	416,706	10.7%	562,892	11.8%
Aloha Airlines*(a)*	--	--	119,413	2.5
American Airlines *(b)*	985,514	25.2	722,305	15.1
Continental Airlines	196,236	5.0	294,187	6.1
Delta Air Lines *(c)*	325,553	8.3	338,519	7.1
Northwest Airlines	161,092	4.1	104,636	2.2
Trans World Airlines	106,788	2.7	--	--
United Airlines	627,888	16.1	516,946	10.8
US Airways *(d)*	541,997	13.9	422,175	8.8
	3,361,774	86.0%	3,081,073	64.4%
Regional affiliates				
American Eagle	--	--%	120,244	2.5%
Delta Connection (Skywest)	13,960	0.4	34,412	0.7
United Express (Skywest)	65,269	1.7	60,313	1.3
US Airways (Mesa)	--	--	32,463	0.7
	79,229	2.1%	247,432	5.2%
Low-cost carriers				
Frontier Airlines *(e)*	--	--%	146,412	3.1%
Southwest Airlines	465,511	11.9	1,305,570	27.3
	465,511	11.9%	1,451,982	30.4%
Total	3,906,514	100.0%	4,780,487	100.0%

Note: For Fiscal Years ended June 30.

(a) Ceased passenger operations on March 31, 2008.
(b) Includes activity for Reno Air in July and August 1999. Reno Air was acquired by American Airlines in February 1999 and flew its last flight on August 30, 1999.
(c) Delta completed its merger with Northwest on October 29, 2008.
(*d*) Includes America West.
(e) Filed for Chapter 11 bankruptcy protection on April 10, 2008.

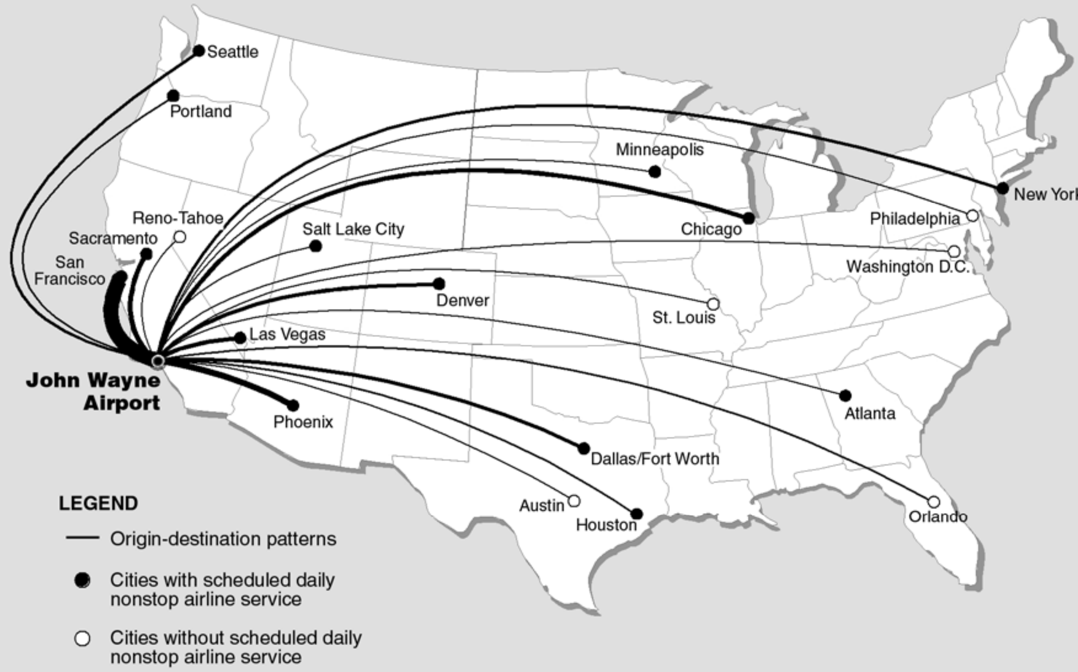
Source: John Wayne Airport, Orange County records.

Origin-Destination Markets and Airline Service

Table 13 shows the top 20 destination markets for passengers originating their journeys at the Airport in FY 2008. Average daily nonstop departures from the Airport by the scheduled airlines in April 2009 are also shown. These 20 markets accounted for 76.0% of the total originating passengers at the Airport flying on the scheduled airlines in FY 2008. The origin-destination patterns are illustrated on Figure 13 below.

Figure 13

DOMESTIC ORIGIN/DESTINATION PATTERN – FY 2008



Note: Origin-destination data are for cities with 1% or more of total inbound and outbound passengers (on the scheduled airlines) at John Wayne Airport. The width of the line corresponds to the relative share of origin-destination passengers for each community.

Sources: U.S. Department of Transportation/Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, 12 month period ended June 30, 2008, and *Official Airlines Guide, Inc.*, online database, for April 2009.

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Table 13

DOMESTIC ORIGIN-DESTINATION PASSENGER MARKETS AND AIRLINE SERVICE
John Wayne Airport
FY 2008, except as noted

Destination markets	Air miles from John Wayne Airport	Percent of originating airline passengers	Average daily service in April 2009: Nonstop departures	Average daily service in April 2009: Scheduled departing seats
San Francisco *(a)*	361	18.8%	35	3,469
Phoenix	336	7.0	15	2,026
Sacramento	405	6.0	7	918
Las Vegas	226	5.8	12	1,562
Chicago *(b)*	1,725	5.2	6	1,078
Dallas-Fort Worth *(c)*	1,215	4.7	10	1,549
Denver	845	4.4	12	1,645
Seattle-Tacoma	979	3.9	7	985
New York *(d)*	2,439	3.6	3	339
Portland	860	2.5	4	479
Salt Lake City	588	2.3	6	796
Houston *(e)*	1,348	2.2	4	562
Atlanta	1,913	1.7	4	708
Washington, D.C. *(f)*	2,291	1.6	--	--
Philadelphia	2,374	1.2	--	--
Minneapolis-St. Paul	1,520	1.1	3	368
St. Louis	1,574	1.0	--	--
Orlando	2,179	1.0	--	--
Austin	1,202	1.0	--	--
Reno-Tahoe	416	1.0	--	--
Cities listed		76.0%	128	16,484
Other cities		24.0%	1	107
All cities		100.0%	129	16,591

Note: Does not include new service by Virgin America which started on April 29, 2009 and additional service by Southwest Airlines to San Francisco International Airport which started on May 9, 2009.

(a) San Francisco, Oakland, and Mineta San Jose international airports.
(b) Chicago O'Hare and Midway international airports.
(c) Dallas-Fort Worth International and Love Field.
(d) Newark Liberty International, LaGuardia, and John F. Kennedy International airports.
(e) Bush Intercontinental and William P. Hobby airports.
(f) Reagan Washington National and Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.

Sources: Originating percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic*, for FY 2008.

Nonstop departures and departing seats: Official Airline Guides, Inc., online database, accessed December 2008.

The San Francisco area is the top destination market for originating passengers at the Airport, accounting for 18.8% of the total originating passengers in FY 2008. Other major destinations include Phoenix, Sacramento, Las Vegas, Chicago, Dallas-Fort Worth, and Denver. Of the top 10 destination markets, 4 are short-haul routes (less than 500 miles), 4 are medium-haul routes (between 500 and 1,500 miles) and 2 are long-haul routes (1,500 miles or longer). Approximately 26% of total Airport passengers traveled to a destination in California in FY 2008.

Table 13 also presents the average daily number of nonstop departures and departing seats to the destination markets listed. Of the top 20 destinations, 14 were served nonstop from the Airport in April 2009, as shown in Table 13 and on Figure 13.

Table 14 shows average daily scheduled departing seats by airline at the Airport and the other commercial service airports in southern California in April 2009. Of the six airports, the Airport will have the highest share of mainline carrier scheduled departing seats in April 2009 (59.1%) and will account for the second lowest share of low cost carrier seats (35.3%), more than the 20.2% share for Los Angeles International Airport.

Airline Fares

Airline fares are an important determinant of originating passenger demand. As shown in Table 15, average one-way airline fares at the Airport (expressed in nominal or current dollars) are comparable to selected southern California airports between the first quarter of 2006 and the third quarter of 2008, the most recent quarter for which data are readily available. Differences in the average fares are explained, in part, by the average trip lengths of passengers at each airport. In FY 2008, the average trip length of passengers at the Airport was 1,134 miles, comparable to that for Ontario International Airport (1,070 miles) with a similar average fare of $159. The average trip lengths of Los Angeles and San Diego international airports were longer than that for the Airport—1,590 miles and 1,344 miles, respectively—and both airports had considerably higher fares in FY 2008 ($203 and $170, respectively). Although the average trip length at Long Beach Airport was 1,397 miles (longer than that for the Airport), the average fare was lower ($144), reflecting the large share of low cost carrier service noted earlier (75.3% in Table 14). The average fare and trip length at Bob Hope (Burbank) Airport were the lowest of the selected southern California airports in FY 2008--$138 and 794 miles, respectively. Table 15 also provides yield data (also expressed in nominal or current dollars and defined as airline revenue per passenger mile).

Table 14

SCHEDULED DEPARTING SEATS BY PASSENGER AIRLINE AT SELECTED SOUTHERN CALIFORNIA AIRPORTS

April 2009

Airline	John Wayne	Bob Hope (Burbank)	Long Beach	Los Angeles International	Ontario International	San Diego International
	Average daily scheduled departing seats					
Mainline carriers						
Alaska Airlines	1,464	517	621	4,452	409	1,574
American Airlines	2,081	518	--	13,685	672	2,352
Continental Airlines	901	--	--	3,077	466	1,462
Delta Air Lines *(a)*	1,545	--	--	6,532	333	1,557
Hawaiian Airlines	--	--	--	528	--	264
Northwest Airlines	368	--	--	3,330	--	873
United Airlines	1,788	--	--	12,243	414	2,804
US Airways	1,631	--	--	3,429	350	1,864
	9,778	1,035	621	47,275	2,644	12,750
Regional carriers						
American Eagle	510	-	--	1,531	--	862
Delta Connection (Skywest)	66	150	285	132	193	282
United Express (Skywest)	198	400	--	4,721	200	514
US Airways (Mesa)	149	367	341	50	232	43
Other regional	--	191	--	1,603	267	59
	923	1,108	626	8,036	893	1,761
Low-cost carriers						
AirTran Airways	--	--	--	562	--	--
Allegiant Air	--	--	--	--	--	65
Frontier Airlines *(b)*	508	--	--	630	--	544
jetBlue Airways	0	730	3,790	--	--	750
Southwest Airlines	5,338	7,188	--	15,739	6,074	13,108
Spirit Airlines	--	--	--	145	--	--
Virgin America Airlines	--	--	--	2,771	--	585
	5,846	7,918	3,790	19,846	6,074	15,052
International carriers	--	--	--	21,719	124	198
Other carriers	--	191	--	1,603	267	59
Total	16,547	10,061	5,037	96,877	9,734	29,761
	Percent of total					
Mainline carriers	59.1%	10.1%	12.3%	48.0%	26.4%	42.8%
Regional carriers	5.6	10.8	12.4	8.2	8.9	5.9
Low-cost carriers	35.3	77.2	75.3	20.2	60.7	50.5
International carriers	--	--	--	22.0	1.3	0.6
Other carriers	--	1.9	--	1.6	2.7	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Does not include new service by Virgin America which started on April 29, 2009 and additional service by Southwest Airlines to San Francisco International Airport which started on May 9, 2009.

(a) Delta completed its merger with Northwest on October 29, 2008.

(b) Filed for Chapter 11 bankruptcy protection on April 10, 2008.

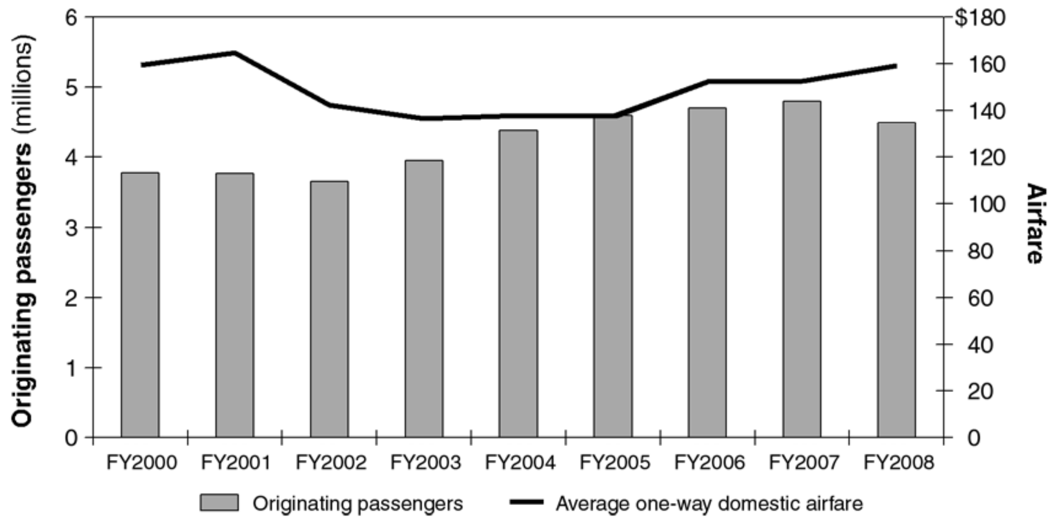
Sources: Official Airline Guides, Inc., online database retrieved from BACK Aviation, accessed January 2009.

Figure 14 provides a comparison of changes in the numbers of domestic originating passengers and average one-way domestic airfares at the Airport from FY 2000 through FY 2008. From FY 2000 to FY 2008, the number of domestic originating passengers increased an average of 2.2% per year. In comparison, airfares decreased from an annual average of $159 in FY 2000 to a low of approximately $138 from FY 2003 through FY 2005 with the development of low cost service. By FY 2008, airfares had returned to FY 2000 levels.

Figure 14

DOMESTIC ORIGINATING PASSENGERS AND AIRFARES

John Wayne Airport



Note: For Fiscal years ended June 30.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, online database, accessed January 2009.

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Table 15

COMPARISON OF AVERAGE ONE-WAY DOMESTIC AIRLINE FARES AND YIELDS AT SELECTED SOUTHERN CALIFORNIA AIRPORTS

Airport	2006 First Quarter	2006 Second Quarter	2006 Third Quarter	2006 Fourth Quarter	2007 First Quarter	2007 Second Quarter	2007 Third Quarter	2007 Fourth Quarter	2008 First Quarter	2008 Second Quarter	2008 Third Quarter
	Average one-way airline fares										
John Wayne	**$154**	**$162**	**$159**	**$149**	**$146**	**$155**	**$158**	**$157**	**$161**	**$162**	**$165**
Bob Hope (Burbank)	119	130	130	122	117	124	127	126	123	128	138
Long Beach	123	149	149	139	125	142	152	140	134	138	144
Los Angeles International	168	181	177	173	171	180	186	181	183	192	203
Ontario International	133	145	146	138	134	142	145	140	138	148	159
San Diego International	154	163	159	152	152	159	157	158	155	164	170
	Average one-way yields (cents per revenue passenger mile)										
John Wayne	**$0.14**	**$0.14**	**$0.14**	**$0.13**	**$0.14**	**$0.14**	**$0.14**	**$0.14**	**$0.14**	**$0.14**	**$0.14**
Bob Hope (Burbank)	0.16	0.16	0.15	0.16	0.16	0.16	0.15	0.16	0.17	0.16	0.17
Long Beach	0.08	0.10	0.10	0.10	0.09	0.10	0.10	0.10	0.10	0.10	0.11
Los Angeles International	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.12	0.12	0.12
Ontario International	0.13	0.14	0.13	0.13	0.13	0.13	0.13	0.13	0.14	0.14	0.14
San Diego International	0.12	0.12	0.12	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12

Note: Data are for calendar years and are in nominal or current dollars.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Passenger Traffic, Domestic*, online OD1A database, accessed January 2009.

Air Cargo

Air cargo at the Airport during recent years has largely been carried by Federal Express and United Parcel Service. A small percentage of total freight is also carried as belly cargo by the passenger airlines. Table 16 summarizes total air cargo (enplaned and deplaned freight and mail) at the Airport from FY 2000 through FY 2008. From FY 2000 to FY 2008, total air cargo at the Airport increased an average of 1.6% per year, with year-to-year variation in tonnage.

Table 16

HISTORICAL AIR CARGO
John Wayne Airport

Fiscal Year	Total air cargo (tons) *(a)*	Annual percent increase (decrease)
2000	18,078	--%
2001	17,599	(2.6)
2002	15,086	(14.3)
2003	15,467	2.5
2004	17,382	12.4
2005	23,637	36.0
2006	24,322	2.9
2007	22,602	(7.1)
2008	20,511	(9.3)

(a) Includes enplaned and deplaned air cargo.

Source: John Wayne Airport, Orange County records.

General Aviation

As noted earlier, approximately 600 general aviation aircraft are currently based at the Airport. The Airport also supports a variety of general aviation activities, including charter, flight instruction, recreation, business, law enforcement, media, and medical/mercy flights (air ambulance). General aviation aircraft operations at the Airport have decreased during recent years. Table 17 summarizes general aviation aircraft operations (itinerant and local) at the Airport from FY 2000 through FY 2008. From FY 2000 to FY 2008, general aviation operations at the Airport decreased in every year except FY 2005, for an average decrease of 5.5% per year.

Table 17

HISTORICAL GENERAL AVIATION OPERATIONS
John Wayne Airport

Fiscal Year	General aviation operations *(a)*	Annual percent increase (decrease)
2000	340,338	--%
2001	287,506	(15.5)
2002	277,213	(3.6)
2003	260,029	(6.2)
2004	252,401	(2.9)
2005	258,015	2.2
2006	251,395	(2.6)
2007	236,742	(5.8)
2008	215,777	(8.9)

(a) Includes itinerant and local operations.

Source: U.S. Department of Transportation, Federal Aviation Administration, Air Traffic Activity System (ATADS), www.faa.gov.

Aircraft Landed Weight

Table 18 presents aircraft landed weight for the passenger and all-cargo airlines serving the Airport in FY 2000 through FY 2008. Between FY 2000 and FY 2008, total aircraft landed weight increased an average of 0.4% per year, with year-to-year variation in total landed weight.

Table 18

HISTORICAL AIRCRAFT LANDED WEIGHT
John Wayne Airport
(in 1,000 lbs.)

Airline	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Average annual percent increase (decrease) FY 2000-FY 2008
Mainline carriers										
Alaska Airlines	568,393	628,757	671,402	741,533	756,908	746,201	736,618	739,785	725,944	3.1%
Aloha Airlines *(a)*	--	128	137,600	140,160	232,704	216,320	240,896	260,864	188,928	--
American Airlines *(b)*	1,829,232	1,608,630	1,453,446	1,239,222	1,011,880	888,010	853,094	906,902	937,428	(6.0)
Continental Airlines	301,170	329,576	276,348	304,676	309,766	309,268	339,176	341,850	365,483	2.4
Delta Air Lines	481,982	494,764	490,368	492,160	532,360	583,866	523,988	467,248	483,193	0.0
Midwest Airlines	--	--	--	--	47,600	40,000	--	--	--	--
Northwest Airlines	245,011	197,588	183,745	196,538	192,751	190,254	165,745	141,229	142,195	(6.6)
Trans World Airlines	175,226	187,028	64,944	--	--	--	--	--	--	(100.0)
United Airlines	1,011,442	1,012,912	929,098	948,517	973,017	905,832	867,421	831,474	813,512	(2.7)
US Airways *(c)*	948,715	939,044	817,173	717,179	542,860	526,735	621,183	643,762	587,389	(5.8)
	5,561,170	5,398,428	5,024,124	4,779,986	4,599,846	4,406,486	4,348,120	4,333,113	4,244,073	(2.7)
Percent change	--	(2.9%)	(6.9%)	(4.9%)	(3.8%)	(4.2%)	(1.3%)	(0.3%)	(2.1%)	
Regional affiliates										
American Eagle	--	--	--	118,648	168,738	156,123	196,689	153,072	155,999	--
Delta Connection *(d)*	--	--	--	--	59,094	52,126	9,045	--	--	--
SkyWest *(e)*	125,205	146,626	105,217	71,141	90,120	80,962	80,472	132,659	119,220	(0.6)
US Airways Express (Mesa)	--	--	470	57,434	66,103	84,305	49,586	48,731	46,138	--
	125,205	146,626	105,687	247,224	384,055	373,515	335,793	334,462	321,357	(3.1)
Percent change	--	(17.1%)	(27.9%)	133.9%	55.3%	(2.7%)	(10.1%)	(0.4%)	(3.9%)	
Low-cost carriers										
Frontier Airlines *(f)*	--	--	--	--	103,218	135,645	142,823	154,721	194,716	--
Southwest Airlines	547,406	549,864	811,680	1,064,262	1,273,752	1,382,344	1,447,794	1,709,942	1,689,728	15.1
	547,406	549,864	811,680	1,064,262	1,376,970	1,517,989	1,590,617	1,864,663	1,884,444	16.7
Percent change	--	0.4%	47.6%	31.1%	29.4%	10.2%	4.8%	17.2%	1.1%	
All-cargo Carriers										
FedEx	66,822	66,248	66,301	66,812	67,724	66,551	67,052	72,587	74,398	1.4
UPS	53,130	52,920	49,980	47,670	48,300	49,770	49,980	51,450	51,840	(0.3)
	119,952	119,168	116,281	114,482	116,024	116,321	117,032	124,037	126,238	0.6
Total	6,353,733	6,214,085	6,057,772	6,205,954	6,476,896	6,414,311	6,391,562	6,656,274	6,576,111	0.4
Percent change	--	(2.2%)	(2.5%)	2.4%	4.4%	(1.0%)	(0.4%)	4.1%	(1.2%)	

Note: For Fiscal Years ended June 30.

(a) Ceased passenger operations on March 31, 2008.
(b) Includes activity for Reno Air in July and August 1999. Reno Air was acquired by American Airlines in February 1999 and flew its last flight on August 30, 1999.
(c) Includes America West.
(d) Includes activity on Atlantic Southeast Airlines from FY 2004 through FY 2006.
(e) Includes activity for Delta Connection and United Express, except as noted in (d).
(f) Filed for Chapter 11 bankruptcy protection on April 10, 2008.

Source: John Wayne Airport, Orange County records.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the economy of the Airport Service Region, discussed in the earlier section "Airport Service Region," key factors that will affect airline traffic at John Wayne Airport include:

- Economic and political conditions
- Aviation safety and security concerns
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of the national air traffic control system
- Capacity of the Airport

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger numbers during those years. Economic recession in 2008 and 2009, combined with reduced discretionary income and airline seating capacity, will contribute to reduced air travel demand in the near term.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities are now important influences on passenger traffic at major U.S. airports. Sustained future increases both in domestic and international passenger traffic will depend on stable and peaceful international conditions and global economic growth.

Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. Since September 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation

Security Administration (TSA), and more intensive screening of passengers and baggage. In the summer of 2006, the discovery of a plot to attack transatlantic flights with liquid explosives led to further changes in screening procedures.

Public health concerns have also affected travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against non-essential travel to certain regions of the world. Beginning in April 2009, concerns about the spread of "swine flu" caused by the H1N1 virus reduced certain international airline travel.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health concerns, and international hostilities. Provided that precautions of government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to continue providing service.

The 1990-1991 economic recession, coupled with increased operating costs and security concerns during the Gulf War, generated then-record financial losses in the airline industry. Those losses put particular pressures on financially weak or highly indebted airlines, forcing many to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations in the early 1990s.

Between 1995 and 2000, the airline industry as a whole was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry again experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $40 billion.

To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. US Airways twice filed for bankruptcy protection, in 2002 and 2004. In December 2002, United filed for bankruptcy protection (emerged in February 2006). In 2003, American avoided filing for bankruptcy protection after obtaining labor cost concessions from its employees and drastically reducing service at its St. Louis hub. In 2005, Delta eliminated its Dallas/Fort Worth hub, reduced service at its Cincinnati hub, and restructured its other airport operations. In September 2005, Delta filed for bankruptcy protection (emerged in April 2007). Also in September 2005, Northwest filed for bankruptcy protection (emerged in May 2007). Among smaller airlines, between 2003 and 2005, Hawaiian Airlines, Aloha Airlines, and Independence Air filed for Chapter 11 protection. (Of these airlines, only Hawaiian was still operating as of February 2009.)

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, but in mid-2008, as oil and aviation fuel prices increased to unprecedented levels, the industry confronted a profitability crisis. The industry responded by grounding older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging their fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes, laying off employees, reducing employee compensation, reducing other non-fuel expenses, increasing airfares, and imposing other fees and charges. In the fourth quarter of 2008, U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10% compared with the fourth quarter of 2007.

Various industry analysts have suggested that further industrywide capacity reductions may be required to achieve equilibrium between seat supply and passenger demand at airfares adequate to achieve airline profitability. Several airlines have announced additional capacity reductions for 2009. The combination of reduced seat capacity, increased airfares, and weak economic conditions is expected to lead to reduced passenger numbers at most airports in the near term.

Continuing losses could cause airlines to seek bankruptcy protection or liquidate. During 2008, Aloha, ATA, and Skybus Airlines, along with other small airlines, declared bankruptcy and ceased operations. Frontier Airlines filed for Chapter 11 protection in April 2008, but continues to operate. The liquidation of one or more of the large network airlines could drastically affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns throughout the U.S. aviation system.

Airline Service and Routes

The Airport serves as a gateway to the Airport Service Region. The number of origin and destination passengers depends on the intrinsic attractiveness of Orange County as a business and leisure destination and the propensity of its residents to travel. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport. Most full-fare mainline airlines have emphasized the development of hub-and-spoke route networks as a means of increasing their service frequencies, passenger numbers, and profitability. At an airport almost exclusively serving origin-destination passengers, such as John Wayne Airport, the number of enplaned passengers is not as dependent upon the hub-and-spoke operations of the airlines serving the airport.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by capacity and yield management; market presence, other competitive factors; labor, fuel, and other airline operating costs; airline debt burden; and taxes, fees, and other charges assessed by governmental and airport agencies. Future passenger numbers, both nationwide and at the Airport will depend on the continued level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines was reduced from 14.9 to 12.7 cents per passenger-mile. In 2006 and 2007, airlines reduced capacity and were able to sustain fare increases, industrywide yields increased, to an average of 13.8 cents per passenger-mile. By the third quarter of 2008, yields had increased further, to 14.8 cents per passenger-mile. The ability of airlines to continue to increase and rationalize fares while controlling seat capacity is seen as key to the industry regaining and sustaining profitability.

In many airline travel markets nationwide, price competition is provided by new entrant and other airlines with lower cost structures. In Orange County, Frontier and Southwest provide such competition in many travel markets. As network airlines have restructured their operations and reduced costs, they have enhanced their ability to compete on price with these "low-cost" airlines. As shown earlier in Table 15, the average airfares at the Airport are consistent with the fares offered at other southern California airports.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In August 2001, merger plans for United and US Airways were proposed but rejected by the U.S. DOT as a result of concerns about reduced airline competition. In September 2005, US Airways and America West merged. In November 2006, the new US Airways proposed a merger with Delta while the latter was in bankruptcy, but Delta's management and creditors rejected the hostile merger proposal. In April 2008, Delta and Northwest announced their intention to merge; the merger was approved by the U.S. Department of Justice and closed in October 2008. Various other merger combinations involving American, Continental, United, and US Airways were rumored in early 2008, but in an environment of uncertain fuel prices and weak demand, none are expected to be pursued in the near term. In the longer term, further airline consolidation is possible and could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

Alliances provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. In May 2004, US Airways joined the United-led Star Alliance. In June 2008, Continental announced its intention to leave the Delta-led SkyTeam Alliance and join the Star Alliance.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainties. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest item of expense for most airlines. In the second half of 2008, oil prices fell sharply as demand was reduced worldwide.

Airline industry analysts hold differing views on the extent to which recent fluctuations in oil and aviation fuel prices have been caused by actual or expected imbalances of supply and demand as opposed to commodity speculation. However, there is widespread agreement that fuel prices are likely to remain high relative to historical levels and to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

While aviation fuel prices have not affected the ability of airlines to provide service, fluctuating prices will affect airline, service, airfares, and passenger numbers. Airline operating economics are also likely to be affected as regulatory costs are imposed on the airline industry to account for aircraft emissions contributing to global climate change.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The Federal Aviation Administration (FAA) is implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance, and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After 2001, air traffic delays decreased as a result of reduced numbers of aircraft operations but, as nationwide demand has since increased, flight delays and restrictions are again being experienced.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at John Wayne Airport will depend on the provision of increased capacity at the Airport itself.

Pursuant to the 2003 Settlement Agreement Amendment, the County developed an improvement program to increase passenger capacity at the Airport and to build new facilities to accommodate additional passengers, while maintaining an environmentally sensitive operation (the Airport Improvement Program or AIP). Recent and planned terminal projects in the AIP, including the construction of a new multi-level terminal building with six new commercial passenger gates, six new security checkpoints, baggage screening capacity enhancements, additional parking structures, and new commuter facilities will provide the terminal capacity to allow near-term increases in airline service and passengers.

California High Speed Rail

The California High Speed Rail 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 extensions to Sacramento, California, and San Diego, California. As of July 2008, all program-level environmental review work has been completed. The 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. The California High Speed Rail Authority is currently applying for a share of the $8 billion in federal stimulus funding designated for high speed rail projects. If sufficient funds become available, the Authority expects that Phase 1 of the project could be completed in 10 years.

The California Nevada Super Speed Train Commission (created by California and Nevada legislatures) was formed to plan for a high speed rail route to connect Las Vegas, Nevada, to Anaheim, California, with stops in Ontario, Victorville, Barstow (California) and Primm (Nevada) using a magnetic levitation system. The commission recently received $45 million from the SAFETEA-LU Technical Corrections Act of 2008, of which the commission will need to provide 20 percent matching funds. Work on the environmental impact statement is continuing, as is design/engineering work and preparation of cost estimates. As shown earlier in Table 13, the Las Vegas market accounted for 5.8% of the total originating passengers at the Airport flying on the scheduled airlines in FY 2008.

FORECAST AIRLINE TRAFFIC

Forecasts of airline traffic at the Airport through FY 2015 were developed taking into account analyses of the economic basis for airline traffic, trends in historical traffic, and key factors likely to affect future traffic, all as discussed in earlier sections.

In developing the forecasts, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of growth in the economy of the Airport Service Region and continued airline competition. In addition, unlike other airports, the MAP Cap and associated ADDs make airlines more reluctant to reduce service at the Airport. It was also assumed that airline service at the Airport will not be constrained by acts of terrorism, the availability of aviation fuel, limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

Two passenger forecasts were developed, a base forecast and a sensitivity analysis projection, as presented in Table 19 and Figure 15.

Base Forecast

For the base forecast, the number of enplaned passengers is forecast to increase from an estimated 4.43 million in FY 2009 to 5.2 million in FY 2015. O&D passengers are forecast to continue to account for approximately 98% of all passengers.

In FY 2009, the numbers of enplaned passengers are estimated to total 4.3 million, an 11.0% decrease from FY 2008, reflecting actual data for the first 8 months of FY 2009 (July 2008 through February 2009), published future flight schedules for the Airport, announced airline service additions at the Airport, and airline industry guidance regarding reductions in seating capacity for calendar year 2009.

In FY 2010, the numbers of enplaned passengers are forecast to total 4.5 million, a 6.3% increase from FY 2009, reflecting published future flight schedules for the Airport, announced airline service additions at the Airport, and airline industry guidance regarding reductions in seating capacity for calendar year 2009. It was assumed that the national economic recession will negatively affect air travel demand at the Airport through the end of calendar year 2009.

From FY 2010 to FY 2015, the numbers of passengers enplaned at the Airport are forecast to increase an average of 2.8% per year, reaching 5.2 million in FY 2015. Beginning in FY 2011, airline traffic was forecast to increase on the basis of the following assumptions:

1. The U.S. economy will recover from the recession and experience sustained growth in gross domestic product averaging between 2.0% and 2.5% per year.

2. The economy of the Airport Service Region will increase at a rate comparable to that of the United States as a whole.

3. The airlines serving the Airport will be financially viable and able to add the seat capacity required to accommodate additional demand consistent with the MAP Cap.

4. Competition among airlines serving the Airport will ensure the continued availability of competitive airfares.

5. A generally stable international political environment, enhanced passenger and baggage screening procedures, and other precautions will ensure airline traveler confidence in aviation safety and security without imposing unreasonable inconveniences.

6. There will be no major disruption of airline service or travel behavior as a result of international hostilities or terrorist acts or threats.

7. The Airport will continue to be the primary commercial service airport serving Orange County.

8. Significant competitive airline service will continue to be provided at airports serving the Airport Service Region, such as Bob Hope (Burbank), Long Beach, Los Angeles International, Ontario International, and San Diego International airports.

9. Improvements being implemented to enhance terminal capacity at the Airport will be effective in accommodating increases in passenger traffic.

In April 2009, the FAA forecast that domestic passengers enplaned on U.S. airlines would decrease 7.8% in federal fiscal year (FFY) 2009 and then increase at an average annual rate of 3.8% from FFY 2010 to FFY 2015.

Table 19

AIRLINE TRAFFIC FORECASTS
John Wayne Airport
FY 2006 – FY 2015

The forecasts presented in this table were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Historical			Estimated	Forecast						Average annual percent increase (decrease)
	FY 2006	FY 2007	FY 2008	FY 2009 *(a)*	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2009-FY 2015
BASE FORECAST											
Enplaned passengers											
Mainline carriers	3,238,016	3,245,151	3,081,073	2,557,000	2,531,000	2,632,000	2,685,000	2,738,000	2,779,000	2,821,000	1.7%
Regional affiliates	307,951	264,519	247,432	206,000	202,000	210,000	214,000	219,000	222,000	225,000	1.5
Low cost carriers	1,262,676	1,446,855	1,451,982	1,492,000	1,788,000	1,859,000	1,952,000	2,040,000	2,101,000	2,154,000	6.3
Total	4,808,643	4,956,525	4,780,487	4,255,000	4,521,000	4,701,000	4,851,000	4,997,000	5,102,000	5,200,000	3.4%
Annual percent increase (decrease)	0.8%	3.1%	(3.6%)	(11.0%)	6.3%	4.0%	3.2%	3.0%	2.1%	1.9%	
Total passengers (enplaned and deplaned)	9,600,953	9,910,016	9,566,043	8,510,000	9,042,000	9,402,000	9,702,000	9,994,000	10,204,000	10,400,000	
MAP Cap *(b)*	10,300,000	10,300,000	10,300,000	10,300,000	10,300,000	10,550,000	10,800,000	10,800,000	10,800,000	10,800,000	
Total passengers share of MAP Cap	93%	96%	93%	83%	88%	89%	90%	93%	94%	96%	
Landed weight (1,000-pound units)											
Passenger airlines											
Mainline carriers	4,348,120	4,333,113	4,244,073	3,854,000	3,646,280	3,792,130	3,867,970	3,945,330	4,004,510	4,064,580	0.9%
Regional affiliates	335,793	334,462	321,357	302,140	225,610	234,630	239,320	244,110	247,770	251,490	(3.0)
Low cost carriers	1,590,617	1,864,663	1,884,444	1,924,200	2,479,900	2,555,250	2,661,550	2,744,710	2,790,400	2,823,640	6.6
Subtotal	6,274,529	6,532,237	6,449,874	6,080,340	6,351,790	6,582,010	6,768,840	6,934,150	7,042,680	7,139,710	2.7%
All-cargo airlines	117,032	124,037	126,238	125,520	126,000	126,000	126,000	126,000	126,000	126,000	0.1
Total	6,391,562	6,656,274	6,576,111	6,205,860	6,477,790	6,708,010	6,894,840	7,060,150	7,168,680	7,265,710	2.7%
Annual percent increase (decrease)	(0.4%)	4.1%	(1.2%)	(5.6%)	4.4%	3.6%	2.8%	2.4%	1.5%	1.4%	
SENSITIVITY ANALYSIS PROJECTION											
Enplaned passengers											
Mainline carriers				2,557,000	2,227,900	2,368,800	2,416,500	2,464,200	2,501,100	2,538,900	(0.1%)
Regional affiliates				206,000	181,800	189,000	192,600	197,100	199,200	202,500	(0.3)
Low cost carriers				1,492,000	1,609,200	1,673,100	1,756,800	1,836,000	1,890,900	1,938,600	4.5
Total				4,255,000	4,068,900	4,230,900	4,365,900	4,497,300	4,591,800	4,680,000	1.6%
Annual percent increase (decrease)				--	(4.4%)	4.0%	3.2%	3.0%	2.1%	1.9%	
Sensitivity analysis projection as a percent of base forecast				100.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	
Landed weight (1,000-pound units)				6,205,860	5,830,000	6,037,000	6,205,000	6,354,000	6,452,000	6,539,000	

Note: For Fiscal Years ended June 30.

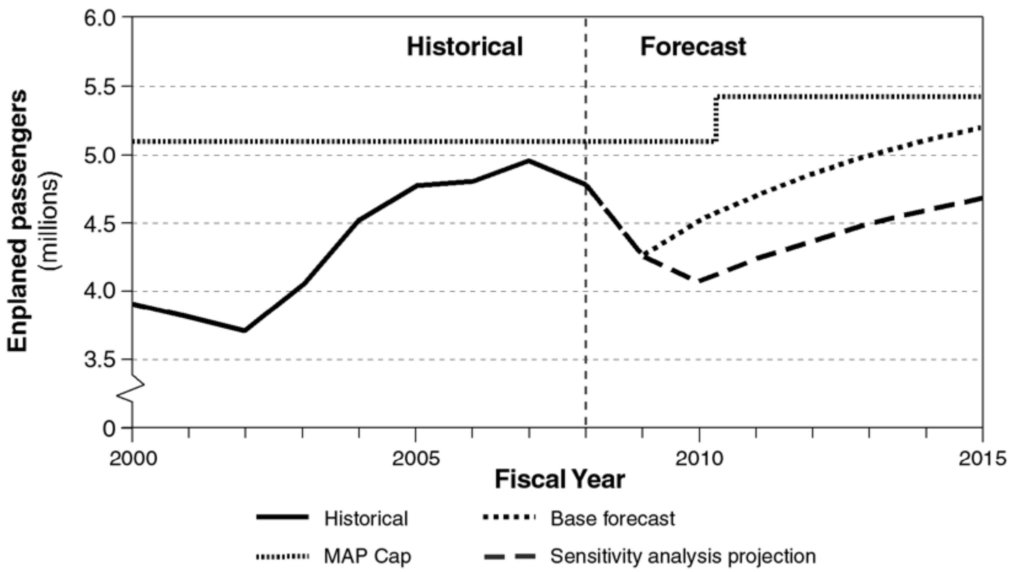
(a) Estimated based on eight months of actual data (July 2008 through February 2009).

Sources: Historical: John Wayne Airport, Orange County records.
Forecast: Jacobs Consultancy, March 2009.

Figure 15

HISTORICAL AND FORECAST ENPLANED PASSENGERS

John Wayne Airport



Note: For Fiscal years ended June 30. The forecasts presented in this figure were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

Sources: Historical: John Wayne Airport, Orange County records.
Forecast: Jacobs Consultancy, March 2009.

Sensitivity Analysis Projection

As a result of the current economic recession and the potential implications for the airline industry, uncertainties exist about the number of passengers that will enplane at the Airport in the future. To test the sensitivity of the financial forecasts to hypothetical levels of passenger activity, a sensitivity analysis projection was developed in addition to the base forecasts. The sensitivity analysis projection is presented in Table 19 and should not be considered as a forecast of expected future results. For the purposes of this hypothetical scenario, it was assumed that enplaned passengers at the Airport would be reduced by 10% over the base forecast.

Landed Weight

For the base forecast, aircraft landed weight is forecast to increase from an estimated 6.2 million 1,000-pound units in FY 2009 to 7.3 million 1,000-pound units in FY 2015. The forecast growth in landed weight is slightly lower than that for enplaned passengers, reflecting an assumed gradual increase in the enplaned passenger load factors at the Airport. Corresponding assumptions were made for the sensitivity analysis projection, producing a forecast of 6.5 million 1,000-pound units in FY 2015.

FINANCIAL ANALYSIS

FRAMEWORK FOR FINANCIAL OPERATIONS

John Wayne Airport is owned by the County of Orange and operated as a self-supporting enterprise fund of the County under the direction of the Airport Director. The Airport is operated with a staff of approximately 175 County employees. Through separate contracts with the Airport, the Orange County Sheriff's Department provides police services and the Orange County Fire Authority provides Aircraft Rescue and Fire Fighting services. In addition, certain accounting, budgeting, bond financing, treasury, and other financial functions are accomplished through the County's Chief Financial Officer and legal services are provided by the County Counsel's office. Airport funds are held in separate Airport Department accounts or by the Trustee.

Indenture

The 2009 Bonds are being issued under the terms and conditions of the Original Indenture executed by the County in 1987, as amended, authorizing the issuance of Airport Revenue Bonds (Bonds) and a Fourth Supplemental Indenture authorizing the issuance of the 2009 Bonds. The 2009 Bonds will be secured by Net Revenues on a parity basis under the Indenture with the $36,055,000 outstanding principal amount of the Series 2003 Bonds, and any Additional Bonds issued in the future.* As defined in the Indenture, Bonds are special, limited obligations of the County payable from the Net Revenues (Revenues less Current Expenses) of the Airport. Principal and interest on the 2009 Bonds is additionally payable from Available PFC Revenues. In the Fourth Supplemental Indenture, the County has irrevocably committed and pledged to deposit into the Revenue Fund certain PFCs (Available PFC Revenues) to pay principal and interest on PFC-eligible portions of the 2009 Bonds from FY 2010 through FY 2015. The Available PFC Revenues are to be transferred by the County from the Available Revenues Account (held by the County) to the Revenue Bond Fund each year. The County has FAA approval to use PFC revenues to pay eligible debt service for these projects. The general fund of the County is not pledged to the payment of the 2009 Bonds.

In addition, as security for the payment of the Bonds, the County has pledged the money and Investment Obligations in all of the related subaccounts of the Revenue Bond Fund and Accounts and the money and Investment Obligations in the Renewal and Replacement Fund, the Series 2009 Project Account, the 2009 Reserve Account, and any Additional Facilities Account, to the extent such money and Investment Obligations have not been encumbered by the County.

Revenues are generally defined as all income, receipts, earnings, and revenues received by the County from the operation and ownership of the Airport, subject to

---

*On May 5, 2009, moneys were placed in an escrow fund in order to defease the 1997 Bonds as of that date. The 1997 Bonds will be redeemed on July 1, 2009.

certain specific exclusions, including PFC revenues (except Available PFC Revenues), grants-in-aid for capital projects (except Available Grant Revenues), Special Purpose Facility rentals or other payments, customer facility charges (CFCs)*, and certain other amounts.

Current Expenses are the County's current expenses for the operation, maintenance, and repair of the Airport as determined in accordance with generally accepted accounting principles, excluding: (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation, (iii) any interest, (iv) any principal payment in respect of capital leases or indebtedness including the Bonds, (v) any deposits to any Fund or Account created under the Indenture and payments of principal, premium, if any, and interest from such Funds and Accounts (vi) any loss from the sale, exchange or other disposition of capital assets at the Airport; (vii) any unrealized losses on securities held for investment by or on behalf of the County for the Airport; (viii) any loss resulting from the extinguishment of indebtedness; and (ix) Current Expenses which are paid with amounts other than Revenues.

Under the definition of Long-Term Debt Service Requirement, principal and interest to be paid from Available Revenues (including Available PFC Revenues) and from the proceeds of Long-Term Bonds (i.e., capitalized interest) are excluded from the determination of the Long-Term Debt Service Requirement.

Rate Covenant

In Section 704 of the Indenture (referred to as the Rate Covenant), the County has covenanted to fix, charge, and collect rates, fees, rentals, and charges for the use of the Airport and has covenanted to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to:

- Produce Revenues (which, pursuant to the Fourth Supplemental Indenture, includes Available PFC Revenues as well as any additional PFC Revenues that the County elects to deposit with the Trustee) in each Fiscal Year at least equal to:

    – Current Expenses for the then current Fiscal Year plus the County's cost of capital items which are budgeted to be paid from the Operating Fund for the then current Fiscal Year,

    – Amounts required to be deposited to the Revenue Bond Fund to pay principal and interest due in the current Fiscal Year,

    – Amounts required to be deposited to the Revenue Bond Reserve Account if the account has less than the Reserve Requirement,

*Customer facility charges are paid by rental car customers. The County currently does not charge a CFC and has no plans to levy one.

   – Amounts required to be deposited to the Subordinated Debt Fund for principal and interest payable for the current Fiscal Year,

   – Amounts required to be deposited to the Renewal and Replacement Fund equal to the amount in the Annual Budget for the current Fiscal Year, and

- Produce Net Revenues in each Fiscal Year at least equal to 125% of the Long-Term Debt Service Requirement (which is net of principal and interest payable from Available PFC Revenues) for such Fiscal Year.

Additional Bonds Test

Section 716 of the Indenture (referred to as the Additional Bonds Test), sets forth the conditions under which Additional Bonds may be issued for Additional Facilities other than Completion Bonds. The County must provide to the Trustee, among other things, evidence indicating that the County is in compliance with the Rate Covenant and either:

(i) a certificate of the County Representative stating that Net Revenues for the most recent Fiscal Year for which audited financial statements are available preceding the date of issuance of the proposed Series of Bonds were not less than 1.50 times the Long-Term Debt Service Requirement (which is net of principal and interest payable from Available PFC Revenues) on all outstanding Long-Term Bonds and the Long-Term Bonds to be issued; or

(ii) a report of an Airport Consultant stating that projected Net Revenues will be sufficient to satisfy the Rate Covenant for (a) each of the first three full Fiscal Years succeeding the date on which the Additional Facilities are expected to be completed and in operation or (b) each of the first five Fiscal Years succeeding the date on which the Long-Term Bonds are issued, whichever period is later; or

(iii) additional Long-Term Bonds in an amount not to exceed 10% of Total Operating Revenues for the most recent Fiscal Year for which audited financial statements are available.

Application of Revenues

The Indenture also prescribes the application of Revenues to the funds and accounts established under the Indenture, as described in the later section "Application of Revenues" and as illustrated in Figure 16.

Figure 16

APPLICATION OF REVENUE UNDER THE GENERAL AIRPORT REVENUE BOND INDENTURE

Priority	Fund	Application
1	Revenue Fund	**Deposit all pledged Revenues.**
2	Operating Fund	**Pay Current Expenses plus cost of capital items budgeted to be paid from the Operating Fund. Maintain reserve.**
3	Revenue Bond Fund	**Pay annual debt service on Revenue Bonds and maintain a reserve for debt service on Revenue Bonds.**
4	Subordinate Debt Fund	**Pay debt service and reserves on Subordinate Lien Bonds.**
5	Renewal and Replacement Fund	**Pay costs for capital renewals and replacements.**
6	Airport General Fund	**Use for any lawful aviation purpose.**

Source: Bond Indenture.

The County deposits all PFC revenues into the PFC Revenue Account and beginning in FY 2010 has irrevocably committed and pledged to set aside in a separate subaccount of the PFC Revenue Account the Available PFC Revenues.

In addition, the County maintains an operating reserve equal to one-sixth of the current Fiscal Year's budgeted operating expenses retained in the Operating Fund.

Airline Lease and Revenue Policy

All but one of the passenger airlines operating at the Airport have entered into an agreement with the County known as the Certified Passenger Airline Lease.* The Airline Lease became effective January 1, 2006, and expires on March 31, 2011. The rents, fees, and charges in the Airline Lease are established in accordance with

*Mesa Airlines (dba US Airways Express), operates under a license agreement instead of a lease agreement.

(1) Resolution 02-062, adopted by the County Board of Supervisors on March 12, 2002, which reasserts and establishes the John Wayne Airport Revenue Planning Policy (Revenue Policy) that was adopted in 1987 under Resolution 87-825 and (2) the Indenture.

Under the Revenue Policy, airline terminal rental rates are established under a commercial compensatory methodology where the rental rate is calculated to recover the average cost of each square foot of Rentable Space in the Terminal cost center. (Rentable Space is the total amount of space, in square feet, available for rent in the Terminal to airlines, concessions, and other tenants.) The landing fee and apron fee rates are established under a cost center residual approach where non-airline revenues are credited to each of the Airfield and Apron cost centers to determine the net cost to be paid by the airlines. Airport management adjusts airline rates and charges semiannually in accordance with the terms of the Airline Lease. New rates are established on a Plan Year basis from April 1 to March 30.

The County has established cost centers to account for revenues and expenses that are used in the calculation of the Terminal Rental Rate, Landing Fee Rate, Apron Fee Rates, and TSA Mandated Security Costs under the Revenue Policy. The County accounts for all operating revenues, direct and indirect operating expenses, debt service, reserve requirements, and amortization on the basis of these cost centers. The Revenue Policy established the following direct Airport cost centers to be used in the calculation of airline rates and charges:

- Terminal—The passenger terminal buildings, concourses, and associated enplaning and deplaning drives.
- Airfield—Activities and areas provided for the landing, takeoff, and taxiing of aircraft; aircraft parking; approach and clear zones; and avigation easements.
- Apron—Activities and areas provided for the parking of aircraft, including loading/unloading of passengers, overnigh t parking of aircraft, and storage of aircraft handling equipment, or constituting the area adjoining the passenger terminal.
- Cargo— Activities and areas provided for cargo operations, including loading/unloading of aircraft and removal/delivery by surface transportation.
- General Aviation— Activities and areas provided for general aviation operations, including fixed base operators and aircraft storage operators.
- Ground Transportation— Activities and areas designated for rental car operations (excluding rental ticket counters in the Terminal), and all Airport access roadways.

- Parking— Activities and areas designated for employee and public auto parking.

The Airport allocates certain indirect maintenance and operation expenses to the direct cost centers, including Administration, Engineering, Operations, Building Maintenance, and Grounds Maintenance.

Under the Revenue Policy, the Airport calculates the total annual net requirement for each of the Terminal, Airfield, and Apron by summing the following amounts:

1. Direct Current Expenses
2. Allocated Current Expenses
3. Current Expense Reserve Retention, which is equal to one-sixth of the increase in budgeted Current Expenses for the Fiscal Year allocated to direct cost centers on the basis of each cost center's share of total Current Expenses
4. Depreciation, Amortization, and Interest on the net book value of assets financed with Airport funds
5. Direct Debt Service (net of Available PFC Revenues)
6. Allocated Debt Service (net of Available PFC Revenues)
7. Debt Service Coverage equal to 25% of Direct and Indirect Debt Service
8. Debt Service Reserve Deficiency
9. Renewal and Replacement Deficiency
10. Less: Revenue Credits consisting of (a) utility and janitorial costs that are directly reimbursed by tenants for the Terminal and (b) Fuel Flowage Fees and miscellaneous airfield revenue for the Airfield.
11. Estimated (Surplus) Deficit for the Current Fiscal Year
12. Actual (Surplus) Deficit for the Prior Fiscal Year equal to the difference between the estimated and actual (surplus) deficit for the prior Fiscal year

The Terminal Rental Net Requirement is divided by total rentable space to calculate the required Terminal Rental Rate. Holdroom, concourse, and security checkpoint space is allocated 10% equally among all airlines, 45% based on operations, and 45% based on enplaning passengers. Baggage claim and baggage makeup space is allocated 20% equally among all airlines and 80% based on deplaning passengers.

The Landing Fee Net Requirement is divided by projected Landed Weight to calculate the required Landing fee Rate. The Apron Fee Net Requirement is divided into three components—50% to the RON Fee requirement which is divided by available aircraft parking positions to yield a fee per day, 25% to the Operation Fee requirement which is divided by ADDs to yield a fee per departure, and 25% to the Equipment Storage Fee requirement which is divided by square feet for equipment storage space to yield a fee per square foot.

TSA Mandated Security cost reimbursement consists of (1) County Sheriff costs, net of TSA reimbursements, allocable to the Terminal, Airfield, and Apron (the aeronautical cost centers) and (2) 100% of the in-line baggage screening costs, which consist of space rent for baggage screening space and direct utilities, maintenance, and janitorial for this space, net of TSA space rentals. This cost is allocated 10% equally among all airlines, 45% based on operations, and 45% based on enplaning passengers.

The Airline Lease expires on March 31, 2011. For the forecasts in this report, it was assumed that the provisions of the Airline Lease regarding the payment of airline rentals, fees, and charges will remain in effect through the forecast period ending FY 2015.

Passenger Facility Charge Program

PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for eligible airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. PFCs were established by Title 49 U.S.C. §40117, and authorized airport sponsors to collect PFCs in the amount of $1.00, $2.00, or $3.00 per eligible enplaning originating and connecting passenger. The Aviation Investment and Reform Act (AIR-21) increased the maximum PFC airport sponsors could collect to $4.50 per enplaning passenger.

In April 2006, the County received approval from the FAA to impose a PFC of $4.50 per eligible enplaned passenger at the Airport, and has imposed the PFC since July 1, 2006. The FAA approved collection of $321 million in PFC revenue for five projects: (1) an inline baggage screening system (constructed in 2002), (2) the new South RON, (3) costs of developing the PFC application, (4) Terminal C construction and associated soft costs, and (5) Common Use Passenger Processing Systems (CUPPS). The inline baggage screening, South RON, and PFC application projects were approved for pay-as-you-go PFC funding. The Terminal C and CUPPS projects were approved for pay-as-you-go PFC funding and to pay debt service on the PFC-eligible cost of bonds.

PFC-use approval is reflected in the financial forecasts presented in this report; in particular, the authorization to use PFC revenues to pay a portion of the debt service on the 2009 Bonds. Under the Fourth Supplemental Indenture, the County intends to irrevocably commit and pledge to apply certain amounts of PFCs to pay debt service on the 2009 Bonds through FY 2015.

HISTORICAL FINANCIAL STATEMENTS

Table 20 presents a summary and reconciliation of the historical operating results of the Airport between GAAP and the Indenture, as obtained from the financial statements for FY 2007 and FY 2008 contained in the County's Comprehensive Annual Financial Report, which are prepared on the basis of generally accepted accounting principles.

Table 20

STATEMENT OF HISTORICAL REVENUES AND EXPENSES
John Wayne Airport
For Fiscal Years ended June 30

	2007	2008
Financial Statements		
Operating Revenues	$ 106,748,000	$ 107,063,000
Operating Expenses	(63,077,000)	(63,175,000)
Depreciation	(19,306,000)	(18,589,000)
Operating Income	$ 24,365,000	$ 25,299,000
Nonoperating Revenues		
Interest Income	$ 9,319,000	$ 8,630,000
Interest Expenses	(6,649,000)	(5,749,000)
Bankruptcy Settlement Proceeds	384,000	665,000
Other Revenues (net)	1,300,000	2,501,000
PFC Revenues	20,999,000	19,078,000
Total Nonoperating Revenues (expenses)	$ 25,353,000	$ 25,125,000
Income before Contributions and Special Items	$ 49,718,000	$ 50,424,000
Capital Grant Contributions	2,781,000	12,809,000
Special Item	-	(6,835,000)
Changes in Net Assets	$ 52,499,000	$ 56,398,000
Net Revenues under Indenture		
Revenues	$ 117,928,460	$ 118,444,006
Current Expenses	(63,077,000)	(63,175,000)
Net Revenues	$ 54,851,460	$ 55,269,006
Reconciliation		
Changes in Net Assets	$ 52,499,000	$ 56,398,000
Add Back Depreciation		
Depreciation	19,306,000	18,589,000
GAAP Adjustment	237,762	101,461
Excluding		
PFC Revenues	(20,999,000)	(19,078,000)
PFC Interest	(60,302)	(516,456)
Interest Expenses	6,649,000	5,749,000
Capital Grant Contributions	(2,781,000)	(12,809,000)
Special Item	-	6,835,000
Net Revenues	$ 54,851,460	$ 55,269,006

Source: John Wayne Airport, Orange County records.

CAPITAL IMPROVEMENT PROGRAM

The Airport prepares a multi-year Capital Improvement Plan (CIP) each year in the course of preparing its annual budget for the Airport. The FY 2009-2015 CIP identifies approximately $543 million in potential future capital projects for the Airport as summarized in Exhibit A. Exhibit A also shows the expected sources of funding for the CIP. Cost estimates were provided by the County and its consultants and include allowances for design, construction management, contingencies, and escalation. Contracts covering approximately 76% of the estimated project costs for the AIP (excluding contingencies) have been determined to date.

The CIP represents to the County's best knowledge and belief at this time, all of the significant capital improvements expected to be undertaken through FY 2015. The County reassesses its capital needs at least annually and will modify the CIP as necessary to accommodate traffic activity, security needs, and other factors, which could result in increases or decreases to the CIP, or extend the timing to complete certain projects consistent with the 1985 Settlement Agreement and 2003 Amendment.

Airport Improvement Program

The largest element of the CIP is the $457 million AIP. The AIP has been under consideration since the environmental review (under the California Environmental Quality Act) of the 2003 Amendment. The Airport received a letter from the FAA in 2002, which concluded that the modifications to the amended Settlement Agreement are fully consistent with applicable federal law. Shortly thereafter, the Airport received the necessary court order signed by the Honorable Terry J. Hatter, Jr. of the Central District Court of California to fully implement the new agreement.

The existing Thomas F. Riley Terminal and related facilities opened in 1990 and was made possible by the 1985 Settlement Agreement. In a deliberate effort to limit capacity, the 1985 Settlement Agreement artificially constrained the size of specific components of the Terminal such as holdrooms, baggage areas, aircraft gates, and overall Terminal square feet. The 1985 Settlement Agreement permitted growth at the Airport up to 8.4 million annual passengers (MAP).

The 2003 Amendment permitted growth at the Airport to 10.3 MAP beginning on January 1, 2003 through December 31, 2010, increasing to 10.8 MAP from January 1, 2011 through December 31, 2015. The 2003 Amendment also permitted the addition of six new bridged gates and lifted restrictions on the size of the Terminal and number of automobile parking spaces.

In recent years, improvements have been made to certain pressure points in the Terminal, including the passenger screening checkpoints and the baggage screening areas. Expanded baggage screening areas to accommodate in-line screening were accommodated in the north and south adjacent parking structures. Other areas of the Terminal remain as they existed when the Terminal opened in 1990.

In 2008, the Airport served 9.6 MAP. Existing facilities have been stretched to their operational limits as the Airport accommodates more passengers per gate than is typically experienced around the industry, as shown in Table 21.

Table 21

PASSENGER THROUGHPUT PER GATE FOR SELECTED MAJOR U.S. AIRPORTS

Airport	2007 enplaned passengers	2007 contact gates	Enplaned passengers per gate
John Wayne Airport	4,948,846	14	353,489
Oakland	7,144,127	24	297,672
Denver	24,117,623	95	253,870
Atlanta Hartsfield	43,236,665	172	251,376
Las Vegas McCarran	22,537,950	92	244,978
San Diego	9,138,116	41	222,881
Dallas-Love Field	3,988,199	18	221,567
Chicago Midway	9,132,836	43	212,392
Burbank Bob Hope	2,950,652	14	210,761
Phoenix Sky Harbor	20,796,173	100	207,962
Washington National	9,038,174	44	205,413
Chicago-O'Hare	36,521,585	178	205,177
Sacramento	5,382,463	27	199,350
Dallas-Ft. Worth	28,482,417	150	189,883
Los Angeles Int'l	30,113,985	168	179,250
Houston-Bush	20,767,144	126	164,819
Newark Liberty	18,163,652	111	163,637
San Jose	5,255,257	33	159,250
Raleigh-Durham	4,979,553	35	142,273
Ontario	3,473,272	35	99,236

Sources: Enplaned passengers: Federal Aviation Administration, CY 2007.
Gates: ACI North American and airport records.

In the morning departure peak at the Airport (between 06:45 and 08:00 a.m.), the demand for departures is greater than the number of gates, which results in a second peak hour gate turn by aircraft towed from the remote RON parking area. As a result, most gates must accommodate passengers from two flights at the same time during this peak period.

The County has identified two discrete phases for the AIP. Phase 1 consists of (1) relocation of the South RON aircraft parking, (2) construction of a new multi-level, 6-gate Terminal C with approximately 275,000 square feet that will be attached to existing Terminal B, (3) construction of a north and south commuter/regional terminal facility which will each accommodate four regional aircraft at ground level, (4) demolition of Parking Structure B1 to make room for new Terminal C, (5) construction of a new 2,040-space Parking Structure C (Phase 1) adjoining Terminal C, (6) roadway improvements, and (7) construction of a new maintenance building. While Terminal C is under construction, automobiles displaced by the demolition of Parking Structure B1 are being accommodated on a temporary basis on the South RON apron. The estimated date of beneficial occupancy (DBO) for each component is as follows:

- South RON – January 2009
- New Terminal C – November 2011
- Commuter/regional terminal facilities– – November 2011
- Demolition of Parking Structure B1—May 2009
- Parking Structure C (Phase 1)—September 2010

Phase 2 will consist of an expansion to the new Parking Structure C (referred to as Parking Structure C, Phase 2) and renovation of Terminals A and B. Renovation of Terminals A and B is expected to be completed by the end of FY 2014 and Parking Structure C (Phase 2) will be constructed when demand warrants. At this time, it was assumed that the Parking Structure C (Phase 2) would be constructed in FY 2015 and be operational in FY 2016.

Other CIP Projects

In addition to the AIP project elements, the CIP includes approximately $87 million in additional projects for the Airport. The largest of these projects include a new central utility plant for heating and cooling of terminal facilities ($28 million) and an elevated roadway seismic retrofit ($9 million).

SOURCES OF FUNDS

Exhibit A shows the expected sources of funding for the CIP. The Airport intends to fund the costs of the AIP through a combination of (1) the 2009 Bonds -- a portion of which will be paid by PFCs, (2) pay-as-you go PFC revenues, (3) internally generated funds, (4) federal Airport Improvement Program grants-in-aid, (5) future subordinate debt or Airport funds for Parking Structure C (Phase 2), and (6) airline funding for the hydrant fueling system. In addition, the County has submitted an application for Transportation Security Administration (TSA) grants for a portion of the security infrastructure costs associated with Terminal C and is currently in discussions with TSA. The County is also considering submitting an application to the FAA for voluntary airport low emission (VALE) grant funding for pre-conditioned air on the new gates. TSA and VALE grants are not included in the funding plan at this time.

The Airport expects to finance the other CIP projects primarily with internally generated funds as well as state Caltrans grants ($9 million) and federal airport grants ($3 million). The County does not expect to fund any of these projects with Bonds or other debt.

2009 Bonds

The net proceeds of the 2009 Bonds, and certain investment earnings thereon, will be used to (1) pay a portion of the costs of Phase 1 of the AIP, (2) fund the 2009 Bonds debt service reserve account, (3) fund capitalized interest on a portion of the 2009 Bonds, and (4) pay the costs of issuance of the 2009 Bonds. Interest was assumed to be capitalized for the non-PFC allocated portion of the 2009 Bonds through the estimated completion date of Phase 1 of the AIP (late 2011).

Passenger Facility Charge Revenues

As described earlier, the County is authorized to use PFC revenues to pay a portion of the AIP costs on a pay-as-you-go basis and for eligible debt service on PFC-backed Bonds. Accordingly as shown in Exhibit A, the County expects to use PFC revenues to pay $47 million of the costs of the CIP on a pay-as-you-go basis and $132 million from the 2009 Bonds that are offset with PFC revenues.

The FAA approved the County's PFC application in April 2006 and the County has been collecting PFCs since July 1, 2006. Through December 31, 2008, PFC revenues received by the County, including investment earnings, totaled $47.3 million, of which $27.6 million had been expended on project costs for approved projects.

Federal Grants-in-Aid

The County is eligible to receive grants-in-aid from the FAA under the Airport Improvement Program for up to 80.59% of the costs of eligible projects at the Airport. Certain of these grants are to be received as entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and the amount of landed weight of all-cargo aircraft at the Airport. Large and medium-hub airports that collect a PFC of $4.00 or $4.50 (such as the Airport) forego 75% of their AIP entitlement funds. Federal discretionary grants are awarded for specific projects at the discretion of the FAA.

For the estimated federal airport grants shown in Exhibit A, the County has assumed that entitlement amounts will continue to be determined under the current calculation methodology. Although the County has applied for discretionary grants, none have been received or assumed in the plan of finance at this time. As shown, the Airport estimates that it will receive at least $27.3 million in federal airport grant funding for certain elements of the AIP and other CIP projects in the CIP.

DEBT SERVICE REQUIREMENTS

Exhibit C presents the historical and forecast Long Term Debt Service Requirement of Airport Revenue Bonds. Debt service requirements for the proposed 2009 Bonds were provided by Frasca & Associates, LLC, the County's financial advisor, on the basis of certain data and information provided by the County on the cost and timing of the AIP project elements and the following assumptions:

Interest rate (Series A and B)	6.00%
Bond term for PFC-allocable bonds	20 years
Bond term for non-PFC allocable bonds	30 years

Both series of the 2009 Bonds were assumed to be issued at fixed interest rates. In addition, Frasca & Associates assumed there would be no capitalized interest on the PFC-allocable portion of the 2009 Bonds. Interest will be capitalized on the non-PFC allocable portion of the 2009 Bonds through January 1, 2012. Debt service requirements shown in Exhibit C are net of estimated capitalized interest payments.

As shown, PFCs that are expected to be irrevocably committed and pledged to the payment of certain PFC-eligible debt service during the forecast period directly offset annual gross debt service to yield the Long Term Debt Service Requirement.

On May 5, 2009, moneys were placed in an escrow fund in order to defease the 1997 Bonds as of that date. The 1997 Bonds will be redeemed on July 1, 2009.

PASSENGER FACILITY CHARGES

The County deposits all PFC revenues into the PFC Revenue Account and beginning in FY 2010 has irrevocably committed and pledged to set aside in a separate subaccount of the PFC Revenue Account the Available PFC Revenues, which will be used to pay debt service on the PFC-eligible 2009 Bonds through FY 2015.

Exhibit D presents historical and forecast PFC collections, interest earnings, and the application of PFCs to pay debt service and eligible project costs.

CURRENT EXPENSES

Exhibit E presents historical and forecast Current Expenses by type of expense and by cost center for FY 2007 through FY 2015. Current Expenses for FY 2007 and FY 2008 were obtained from the County Airport System Comprehensive Annual Financial Report for FY 2008 and have been reconciled by the County to the audited financial statements. Estimated expenses for FY 2009 are based on unaudited actual expenses through December 31, 2008, and the County's estimates for FY 2009.

Individual components of Current Expenses were forecast taking into account actual FY 2008 and budgeted FY 2009 expenses; assumed increases in unit costs as a result of inflation; forecast aircraft and passenger activity; incremental staff additions; cogeneration utility savings; planned facility development, including the opening of Terminal C in mid FY 2012; and other assumptions about Airport operations as developed by the County. The unit costs of most salaries, wages, fringe benefits, materials, supplies, and services were assumed to increase an average of 5.0% per year from the FY 2009 estimate of Current Expenses.

REVENUES

Exhibit F presents historical and forecast Revenues by type of revenue for FY 2007 through FY 2015. Data for FY 2007 and FY 2008 were obtained from the County Airport System Comprehensive Annual Financial Report for FY 2008 and have been reconciled by the County to the audited financial statements. Revenues estimated for FY 2009 were based on the County's unaudited financial records through December 31, 2008 and the County's estimates for FY 2009.

In accordance with the Fourth Supplemental Indenture, to the extent that Available Revenues (including Available PFC Revenues) are applied to satisfy all or a portion of the Long-Term Debt Service Requirement when calculating compliance with the Rate Covenant, such Available Revenues are not included as Revenues. Therefore, Available PFC Revenues are reflected in Exhibit C but not in Exhibit F.

Individual components of Revenues were forecast taking into account actual financial results for FY 2007 and FY 2008, estimated results for FY 2009, allowances for inflation as appropriate, and the provisions of leases and agreements between the County and the various tenants and users of the Airports. Revenues from sources related to passengers, such as concession revenues, are forecast to increase as a function of forecast passenger traffic as described in the "Forecast Airline Traffic" section of this report. The assumptions underlying the increases in individual components of Revenues are described in the following sections.

AIRLINE REVENUES

In FY 2008, airline revenues represented 35.5% of Revenues of the Airport.

The Revenue Policy establishes a compensatory approach for calculating and adjusting airline Terminal space rentals and TSA-mandated security costs, and a cost center residual approach for calculating and adjusting landing fees and apron fees.

Cost centers supported by airline rentals, fees, and charges are as follows:

Aeronautical cost centers	Airline rentals, fees, and charges
Terminal	Terminal space rentals, janitorial and utility reimbursements
Apron	RON, gate use, ramp fees
Airfield	Landing fees
TSA-Mandated Security	Passenger carrier security fees

As noted earlier, the 1997 Bonds will be redeemed on July 1, 2009. The net principal redeemed on the 1997 Bonds will be amortized over the remaining term of the 1997 Bonds as if they continued to be outstanding (FY 2010 and FY 2011). A portion of this amount is allocable to the Terminal, Apron, and Airfield cost centers. Exhibits F-1, F-2, and F-3 show the associated increase in amortization and reduction in the Long-Term Debt Service Requirement for FY 2010 and FY 2011.

Terminal Space Rentals

Exhibit F-1 presents the forecast calculation of airline terminal space rentals. As noted earlier, Terminal C is expected to open at the end of 2011 (halfway through FY 2012). It was assumed that the new space and associated debt service and operating expenses would be in operation for six months of FY 2012. The Terminal Requirement is divided by total Rentable Space to yield the Terminal Rental Rate. The Terminal Rental Rate is multiplied by Airline Rentable Space to yield the Airline Revenue Requirement, which is reduced by airline utility and janitorial reimbursements to determine the Net Airline Requirement. The Net Airline Requirement is divided by Airline Rentable Space to yield the Average Airline Terminal Rental Rate.

Similar to Terminals A and B, the County will own and operate all loading bridges, pre-conditioned air, 400 hertz power systems, gate management equipment, inline baggage handling systems, baggage claim equipment, common use terminal equipment, and flight display systems in new Terminal C. The cost of these systems is included in the Terminal rate base.

Landing Fees

Exhibit F-2 presents the forecast calculation of airline landing fee rates. The Airfield Requirement is reduced by nonairline Airfield revenues to yield the Landing Fee Net Requirement which is divided by scheduled passenger and cargo airline landed weight to determine the landing fee rate per thousand pound unit.

Apron Fees

Exhibit F-3 presents the forecast calculation of apron fees. The Apron Requirement is reduced by nonairline Apron revenues to yield the Net Apron Requirement, which is allocated 50% to the RON Requirement, 25% to the Operations Requirement, and 25% to the Equipment Storage Requirement.

Security Fees

Exhibit F-3 also presents the forecast calculation of passenger carrier security fees. TSA Mandated Security costs consist of (1) County Sheriff costs, net of TSA reimbursements, allocable to the Terminal, Airfield, and Apron, (2) 100% of the in-line baggage screening costs, which consist of rent on the space for baggage screening and direct utilities, maintenance, and janitorial for this space, net of TSA space rentals, and (3) pro rata passenger security screening costs. This cost is allocated 10% equally among all airlines, 45% based on operations, and 45% based on enplaning passengers.

Airline Payments per Enplaned Passenger

Exhibit F-4 presents historical and forecast airline payments per enplaned passenger from FY 2007 through FY 2015. As shown, the cost per enplaned passenger is forecast to increase from $8.65 in FY 2008 to $10.86 in FY 2015. Airline payments include the costs of equipment owned and operated by the as Airport, including loading bridges and baggage systems. The forecast airline payment per enplaned passenger is comparable to the cost forecast for other medium-hub airports where major expansion and improvement projects have recently been completed or planned. In the final analysis, the "reasonableness" of airline rates and charges is a judgment that will be made by the individual airlines in deciding what level of service to provide in light of the demand in the Orange County market.

NONAIRLINE REVENUES

The principal sources of nonairline revenues include terminal concession revenues, automobile parking revenues, rental car revenues, general aviation revenues, and interest income. Forecasts of nonairline revenues are based on the provisions of existing agreements and allowances for inflation, forecast increases in enplaned passengers, and other factors.

Terminal Concessions

The primary sources of terminal concession revenues are food and beverage concessions, merchandise concessions, and other terminal concessions. It was assumed that the Airport's pricing policy of "no more than 10%" above the price of the same or similar merchandise found "on the street" would apply throughout the forecast period.

Food and Beverage. HMSHost, Creative Croissants, and McDonalds have nonexclusive concession privileges to provide food and beverage services in the terminal facilities, including in-terminal restaurants, food court, snack bars, and cocktail bars. The agreements provide for payment to the County of percentages of gross sales or a minimum annual guarantee, whichever is greater. Currently, there is 16,142 square feet dedicated to food and beverage operations at the Airport.

HMSHost operates a mix of branded-food outlets, including Starbucks, Wolfgang Puck, Brioche Dorée Café & Bakery, Oasis Grill & Sky Lounge, and Sports Page Pub as well as snack bars. The HMSHost agreement expired on June 30, 2008, but has been extended on a month-to-month basis. Creative Croissants operates a snack bar in Terminal B. McDonalds operates two fast food restaurants on the departure level of the terminal in Concourse A (1,340 square feet) and Terminal B (1,301 square feet). The McDonalds agreement took effect when the Terminal opened in 1990 with a 10-year term. The agreement has been extended on a month-to-month basis. The County expects to solicit for new concessionaires in 2010 in anticipation of the opening of Terminal C in late 2011.

In FY 2008, food and beverage gross sales totaled $ $24,690,742, or $5.16 per enplaned passenger.

Merchandise. The County has executed agreements with the Hudson Group, Paradises, Caterina's Candies, and CA Kidz/Sunglass Hut to provide retail, news, sundry, and gift services at the Airport in 6,788 square feet. The Hudson agreement is scheduled to expire on August 25, 2009, and the County has the option to extend the agreement for two years. The Paradise agreement is scheduled to expire on June 1, 2013, and the County has the option to extend the agreement for two one-year periods. In FY 2008, retail gross sales were $12,356,581, or $2.58 per enplaned passenger.

Expansion Plans and Revenue Projections. Table 22 presents the amount of current and projected concession space in the Terminal.

Table 22

TERMINAL CONCESSION SPACE

John Wayne Airport

(square feet)

Category/Location	Current	New Program
Food/beverage		
Terminal A	2,948	5,414
Central Concourse	9,645	9.645
Terminal B	3,550	5,423
Terminal C	--	21,016
	16,143	41,498
Merchandise		
Terminal A	4,021	4,885
Terminal B	2,767	3,129
Terminal C	--	6,221
	6,788	14,235
	22,931	55,733

Sources: John Wayne Airport, Orange County records and SI Partners.

The County's concession consultant has provided projections of gross and net concession sales per enplaned passenger, which have been incorporated into the forecast of Revenues. It is expected that existing food and beverage concessions in Terminals A and B will be renovated and re-concepted after Terminal C opens (halfway through FY 2012) and that the majority of these units will be closed for 90 to 150 days, which will negatively affect concession sales in FY 2012. In addition, new lease terms and lower percentage rents were assumed after the opening of the new concession program. The average effective percentage rental rate in FY 2008 was 17.1% and is projected to decline to 14.7% with the new concessions reflecting the larger amount of concession space and associated higher capital investment requirements for tenant finishes. As shown, food and beverage revenues to the County are forecast to increase in relation to passengers through FY 2011, then decline in FY 2012, reflecting the temporary closing of space in Terminals A and B and proposed decreases in the percentage rents. Merchandise revenues are projected to increase with increases in passengers and expanded space in Terminal C.

Other Concession Revenues. Other Terminal concession revenues include advertising, luggage carts, and public telephones. The revenues from these concessions are forecast on the basis of recent trends in revenues per enplaned passenger and the terms of the various agreements.

Automobile Parking Revenues

Public automobile parking is the largest single source of revenue at the Airport, accounting for $36.6 million in FY 2008, equal to approximately 31% of Revenues.

Parking Concepts, Inc. (PCI) currently operates the public parking facilities at the Airport under a parking management agreement executed in January 2003 that expired on January 6, 2008, and has been extended on a month-to-month basis as Airport management works on developing new parking system specifications to increase automation. Pursuant to the PCI agreement, PCI is responsible for maintaining and operating the existing facilities and collecting parking fees. PCI remits all gross parking revenues to the County and is reimbursed for operating expenses and paid a management fee. It has been assumed that any extension of the current PCI agreement, or negotiation of a new agreement would result in parking revenues received by the County that are equal to or greater than those received under the current PCI agreement, as adjusted for the operation of new parking facilities.

Table 23 presents a summary of existing public parking facilities and parking rates at the Airport.

Table 23

PUBLIC PARKING RATES
John Wayne Airport
(as of April 2009)

Facility	Spaces	Parking rates	Daily Max
Terminal Garages			
Parking Structure A1	1,457	$2 per hour	$20
Parking Structure A2	1,601	$2 per hour	$20
Parking Structure B2	1,441	$2 per hour	$20
Valet	622	$10 per hour	$30
	5,121		
Remote Parking			
Parking Lot C	899	$2 per hour	$17
Main Street Lot	1,959	$2 per hour	$14
	2,858		
Total spaces	7,979		

Source: John Wayne Airport, Orange County records.

Parking facilities include three multi-level parking structures located adjacent to the Terminal (Parking Structures A1, A2, and B2) with full-service curbside valet parking available on the departures level roadway located between Terminals A and B. Parking Structure B1 (with 1,242 spaces) was permanently closed on September 2, 2008 to make way for new Terminal C. Parking Lot C opened for service on August 1, 2008 to provide temporary replacement spaces. The Main Street Lot is a short shuttle ride from the Terminal.

New Parking Structure C (Phase 1) will be constructed in Phase 1 of the AIP and will contain approximately 2,040 spaces. In Phase 2 of the AIP, an extension of Parking Structure C (Phase 2) will be constructed, if demand warrants, with about 1,200 spaces.

On July 29, 2008, the Orange County Board of Supervisors approved a $3 increase to the daily parking rate at Airport facilities and a $1 increase to the hourly rate. No future parking rate increases are expected or forecast. Parking revenue is expected to increase in relation to enplaned passengers and with the opening of Parking Structure C1 in FY 2012.

Rental Cars

The lower level of Parking Structures A2 and B2 accommodates rental car pickup and drop-off operations. There are seven on-site rental car companies – Alamo, Avis, Budget, Enterprise, Hertz, National, and Thrifty. The County has a single agreement with Vanguard to operate both Alamo and National products. Off-Airport rental car companies are licensed to pick up passengers from the terminal and shuttle them to their off-site locations. The off-Airport companies include American Eagle Car Rental, AM-PM Rent-A-Car, Go Rent-A-Van, Newport Beach Rent A Car, Rent 4 Less, Fox / Payless Rent-A-Car, Stop Then Go Rent-A-Car, and United Auto Rental.

The on-Airport rental car companies accounted for nearly 97% of rental car revenues in FY 2008. The shares of rental car revenues for FY 2008 are as follows.

Rental car company	Share of revenues
On-Airport companies	
Hertz	31.4%
Alamo/National	18.4
Avis	18.1
Budget	11.7
Enterprise	10.3
Thrifty	7.0
Off-Airport companies	3.1
	100.0%

The seven on-Airport rental car companies operate under the terms of leases that provide that the companies pay the greater of the minimum annual guarantee or a concession fee of 10% of gross revenues plus rent for their facilities in the garage. These agreements expire on June 30, 2012. In August 2007, Enterprise purchased Vanguard, which owns both Alamo and National. Alamo/National and Enterprise continue to report gross revenues and make payments to the County as separate entities. Off-Airport rental car companies pay 9% of gross revenues to the County.

Rental car revenues are forecast to increase in proportion to forecast increases in passengers and with inflation, assuming that the terms of the existing leases remain in effect through the forecast period. It was assumed that consolidation in the rental car industry will have no material effect on the revenues forecast to be paid collectively by the rental car companies to the County.

General Aviation

General aviation revenues include County hangars, County tie-downs, FBO aircraft tie-downs, transient tie-downs, FBO ground and concession rent, fuel flowage fees, and fuel storage rent. Such revenues totaled $ $3,253,889 in FY 2008 or 2.7% of Revenues.

Interest Income

Interest income under the Indenture excludes interest earnings from all of the funds and accounts except from PFC revenues. Interest income totaled $8.1 million in FY 2008 and is expected to decrease in FY 2009, reflecting lower earnings rates and a declining balance in the Airport General Fund as these funds are used to pay for capital costs.

APPLICATION OF REVENUES

Exhibit G presents the forecast application of Revenues as required under the Indenture. The priorities for applying Revenues and other amounts on deposit in the Aviation Operating Fund are as follows:

1. Payment of Current Expenses plus the cost of capital items which are budgeted to be paid from the Operating Fund for the then current Fiscal Year, and maintain an operating reserve equal to one-sixth of the current Fiscal Year's budgeted operating expenses.

2. Deposit to the Interest Account, Principal Account, Sinking Fund Account, Redemption Account and Reserve Account in the Revenue Bond Fund to pay the Debt Service Requirements of Airport Revenue Bonds.

3. Restoration of any deficiency in the Revenue Bond Reserve Account to maintain the Reserve Requirement (no such amounts are forecast to be required).

4. Payment of debt service and reserve requirements on any Subordinate Bonds (no such amounts are forecast to be required).

5. Restoration of any deficiency in the Renewal and Replacement Fund (no such amounts are forecast to be required).

6. Deposit all remaining funds to the Airport General Fund to use for any lawful purpose.

Exhibit G presents the forecast application of Revenues for FY 2009 through FY 2015, which satisfies the first requirement under the Rate Covenant (Rate Covenant Test #1).

Available PFC Revenues are not included in Revenues. Available PFC Revenues are to be deposited by the County directly into the Revenue Bond Fund for the payment of PFC-eligible debt service on the 2009 Bonds.

Exhibit D presents the forecast application of PFC revenues. As shown, forecast PFC collections exceed PFC revenues pledged to pay debt service on the 2009 Bonds.

DEBT SERVICE COVERAGE

Exhibit H-1 presents the calculation of Airport Revenue Bond debt service coverage (Rate Covenant Test #2) in accordance with the Rate Covenant of Section 704 of the Indenture in each year FY 2009 through FY 2015. Available PFC Revenues are netted against annual debt service to yield the Long-Term Debt Service Requirement. Net Revenues are forecast to be at least 125% of the Long Term Debt Service Requirement in each of the Fiscal Years 2009 through 2015. Thus, the Rate Covenant of the Indenture is forecast to be met in each Fiscal Year of the forecast period.

SENSITIVITY ANALYSIS

As a result of the current economic recession and the potential implications for the airline industry, uncertainties exist about the number of passengers that will enplane at the Airport in the future. To test the sensitivity of the financial forecasts to hypothetical levels of passenger activity, a sensitivity analysis projection was developed in addition to the base forecasts. The sensitivity analysis projection should not be considered as a forecast of expected future results. For the purposes of this hypothetical scenario, it was assumed that enplaned passengers at the Airport would be 10% lower than the base forecast.

Exhibit H-2 presents a summary of projected debt service coverage under the sensitivity analysis projection of passengers summarized in Table 19 and discussed in the earlier section “Sensitivity Analysis Projection.” Concessions and other revenues associated with passengers, including PFC revenues, were assumed to be reduced. All other assumptions are the same as for the base forecast. Under the Sensitivity Analysis Projection, debt service coverage ratios are projected to be lower than those for the base results, but to exceed 125% of the Long Term Debt Service Requirement in each of the Fiscal Years 2009 through 2015.

Exhibit A

Capital Improvement Program
John Wayne Airport
(for the 12 months ending June 30)

	Project Costs	FAA Entitlement	FAA Discretionary	PFC PAYGO	PFC Bonds	2009 GARB	Future Subordinate Debt	Other /1	JWA	Total
Airport Improvement Program										
Terminal C Construction Cost	$ 127,379,238	$ -	$ -	$ 10,000,000	$ 85,124,739	$ 10,000,000	$ -	$ -	$ 22,254,499	$ 127,379,238
Terminal Baggage Belt	22,939,891	-	-	22,939,891	-	-	-	-	-	22,939,891
Passenger Loading Bridges	11,000,000	985,248	-	-	3,300,000	-	-	-	6,714,752	11,000,000
South Remain-Over-Night (RON)	40,197,049	22,174,824	-	4,974,953	-	-	-	1,760,000	11,287,272	40,197,049
Parking Structure C (Phase 1)	48,491,228	-	-	-	-	48,491,228	-	-	-	48,491,228
Parking Structure C (Phase 2)	43,697,582	-	-	-	-	-	43,697,582	-	-	43,697,582
Project Contingency	35,000,000	-	-	-	-	20,000,000	-	-	15,000,000	35,000,000
Construction Manager Services	16,695,579	-	-	5,150,540	5,500,686	-	-	-	6,044,353	16,695,579
Project Management Services	18,704,820	-	-	5,150,540	6,635,194	-	-	-	6,919,086	18,704,820
Testing and Inspection	17,000,000	-	-	-	8,026,048	-	-	-	8,973,952	17,000,000
Common Use Terminal Equipments	19,015,061	-	-	442,112	7,000,000	-	-	-	11,572,949	19,015,061
Other Projects	56,442,443	1,090,914	-	-	16,658,588	-	-	-	38,692,941	56,442,443
Airport Improvement Program	$ 456,562,891	$ 24,250,986	$ -	$ 48,658,036	$ 132,245,255	$ 78,491,228	$ 43,697,582	$ 1,760,000	$ 127,459,804	$ 456,562,891
Non-Airport Improvement Program										
Central Plant	$ 27,675,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,675,000	$ 27,675,000
Seismic Elevated Roadway	9,000,000	-	-	-	-	-	-	9,000,000	-	9,000,000
Project Contingency	13,000,000	-	-	-	-	-	-	-	13,000,000	13,000,000
Other Projects	36,866,566	3,083,526	-	-	-	-	-	-	33,783,040	36,866,566
Non-Airport Improvement Program	$ 86,541,566	$ 3,083,526	$ -	$ -	$ -	$ -	$ -	$ 9,000,000	$ 74,458,040	$ 86,541,566
Total Capital Improvement Program	$ 543,104,457	$ 27,334,512	$ -	$ 48,658,036	$ 132,245,255	$ 78,491,228	$ 43,697,582	$ 10,760,000	$ 201,917,844	$ 543,104,457

Source: John Wayne Airport, Orange County.

Notes: 1. Including $1.76 million to be reimbursed by airlines for fuel line in the South RON and $9 million state grant for seismic roadway cost.

Exhibit B

Sources and Uses of Bond Funds
John Wayne Airport
(for the 12 months ending June 30)

	Series 2009A Bonds	Series 2009B Bonds GARB	Series 2009B Bonds PFC	Total
Sources of Funds				
Bond Proceeds	$ 61,195,000	$ 37,860,000	$ 141,095,000	$ 240,150,000
Construction Fund Interest Earnings	620,816	384,079	1,693,088	2,697,983
Total	$ 61,815,816	$ 38,244,079	$ 142,788,088	$ 242,847,983
Uses of Funds				
Construction Fund	$ 48,491,228	$ 30,000,000	$ 132,245,255	$ 210,736,483
Bond Reserve Account	3,960,671	2,450,349	9,132,209	15,543,230
Capitalized Interest	8,750,506	5,413,748	-	14,164,253
Cost of Issuance	611,950	378,600	1,410,950	2,401,500
Rounding	1,461	1,382	(326)	2,516
Total	$ 61,815,816	$ 38,244,079	$ 142,788,088	$ 242,847,983

Source: Frasca & Associates, LLC.

Exhibit C

Long Term Debt Service Requirement
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical		Estimate	Forecast		DBO /1			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airport Revenue Bonds									
Series 1997 Refunding Bonds /2	$ 13,745,413	$ 13,747,313	$ 13,749,769	$ -	$ -	$ -	$ -	$ -	$ -
Series 2003 Refunding Bonds	4,656,375	4,656,175	4,649,425	4,656,175	4,655,425	4,657,175	4,660,925	4,656,175	4,661,250
Total Existing Bonds	$ 18,401,788	$ 18,403,488	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 4,657,175	$ 4,660,925	$ 4,656,175	$ 4,661,250
Proposed Series 2009 Bonds - Non-PFC			-	-	-	2,971,650	7,498,300	7,500,000	7,496,000
Proposed Series 2009 Bonds - PFC	-	-	-	12,300,700	12,300,600	12,301,700	12,303,100	12,298,900	12,303,500
Gross Debt Service	$ 18,401,788	$ 18,403,488	$ 18,399,194	$ 16,956,875	$ 16,956,025	$ 19,930,525	$ 24,462,325	$ 24,455,075	$ 24,460,750
Less: Available PFC Revenues	-	-	-	(12,300,700)	(12,300,600)	(12,301,700)	(12,303,100)	(12,298,900)	(12,303,500)
Long Term Debt Service Requirement	$ 18,401,788	$ 18,403,488	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 7,628,825	$ 12,159,225	$ 12,156,175	$ 12,157,250
Allocation to Cost Centers									
Terminal	$ 6,797,657	$ 6,798,285	$ 6,796,699	$ 1,720,000	$ 1,719,723	$ 2,543,074	$ 3,797,668	$ 3,796,384	$ 3,797,151
Airfield	1,389,059	1,389,187	1,388,863	351,471	351,415	356,038	363,162	362,806	363,183
Apron	864,516	864,596	864,394	218,747	218,712	306,481	440,229	440,056	440,176
General Aviation	-	-	-	-	-	892	2,251	2,251	2,250
GT / Parking	9,350,555	9,351,419	9,349,238	2,365,956	2,365,575	4,422,340	7,555,916	7,554,678	7,554,490
Long Term Debt Service Requirement	$ 18,401,788	$ 18,403,488	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 7,628,825	$ 12,159,225	$ 12,156,175	$ 12,157,250

Sources: Historical - John Wayne Airport, Orange County; forecast - Jacobs Consultancy.

Notes: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

2. The Series 1997 Refunding Bonds were cash defeased on May 5, 2009 and will be redeemed on July 1, 2009.

Exhibit D

Application of PFC Revenues
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

		Historical	Estimate	Forecast					
	2007	2008	2009	2010	2011	2012	2013	2014	2015
PFC Collections									
Enplaned Passengers	4,956,525	4,783,022	4,255,000	4,521,000	4,701,000	4,851,000	4,997,000	5,102,000	5,200,000
Percent of PFC Eligible Passengers /1	81.4%	95.6%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%
PFC Eligible Enplaned Passengers	4,036,812	4,573,610	3,957,000	4,205,000	4,372,000	4,511,000	4,647,000	4,745,000	4,836,000
PFC Collection Level	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50
Less: PFC Airline Collection Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC Collection Level	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
PFC Collection (not inc. Interest) /1	$ 17,721,603	$ 20,078,150	$ 17,371,230	$ 18,459,950	$ 19,193,080	$ 19,803,290	$ 20,400,330	$ 20,830,550	$ 21,230,040
Interest Earnings	69,231	452,706	351,505	525,959	454,285	240,266	383,123	552,730	734,418
Total Annual PFC Revenues	$ 17,790,834	$ 20,530,856	$ 17,722,735	$ 18,985,909	$ 19,647,365	$ 20,043,556	$ 20,783,453	$ 21,383,280	$ 21,964,458
Cumulative PFC Collections	$ 17,790,834	$ 38,321,690	$ 56,044,425	$ 75,030,335	$ 94,677,700	$ 114,721,256	$ 135,504,709	$ 156,887,989	$ 178,852,447
PFC Cashflow									
PFC Fund Beginning Balance	$ -	$ 6,593,151	$ 17,575,234	$ 26,297,968	$ 22,714,269	$ 12,013,313	$ 19,156,149	$ 27,636,502	$ 36,720,882
Deposits:									
Annual PFC Revenues	17,790,834	20,530,856	17,722,735	18,985,909	19,647,365	20,043,556	20,783,453	21,383,280	21,964,458
Withdraw									
PAYGO Projects from CIP (does not incl. In Line baggage	(1,193,612)	(9,548,774)	(9,000,000)	(10,268,909)	(18,047,721)	(599,020)	-	-	-
PAYGO Reimbursement of In Line Baggage Screening	(10,004,071)	-	-						
Debt Service on PFC Bonds	-	-	-	(12,300,700)	(12,300,600)	(12,301,700)	(12,303,100)	(12,298,900)	(12,303,500)
PFC Fund End Balance	$ 6,593,151	$ 17,575,234	$ 26,297,968	$ 22,714,269	$ 12,013,313	$ 19,156,149	$ 27,636,502	$ 36,720,882	$ 46,381,840

Sources: Historical - John Wayne Airport, Orange County; forecast - Jacobs Consultancy.

Note: 1. PFC collections for historical years are shown on a cash basis. FY 2007 represents only 11 months of collections because the airlines started remitting PFCs in August 2006.

Exhibit E

Current Expenses
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical		Estimate	Forecast		DBO /1			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Current Expenses by Object Categories									
Professional and Specialized Services	$ 29,988,000	$ 30,233,000	$ 31,437,909	$ 33,009,804	$ 34,660,294	$ 36,393,309	$ 38,212,975	$ 40,123,623	$ 42,129,804
Salaries and Employee Benefits	14,592,000	15,451,000	16,451,172	17,273,731	18,137,418	19,044,288	19,996,503	20,996,328	22,046,144
Material and Supplies	18,497,000	17,491,000	21,130,519	22,187,045	23,448,285	25,121,928	26,418,123	27,781,533	29,215,665
Base Expenses	$ 63,077,000	$ 63,175,000	$ 69,019,600	$ 72,470,580	$ 76,245,997	$ 80,559,526	$ 84,627,600	$ 88,901,485	$ 93,391,613
Incremental Expenses	-	-	-	619,074	775,528	4,049,459	7,061,084	7,397,133	7,749,475
Current Expenses	$ 63,077,000	$ 63,175,000	$ 69,019,600	$ 73,089,654	$ 77,021,525	$ 84,608,985	$ 91,688,684	$ 96,298,618	$ 101,141,088
Percent Change	10.9%	0.2%	9.3%	5.9%	5.4%	9.9%	8.4%	5.0%	5.0%
Allocation to Cost Centers									
Terminal	$ 14,282,173	$ 14,326,272	$ 15,510,799	$ 16,380,926	$ 17,269,704	$ 20,052,698	$ 22,930,368	$ 24,082,592	$ 25,292,892
Airfield	9,877,328	9,510,326	10,296,660	10,915,123	11,513,298	12,273,443	12,842,083	13,484,500	14,159,191
Apron	2,386,346	2,190,593	2,371,716	2,534,784	2,692,977	3,001,503	3,143,085	3,303,009	3,471,150
General Aviation	1,847,737	1,957,915	2,119,800	2,222,114	2,331,600	2,437,805	2,550,595	2,677,993	2,811,750
Ground Transportation	7,261,368	7,249,885	7,849,321	8,422,554	8,940,830	9,685,698	10,136,835	10,646,573	11,182,195
Parking	17,043,648	17,495,554	18,815,303	19,955,352	20,981,374	21,308,089	22,308,193	23,437,550	24,624,189
TSA Mandated Security Cost	8,052,329	7,686,981	8,319,987	8,735,986	9,172,785	10,443,620	10,965,801	11,514,091	12,089,795
Inline EDS Solution	2,326,070	2,757,475	3,736,015	3,922,816	4,118,957	5,406,130	6,811,724	7,152,311	7,509,926
Total	$ 63,077,000	$ 63,175,000	$ 69,019,600	$ 73,089,654	$ 77,021,525	$ 84,608,985	$ 91,688,684	$ 96,298,618	$ 101,141,088

Sources: Historical - John Wayne Airport, Orange County; forecast - Jacobs Consultancy.
Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

Exhibit F

Revenues
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

		Historical	Estimate	Forecast		DBO /1			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airline Revenues									
Landing Fees	$ 11,107,930	$ 11,447,912	$ 11,381,625	$ 11,901,089	$ 12,676,470	$ 12,670,409	$ 13,211,289	$ 13,865,504	$ 14,545,992
Terminal Space Rentals	17,024,811	18,653,643	17,999,781	16,969,128	17,584,333	16,575,859	19,028,012	19,510,015	20,264,144
Ramp, RON, Gate Use Fees	2,927,344	2,926,403	3,016,948	2,964,523	3,103,069	3,058,045	3,303,955	3,447,016	3,596,139
Security Reimbursement	6,903,393	5,391,805	6,534,637	7,896,955	8,308,187	10,427,673	12,237,924	12,863,117	13,519,534
Utility Reimbursement	1,097,922	1,244,872	1,318,024	1,383,925	1,453,121	1,525,778	1,602,066	1,682,170	1,766,278
Janitorial Reimbursement	1,747,408	1,938,021	2,264,740	2,377,977	2,496,876	2,621,720	2,752,806	2,890,446	3,034,968
Bag Handling System Reimb.	-	-	375,000	1,500,000	1,125,000	-	-	-	-
Cargo Space Rent	445,154	458,718	469,032	469,032	469,032	469,032	469,032	469,032	469,032
Total Airline Revenues	$ 41,253,962	$ 42,061,374	$ 43,359,786	$ 45,462,629	$ 47,216,088	$ 47,348,515	$ 52,605,083	$ 54,727,299	$ 57,196,088
Concession Revenues									
Food and Beverage	$ 3,872,392	$ 4,097,165	$ 3,623,135	$ 3,906,725	$ 4,123,203	$ 3,424,462	$ 4,270,244	$ 4,425,373	$ 4,578,031
General Merchandise	2,115,679	2,262,187	2,109,863	2,275,387	2,401,470	2,490,331	2,809,679	2,772,629	2,868,273
Rental Car	12,982,656	13,065,831	12,584,541	13,297,681	13,788,951	14,275,948	14,557,904	14,989,718	15,409,020
Advertising	1,475,751	1,858,055	1,711,000	1,835,073	1,926,485	2,007,221	2,087,704	2,152,449	2,215,318
Auto Parking	38,160,134	36,591,613	36,073,859	37,987,096	39,744,912	41,398,290	43,225,796	44,104,128	44,923,904
Other	2,444,050	2,600,606	2,292,715	2,458,971	2,581,462	2,689,646	2,797,493	2,884,250	2,968,494
Total Concession Revenues	$ 61,050,662	$ 60,475,457	$ 58,395,114	$ 61,760,933	$ 64,566,484	$ 66,285,899	$ 69,748,819	$ 71,328,547	$ 72,963,041
General Aviation	$ 3,126,855	$ 3,253,889	$ 5,282,609	$ 3,582,609	$ 3,582,609	$ 3,582,609	$ 3,582,609	$ 3,582,609	$ 3,582,609
Ground Transportation	$ 689,763	$ 698,272	$ 608,452	$ 623,663	$ 639,255	$ 655,236	$ 671,617	$ 688,408	$ 705,618
Operating Revenues	$ 106,121,242	$ 106,488,992	$ 107,645,961	$ 111,429,834	$ 116,004,436	$ 117,872,258	$ 126,608,128	$ 130,326,862	$ 134,447,356
Nonoperating Revenues									
Interest Income	$ 9,258,872	$ 8,113,816	$ 4,343,017	$ 4,005,449	$ 4,348,132	$ 4,692,090	$ 5,231,038	$ 5,834,714	$ 6,601,467
TSA Reimbursements	716,429	384,001	-	-	-	-	-	-	-
Miscellaneous	1,831,917	3,457,198	1,295,732	1,296,370	1,298,461	1,300,593	1,302,769	1,304,989	1,307,257
Nonoperating Revenues	$ 11,807,218	$ 11,955,014	$ 5,638,749	$ 5,301,819	$ 5,646,593	$ 5,992,683	$ 6,533,807	$ 7,139,704	$ 7,908,723
REVENUES	$ 117,928,460	$ 118,444,006	$ 113,284,710	$ 116,731,654	$ 121,651,029	$ 123,864,942	$ 133,141,936	$ 137,466,566	$ 142,356,080
Percent Change	3.7%	0.4%	-4.4%	3.0%	4.2%	1.8%	7.5%	3.2%	3.6%

Sources: Historical - John Wayne Airport, Orange County; forecast - Jacobs Consultancy.
Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

Exhibit F-1

Terminal Rental Rate Calculation
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimate 2009	Forecast 2010	2011	DBO /1 2012	2013	2014	2015
Terminal Requirement							
Direct Current Expenses	$ 13,354,111	$ 14,126,585	$ 14,903,394	$ 17,378,705	$ 19,943,551	$ 20,946,720	$ 22,000,536
Allocated Current Expenses	2,156,688	2,254,341	2,366,310	2,673,992	2,986,818	3,135,871	3,292,356
Current Expenses Reserve Retention	107,481	145,021	148,130	463,832	479,612	192,037	201,717
Annual Equipment Allowance	272,293	271,069	270,983	291,636	310,242	310,214	310,185
Amortization on Historical Assets		3,441,475	3,441,475	-			
Amortization on New Terminal Projects	-	-	-	-	-	-	-
Long Term Debt Service Requirement	6,796,699	1,720,000	1,719,723	2,543,074	3,797,668	3,796,384	3,797,151
Coverage (25%)	1,699,175	430,000	429,931	635,769	949,417	949,096	949,288
Retirement Fund Payoff	-	-	-	-	-	-	-
Debt Service Reserve Requirement	-	-	-	-	-	-	-
Renewal and Replacement Fund Requirement	-	-	-	-	-	-	-
Prior Year Adjustment	(1,052,994)	-	-	-	-	-	-
Total Terminal Rental Requirement	$ 23,333,452	$ 22,388,492	$ 23,279,947	$ 23,987,009	$ 28,467,307	$ 29,330,323	$ 30,551,232
Divided by: Total Rentable Space (square feet)	278,595	278,595	278,595	368,563	458,531	458,531	458,531
Terminal Rental Rate (per square foot)	$ 83.75	$ 80.36	$ 83.56	$ 65.08	$ 62.08	$ 63.97	$ 66.63
Airline Rentable Space (square feet)	251,045	251,045	251,045	324,128	397,210	397,210	397,210
Airline Revenue Requirement	$ 21,026,029	$ 20,174,515	$ 20,977,814	$ 21,095,035	$ 24,660,272	$ 25,407,873	$ 26,465,506
Less: Utility Reimbursements	(1,318,024)	(1,383,925)	(1,453,121)	(1,525,778)	(1,602,066)	(1,682,170)	(1,766,278)
Less: Janitorial Reimbursement	(2,264,740)	(2,377,977)	(2,496,876)	(2,621,720)	(2,752,806)	(2,890,446)	(3,034,968)
Net Airline Requirement	$ 17,443,265	$ 16,412,612	$ 17,027,817	$ 16,947,538	$ 20,305,400	$ 20,835,258	$ 21,664,260
Divided by: Airline Rentable Space (SF)	251,045	251,045	251,045	324,128	397,210	397,210	397,210
Average Airline Terminal Rental Rate (per square foot)	$ 69.48	$ 65.38	$ 67.83	$ 52.29	$ 51.12	$ 52.45	$ 54.54
Net Airline Requirement	$ 17,443,265	$ 16,412,612	$ 17,027,817	$ 16,947,538	$ 20,305,400	$ 20,835,258	$ 21,664,260
Divided by: Weighted Rentable Space (SF)	118,387	118,387	118,387	150,394	182,402	182,402	182,402
Weighted Class I Rental Rate	$ 147.34	$ 138.64	$ 143.83	$ 112.69	$ 111.32	$ 114.23	$ 118.77
Weighted Rented Space	118,387	118,387	118,387	142,157	165,928	165,928	165,928
Terminal Rentals	$ 17,443,265	$ 16,412,612	$ 17,027,817	$ 16,019,343	$ 18,471,496	$ 18,953,499	$ 19,707,628
Mezzanine Rentals	556,516	556,516	556,516	556,516	556,516	556,516	556,516
Total Terminal Space Rentals	$ 17,999,781	$ 16,969,128	$ 17,584,333	$ 16,575,859	$ 19,028,012	$ 19,510,015	$ 20,264,144

Source: Jacobs Consultancy.

Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

Exhibit F-2

Landing Fee Rate Calculation
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimate 2009	Forecast 2010	2011	DBO /1 2012	2013	2014	2015
Airfield Requirement							
Direct Current Expenses	$ 8,864,969	$ 9,412,986	$ 9,935,736	$ 10,636,800	$ 11,169,325	$ 11,728,640	$ 12,316,100
Allocated Current Expenses	1,431,692	1,502,138	1,577,562	1,636,642	1,672,758	1,755,860	1,843,091
Current Expenses Reserve Retention	46,143	103,077	99,696	126,691	94,773	107,070	112,448
Annual Equipment Allowance	-	-	180,658	178,499	173,750	173,697	173,644
Amortization on Historical Assets	84,724	881,543	881,543	84,724	84,724	84,724	84,724
Amortization on New Airfield Projects	-	-	-	-	-	-	-
Long Term Debt Service Requirement	1,388,863	351,471	351,415	356,038	363,162	362,806	363,183
Coverage (25%)	347,216	87,868	87,854	89,009	90,790	90,701	90,796
Debt Service Reserve Requirement	-	-	-	-	-	-	-
Renewal and Replacement Fund Requirement	-	-	-	-	-	-	-
Prior Year Adjustment	(343,988)	-	-	-	-	-	-
Airline Revenue Requirement	$ 11,819,619	$ 12,339,083	$ 13,114,464	$ 13,108,403	$ 13,649,283	$ 14,303,498	$ 14,983,986
Less: Fuel Flowage Fees	(437,994)	(437,994)	(437,994)	(437,994)	(437,994)	(437,994)	(437,994)
Less: Miscellaneous	-	-	-	-	-	-	-
Landing Fee Net Requirement	$ 11,381,625	$ 11,901,089	$ 12,676,470	$ 12,670,409	$ 13,211,289	$ 13,865,504	$ 14,545,992
Divided by: Passenger and Cargo Landed Weight (1,000 lbs)	6,205,860	6,477,790	6,708,010	6,894,840	7,060,150	7,168,680	7,265,710
Landing Fee Rate (1,000 lbs)	$ 1.83	$ 1.84	$ 1.89	$ 1.84	$ 1.87	$ 1.93	$ 2.00
Landing Fee Revenues							
Passenger Landed Weight	6,080,340	6,351,790	6,582,010	6,768,840	6,934,150	7,042,680	7,139,710
Multiplied by: Landing Fee	1.83	1.84	1.89	1.84	1.87	1.93	2.00
Passenger Landing Fees Revenues	$ 11,151,419	$ 11,669,600	$ 12,438,361	$ 12,438,863	$ 12,975,511	$ 13,621,798	$ 14,293,739
Cargo Carrier Landed Weight	125,520	126,000	126,000	126,000	126,000	126,000	126,000
Multiplied by: Landing Fee	1.83	1.84	1.89	1.84	1.87	1.93	2.00
Cargo Landing Fee Revenues	$ 230,205	$ 231,489	$ 238,109	$ 231,546	$ 235,777	$ 243,706	$ 252,253

Source: Jacobs Consultancy.
Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

Exhibit F-3

Other Airline Rates and Charges
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimate 2009	Forecast 2010	2011	DBO /1 2012	2013	2014	2015
Apron Fee Requirement							
Direct Current Expenses	$ 2,041,943	$ 2,185,947	$ 2,323,983	$ 2,601,258	$ 2,733,679	$ 2,872,913	$ 3,019,313
Allocated Current Expenses	329,774	348,837	368,994	400,245	409,406	430,095	451,837
Current Expenses Reserve Retention	(22,081)	27,178	26,366	51,421	23,597	26,654	28,024
Annual Equipment Allowance	41,636	41,945	42,256	43,652	42,525	42,547	42,569
Amortization on Historical Assets	-	495,920	495,920	-	-	-	-
Amortization on New Apron Projects	-	-	-	-	-	-	-
Long Term Debt Service Requirement	864,394	218,747	218,712	306,481	440,229	440,056	440,176
Coverage (25%)	216,099	54,687	54,678	76,620	110,057	110,014	110,044
Debt Service Reserve Requirement	-	-	-	-	-	-	-
Renewal and Replacement Fund Requirement	-	-	-	-	-	-	-
Prior Year Adjustment	(79,481)	-	-	-	-	-	-
Total Apron Fee Requirement	$ 3,392,283	$ 3,373,261	$ 3,530,910	$ 3,479,677	$ 3,759,493	$ 3,922,279	$ 4,091,962
Less: Miscellaneous	-	-	-	-	-	-	-
Net Apron Fee Requirement	$ 3,392,283	$ 3,373,261	$ 3,530,910	$ 3,479,677	$ 3,759,493	$ 3,922,279	$ 4,091,962
RON Requirement (50%)	$ 1,696,141	$ 1,686,631	$ 1,765,455	$ 1,739,839	$ 1,879,746	$ 1,961,139	$ 2,045,981
Available RON Positions	11,470	11,470	11,470	11,668	11,866	11,866	11,866
Daily RON Fee	$ 147.88	$ 147.05	$ 153.92	$ 149.12	$ 158.42	$ 165.28	$ 172.43
Operations Requirement (25%)	$ 848,071	$ 843,315	$ 882,727	$ 869,919	$ 939,873	$ 980,570	$ 1,022,991
Airline Share	812,362	807,807	845,560	833,291	900,299	939,282	979,917
Equivalent ADDs	47,024	49,694	51,506	52,971	54,261	55,109	55,868
Operations Fee (per operation)	$ 17.28	$ 16.26	$ 16.42	$ 15.73	$ 16.59	$ 17.04	$ 17.54
Equipment Storage Requirement (25%)	$ 848,071	$ 843,315	$ 882,727	$ 869,919	$ 939,873	$ 980,570	$ 1,022,991
Equipment Storage Space (square feeet)	62,665	62,665	62,665	62,665	62,665	62,665	62,665
Equipment Storage Fee (per square foot)	$ 13.53	$ 13.46	$ 14.09	$ 13.88	$ 15.00	$ 15.65	$ 16.32
Passenger Airline Leased Space	34,931	34,931	34,931	34,931	34,931	34,931	34,931
Equipment Storage Fees	$ 472,736	$ 470,085	$ 492,055	$ 484,915	$ 523,909	$ 546,594	$ 570,241
RON, Gate Use, Ramp Fees	$ 2,981,240	$ 2,964,523	$ 3,103,069	$ 3,058,045	$ 3,303,955	$ 3,447,016	$ 3,596,139
TSA Mandated Security Costs	$ 8,319,987	$ 8,735,986	$ 9,172,785	$ 10,443,620	$ 10,965,801	$ 11,514,091	$ 12,089,795
Air Carrier Share							
Terminal	27.2%	27.1%	27.1%	29.2%	31.0%	31.0%	31.0%
Airfield	18.1%	18.1%	18.1%	17.8%	17.4%	17.4%	17.4%
Air Carrier Apron	4.2%	4.2%	4.2%	4.4%	4.3%	4.3%	4.3%
Subtotal	49.5%	49.4%	49.4%	51.4%	52.7%	52.6%	52.6%
Air Carrier Share	$ 4,115,793	$ 4,312,396	$ 4,530,416	$ 5,365,802	$ 5,773,689	$ 6,061,685	$ 6,364,047
Less: Prior Year Adjustment	(979,455)	-	-	-	-	-	-
Less: DOT/FAA Grants	-	-	-	-	-	-	-
Less: TSA Space Rent Reimbursements	(281,932)	(279,683)	(279,683)	(279,683)	(279,683)	(279,683)	(279,683)
Less: Cargo Security Costs	(55,784)	(58,573)	(61,502)	(64,577)	(67,806)	(71,196)	(74,756)
Plus: In Line Solution	3,736,015	3,922,816	4,118,957	5,406,130	6,811,724	7,152,311	7,509,926
Passenger Carrier Security Costs	$ 6,534,637	$ 7,896,955	$ 8,308,187	$ 10,427,673	$ 12,237,924	$ 12,863,117	$ 13,519,534

Source: Jacobs Consultancy.
Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

Exhibit F-4

Cost per Enplaned Passenger
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

		Historical	Estimate	Forecast		DBO /1			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Passenger Airline Payments									
Landing Fees	$ 11,107,930	$ 11,447,912	$ 11,381,625	$ 11,901,089	$ 12,676,470	$ 12,670,409	$ 13,211,289	$ 13,865,504	$ 14,545,992
Minus Cargo Carrier Landing Fee	(207,488)	(216,887)	(230,205)	(231,489)	(238,109)	(231,546)	(235,777)	(243,706)	(252,253)
Terminal Rentals	17,024,811	18,653,643	17,999,781	16,969,128	17,584,333	16,575,859	19,028,012	19,510,015	20,264,144
Apron Fees	2,927,344	2,926,403	3,016,948	2,964,523	3,103,069	3,058,045	3,303,955	3,447,016	3,596,139
Security Reimbursements	6,903,393	5,391,805	6,534,637	7,896,955	8,308,187	10,427,673	12,237,924	12,863,117	13,519,534
Utility Reimbursement	1,097,922	1,244,872	1,318,024	1,383,925	1,453,121	1,525,778	1,602,066	1,682,170	1,766,278
Janitorial Reimbursement	1,747,408	1,938,021	2,264,740	2,377,977	2,496,876	2,621,720	2,752,806	2,890,446	3,034,968
Bag Handling System Reimbursement	-	-	375,000	1,500,000	1,125,000	-	-	-	-
Passenger Airline Payments	$ 40,601,320	$ 41,385,769	$ 42,660,549	$ 44,762,108	$ 46,508,948	$ 46,647,937	$ 51,900,274	$ 54,014,561	$ 56,474,804
Enplaned Passengers	4,956,525	4,783,022	4,255,000	4,521,000	4,701,000	4,851,000	4,997,000	5,102,000	5,200,000
Cost per Enplaned Passenger	$ 8.19	$ 8.65	$ 10.03	$ 9.90	$ 9.89	$ 9.62	$ 10.39	$ 10.59	$ 10.86

Sources: Historical - John Wayne Airport, Orange County; forecast - Jacobs Consultancy.
Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

Exhibit G

Application of Revenues
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimate 2009	Forecast 2010	2011	DBO /1 2012	2013	2014	2015
Revenues							
Airline Revenue	$ 43,359,786	$ 45,462,629	$ 47,216,088	$ 47,348,515	$ 52,605,083	$ 54,727,299	$ 57,196,088
Concessions	58,395,114	61,760,933	64,566,484	66,285,899	69,748,819	71,328,547	72,963,041
General Aviation	5,282,609	3,582,609	3,582,609	3,582,609	3,582,609	3,582,609	3,582,609
Ground Transportation	608,452	623,663	639,255	655,236	671,617	688,408	705,618
Operating Revenues	$ 107,645,961	$ 111,429,834	$ 116,004,436	$ 117,872,258	$ 126,608,128	$ 130,326,862	$ 134,447,356
Nonoperating Revenues	5,638,749	5,301,819	5,646,593	5,992,683	6,533,807	7,139,704	7,908,723
Total	$ 113,284,710	$ 116,731,654	$ 121,651,029	$ 123,864,942	$ 133,141,936	$ 137,466,566	$ 142,356,080
Application of Revenues and Rate Covenant per 704(a)							
Operating Fund							
Current Expenses	$ 69,019,600	$ 73,089,654	$ 77,021,525	$ 84,608,985	$ 91,688,684	$ 96,298,618	$ 101,141,088
Annual Equipment Purchases	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Operating Reserve	974,100	678,342	655,312	1,264,577	1,179,950	768,322	807,078
Revenue Bond Fund	18,399,194	4,656,175	4,655,425	7,628,825	12,159,225	12,156,175	12,157,250
Revenue Bond Reserve Account	-	-	-	-	-	-	-
Subordinated Debt Fund	-	-	-	-	-	-	-
Renewal and Replacement Fund	-	-	-	-	-	-	-
Airport General Fund	23,891,816	37,307,482	38,318,767	29,362,555	27,114,076	27,243,451	27,250,663
Total	$ 113,284,710	$ 116,731,654	$ 121,651,029	$ 123,864,942	$ 133,141,936	$ 137,466,566	$ 142,356,080
General Fund Beginning Balance	$ 168,429,784	$ 138,774,081	$ 114,437,267	$ 115,934,731	$ 120,895,878	$ 137,424,836	$ 161,153,830
Deposits							
Net Revenues	23,891,816	37,307,482	38,318,767	29,362,555	27,114,076	27,243,451	27,250,663
Withdrawals							
Cash Defeasance	(19,497,483)						
JWA Share of CIP	(34,050,036)	(61,644,296)	(36,821,304)	(24,401,407)	(10,585,119)	(3,514,456)	-
General Fund Ending Balance	$ 138,774,081	$ 114,437,267	$ 115,934,731	$ 120,895,878	$ 137,424,836	$ 161,153,830	$ 188,404,494

Source: Jacobs Consultancy.

Note: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.

Exhibit H-1

Debt Service Coverage and Rate Covenant - Base Forecast
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airpor management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipatec events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimate 2009	Forecast 2010	2011	DBO /1 2012	2013	2014	2015
Revenues	$ 113,284,710	$ 116,731,654	$ 121,651,029	$ 123,864,942	$ 133,141,936	$ 137,466,566	$ 142,356,080
Less: Current Expenses	(69,019,600)	(73,089,654)	(77,021,525)	(84,608,985)	(91,688,684)	(96,298,618)	(101,141,088)
Net Revenues	$ 44,265,110	$ 43,642,000	$ 44,629,504	$ 39,255,956	$ 41,453,251	$ 41,167,948	$ 41,214,992
Gross Debt Service /2							
Existing Bonds	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 4,657,175	$ 4,660,925	$ 4,656,175	$ 4,661,250
Proposed Series 2009 GARB	-	-	-	2,971,650	7,498,300	7,500,000	7,496,000
Proposed Series 2009 PFC	-	12,300,700	12,300,600	12,301,700	12,303,100	12,298,900	12,303,500
Gross Debt Service	$ 18,399,194	$ 16,956,875	$ 16,956,025	$ 19,930,525	$ 24,462,325	$ 24,455,075	$ 24,460,750
Less: Available PFC Revenues	-	(12,300,700)	(12,300,600)	(12,301,700)	(12,303,100)	(12,298,900)	(12,303,500)
Long Term Debt Service Requirement	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 7,628,825	$ 12,159,225	$ 12,156,175	$ 12,157,250
Debt Service Coverage (Must > 125%)	241%	937%	959%	515%	341%	339%	339%

Source: Jacobs Consultancy.

Notes: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.
2. Gross Debt Service is net of capitalized interest.

Exhibit H-2

Debt Service Coverage and Rate Covenant - Sensitivity Analysis Projection
John Wayne Airport
(for the 12 months ending June 30)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, the Airpor management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipatec events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Estimate 2009	Forecast 2010	2011	DBO /1 2012	2013	2014	2015
Revenues	$ 113,284,710	$ 111,331,510	$ 115,597,475	$ 117,346,215	$ 125,851,380	$ 129,799,865	$ 134,296,456
Less: Current Expenses	(69,019,600)	(73,089,654)	(77,021,525)	(84,608,985)	(91,688,684)	(96,298,618)	(101,141,088)
Net Revenues	$ 44,265,110	$ 38,241,855	$ 38,575,950	$ 32,737,229	$ 34,162,696	$ 33,501,247	$ 33,155,368
Gross Debt Service /2							
Existing Bonds	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 4,657,175	$ 4,660,925	$ 4,656,175	$ 4,661,250
Proposed Series 2009 GARB	-	-	-	2,971,650	7,498,300	7,500,000	7,496,000
Proposed Series 2009 PFC	-	12,300,700	12,300,600	12,301,700	12,303,100	12,298,900	12,303,500
Gross Debt Service	$ 18,399,194	$ 16,956,875	$ 16,956,025	$ 19,930,525	$ 24,462,325	$ 24,455,075	$ 24,460,750
Less: Available PFC Revenues	-	(12,300,700)	(12,300,600)	(12,301,700)	(12,303,100)	(12,298,900)	(12,303,500)
Long Term Debt Service Requirement	$ 18,399,194	$ 4,656,175	$ 4,655,425	$ 7,628,825	$ 12,159,225	$ 12,156,175	$ 12,157,250
Debt Service Coverage (Must > 125%)	241%	821%	829%	429%	281%	276%	273%

Source: Jacobs Consultancy.

Notes: 1. The expected Date of Beneficial Occupancy of Terminal C is November 2011.
2. Gross Debt Service is net of capitalized interest.

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APPENDIX B

JOHN WAYNE AIRPORT AUDITED FINANCIAL STATEMENTS FOR YEARS ENDED JUNE 30, 2008 AND 2007, INCLUDING AUDITED SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2008

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JOHN WAYNE AIRPORT
(An Enterprise Fund of
the County of Orange, California)

Financial Statements
and Independent Auditor's Reports

For the Years Ended June 30, 2008 and 2007

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JOHN WAYNE AIRPORT
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Orange, California

We have audited the accompanying basic financial statements of the John Wayne Airport (the Airport), an enterprise fund of the County of Orange, California (the County) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Airport as of June 30, 2007, were audited by other auditors whose report dated December 6, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 as of June 30, 2008, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12, the Airport has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008 on our consideration of the Airport's internal control over financial reporting and on 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 considered in assessing the results of our audit.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

The Airport has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 5, 2008

JOHN WAYNE AIRPORT
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007
(to the nearest thousand)

	2008	2007
ASSETS		
Current assets:		
Cash	$ 14,019	$ 8,959
Pooled cash and investments with Treasurer	111,920	101,108
Specific investments with Treasurer	45,446	33,623
Imprest cash	14	14
Accounts receivable	4,492	4,045
Interest receivable	628	1,120
Due from County of Orange	1,492	49
Due from other governmental agencies	2,451	2,931
Prepaid expenses	1,507	2,119
Current restricted assets:		
Restricted cash and investments with trustee	16,092	12,765
Pooled cash and investments held for others	892	3,373
Pooled cash and investments with Treasurer	19,538	7,594
Passenger Facility Charges (PFC) receivable	2,278	3,278
Deposits in lieu of cash	39,286	31,494
Total current assets	260,055	212,472
Noncurrent restricted assets:		
Investments with trustee	17,962	18,502
Capital assets:		
Land	15,678	15,678
Buildings	337,805	352,254
Equipment	10,544	9,961
Infrastructure - runways, taxiways and aprons	128,340	124,621
Construction in progress	71,298	25,386
Less accumulated depreciation	(279,257)	(264,559)
Total capital assets	284,408	263,341
Other noncurrent assets:		
Investments with Treasurer	12,043	21,496
Long-term debt issuance costs	464	554
Total noncurrent assets	314,877	303,893
TOTAL ASSETS	$ 574,932	$ 516,365

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2008 AND 2007
(to the nearest thousand)

	2008	2007
LIABILITIES		
Current liabilities:		
Accounts payable	$ 14,021	$ 5,976
Salaries payable	442	353
Interest payable	2,462	--
Deferred revenue	3,095	4,438
Due to County of Orange	1,661	1,920
Compensated employee absences	956	865
Current liabilities payable from restricted assets:		
Bonds payable, net of deferred amounts on refundings and premiums	12,648	12,029
Deposits from others	40,178	34,867
Total current liabilities	75,463	60,448
Noncurrent liabilities:		
Compensated employee absences	664	862
Bonds payable, net of deferred amounts on refundings and premiums	77,248	89,896
Total noncurrent liabilities	77,912	90,758
TOTAL LIABILITIES	153,375	151,206
NET ASSETS		
Invested in capital assets, net of related debt	194,976	161,969
Restricted for debt service	31,592	31,267
Restricted for PFC	19,853	9,872
Restricted for capital projects - replacements and renewals	1,000	1,000
Unrestricted	174,136	161,051
TOTAL NET ASSETS	$ 421,557	$ 365,159

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(to the nearest thousand)

	2008	2007
OPERATING REVENUES		
Terminal space rental	$ 18,654	$ 17,025
Auto parking	36,130	37,709
Concessions	24,821	23,960
Landing fees	11,448	11,105
Revenue from use of property	11,181	12,272
Charges for services	3,200	3,151
Aircraft tiedown fees	1,629	1,526
Total operating revenues	107,063	106,748
OPERATING EXPENSES		
Professional and specialized services	30,233	29,988
Salaries and employee benefits	15,451	14,592
Other services and supplies	17,491	18,497
Depreciation	18,589	19,306
Total operating expenses	81,764	82,383
Operating income	25,299	24,365
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,630	9,319
Interest expense	(5,749)	(6,649)
Bankruptcy settlement proceeds	665	384
Other revenues (net)	2,501	1,300
PFC revenue	19,078	20,999
Total nonoperating revenues (expenses)	25,125	25,353
INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	50,424	49,718
Capital grant contributions	12,809	2,781
Special Item (Note 13)	(6,835)	--
CHANGES IN NET ASSETS	56,398	52,499
TOTAL NET ASSETS BEGINNING OF YEAR	365,159	312,660
TOTAL NET ASSETS END OF YEAR	$ 421,557	$ 365,159

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(to the nearest thousand)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 101,828	$ 105,947
Payments to suppliers for goods and services	(46,802)	(48,517)
Payments to employees for services	(15,469)	(14,436)
Internal activity - receipts from other funds	(1,702)	539
Other receipts	2,782	1,119
Net cash provided by operating activities	40,637	44,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenues	464	668
Net cash provided by in noncapital financing activities	464	668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(38,758)	(9,825)
Principal payments on long-term debt	(12,765)	(12,120)
Interest paid on long-term debt	(2,462)	(5,637)
Proceeds from capital grant contributions	14,174	1,478
Proceeds from sale of capital assets	3	--
Receipts from PFC	20,079	17,721
Net cash used in capital and related financing activities	(19,729)	(8,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net	9,452	(5,263)
Interest received on investments	9,122	9,199
Net cash provided by investing activities	18,574	3,936
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,946	40,873
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	167,975	127,102
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 207,921	$ 167,975

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(to the nearest thousand)

	2008	2007
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 25,299	$ 24,365
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	18,589	19,306
Cash received from other revenues	2,782	1,119
(INCREASES) DECREASES IN ASSETS:		
Accounts receivable	(447)	61
Due from County of Orange	(1,443)	435
Due from other governmental agencies	--	25
Prepaid expenses	612	(69)
Deposits in lieu of cash	(7,792)	(3,377)
INCREASES (DECREASES) IN LIABILITIES:		
Accounts payable	310	36
Salaries payable	89	50
Deferred revenue	(2,306)	112
Due to County of Orange	(259)	105
Compensated employee absences payable	(107)	107
Deposits from others	5,310	2,377
Net cash provided by operating activities	$ 40,637	$ 44,652
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS		
Cash	$ 14,019	$ 8,959
Pooled cash and investments	111,920	101,108
Pooled cash and investments held for others	892	3,373
Pooled cash and investments with Treasurer	19,538	7,594
Imprest cash	14	14
Investments with Treasurer	57,489	55,119
Investments with trustee	34,054	31,267
Total	237,926	207,434
Less: Investments with original maturities of three months or more	(30,005)	(39,459)
TOTAL CASH AND CASH EQUIVALENTS	$207,921	$167,975
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Acquisition of capital assets with accounts payable	$ 10,244	$ 2,509
Change in fair value of investments not considered cash or cash equivalents	57	141
Write-off of discontinued construction projects	--	515
Accrued capital grant contribution receivable	2,376	2,776
Capital grant contribution deferred revenue liability	963	--
Accrued PFC receivable	2,278	--
Useful life adjustment of the Parking Structure B1 capital asset (Note 13)	(6,835)	--

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(to the nearest thousand)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The Orange County Airport began operations in 1941. Commercial jet service at an expanded airport with a new terminal, larger operations area and extended runway began in 1967. In 1979, the Orange County Airport was renamed John Wayne Airport (Airport).

The Airport is operated as a department of the County of Orange, California (County), and is accounted for as a self-supporting enterprise fund in the basic financial statements of the County. The financial statements presented herein represent the financial position and changes in financial position and cash flows of the Airport only and are not intended to present the financial position, changes in financial position or the cash flows of the County in conformity with accounting principles generally accepted in the United States of America.

A variety of federal, state and local laws, agreements and regulations govern operations at the Airport. The Federal Aviation Administration (FAA) has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Pursuant to the Airport and Airway Improvement Act of 1982 and other statutes, the County is constrained from transferring Airport revenues to its General Fund, which restriction is embodied in the federal grant agreements entered into by the County. Additionally, federal law governs the reasonableness of fees that may be charged for use of Airport facilities, further governs Airport noise and capacity limits, and imposes certain other restrictions on the County and Airport operations.

In 1985, an agreement (Settlement Agreement) was reached between the County of Orange, the City of Newport Beach (City) and two community groups on a new, 20-year Airport Master Plan (Plan). This Plan provided for a new, enclosed passenger terminal with 14 passenger-loading bridges, baggage system, parking structures, airfield improvements and other Airport enhancements. In addition, strict noise and capacity regulations were imposed on the Airport's flight operations. Additional flight operations were permitted under the Plan and the cap on total passengers served was raised to 8.4 million annual passengers (MAP).

Financed by $242,440 of revenue bonds, construction on the new terminal and other Airport facilities began in 1987. In September 1990, the Thomas F. Riley Terminal opened to the public.

In December 2000, the Board of Supervisors (Board) directed the Airport to work with the City to identify and evaluate the ramifications of extending and/or modifying the Settlement Agreement (Agreement). Environmental Impact Report (EIR) 582 was drafted and outlined a number of long-term facility and capacity alternatives for the Airport. On June 25, 2002, the Board certified EIR 582 and authorized amendments to the Agreement.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

Description of Reporting Entity (continued)

Subsequent to June 25, 2002, the parties to the Agreement agreed to modifications to the amended Agreement. On December 10, 2002, the Board accepted Addendum 582-1 to EIR 582, approving modifications to the amended Agreement.

The amended Agreement enhances capacity at the Airport by increasing: (i) the number of regulated flights through December 31, 2015 (both passenger and cargo); (ii) the number of passengers to 10.3 MAP through December 31, 2010 and to 10.8 MAP from January 1, 2011 through December 31, 2015; and (iii) the number of gates equipped with passenger loading bridges from 14 to 20. The Airport has initiated the design and construction of facilities to accommodate the increased capacity. The Airport Improvement Program includes construction of a new multi-level 250,000+ square foot terminal building ("Terminal C") with new security checkpoints, baggage screening capability and concessions. New permanent commuter facilities for the north and south ends of the new terminal are also planned. Construction on a new South Remain-Over-Night commercial aircraft parking area is well underway. Finally, a new parking structure is planned which will replace the existing B1 Parking Structure. The new terminal and the replacement parking structure are slated for completion in 2011.

The Airport derives revenues primarily from landing fees, terminal space rental, auto parking, concessions, and aircraft tiedown fees. The Airport's major expenses include professional and specialized services for security, fire protection, and parking management, revenue bond debt service, salaries and employee benefits, and other expenses such as maintenance, insurance and utilities.

Passenger Facility Charges

In 1990, the Aviation Safety and Capacity Expansion Act authorized the imposition of local Passenger Facility Charges (PFCs) and use of resulting PFC revenue for allowable costs on FAA approved projects, including debt service.

The FAA approved the Airport's PFC application to collect $4.50 per enplaned passenger effective July 1, 2006. The total approved PFC revenue to be collected is $321,351 through December 31, 2021.

All PFCs collected are restricted and are categorized as nonoperating revenues. PFCs collected are maintained in an interest-bearing account administered by the Orange County Treasurer. Collected but unexpended PFC revenues are reported on the Airport's Statement of Net Assets as current restricted assets, pooled cash and investments held with the Treasurer. Related PFC receivables are also reported as current restricted assets.

During the fiscal year ended June 30, 2008, $20,079 in PFC revenue was collected and $9,548 was expended on FAA approved projects.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

Basis of Presentation - Fund Accounting

The operations of the Airport are accounted for as an enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Airport has elected to apply all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Basis of Accounting and Estimates

The Airport prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles, which provides that revenues are recorded when earned and expenses are recorded when incurred. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Airport's enterprise fund are charges to customers for use of property and for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital Assets

Capital assets including infrastructure assets, purchased or constructed by the Airport are capitalized at cost, while contributed properties are recorded at fair market value when received. Assets are capitalized when the original unit cost is equal to or greater than the County's capitalization threshold of $5 for equipment, $150 for structures and improvements, $0 for infrastructure and $0 for land. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets, which range from 3 to 20 years for equipment and 15 to 45 years for infrastructure and structures. No depreciation is provided on construction in progress until construction is completed and the asset is placed in service.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

Premiums/Discounts, Deferred Refunding Amounts and Issuance Costs

Bond premiums and discounts as well as issuance costs and deferred amounts on refundings, are deferred and amortized over the term of the bond using the effective interest rate method.

Deposits in Lieu of Cash

The Airport requires security deposits from airport lease agreement operators and renters. These security deposits are comprised primarily of negotiable instruments and are held in safe deposit boxes.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash or mature within three months of original purchase.

Pooled Cash and Investments

Pooled cash and investments and investments with trustee are stated at fair value. Pooled cash and investments and pooled cash and investments held for others are funds the Airport has on deposit with the Orange County Treasurer's (Treasurer) County Investment Pool (the "Pool"). These funds are invested in accordance with the Board approved Investment Policy Statement (IPS). The Treasurer allocates interest earned on the pooled cash and investments to the Airport monthly based on average daily balances on deposit with the Treasurer.

Investments with Treasurer

The Treasurer credits interest earned on investments directly to the Airport. The investments are stated at fair value.

Self-Insurance

Liability, property and business interruption insurance is purchased by the County to provide insurance coverage for the Airport for a total insurable value amount of $624,562. The related insurance premium is recorded as an Airport expense. The Airport also participates in the County's self-insured programs for general and automobile liability insurance, workers' compensation, group health indemnified insurance plans, group salary continuance plan, group dental plan and unemployment benefits plan. The Airport records its portion of the related self-insurance premiums charged by the County as an expense. The related liabilities are accrued by the County's self-insurance funds based on estimated future amounts to be paid on known claims and incurred but not reported claims, including loss adjustment expenses.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

Compensated Employee Absences

Compensated employee absences (vacation, compensatory time off, annual leave and sick leave) are accrued as an expense and liability.

Components of Net Assets

Net Assets Invested in Capital Assets, Net of Related Debt - This amount is derived by subtracting the outstanding debt incurred by the Airport to buy or construct capital assets shown in the Statement of Net Assets. Capital assets cannot readily be sold and converted to cash.

Restricted Net Assets - This category represents restrictions imposed on the use of the Airport's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. As of June 30, 2008, the restricted net assets amount was $52,445 of which $19,853 was restricted by enabling legislation.

Unrestricted Net Assets - These assets are resources of the Airport that can be used for any purpose.

Policy Regarding Use of Restricted vs. Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Airport will utilize restricted resources first, and then unrestricted resources as needed.

Reclassifications

Certain amounts presented in the prior year have been reclassified to be consistent with the current year's presentation.

Note 2 – Cash and Investments

The Airport's investment policy guidelines allow for the same types of investments as the Board approved Pool policy. All Airport cash and investments are accounted for separately from other County funds and other investors in the Pool. Investments maintained by trustees are governed by the related bond indentures.

Note 2 – Cash and Investments (continued)

Total Airport cash and investments at fair value as of June 30, 2008 and June 30, 2007 were as follows:

Cash and Pooled Cash and Investments:	2008	2007
Cash on hand	$ 14,033	$ 8,973
Pooled cash and investments	132,350	112,075
Total Cash and Pooled Cash and Investments	146,383	121,048
Investments:		
With Treasurer	57,489	55,119
With Trustee	34,054	31,267
Total Investments	91,543	86,386
Total Cash and Investments	$ 237,926	$ 207,434

Cash

Cash represents amounts held by the Airport in a separate, insured and fully collateralized bank account, which was established upon the authorization of the Board of Supervisors shortly following the County bankruptcy.

Investments with Treasurer

In December 1997, the Treasurer deposited $45,000 of Airport monies in a separate custodial account pursuant to a Memorandum of Understanding between the Airport and the Treasurer. Monies on deposit are invested by the Treasurer in accordance with the Investment Policy Statement (IPS). Additional monies may periodically be deposited in the account.

The investment balance was $57,489 and $55,119 at June 30, 2008 and June 30, 2007 respectively, of which $45,446 and $33,623, respectively, are considered cash equivalents with original maturities of three months or less.

Pooled Cash and Investments

The Treasurer maintains the Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. Interest is apportioned to individual funds based generally on the average daily balances on deposit with the Treasurer.

Investments with Trustee

Investments with trustee represent amounts held by a trustee bank that are restricted for use in

JOHN WAYNE AIRPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 2 – Cash and Investments (continued)

either acquiring certain assets or servicing long-term debt of the Airport as required by the bond indentures.

The trustee as fiscal agent is mandated by the bond indentures as to the government obligations in which the debt issuance proceeds can be invested. Investments with trustee are stated at fair value based on quoted market prices provided by the trustee's independent valuation service, except for Guaranteed Investment Contracts (GICs) which are stated at cost.

Pooled Cash and Investments Held for Others

The Orange County Development Agency (Agency) has deposited monies with the Airport in connection with a grant from the Federal Aviation Administration for purposes of funding the Acoustical Insulation Project and the Purchase Assurance Program in the Santa Ana Heights redevelopment area near the Airport. These projects were established to provide added insulation to homes in the area beyond the runway and for the purchase of property in the area.

Restricted deposits from the Agency of $61 and $2,606 were invested in the Pool and are included in restricted pooled cash and investments held for others as of June 30, 2008 and 2007, respectively.

Investments

As of June 30, 2008, the Airport had the following investments:

	Fair Value	Weighted Average Maturity (Years)
With Treasurer:		
U.S. Government Agencies	$ 27,216	0.11
Commercial Paper	16,612	0.06
Negotiable Certificates of Deposit	6,000	0.11
Medium Term Notes	1,067	0.10
Money Market Mutual Funds	6,594	--
Total investments with Treasurer	$ 57,489	0.08
With Trustee:		
Guaranteed Investment Contracts	$ 8,326	2.78
Cash	103	--
Money Market Mutual Funds	25,625	--
Total investments with Trustee	$ 34,054	0.68

JOHN WAYNE AIRPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
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Note 2 – Cash and Investments (continued)

As of June 30, 2007, the Airport had the following investments:

	Fair Value	Weighted Average Maturity (Years)
With Treasurer:		
U.S. Government Agencies	$ 13,878	0.11
Commercial Paper	22,880	0.11
Negotiable Certificates of Deposit	8,000	0.25
Medium Term Notes	2,000	0.70
Money Market Mutual Funds	8,361	0.01
Total investments with Treasurer	$ 55,119	0.15
With Trustee:		
Guaranteed Investment Contracts	$ 17,395	1.37
Cash	175	--
Money Market Mutual Funds	13,697	--
Total investments with Trustee	$ 31,267	1.37

Interest Rate Risk

Interest rate risk refers to the risk that changes in interest rates will affect the fair value of an investment. The County Treasurer manages exposure to declines in fair value by limiting the weighted average maturity (WAM) in accordance with the IPS. At June 30, 2008, and 2007, the WAM for the Pool approximated 204 and 236 days, respectively, and for Investments with Treasurer approximated 31 and 51 days, respectively. Investments with Trustee are not limited in maturity as these are in guaranteed investment contracts.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At year-end, the Airport's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Note 2 – Cash and Investments (continued)

Credit Risk

The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following nationally recognized statistical rating organizations. For an issuer of short term debt, the rating must be no less than A-1 (Standard & Poors), P-1 (Moody's), or F-1 (Fitch). For an issuer of long-term debt, the rating must be no less than an "A".

Concentration of Credit Risk

The IPS also limits to no more than 5% of the total fair value of the Pool funds that may be invested in securities of any one issuer, except for obligations of the U.S. government, U.S. government agencies or government sponsored enterprises. No more than 10% may be invested in one money market mutual fund.

At June 30, 2008, the credit ratings of the Pool, specific investments with Treasurer, and investments with trustee, and the related concentration of credit risk by investment type were as follows (NR means Not Rated):

	S&P	Moody's	Fitch	% of Total
Pool Investments:				
U.S. Treasuries	AAA	Aaa	AAA	3.68%
U.S. Government Agencies				
Federal National Mortgage Association Discount Notes	AAA	Aaa	AAA	3.50%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	4.74%
Federal Farm Credit Bank	AAA	Aaa	AAA	8.06%
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	6.77%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	4.62%
Freddie Mac Discount Notes	AAA	Aaa	AAA	1.91%
Freddie Mac Bonds	AAA	Aaa	AAA	7.98%
Commercial Paper	A-1	P-1	F1	26.01%
Negotiable Certificates of Deposit	A-1	P-1	F1	8.58%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	4.15%
Corporate Notes	AA	A	NR	1.18%
Corporate Notes	AAA	Aaa	AAA	8.17%
Corporate Notes	D	NR	NR	1.15%
Repurchase Agreements	NR	NR	NR	6.38%
Money Market Mutual Funds	AAA	Aaa	AAA	3.12%
Total Pool				100.00%

Note 2 – Cash and Investments (continued)

Investments With Treasurer:	S&P	Moody's	Fitch	% of Total
U.S. Government Agencies				
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	14.24%
Federal National Mortgage Association Discount Notes	AAA	Aaa	AAA	12.08%
Freddie Discount Notes	AAA	Aaa	AAA	21.02%
Commercial Paper	A-1	P-1	F1	28.89%
Negotiable Certificates of Deposit				
Certificates of Deposit/Yankee CD	A-1	P-1	F1	6.96%
Certificates of Deposit	AA	Aa	AA	3.48%
Medium-Term Notes	A	Aa	NR	1.86%
Money Market Mutual Funds	AAA	Aaa	AAA	11.47%
Total investments with Treasurer				100.00%

Investments With Trustee:	S&P	Moody's	Fitch	% of Total
Guaranteed Investment Contracts	NR	NR	NR	24.45%
Cash				0.30%
Money Market Mutual Funds	AAA	Aaa	AAA	75.25%
Total investments with Trustee				100.00%

At June 30, 2007, the credit ratings of the Pool, specific investments with Treasurer, and investments with trustee, and the related concentration of credit risk by investment type were as follows (NR means Not Rated):

	S&P	Moody's	Fitch	% of Total
Pool Investments:				
U.S. Government Agencies				
Federal Farm Credit Bank	AAA	Aaa	AAA	0.94%
Federal Home Loan Bank Discount Notes	AAA	Aaa	NR	0.43%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	10.78%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	7.39%
Freddie Mac Bonds	AAA	Aaa	AAA	9.10%
Commercial Paper	A-1	P-1	F-1	21.15%
Negotiable Certificates of Deposit	A-1	P-1	F-1	17.09%

Note 2 – Cash and Investments (continued)

	S&P	Moody's	Fitch	% of Total
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	4.20%
Corporate Notes	AAA	Aaa	AAA	1.75%
Corporate Notes	AAA	Aaa	NR	12.15%
Corporate Notes	AA	Aa	AA	1.25%
Corporate Notes	AA	Aa	AA	1.57%
Municipal Debt	SP-1	MIG-1	NR	4.17%
Repurchase Agreements	NR	NR	NR	7.11%
Money Market Mutual Funds	AAA	Aaa	AAA	0.92%
Total Pool				100.00%

Investments With Treasurer:	S&P	Moody's	Fitch	% of Total
U.S. Government Agencies				
Federal Farm Credit Bank	AAA	Aaa	AAA	1.80%
Freddie Mac Discount Notes	AAA	Aaa	AAA	12.42%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	10.96%
Commercial Paper	A-1	P-1	F-1	41.51%
Negotiable Certificates of Deposit				
Certificates of Deposit/Yankee CD	AA	Aa	AA	10.88%
Certificates of Deposit	A	A1	A	3.63%
Medium-Term Notes	AAA	Aaa	NR	3.63%
Money Market Mutual Funds	AAA	Aaa	AAA	15.17%
Total investments with Treasurer				100.00%

Investments With Trustee:				
Guaranteed Investment Contracts	NR	NR	NR	55.63%
Cash				0.56%
Money Market Mutual Funds	AAA	Aaa	AAA	43.81%
Total investments with Trustee				100.00%

Note 3 – Defined Benefit Pension Plan

Plan: All full-time employees of the Airport participate in the Orange County Employees Retirement System (OCERS), which is a cost-sharing, multiple-employer, defined benefit pension plan.

Note 3 – Defined Benefit Pension Plan (continued)

OCERS provides for retirement, death, disability and cost-of-living benefits, and is subject to the provisions of the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent, defined-benefit retirement plan in which employees of the County participate. Under OCERS, each employee receives a defined benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement.

The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County Board of Supervisors through the collective bargaining process with County employees in accordance with the Retirement Law. The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS. Such annual contributions consist primarily of two components: the so-called "normal cost" contribution and the amortized portion of the "unfunded actuarial accrued liability" (the UAAL) contribution, to the extent an UAAL exists.

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

OCERS issues an audited stand-alone annual financial report, which can be obtained online at www.ocers.org, in writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

Funding Policy: In accordance with various Board of Supervisors' resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. For fiscal years 2007-08 and 2006-07, the employer's contribution rate as a percentage of covered payroll for General members was 22.56% and 22.23%, respectively.

Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. In the 1997 Ventura decision of the California Supreme Court, the Court stated that for the purpose of calculating pension benefits, "final compensation" can mean not only base salaries, but also other components. Orange County employee contributions under current contracts are calculated on base salary, eligible premium pay and some categories of overtime as defined in the 1997 Ventura decision. Employee contributions under current contracts are calculated only on base salary, which excludes other additional items of compensation.

Note 3 – Defined Benefit Pension Plan (continued)

The Airport's total payroll was $11,330 and $10,675 and the payroll for employees covered by OCERS was $11,309 and $10,625 for the years ended June 30, 2008 and 2007, respectively. As an enterprise fund of the County of Orange, the Airport's annual required contribution and percentage contributed for the current fiscal year and the two prior fiscal years were the following:

For Year Ending June 30	Annual Required Contribution	Percentage Contributed
2006	$ 1,321	100%
2007	2,034	100%
2008	2,188	100%

For additional details on the defined benefit pension plan, actuarial assumptions, funded status of the plan and required supplemental information refer to the County's Comprehensive Annual Financial Report (CAFR). The CAFR is available by accessing the Auditor-Controller's website at www.ac.ocgov.com/finrpt.asp.

Note 4 – Postemployment Health Care Benefits

Plan: The Airport is a participant in the County of Orange's Retiree Medical Plan. The Retiree Medical Plan is a single employer defined benefit Other Post Employment Benefit (OPEB) plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plan and/or Medicare A and/or B premiums.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from the Orange County Employees Retirement System (OCERS). To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

In addition to the Grant, the Second Amended Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Funding Policy: As an enterprise fund of the County of Orange, the Airport is required to contribute 3.5% of its payroll. The Airport's required contribution was $385 for the year ended June 30, 2008.

Note 4 – Postemployment Health Care Benefits (continued)

For additional details on the Retiree Medical Plan, actuarial assumptions, funded status of the plan and required supplemental information refer to the County's Comprehensive Annual Financial Report (CAFR). The CAFR is available by accessing the Auditor-Controller's website at www.ac.ocgov.com/finrpt.asp.

Note 5 – Long-Term Obligations

General

The Airport has outstanding bonds, issued primarily to refund prior bond issuances. These bonds are payable solely from revenues of the Airport and are not general obligations of the County. Substantially all the excess of revenues over current expenses of the Airport is pledged for the repayment of these bonds. Interest is payable semi-annually on July 1 and January 1. The bond indenture agreement requires the Airport to deposit monthly with the trustee 1/12th of the principal amount of bonds maturing on the next July 1 and 1/6th of the interest payable on the next ensuing interest payment date.

GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities,* requires that for current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt be deferred and amortized as a component of interest expense.

Airport Revenue Refunding Bonds, Series 1997

In July 1987, the Airport issued the Revenue Bonds, Series 1987 (1987 Bonds) in the amount of $242,440 to finance the construction of new facilities at John Wayne Airport. In April 1997, the Airport issued the Airport Revenue Refunding Bonds, Series 1997 (1997 Bonds) in the amount of $135,050 with interest rates ranging from 5.00% to 6.00% to advance refund $131,490 of outstanding 1987 Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $9,666. This difference, reported in the accompanying financial statements as a deferred amount on refunding of 1997 Bonds, is being charged to operations through the year 2012 using the effective interest method. The outstanding carrying principal amount and interest for 1997 Bonds as of June 30, 2008 was $54,766 and $7,370, respectively.

Note 5 – Long-Term Obligations (continued)

Airport Revenue Refunding Bonds, Series 2003

In May 2003, the Airport issued the Airport Revenue Refunding Bonds, Series 2003 (2003 Bonds) in the amount of $48,680 with interest rates ranging from 2.50% to 5.00% to refund $65,250 of outstanding 1993 Revenue Bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $10,828. This difference, reported in the accompanying financial statements as a deferred amount on refunding of 2003 Revenue Bonds, is being charged to operations through the year 2018 using the effective interest method. The outstanding carrying principal amount and interest for 2003 Bonds as of June 30, 2008 was $40,804 and $11,482, respectively.

The Airport Revenue Refunding Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, and (3) other revenue. The 1997 and 2003 Bonds are payable through July 2012 and July 2018, respectively. For each fiscal year, net operating revenues are expected to be a minimum of 125% of the aggregate debt service requirement over the life of the bonds. For FY 2007-08, principal and interest paid and total net revenues were $17,688 and $54,930, respectively.

Revenue bonds outstanding and related activity for the year ended June 30, 2008, were as follows:

	Balance at July 1, 2007	Additions	Deductions	Balance at June 30, 2008	Due in 1 year
Airport Revenue Refunding					
Bonds Series 1997	$ 65,035	$ --	$ (10,135)	$ 54,900	$ 10,745
Bond Premium	(145)	--	11	(134)	(46)
Deferred Amount on Refunding	(529)	39	--	(490)	(169)
Airport Revenue Refunding					
Bonds Series 2003	41,420	--	(2,630)	38,790	2,735
Bond Premium	2,450	--	(436)	2,014	391
Deferred Amount on Refunding	(6,306)	1,122	--	(5,184)	(1,008)
Total	$ 101,925	$ 1,161	$ (13,190)	$ 89,896	$ 12,648

Note 5 – Long-Term Obligations (continued)

Revenue bonds outstanding and related activity for the year ended June 30, 2007, were as follows:

	Balance at July 1, 2006	Additions	Deductions	Balance at June 30, 2007	Due in 1 year
Airport Revenue Refunding					
Bonds Series 1997	$ 74,600	$ --	$ (9,565)	$ 65,035	$ 10,135
Bond Premium	(85)	--	(60)	(145)	(11)
Deferred Amount on Refunding	(749)	220	--	(529)	(39)
Airport Revenue Refunding				--	
Bonds Series 2003	43,975		(2,555)	41,420	2,630
Bond Premium	2,913		(463)	2,450	436
Deferred Amount on Refunding	(7,498)	1,192	--	(6,306)	(1,122)
Total	$ 113,156	$ 1,412	$ (12,643)	$ 101,925	$ 12,029

The following is a schedule of debt service payments to maturity on an annual basis:

	1997 Revenue Bonds		2003 Revenue Bonds		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2009	$ 10,745	$ 2,714	$ 2,735	$ 1,853	$ 18,047
2010	11,325	2,120	2,865	1,713	18,023
2011	11,930	1,488	3,015	1,566	17,999
2012	12,580	814	3,165	1,411	17,970
2013	8,320	234	3,325	1,249	13,128
2014-2018	--	--	19,245	3,579	22,824
2019	--	--	4,440	111	4,551
Total	$ 54,900	$ 7,370	$ 38,790	$ 11,482	$ 112,542

Note 5 – Long-Term Obligations (continued)

Other long-term liability activity for the years ended June 30, 2008 and 2007, respectively, were as follows:

	Balance at July 1, 2007	Additions	Deductions	Balance at June 30, 2008	Due in 1 year
Other Long-Term Liabilities:					
Compensated Employee Absences	$ 1,727	$ 1,064	$ (1,171)	$ 1,620	$ 956

	Balance at July 1, 2006	Additions	Deductions	Balance at June 30, 2007	Due in 1 year
Other Long-Term Liabilities:					
Compensated Employee Absences	$ 1,620	$ 1,376	$ (1,269)	$ 1,727	$ 865

Note 6 – Property Leased to Others

The Airport leases a portion of its capital assets under noncancelable operating lease agreements for airline operations, concessions and other commercial purposes. The cost and carrying value of the Airport's property under operating leases as of June 30, 2008 was the following:

	Cost of leased property	Accumulated depreciation of leased property	Total carrying value of leased property
Buildings	$ 34,466	$ (17,862)	$ 16,604
Land	2,455		2,455
Balance at June 30, 2008	$ 36,921	$ (17,862)	$ 19,059

Note 6 – Property Leased to Others (continued)

Future minimum rental revenues to be received under these noncancelable operating leases as of June 30, 2008 are as follows:

Year Ending June	Future Minimum
2009	$ 28,917
2010	22,412
2011	17,472
2012	1,391
2013	1,011
2014-2018	1,525
Total	$ 72,728

Airline minimum rental revenues are based on rates adopted by the County's Board of Supervisors and are subject to change semi-annually in accordance with the related airlines' operating lease agreements. Concession minimum rental revenues are adjusted annually as outlined in the lessees' operating leases.

The Airport also leases property through contingent rentals. Revenues from these contingent rentals arise primarily from a percentage of the lessees' gross revenues. Contingent rental payments received by the Airport totaled $26,818 and $27,219 for the years ended June 30, 2008 and 2007, respectively.

Note 7 – Commitments under Operating Leases

Lease expense was $415 and $251 for the years ended June 30, 2008 and 2007, respectively. As of June 30, 2008, there was $74 in outstanding lease commitments.

Note 8 – Related Party Transactions

The Airport reimburses the County for the cost of providing security, insurance and other administrative services to the Airport. Amounts charged by other County departments are reported as operating expenses during the year incurred, and totaled $21,114 and $20,343 for the years ended June 30, 2008 and 2007, respectively.

JOHN WAYNE AIRPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(to the nearest thousand)

Note 9 – Contingencies and Commitments

Commitments

At June 30, 2008, the Airport was committed under contracts for the following construction projects:

Terminal Building Gate Expansion	$ 15,076
New South Remain-Over-Night (RON)	9,757
Deconstruction of Parking Structure B1	6,658
Design of the New Parking Structure C	2,397
Other	2,345
Total	$ 36,233

Note 10 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Additions	Deductions	Adjustments	Balance at June 30, 2008
Capital assets, not depreciated:					
Land	$ 15,678	$ --	$ --	$ --	$ 15,678
Construction in progress	25,386	45,926	(14)	--	71,298
Total capital assets, not depreciated:	41,064	45,926	(14)	--	86,976
Capital assets, depreciated:					
Buildings	352,254	--	(10,730)	(3,719)	337,805
Infrastructure	124,621	--	--	3,719	128,340
Equipment	9,961	627	(44)	--	10,544
Total capital assets, depreciated	486,836	627	(10,774)	--	476,689
Less accumulated depreciation:					
Buildings	(171,600)	(12,740)	3,895	1,442	(179,003)
Infrastructure	(85,822)	(5,260)	--	(1,442)	(92,524)
Equipment	(7,137)	(589)	41	(45)	(7,730)
Total accumulated depreciation	(264,559)	(18,589)	3,936	(45)	(279,257)
Total capital assets depreciated, net	222,277	(17,962)	(6,838)	(45)	197,432
Total capital assets, net	$ 263,341	$ 27,964	$ (6,852)	$ (45)	$ 284,408

Note: Total depreciation expense for the year ended June 30, 2008 was $18,589.

Note 10 – Changes in Capital Assets (continued)

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance at June 30, 2006	Additions	Deductions	Balance at June 30, 2007
Capital assets, not depreciated:				
Land	$ 15,678	$ --	$ --	$ 15,678
Construction in progress	16,364	11,992	(2,970)	25,386
Total capital assets, not depreciated:	32,042	11,992	(2,970)	41,064
Capital assets, depreciated:				
Buildings	349,787	2,546	(79)	352,254
Infrastructure	124,621	--	--	124,621
Equipment	10,341	364	(744)	9,961
Total capital assets, depreciated	484,749	2,910	(823)	486,836
Less accumulated depreciation:				
Buildings	(158,571)	(18,558)	5,529	(171,600)
Infrastructure	(80,293)	(5,529)	--	(85,822)
Equipment	(6,993)	(748)	604	(7,137)
Total accumulated depreciation	(245,857)	(24,835)	6,133	(264,559)
Total capital assets depreciated, net	238,892	(21,925)	5,310	222,277
Total capital assets, net	$ 270,934	$ (9,933)	$ 2,340	$ 263,341

Note: The above addition to accumulated depreciation for infrastructure of $5,529 represents a reclassification of accumulated depreciation between buildings and infrastructure. Total depreciation expense for the year ended June 30, 2007 was $19,306.

Note 11 – Interfund Receivables, Payables, and Transfers

Interfund receivable/payable balances are the result of 1) the time lag between the time goods and services are provided by other County departments to the Airport and payment from the Airport to the other funds is made, and 2) accrued interest earned on Airport funds recorded in the Unapportioned Interest Fiduciary fund at year-end.

Note 11 – Interfund Receivables, Payables, and Transfers (continued)

The composition of interfund balances as of June 30, 2008, was as follows:

Receivable Fund	Payable Fund	Amount
Airport	General Fund	$ 1,492
Total Interfund Receivables		$ 1,492
General Fund	Airport	$ 1,630
Internal Service Funds	Airport	17
Road Fund	Airport	7
Other Government Funds	Airport	7
Total Interfund Payables		$ 1,661

The composition of interfund balances as of June 30, 2007, was as follows:

Receivable Fund	Payable Fund	Amount
Airport	General Fund	$ 49
Total Interfund Receivables		$ 49
General Fund	Airport	$ 202
Internal Service Funds	Airport	13
Road Fund	Airport	68
Other Government Funds	Airport	1,637
Total Interfund Payables		$ 1,920

There were no interfund transfers for the years ended June 30, 2008 and June 30, 2007.

Note 12 – New Accounting Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on future financial statements:

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits and is effective for fiscal periods beginning after December 15, 2006. Annual other postemployment benefits (OPEB) cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer

Note 12 – New Accounting Pronouncements (continued)

participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The Airport implemented the new reporting requirements in FY 2007-08. For additional information, refer to Note 4 - Postemployment Health Care Benefits.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to determine whether certain transactions should be regarded as a sale and reported as revenue or regarded as collateralized borrowing and recorded as a liability. Examples of such transactions include the sale of delinquent taxes, certain mortgages, student loans, or future revenue such as those from tobacco settlement agreements. The statement also includes provisions that stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The requirements of this statement are effective for the financial statements for periods beginning after December 15, 2006, which the Airport implemented this statement in FY 2007-08.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This statement requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and how to measure that liability. The statement also requires governments to disclose information about their pollution obligations associated with cleanup efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements for periods beginning after December 15, 2007, but liabilities will be measured at the beginning of that period so that beginning net assets can be restated. The Airport is required to implement this statement in FY 2008-09.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27.* This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2007. The Airport implemented this statement in FY 2007-08.

In June 2007, GASB issued Statement No. 51, *Accounting and Reporting for Intangible Assets.* This statement establishes criteria for an intangible asset, accounting and reporting treatment, internally generated intangible assets, and amortization of an asset. Examples of such assets include easements, water rights, timber rights, patents, trademarks, and computer software. The statement also requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The requirements of this statement are effective for financial

Note 12 – New Accounting Pronouncements (continued)

statements for periods beginning after June 15, 2009, which requires the Airport to implement this statement in FY 2009-10.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses how state and local governments should recognize, measure, and disclose information regarding derivative instruments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. Examples of derivative instruments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2009, which requires the Airport to implement this statement in FY 2009-10. The County Treasurer's Investment Policy Standards prohibits the purchase of derivative instruments as investments in the County's investment pools.

Note 13 – Special Item

Parking Structure B1 was opened in 1990 as part of the new Thomas F. Riley Terminal and was assigned a 45 year useful life. During FY 2004-05, an Airport Improvement Program was approved by the Board of Supervisors that included construction of a new terminal (Terminal C) and a new parking structure. This Program required the demolition of Parking Structure B1 to make room for the new terminal building.
The County Auditor-Controller evaluated the timing of events related to the demolition of Parking Structure B1 and determined the parking structure's useful life should be re-evaluated (reduced substantially) as of the year-ended June 30, 2008. As a result of the re-evaluation, its remaining life was reduced from 27 years to two and one-half months.

As of the year-ended June 30, 2008, 18 years of the parking structure's useful life had been depreciated and the approximate net book value was $9,841. A portion of the parking structure will not be demolished and will remain in order to support an existing baggage handling screening (BHS) facility. This remaining portion was determined to be valued at $1,207 and is reported in the Statement of Net Assets.

Parking Structure B1 as of June 30, 2008	
Net book value before useful life adjustment	$ 9,841
Less: Net book value of remaining portion (BHS)	(1,207)
Net book value of portion to be demolished before useful life adjustment	8,634
Less: Net book value of portion to be demolished after useful life adjustment	(1,799)
Amount to be reported as a special item	$ 6,835

This is considered a special item as it is unusual in nature and infrequent in occurrence to demolish a fully operational parking structure in order to make way for a new building at the Airport.

Note 13 – Special Item (continued)

Accordingly, the adjustment to the parking structure's useful life is being reported as a special item in the Statement of Revenues, Expenses and Changes in Net Assets.

Refer also to the Note 14 - Subsequent Event(s) for additional discussion.

Note 14 – Subsequent Event(s)

Subsequent to the close of the fiscal year, the Airport began to remove a parking structure to make way for a new terminal building. Although the parking structure was a revenue generating facility, the Airport opened a temporary parking lot to the public prior to the actual closing of the parking structure, to compensate spaces lost from the parking structure's impending closure. This activity does not affect other Airport parking facilities which remain fully operational.

As a result of the closure, the parking structure's useful life has been adjusted as of the year-ended June 30, 2008. See Note 13 - Special Item for additional discussion.

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Supervisors
County of Orange, California

We have audited the financial statements of the John Wayne Airport (the Airport), an enterprise fund of the County of Orange, California (the County) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Airport's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Airport's financial statements that is more than inconsequential will not be prevented or detected by the Airport's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Airport's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, Airport management, and grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2008

Note 15 - Events (Unaudited) Subsequent to the Date of the Independent Auditor's Report

The following event occurred subsequent to the Auditor's report date:

On May 6, 2009, the Airport executed an in-substance defeasance of the Airport Revenue Refunding Bonds, Series 1997 (1997 Bonds), for the outstanding carrying principal balance of $44,155. The Airport contributed $45,367, the outstanding principal and interest amount, in securities consisting of Government Obligations to an irrevocable escrow trust account that will be used for the redemption of the 1997 Bonds on July 1, 2009. In accordance with GASB Statement No. 7, Advance Refunding Resulting in Defeasance of Debt, the debt will be removed from the Airport's financial statements in FY 2008-09 and a disclosure of the in-substance defeasance will be added to the notes of the financial statements until the debt is fully redeemed. The remaining balance of the bond discount and deferred amount on refunding will be expensed in FY 2008-09.

JOHN WAYNE AIRPORT
(An Enterprise Fund of
the County of Orange, California)

Schedule of Passenger Facility Charge
Revenues and Expenditures
With Independent Auditor's Reports

For the Year Ended June 30, 2008

JOHN WAYNE AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

Board of Supervisors
County of Orange, California

We have audited the financial statements of the John Wayne Airport (the Airport), an enterprise fund of the County of Orange, California (the County) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Airport taken as a whole. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures for the year ended June 30, 2008 is presented for the purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the Airport's basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors and management of the John Wayne Airport, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2008

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JOHN WAYNE AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008
(to the nearest thousand)

	Project Number	Date Approved	Amount Approved	Cumulative Total - July 1, 2007	Quarter Ended September 30, 2007	Quarter Ended December 31, 2007	Quarter Ended March 31, 2008	Quarter Ended June 30, 2008	Year Ended June 30, 2008	Cumulative Total July 1, 2007 - June 30, 2008
REVENUES										
Passenger Facility Charge Revenue Received:			$ 321,351	$ 17,721	$ 5,501	$ 4,969	$ 4,603	$ 5,006	$ 20,079	$ 37,800
Interest earned:			N/A	70	121	153	140	38	452	522
Total Revenues			$ 321,351	$ 17,791	$ 5,622	$ 5,122	$ 4,743	$ 5,044	$ 20,531	$ 38,322
EXPENDITURES										
Air Transportation Security Act (ATSA) 100% Baggage Screening Compliance / In-line Baggage Screening	01-001	04/24/06	$ 10,004	$ 10,004	$ --	$ --	$ --	$ --	$ --	$ 10,004
New South Remain Overnight (RON) Apron	01-002	04/24/06	4,975	698	398	1,025	399	422	2,244	2,942
Terminal Building Expansion	01-003	04/24/06	293,373	467	159	2,912	2,694	1,539	7,304	7,771
Common Use Terminal Equipment (CUTE)	01-004	04/24/06	12,970	--	--	--	--	--	--	--
Passenger Facility Charge (PFC) Application Development	01-005	04/24/06	29	29	--	--	--	--	--	29
Total Amount Approved			$ 321,351							
Total Expenditures				$ 11,198	$ 557	$ 3,937	$ 3,093	$ 1,961	$ 9,548	$ 20,746
Unexpended Passenger Facility Charges and Interest				$ 6,593						$ 17,576

See accompanying notes to Schedule of Passenger Facility Charge Revenues and Expenditures

JOHN WAYNE AIRPORT
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE
REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008
(to the nearest thousand)

Note 1 – General

In 1990, the Aviation Safety and Capacity Expansion Act authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenue for allowable costs on Federal Aviation Administration (FAA) approved projects, including debt service.

The FAA approved the Airport's PFC application to collect $4.50 per enplaned passenger effective July 1, 2006. The total approved PFC revenue to be collected is $321,351 through December 31, 2021.

All PFCs collected are restricted and are categorized as nonoperating revenues in the Airport's basic financial statements. PFCs collected are maintained in an interest-bearing account administered by the Orange County Treasurer. Collected but unexpended PFC revenues are reported on the Airport's Statement of Net Assets as current restricted assets, pooled cash and investments with Treasurer. Related PFC receivables are also reported as current restricted assets.

Note 2 – Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) presents the revenues collected from PFCs, interest earned thereon, and expenditures incurred on approved projects on the cash basis of accounting, as permitted by the FAA, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Revenues received and expenditures spent on approved projects in the accompanying Schedule represent amounts reported to the FAA on the Passenger Facility Charge Quarterly Reports.

During the fiscal year ended June 30, 2008, $20,079 in PFC revenue was collected and $9,548 was expended on FAA approved projects.

Note 3 – Reconciliation of Passenger Facility Charge Revenue to the Airport's Basic Financial Statements

The following is a reconciliation of PFC revenues shown in the accompanying Schedule of passenger facility charge revenues and expenditures to amounts reported in the audited financial statements of the John Wayne Airport Enterprise Fund for the year ended June 30, 2008.

Passenger Facility Charge (PFC) Revenue received per Schedule	$	20,079
Adjustments for timing differences between the cash basis and accrual basis of accounting		(1,001)
PFC Revenue per Audited Financial Statements	$	19,078

Expenditures of PFC revenues can be reconciled with the amounts reported in the Airport's ledgers.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE

Board of Supervisors
County of Orange, California

Compliance

We have audited the compliance of the John Wayne Airport (the Airport), an enterprise fund of the County of Orange, California (the County) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the fiscal year ended June 30, 2008. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the Airport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

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A control deficiency in the Airport's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer the passenger facility charge program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the passenger facility charge program that is more than inconsequential will not be prevented or detected by the Airport's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented or detected by the Airport's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Supervisors and management of the John Wayne Airport, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2008

APPENDIX C

ANNUAL DEBT SERVICE REQUIREMENTS

JOHN WAYNE AIRPORT REVENUE BONDS
DEBT SERVICE REQUIREMENTS

Fiscal Year Ending June 30	Series 2009A Bonds		Series 2009B Bonds		Series 2003 Bonds	Total Debt Service (1) (2)
	Principal	Interest	Principal	Interest		
2010	$ 320,000	$ 3,225,469	$ 4,125,000	$ 7,927,847	$ 4,656,175	$ 20,254,491
2011	340,000	3,289,175	4,345,000	7,984,275	4,655,425	20,613,875
2012	1,410,000	3,278,975	4,515,000	7,810,475	4,657,175	21,671,625
2013	1,450,000	3,236,675	5,340,000	7,675,025	4,660,925	22,362,625
2014	1,495,000	3,193,175	5,500,000	7,514,825	4,656,175	22,359,175
2015	1,540,000	3,148,325	5,665,000	7,349,825	4,661,250	22,364,400
2016	1,595,000	3,094,425	5,935,000	7,085,400	4,659,500	22,369,325
2017	1,655,000	3,030,625	6,225,000	6,788,650	4,658,250	22,357,525
2018	1,740,000	2,947,875	6,535,000	6,477,400	4,662,000	22,362,275
2019	1,810,000	2,878,275	6,845,000	6,174,050		17,707,325
2020	1,900,000	2,787,775	7,185,000	5,831,800		17,704,575
2021	1,995,000	2,692,775	7,545,000	5,472,550		17,705,325
2022	2,100,000	2,588,038	7,935,000	5,095,300		17,718,338
2023	2,215,000	2,477,788	8,350,000	4,660,988		17,703,775
2024	2,325,000	2,361,500	8,790,000	4,203,988		17,680,488
2025	2,445,000	2,239,438	9,240,000	3,737,063		17,661,500
2026	2,580,000	2,111,075	9,700,000	3,256,613		17,647,688
2027	2,705,000	1,982,075	10,185,000	2,752,263		17,624,338
2028	2,840,000	1,846,825	10,695,000	2,222,713		17,604,538
2029	2,985,000	1,704,825	11,350,000	1,666,638		17,706,463
2030	2,355,000	1,555,575	1,555,000	1,041,013		6,506,588
2031	2,475,000	1,437,825	1,640,000	959,125		6,511,950
2032	2,600,000	1,314,075	1,725,000	872,775		6,511,850
2033	2,735,000	1,177,575	1,815,000	781,963		6,509,538
2034	2,875,000	1,033,988	1,910,000	686,425		6,505,413
2035	3,030,000	883,050	2,010,000	585,900		6,508,950
2036	3,190,000	723,975	2,115,000	480,375		6,509,350
2037	3,355,000	556,500	2,225,000	369,338		6,505,838
2038	3,530,000	380,363	2,345,000	252,525		6,507,888
2039	3,715,000	195,038	2,465,000	129,413		6,504,450
TOTAL	**$67,305,000**	**$63,373,069**	**$165,810,000**	**$117,846,534**	**$41,926,875**	**$456,261,478**

(1) Includes principal and interest payments due on the next succeeding July 1.
(2) Totals may not foot due to rounding.

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APPENDIX D

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE

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APPENDIX D

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE INDENTURE

The following statements are summaries of certain provisions of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture. This summary discussion does not purport to be a complete statement of said provisions and the prospective purchasers of the Series 2009 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

Certain Definitions

"Accountant" means an independent certified public accountant or firm of certified public accountants selected by the County under the provisions of the Indenture and licensed to practice in the State.

"Accreted Amount" means with respect to Capital Appreciation Bonds of any Series, the amount set forth in a Supplemental Indenture as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

"Act" means Chapter 14 of Division 2 of Title 3, Sections 26301 to 26400.53, inclusive, as amended, of the Government Code of the State of California, as the same may be amended from time to time.

"Additional Airport" means an airport which serves federally certified commercial air carriers, is located on a site other than the site of John Wayne Airport and is acquired, constructed or operated by the County or a joint exercise of powers agency of which the County is a member, including all airfields, landing places, heliport or places for the take-off and landing of aircraft and comprising such additional airport and all other airport facilities appurtenant thereto.

"Additional Bonds" means any Series of Bonds other than the Series 2003 Bonds, the Series 2009 Bonds and Subordinated Bonds authorized under and secured by the Indenture.

"Additional Facilities" means:

(a) any airport facilities (including any Additional Airport), including all land, buildings, structures, equipment and appurtenances constituting a part thereof,

(b) all enlargements of and improvements and additions to any existing or future buildings and structures that constitute the Airport, and

(c) all renewals and replacements of any of the foregoing,

which airport facilities, enlargements, improvements, additions, renewals and replacements are financed as a whole or in part through the issuance of Bonds other than the Series 1987 Bonds.

"Additional Facilities Account" means the account in the Construction Fund created and so designated in the Indenture.

"Airport" means the John Wayne Airport, as now located within the County, including runways, taxiways, landing pads, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated by the County in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions and improvements thereto, to the fullest extent permitted by the Act. The term "Airport" will also include any Additional Airport which becomes part of the Airport pursuant to the terms of the Indenture. The term "Airport" however, excludes any Special Purpose Facility so long as any indebtedness issued to finance such Special Purpose Facility is outstanding.

"Airport Consultant" means any engineer, engineering firm, firm of certified public accountants, airport consulting firm or corporation, or other qualified person, firm or corporation of favorable repute for skill and experience in performing the duties for which it is employed by the County under the Indenture.

"Airport General Fund" means the funds created and designated John Wayne Airport General Fund established pursuant to the Indenture.

"Airport Manager" and "Airport Director" mean the Airport Director, the officer succeeding to his principal functions, or such other individual who from time to time is designated in writing by the County to perform the duties of the Airport Director.

"Annual Budget" means the budget adopted or in effect for each Fiscal Year as provided in the Indenture.

"Available Grant Revenues" means, for any period of time, the amount of Grant Revenues which the County has irrevocably committed in a Supplemental Indenture or a resolution to be deposited into the Revenue Fund and used to pay Principal of and interest on the Bonds.

"Available Moneys" means (a) proceeds of refunding bonds, (b) proceeds of the Bonds, (c) proceeds of insurance or condemnation awards, (d) moneys which have been on deposit with the Trustee for at least 123 days during which time no petition by or against the County or any party providing such moneys under any bankruptcy act or under any similar act which may be hereafter enacted shall have been filed unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal, (e) moneys as to which there shall have been delivered to the Trustee an opinion of counsel experienced in bankruptcy matters to the effect that payments of such moneys by the Trustee to any person other than the County or to any party providing such moneys do not constitute a preferential transfer under Section 547 of the United States Bankruptcy Code and (f) any investment thereof and the proceeds from the investment of any of the foregoing.

"Available PFC Revenues" means, for any period of time, the amount of Passenger Facility Charges which the County has irrevocably committed in a Supplemental Indenture or a resolution to be deposited into the Revenue Fund and used to pay Principal of and interest on the Bonds.

"Available Revenues" means Available Grant Revenues and/or Available PFC Revenues.

"Available Revenues Account" means the account by that name established pursuant to the Indenture.

"Balloon Long-Term Bonds" means fixed or Variable Rate Long-Term Bonds (a) 25% or more of the principal payments of which are due in a single year, or (b) 25% or more of the principal of which may, at the option of the holder thereof, be redeemed at one time, and in either event which portion of the principal is not required by the documents pursuant to which such Bonds are issued to be amortized by redemption prior to such date.

"Bond" or "Bonds" means the Series 2003 Bonds, the Series 2009 Bonds and any Additional Bonds authorized under and secured by the Indenture.

"Bond Insurance Policy" means a municipal bond insurance policy, if any, obtained by the County issued by the applicable Bond Insurer and guaranteeing, in whole or in part, the payment of principal of and interest on a Series of Bonds.

"Bond Insurer" means the issuer of a Bond Insurance Policy. For the purposes of this definition, all consents, approvals or actions required by the Bond Insurer will require unanimous action of all Bond Insurers then insuring a Series of Bonds and not in payment default under their respective Bond Insurance Policies if there is more than a single Bond Insurer. As of the date of issuance of the Series 2009 Bonds, the Series 2003 Bond Insurer is the only Bond Insurer.

"Bond Registrar" means, with respect to any Series of Bonds, the Bond Registrar at the time serving as such under the Indenture, with respect to the Series 1987 Bonds, or the Supplemental Indenture relating to such other Series, whether the original or a successor Bond Registrar.

"Business Day" means a day on which the Trustee, the Bond Registrar and the Depositary are open for the purpose of conducting their commercial banking business.

"Capital Appreciation Bonds" means Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable upon redemption or on the maturity date of such Bonds. Nothing in the Indenture prohibits the County from designating, in the appropriate Supplemental Indenture, any such Bonds by a name other than Capital Appreciation Bonds.

"Capitalized Interest Account" means the account in the Construction Fund established pursuant to the Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations issued there under from time to time.

"Completion Bonds" means any Long-Term Bonds incurred for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Bonds have theretofore been incurred in accordance with the provisions of the Indenture, to the extent necessary to provide a completed facility of the type and scope contemplated at the time that such Long-Term Bonds theretofore incurred were originally incurred, and, to the extent the same will be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Bonds theretofore incurred were originally issued.

"Construction Fund" means the fund created and designated the John Wayne Airport Construction Fund in the Indenture.

"Cost," as applied to the Project or to any Additional Facilities means, without intending thereby to limit or restrict any proper definition of such word under the Act, all items of cost set forth in the Indenture.

"Cost of Issuance Account" means the account of the Construction Fund created and so designated in the Indenture.

"County" means the County of Orange, California, a body corporate and politic and a political subdivision of the State.

"County Board of Supervisors" means the County Board of Supervisors of the County or any successor body succeeding to the County Board of Supervisors' principal functions.

"County Representative" means the Chief Executive Officer of the County, the Chief Financial Officer, the Airport Director, the person performing the duties of the Chief Executive Officer, the Chief Financial Officer or the Airport Director, respectively, or the official succeeding to the respective principal functions of the Chief Executive Officer, the Chief Financial Officer, or the Airport Director, respectively, and any other financial or administrative officer designated in writing by the County Board of Supervisors to act as County Representative under the Indenture.

"Credit Facility" means any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security or liquidity in respect of the Bonds of any Series.

"Current Expenses" means the County's current expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing: (a) all ordinary and usual expenses of operation, maintenance and repair, (b) administrative expenses, (c) salaries, (d) payments to any retirement plan or plans properly chargeable to the Airport, (e) insurance expenses, (f) engineering expenses relating to the operation, maintenance or repair of the Airport, (g) fees and expenses of the Trustee and Bond Registrar, legal expenses, and fees of consultants, and (h) any other expenses required to be paid by the County under the Indenture or by law, but Current Expenses will not include: (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation, (iii) any interest, (iv) any principal payment in respect of capital leases or indebtedness including the Bonds, (v) any deposits to any fund or account created under the Indenture and payments of principal, premium, if any, and interest from such funds and accounts, (vi) any loss from the sale, exchange or other disposition of capital assets at the Airport if such sale, exchange or disposition was otherwise permitted by the Indenture, (vii) any unrealized gains or losses on securities held for investment by or on behalf of the County for the Airport, or any unrealized gains or losses from the write down, reappraisal or revaluation of assets including investments for "other than temporary declines" in book value, (viii) any loss resulting from the extinguishment of indebtedness, and (ix) any Current Expenses described in clauses (a) through (h) above which are paid with amounts other than Revenues.

"Current Interest Bonds" means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in a Supplemental Indenture.

"Default" means any Event of Default and any event that, after notice or lapse of time or both, would become an Event of Default.

"Depositary" means any bank or trust company duly authorized by law to engage in the banking business and selected by the County as a depositary of money under the Indenture.

"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.

“Eminent Domain” means the eminent domain or condemnation power by which all or any part of the Airport may be taken for another public use or any agreement that is reached in lieu of proceedings to exercise such power.

“Event of Default” means each of those events of default set forth in the Indenture.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of June 1, 1993, by and between the County and the Trustee.

“Fiscal Year’ means the period commencing on the first day of July in any year and ending on the last day of June of the following year, unless the Trustee is notified in writing by the County of a change in such period, in which case the Fiscal Year will be the 12-month period set forth in such notice.

“Government Obligations” means (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the payment of the principal of and the interest on which is guaranteed by the United States of America, (b) obligations of state or local government municipal bond issuers, provision for the payment of the principal of and interest on which will have been made by deposit with a trustee or escrow agent of Government Obligations described in (a) above, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers, provided that such obligations will be rated in the highest rating category by each and every national rating agency then rating any Series of Bonds and (c) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (a) and (b), provided that such obligations are held in the custody of a bank or trust company which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $20,000,000 and is acceptable to the Trustee in a special account separate from the general assets of such custodian.

“Grant Revenues” means grants to be provided to the County by the United States or the State pursuant to a Letter of Intent or such other documentation in connection with Airport facilities or projects, and which grants are permitted by the terms thereof to be used for the payment of Bonds or are otherwise not prohibited from being used for the payment of Bonds.

“Indenture” means the Original Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture and as it may be hereafter amended or supplemented in accordance with the terms thereof.

“Insurance and Condemnation Award Fund” means the fund created and designated the John Wayne Airport Insurance and Condemnation Award Fund by the Indenture.

“Insurance Consultant” means a person or a firm of persons having a favorable reputation in the State for skill and experience in dealing with the insurance requirements of enterprises similar to the Airport and in performing the duties to be imposed upon it by the Indenture.

“Interest Payment Date” means, with respect to any Series of Bonds, the interest payment dates provided for in the Indenture or in the Supplemental Indenture relating to such Series.

“Investment Obligations” means Government Obligations and (a) the obligations of (i) Federal National Mortgage Association, (ii) Federal Home Loan Banks, (iii) Federal Home Loan Mortgage Corporation, (iv) Government National Mortgage Association, (v) Federal Housing Administration;

(b)(i) certificates of deposit or time deposits of any bank, any branch of any bank, trust company, or national banking association (including the Trustee and its affiliates) provided that it has capital, surplus and undivided profits of not less than $3 million, but only if such certificates of deposit or time deposits are fully insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, or (ii) deposits, federal funds or bankers acceptances of any bank (or lead bank of a parent bank holding company) which has an unsecured, uninsured or unguaranteed obligation rated "Prime 1" or "A3" or better by Moody's Investors Service, Inc. and "A-1" or "A-" or better by Standard & Poor's Corporation; (c) commercial paper rated "Prime 1" by Moody's Investors Service, Inc. and "A-" or better by Standard & Poor's Corporation; (d) any repurchase agreement collateralized by securities described in (a) above with any registered broker/dealer subject to the Securities Investor's Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime 1" or "A" or better by Moody's Investors Service, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, provided:

(i) a specific written agreement governs the transaction;

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, (b) a bank that is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25 million, or (c) a bank approved in writing for such purpose by the Bond Insurer, and the Trustee has received written confirmation from such third party that it holds such securities free of any lien, as agent for the Trustee;

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee;

(iv) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation;

(v) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to an Interest Payment Date; and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%;

(e) such other investments as the County Representative will certify to the Trustee as being permitted by the Act, provided that such investment is rated "A3" or better by Moody's Investors Service and "A-" or better by Standard & Poor's Corporation, (f) taxable government money market portfolios restricted to obligations with maturities of one year or less issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, (g) in the event the Bond Insurer is in default under the Bond Insurance Policy or the Bond Insurer consents to such other investments, such other investments as the County Representative will certify to the Trustee as being permitted by the Act, and (h) investment agreements, including guaranteed investment contracts, approved by the Bond Insurer, except that the approval of the Series 2003 Bond Insurer will not be required. For the purpose of the above definition, any investment in a repurchase agreement will be considered to mature on the date the registered broker/dealer or bank providing the repurchase agreement is obligated to repurchase the Investment Obligations.

"Long-Term Bonds" means all Bonds with a stated maturity in excess of one year from the date originally issued, but also including Short-Term Bonds if a commitment by a financial lender exists to provide financing to retire such Short-Term Bonds and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute a repayment period longer than one year.

"Long-Term Debt Service Requirement" means, for any period of twelve consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest on Outstanding Long-Term Bonds during such period, also taking into account (a) with respect to Balloon Long-Term Bonds the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over the shorter (or, in the event the Bond Insurer is in default under the Bond Insurance Policy, the greater, unless the Bond Insurer waives such requirement) of twenty (20) years or the period of maturity of such Balloon Long-Term Bonds on a level debt service basis at an interest rate equal to the rate borne by such Bonds on the date calculated, except that if the date of calculation is within twelve months of the actual maturity of such Bonds, the full amount of principal payable at maturity will be included in such calculation and except that if there is any reimbursement obligation to any other bank or other lending institution in connection with any such Balloon Long-Term Bonds the amount of principal and interest to be taken into account will be the principal and interest required to be paid in such period to such bank or lending institution and (b) with respect to Variable Rate Bonds that are Long-Term Bonds, the interest on such Bonds will be calculated at (i) the initial rate of interest if such Bonds have not been outstanding for at least two Interest Payment Dates on which the interest has been subject to change, and (ii) subsequent to the second such Interest Payment Date, the weighted average rate of interest for such Bonds during the preceding two such Interest Payment Dates, provided, however, that interest and Principal will be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from (a) the proceeds of Long-Term Bonds, or other moneys, including but not limited to Grant Revenues or PFCs (provided such Grant Revenues or PFCs have not otherwise been included in Revenues pursuant to the Indenture or a Supplemental Indenture), which are placed on deposit with the Trustee or otherwise set aside and segregated by the County for such purpose prior to the date of such calculation or (b) Available Grant Revenues and/or Available PFC Revenues which are projected by the County to be used to satisfy or which are used by the County to satisfy, as the case may be, all or a portion of the Long Term Debt Service Requirement for the period in which such determination is made; provided further, however, that with respect to Available Grant Revenues, such amounts may only be so applied to make such an adjustment with the consent of the Series 2003 Bond Insurer (so long as the bond insurance policy relating to the Series 2003 Bonds is outstanding or any amounts payable to the Series 2003 Bond Insurer in connection therewith are unpaid).

"Net Proceeds" means the gross proceeds derived from insurance or as an award arising from Eminent Domain with respect to the Airport, less payment of attorneys' fees and expenses properly incurred in the collection of gross proceeds.

"Net Revenues" for any period means the excess, if any, of Revenues over Current Expenses for such period.

"Operating Fund" means the fund created and designated the John Wayne Airport Operating Fund by the Indenture.

"Original Indenture" means the Indenture, dated as of July 1, 1987 by and between the County and Security Pacific National Bank.

"Outstanding" when used with reference to Bonds means, as of a particular date, all Bonds theretofore authorized under and secured by the Indenture except: (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds for the payment of which money, Government Obligations, or a combination of both, in an amount sufficient to pay on the date when such Bonds are to be paid or redeemed the Redemption Price of and the interest accruing to such date on the Bonds to be paid or redeemed, the Owners of such Bonds; Government Obligations will be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Government Obligations, when due, will be sufficient to pay on such date the Redemption Price of, and the interest accruing on, such Bonds to such date; and (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

"Owner" means a person in whose name a Bond is registered in the registration books provided for in the Indenture.

"Passenger Facility Charges" or "PFCs" means charges collected by the County pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990, the Aviation Investment Reform Act of 2000 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"PFC Revenue Account" means the subaccount in the Available Revenue Account established pursuant to the Indenture

"Permitted Encumbrances" means, with respect to the Airport:

(a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the County;

(b) covenants, easements, encumbrances, defects of title, reservations, restrictions, and conditions existing at the time of delivery of the Series 1987 Bonds;

(c) defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations, and clouds on title, none of which materially impairs the use of the property affected thereby for its intended purposes;

(d) mechanics', workers', repairmen's, architects', engineers', surveyors', or carriers' liens or other similar liens with respect to the Airport provided that the same will be discharged in the ordinary course of business and without undue delay or the validity of the same will be contested in good faith with any pending execution thereof appropriately stayed; and

(e) other liens, charges and encumbrances that do not prevent or materially impair the use of the property affected thereby for its intended purposes.

"Principal" means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case "principal" means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then Outstanding have given any request, demand, authorization, direction, notice, consent or waiver, "principal amount" means the Accreted Amount and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

"Proceeds Account" means the account in the Construction Fund to be created and so designated by the Indenture.

"Project" means the airport and aviation facilities generally described in the Indenture and as more fully described in the plans and specifications on file in the office of the Airport Manager, as the same may be amended or supplemented from time to time with the concurrence of the County Board of Supervisors or the County Representative, if required and in accordance with the Indenture.

"Project Account" means the account in the Construction Fund created and so designated by the Indenture.

"Rebate Account" means the account in the Revenue Fund created and so designated by the Indenture.

"Redemption Price" means the principal amount of a Bond called for redemption plus the applicable premium, if any, payable upon redemption thereof in the manner provided by the Indenture.

"Regular Record Date" means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

"Renewal and Replacement Fund" means the fund created and designated the John Wayne Airport Renewal and Replacement Fund by the Indenture.

"Renewal and Replacement Fund Requirement" for any Fiscal Year means the sum of $1,000,000 or such larger amount as may be designated by the County.

"Reserve Requirement" means, with respect to any Series of Bonds, the amount required to be placed or maintained in a separate subaccount within the Revenue Bond Reserve Account with respect to such Series as set forth in the Original Indenture or in any Supplemental Indenture with respect to such Series.

"Revenue Bond Fund" means the fund created and designated the John Wayne Airport Revenue Bond Fund by the Indenture.

"Revenue Bond Interest Account" means the account in the Revenue Bond Fund created and so designated by the Indenture.

"Revenue Bond Principal Account" means the account in the Revenue Bond Fund created and so designated by the Indenture.

"Revenue Bond Redemption Account" means the account in the Revenue Bond Fund created and so designated by the Indenture.

"Revenue Bond Reserve Account" means the account in the Revenue Bond Fund created and so designated by the Indenture.

“Revenue Bond Sinking Fund Account” means the account in the Revenue Bond Fund created and so designated by the Indenture.

“Revenue Fund” means the fund created and designated the John Wayne Airport Revenue Fund by the Indenture.

“Revenues” means: (a) except to the extent hereinafter excluded, all payments, proceeds, fees, charges, rents and all other income derived by or for the County for the use of and for the services and facilities furnished by or from the operation or ownership of, the Airport and all other income derived by the County from the operation or ownership of the Airport and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence; (b) investment income from funds, accounts and subaccounts but only to the extent credited or charged against the Revenue Fund as provided under the Indenture; (c) amounts which the County is authorized, but not obligated, to pay or transfer to the Revenue Fund to the extent of any such payments or transfers, including transfers from the Airport General Fund, but excluding amounts transferred to the Airport General Fund pursuant to the Indenture in the current Fiscal Year, which amounts will become Revenues only at the time of payment or transfer to the Revenue Fund; (d) amounts transferred from the Rebate Account to the Revenue Fund in any Fiscal Year; (e) any proceeds of business interruption insurance and (f) Available Revenues.

There will not be included in Revenues, unless in the case of (vi) or (vii) paid or transferred pursuant to (c) above, (i) any gifts, grants, (excluding Available Grant Revenues) bequests, contributions or donations, which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (ii) proceeds from the sale and disposition of all or any part of all or any part of the Airport; (iii) reimbursements to the County of its advances to the Operating Fund; (iv) to the extent and for so long as such payments are pledged to secure the financing of the same, rentals or other payments (including debt service) from the financing of Special Purpose Facilities, except to the extent otherwise provided by the County in respect of any such facilities; (v) any proceeds of Eminent Domain or insurance, other than business interruption insurance mentioned above and any other proceeds or Eminent Domain or insurance which is not restricted by its terms to purposes inconsistent with the payment of debt service on the Bonds or Current Expenses; (vi) per passenger charges collected at the Airport, including but not limited to PFCs, but excluding Available PFC Revenues; (vii) any taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of capital improvements at the Airport or noise abatement with respect to Airport operations, except to the extent such amounts are received as payment for use of the Airport; and (viii) the proceeds of any indebtedness.

“Second Supplemental Indenture” means the Second Supplemental Indenture dated as of December 1, 1996, by and between the Trustee and the County.

“Serial Bonds” means the Bonds of any Series that are designated as such in the Indenture or in the Supplemental Indenture for such Series.

“Series” whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series.

“Series 1987 Bonds” means the Bonds issued pursuant to the Original Indenture.

“Series 1997 Bonds” means the Bonds issued pursuant to the Second Supplemental Indenture.

“Series 2003 Bonds” means the Bonds issued pursuant to the Third Supplemental Indenture.

“Series 2003 Bond Insurer” means Financial Security Assurance, Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

“Series 2003 Insurance Policy” means the insurance policy issued by the Series 2003 Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2003 Bonds when due.

“Series 2009 Bonds” means the Series 2009A Bonds and the Series 2009B Bonds.

“Series 2009A Bonds” means the $67,305,000 aggregate principal amount of County of Orange, California, Airport Revenue Bonds, Series 2009A issued pursuant to the Fourth Supplemental Indenture.

“Series 2009B Bonds” means the $165,810,000 aggregate principal amount of County of Orange, California, Airport Revenue Bonds, Series 2009B issued pursuant to the Fourth Supplemental Indenture.

“Short-Term Bonds” means all Bonds with a stated maturity of one year or less.

“Sinking Fund Redemption Period” means, for any Series of Bonds, the six-month, twelve-month or other period which represents the interval between Sinking Fund redemption dates on or by which each Sinking Fund Requirement must be satisfied.

“Sinking Fund Requirement” means, for any Sinking Fund redemption date, the principal amount fixed or computed for such date as provided in the Indenture or in any Supplemental Indenture providing for the issuance of Additional Bonds on such date by purchase, redemption or payment.

“Special Purpose Facilities” means any land, building, structure or other facilities, including equipment, acquired or constructed, which are financed by the issuance of obligations which are issued in compliance with the provisions of the Indenture but are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture.

“State” means the State of California.

“Subordinated Bonds” means bonds authorized and secured under the Indenture payable from a subordinate lien on Net Revenues as provided in the Indenture.

“Subordinated Debt Fund” means the fund created and designated the John Wayne Airport Subordinated Debt Fund by the Indenture.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the County and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Original Indenture.

“Term Bonds” means the Bonds of any Series, other than Serial Bonds, stated to be payable by their terms on one or more dates.

“Third Supplemental Indenture” means the Third Supplemental Indenture, dated as of May 1, 2003, by and between the Trustee and the County.

“Total Operating Revenues” means, as to any period of time, total operating revenues with respect to the Airport, as determined in accordance with generally accepted accounting principles for airports consistently applied.

"Trustee" means the Trustee at the time serving as such under the Indenture, whether original or successor.

"Variable Rate Bonds" means any portion of Bonds the interest rate on which is not established at the time of incurrence at a fixed or constant rate or is established from time to time.

Details of Bonds

Exchange of Bonds. Bonds, upon surrender thereof at the corporate trust office of the Bond Registrar, together with an assignment duly executed by the Owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or denominations authorized by the Supplemental Indenture pursuant to which such Bonds were issued, bearing interest at the same rate and in the same form as the Bonds surrendered for exchange. The County will make provision for the exchange of Bonds at the corporate trust office of the Bond Registrar.

Ownership of Bonds. The person in whose name any Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and premium, if any, and interest on, any such Bond will be made only to or upon the order of the Owner thereof or his legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Authentication of Bonds. Only such Bonds as have endorsed thereon a certificate of authentication substantially in the form set forth in the Indenture or in the Supplemental Indenture pursuant to which such Bonds were issued, duly executed as provided in the Indenture or in the Supplemental Indenture, will be entitled to any benefit or security under the Indenture. No Bond will be valid or obligatory for any purpose unless and until such certificate of authentication on the Bond has been duly executed and dated as provided in the Indenture or a Supplemental Indenture, and such certificate upon any such Bond will be conclusive evidence that such Bond has been duly authenticated and delivered under the Indenture. The certificate of authentication on any Bond will be deemed to have been duly executed and dated if signed by an authorized officer under the Indenture or a Supplemental Indenture but it will not be necessary that the same officer sign the certificate of authentication on all of the Bonds or any Series thereof that may be issued under the Indenture at any one time.

Temporary Bonds. Until the definitive Bonds of any Series are ready for delivery, there may be executed, and upon direction of the County Representative, the Bond Registrar will deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, except as to identifying numbers, printed, engraved, lithographed or typewritten temporary Bonds in denominations permitted by the Indenture or the applicable Supplemental Indenture for the definitive Bonds, substantially of the tenor set forth in the Indenture, with such appropriate omissions, insertions and variations as may be required. The County will cause the definitive Bonds to be prepared and to be executed and delivered to the Bond Registrar, and the Bond Registrar, upon presentation to it of any temporary Bond, will cancel the same or cause the same to be cancelled and will deliver, in exchange therefor, at the place designated by the Owner, without expense to the Owner, a definitive Bond or Bonds of the same Series and in the same aggregate principal amount, maturing on the same date and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds will be entitled to the same benefit of the Indenture as the definitive Bonds to be issued and authenticated under the Indenture, including the privilege of registration if so provided. Until definitive Bonds are ready for exchange, interest on temporary Bonds will be paid when due and notation of such payment is endorsed thereon.

Mutilated, Destroyed, Lost, or Stolen Bonds. The County will cause to be executed, and the Bond Registrar will deliver a new Bond of like date, number and tenor in exchange and substitution for and upon the cancellation of any mutilated Bond, or in lieu of and in substitution for any destroyed, lost or stolen Bond, and the Owner will pay the reasonable expenses and charges of the County in connection therewith. Prior to the delivery of a substitute Bond the Owner of any Bond which was destroyed, lost or stolen, will file with the Bond Registrar evidence satisfactory to it of the destruction, loss or theft of such Bond and of the Owner's ownership thereof and will furnish to the County and to the Bond Registrar such security or indemnity as may be required by them to save each of them harmless from all risks, however remote.

Every Bond issued pursuant to the provisions of the Indenture in exchange or substitution for any Bond which is mutilated, destroyed, lost or stolen will constitute an additional contractual obligation of the County, whether or not the destroyed, lost or stolen Bonds are found at any time or are enforceable by anyone, and will be entitled to all the benefits and security of the Indenture equally and proportionately with any and all other Bonds of the same Series duly issued under the Indenture.

Construction Fund

Construction Fund. The Indenture establishes the Construction Fund and four special accounts therein designated the "Project Account," "Costs of Issuance Account," the "Additional Facilities Account" and the "Capitalized Interest Account," respectively. Unless otherwise prohibited from doing so, any money received by the Trustee or the County from any source for construction of Additional Facilities will be deposited upon the delivery of such Bonds in a separate subaccount in the Additional Facilities Account to be created by the Supplemental Indenture providing for the issuance of the Bonds financing such Additional Facilities.

The money in the Construction Fund (except the Costs of Issuance Account) will be held by a Depositary selected by the County and applied to the cost of any Additional Facilities and will be disbursed from the County treasury in the same manner that other moneys are disbursed from the County treasury. The money in each subaccount of the Capitalized Interest Account will be transferred to the related subaccount of the Revenue Bond Interest Account as provided in the Indenture or in any Supplemental Indenture. The money in each subaccount of the Cost of Issuance Account will be disbursed by the Trustee upon receipt of a written requisition signed by the County Representative for the purpose of paying all or any portion of the costs of issuance of the Series of Bonds relating to such subaccount. Money in the Cost of Issuance Account will be applied to the payment of such cost of issuance prior to the disbursement of moneys in the Construction Fund for such purpose.

Payments from Construction Fund. Payment of the Cost of Additional Facilities will be made from the applicable subaccount within the Additional Facilities Account. All payments from the Construction Fund will be subject to the provision and restrictions set forth in the Indenture, and the County will not cause or agree to permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

Cost of Additional Facilities. For the purpose of the Indenture, the cost of any Additional Facilities includes such costs as are eligible costs within the purview of the Act, and, without intending to limit or restrict any proper definition of such cost, includes the following: obligations incurred in connection with the construction, acquisition, and equipping of any Additional Facilities; capitalized interest on Bonds during construction periods; administrative expenses and costs of issuance.

Completion of Additional Facilities and Disposition of Construction Fund Balance. On the Completion Date for any phase of any Additional Facilities the County may withdraw all money then remaining in the relevant account or subaccount in the Construction Fund in excess of the amount then needed for completion of such Additional Facilities (provided that, in determining such excess amount, the County may, at its option, take into account anticipated investment earnings on the amount remaining in the Construction Fund) and apply the same, subject to covenants relating to restrictions on use of Bond proceeds under the Internal Revenue Code of 1986, as amended, for any lawful Airport purpose which, in the opinion of nationally recognized bond counsel (such opinion to be delivered by the County to the Trustee), will not adversely affect the exclusion from gross income for federal income tax purposes of interest income on the Bonds of the applicable Series.

The term "Completion Date" means the date upon which the County Representative delivers to the Trustee a certificate stating that the phase of any Additional Facilities has been substantially completed in accordance with the relevant plans and specifications and all construction costs related thereto, including, without limitation, all proper incidental expenses, have been paid or moneys in the Additional Facilities Account have been set aside for such payment.

Proceeds Account. If and when Net Proceeds are received and designated for use in the repair or replacement of the Airport, the Depositary will create a new account in the Construction Fund to be designated the Proceeds Account into which Net Proceeds will be deposited. Payment of the Cost of repairing or replacing the Airport will be made from the Proceeds Account.

Revenues and Funds

Establishment of Funds. In addition to the Construction Fund, the Indenture establishes the following funds:

(a) Revenue Fund, in which there is established a special account to be known as the Rebate Account;

(b) Operating Fund;

(c) Revenue Bond Fund, in which there are established five special accounts to be known as the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account, the Revenue Bond Reserve Account and the Revenue Bond Sinking Fund Account;

(d) Subordinated Debt Fund;

(e) Renewal and Replacement Fund;

(f) Airport General Fund; and

(g) Insurance and Condemnation Award Fund.

The Rebate Account and the Revenue Bond Fund and the accounts and subaccounts therein will be established with and held by the Trustee. The Revenue Fund (except the Rebate Account), the Operating Fund, the Renewal and Replacement Fund, the Insurance and Condemnation Award Fund and the Airport General Fund and the accounts therein will be established with and held by a Depositary selected by the County.

With the exception of the money in the Airport General Fund and the Rebate Account which will be held free and clear of any lien or encumbrance created by the Indenture, the money in all of the foregoing funds, accounts and subaccounts established pursuant to the Indenture will be held in trust and applied as provided in the Indenture and, pending such application, the money in the Revenue Bond Fund and the accounts and subaccounts therein will be subject to a lien and charge in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Indenture and for the further security of such Owners, except as otherwise provided in the Indenture or in any Supplemental Indenture.

Each Supplemental Indenture providing for the issuance of an additional Series of Bonds will provide for the creation of a separate subaccount within the Rebate Account, the Capitalized Interest Account, the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account, the Revenue Bond Reserve Account and the Revenue Bond Sinking Account with respect to such Series of Bonds, which subaccounts will bear the designation of such Series of Bonds.

Revenues Received by the County. Except as otherwise provided in the Indenture, all Revenues will be deposited when received in the Revenue Fund.

Application of Money in Revenue Fund. Moneys in the Revenue Fund will be applied as described under "SECURITY FOR THE BONDS—Application of Revenues."

On or before the 45th day next preceding any (date on which Serial Bonds are to mature or Term Bonds are to be redeemed or are to mature, the County may satisfy all or a portion of its obligation to make the principal payments as described in the Indenture by delivering to the Trustee Serial Bonds maturing or Term Bonds maturing or required to be redeemed on such date. The price paid to purchase any such Bond (if paid from moneys in the Revenue Bond Fund) will not exceed the Redemption Price plus accrued interest to the date of purchase applicable to such Bonds at the next redemption date. Upon such delivery the County will receive a credit against amounts required to be deposited into the Revenue Bond Interest Account and the Revenue Bond Principal Account or Revenue Bond Sinking Fund Account, as the case may be, on account of such Bonds with respect to all interest payments for the remainder of the Fiscal Year and in the amount of 100% of the principal amount of any such Serial Bonds or Term Bonds so delivered.

Application of Money in Operating Fund. The Current Expenses together with the County's cost of capital items (including the cost of capital leases) in an amount not to exceed in any Fiscal Year 15% of all Current Expenses as hereinafter determined and budgeted for such Fiscal Year will be paid from the Operating Fund as the same become due and payable. Payments from the Operating Fund will be made by the County in conformity with the applicable budget and procedures set forth in the Indenture.

If at any time the money held in the Operating Fund exceeds an amount equal to one-sixth (1/6) of the Current Expenses for the then current Fiscal Year as shown on the Annual Budget plus 100% of the amount of encumbered funds from previous budgets, the County will transfer such excess to the Revenue Fund.

Application of Money in Capitalized Interest Account and Interest Account. Moneys in the Capitalized Interest Account and Interest Account will be used to pay interest on the Bonds.

On the Completion Date for any Additional Facilities the County may withdraw all money then remaining in the relevant subaccount in the Capitalized Interest Account in excess of the amount then needed to provide for payment of capitalized interest until the completion of the remainder of the Additional Facilities (provided that, in determining such excess amount, the County may, at its option, take into account anticipated investment earnings on the amount remaining in the Capitalized Interest Account) and apply the same, subject to covenants relating to restrictions on use of Bond proceeds under the Internal Revenue Code of 1986, as amended, for any lawful Airport purpose which, in the opinion of nationally recognized bond counsel, will not adversely affect the tax-exempt status of interest income on the Bonds of the applicable Series.

Application of Money in Revenue Bond Principal Account. Moneys in the Principal Account will be used to pay the principal of Bonds at their respective maturities.

If at any date there is money in the Revenue Bond Principal Account and no Serial Bonds are then Outstanding or if on any principal payment date money remains therein after the payment of the principal of Serial Bonds then due, the Trustee will withdraw such money therefrom and will apply the same as follows: (a) deposit in the Revenue Bond Sinking Fund Account and the Revenue Bond Reserve Account, in that order, the amounts then required to be paid thereto by the County pursuant to the Indenture and (b) deliver all remaining amounts to the County. Upon receipt thereof the County will deposit (1) in the Renewal and Replacement Fund the amount then required to be paid thereto by the County pursuant to the Indenture and (2) all remaining amounts in the Airport General Fund.

Application of Money in Revenue Bond Sinking Fund Account. Money held for the credit of the subaccounts in the Revenue Bond Sinking Fund Account will be applied during each Fiscal Year to the retirement, purchase or payment of Term Bonds.

Application of Money in Revenue Bond Reserve Account. The Trustee will use amounts in the appropriate subaccounts in the Revenue Bond Reserve Account to make transfers, in the following order, to the appropriate subaccounts in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account to remedy any deficiency therein as of the 25th day of the month preceding any Interest Payment Date to pay the interest on or the principal of the related Bonds when due, whenever and to the extent that the money on deposit in any or all of said subaccounts is insufficient for such purposes.

In any month in which the amount on deposit in a Subaccount in the Revenue Bond Reserve Account relating to any Series of Bonds is less than the Reserve Requirement due to the application of money therein in accordance with the provisions of the Indenture, the reduction in value on Investment Obligations therein or the issuance of Additional Bonds and a corresponding increase in the Reserve Requirement, the County shall deliver to the Trustee for deposit in the appropriate subaccount in the Revenue Bond Reserve Account one-twelfth (1/12th) of the amount of such deficiency if due to an application pursuant to the provisions of the Indenture, one-twenty-fourth (1/24th) of the amount of such deficiency, if due to a reduction in value, one-sixtieth (1/60) of the amount of such deficiency, if due to issuance of Additional Bonds, and shall make a deposit in an approximately equal amount in the next eleven, twenty-three, thirty-five or fifty-nine months, as the case may be, taking into account in each case, as a credit against the deposit required to be made in inverse order, the amount of investment income realized to the 25th day of such month to the extent not subject to rebate to the United States pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended, and in any month in which the amount on deposit in any Subaccount of the Revenue Bond Reserve Account established for any other Series of Bonds is less than the applicable Reserve Requirement, the County shall deliver to the Trustee for deposit in the appropriate Subaccount of the Revenue Bond Reserve Account such amount as required by the Supplemental Indenture relating to such Series of Bonds.

All amounts in any subaccount of the Revenue Bond Reserve Account in excess of the applicable Reserve Requirement for the related Series of Bonds may be transferred to the Revenue Fund at the written request of the County Representative.

In lieu of funding the Revenue Bond Reserve Account with cash or Investment Obligations, the County, at its option, may fund all or any portion of the Reserve Requirement by providing the Trustee

(a) an irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated in the highest rating category by each nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by any nationally recognized rating agency or (b) an insurance policy, which may be referred to in any Supplemental Indenture as a "Reserve Fund Surety Policy," providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and issued by a municipal bond or other insurance company, obligations insured by which are rated in one of the two highest rating categories by each nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by any nationally recognized rating agency.

All amounts remaining in each subaccount in the Revenue Bond Reserve Account may be applied to the final payment of principal and interest on the related Series of Bonds, or upon a redemption of a portion of the Outstanding Bonds of a Series, a pro rata portion of the amount held in the subaccount of the Revenue Bond Reserve Account applicable to such Series may be paid to the County or applied by the Trustee to the redemption of said Bonds or otherwise, at the written direction of the County Representative; provided, however, that on and as of the date of such payment or application, the balance in the subaccount of the Revenue Bond Reserve Account is not less than the Reserve Requirement for the applicable Series of Bonds to which such subaccount relates.

Application of Money in the Subordinated Debt Fund. The County will apply money on deposit with respect to Subordinated Bonds in accordance with the Supplemental Indenture providing for the issuance of such Subordinated Bonds.

Application of Money in the Renewal and Replacement Fund. The County will apply money in the Renewal and Replacement Fund to the payment of all or a part of the cost of capital items for renewals and replacements to the Airport and of costs incurred in connection therewith.

The County will also use amounts in the Renewal and Replacement Fund to make a deposit to the Revenue Bond Reserve Account whenever and to the extent that the money on deposit in the applicable subaccount of the Revenue Bond Reserve Account is insufficient and needed for the purpose of paying the interest on and the principal of the Bonds when due.

If at any time any encumbered moneys held in the Renewal and Replacement Fund exceed the Renewal and Replacement Fund Requirement, the County will withdraw an amount equal to such excess therefrom and deposit all amounts first, in the Operating Fund or in the Revenue Bond Fund (or any account or subaccount therein) in the order as set forth in the Indenture in order to cure any deficiency in any such fund or account, and, if no such deficiency exists, then in the Airport General Fund.

Application of Money in the Airport General Fund. The County will apply money on deposit in the Airport General Fund for any lawful purpose. Moneys in the Airport General Fund will be held free and clear of any lien or encumbrance created by the Indenture.

Application of Money in the Revenue Bond Redemption Account. Money held for the credit of the subaccounts in the Revenue Bond Redemption Account will be applied to the purchase or redemption of Bonds.

Purchase of Series 2009 Bonds. At the written request or direction of the County, Series 2009 Bonds may be purchased at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Series 2009 Interest Account) as the County may in its discretion determine, but, to the extent purchased with moneys held in the Series 2009 Redemption Account or the Series 2009 Sinking Fund Account, not to exceed the applicable redemption price of the Series 2009 Bonds which would be redeemed but for the operation of the provisions of the Fourth Supplemental Indenture relating to purchase of Series 2009 Bonds (excluding accrued interest). No such purchases may occur from moneys held in the Series 2009 Redemption Account or the Series 2009 Sinking Fund Account after notice of redemption has been given, and all Series 2009 Bonds so purchased by the Trustee will be cancelled and destroyed.

Rebate Account. (a) As of the first anniversary of the date of issuance and delivery of each Series of Bonds and as of each succeeding annual anniversary thereafter, through and including the date on which the Bonds have been redeemed or have matured (each such date referred to as a "determination date"), the County will determine the amount of earnings received during the year ending on such determination date (the "bond year") in the subaccounts established under the Indenture for each Series of Bonds, together with any other accounts or subaccounts under the Indenture which, as provided in the Indenture, need to be included in the determination. As of each determination date, the County will also calculate the amount of earnings, based upon the purchase price of the Investment Obligations, that would have been received with respect to each investment during the bond year ending with such determination date if their annual yield had been equal to the yield on the Series 2003 Bonds or the Series 2009 Bonds, as the case may be, based upon the purchase prices of the Investment Obligations.

(b) If the amount determined in accordance with (a) is a positive number for the bond year, the Trustee will, in the County's sole discretion, transfer from the Revenue Fund the amount so determined and transfer such sum to the Series subaccount of the Rebate Account. If the amount determined in accordance with (a) is a negative number for the bond year, the Trustee will transfer from the Series subaccount of the Rebate Account the amount so determined for deposit into the Revenue Fund.

(c) The Trustee, upon written direction from the County as required by Section 148(f) of the Internal Revenue Code of 1986, as amended, will timely make all payments to the Internal Revenue Service.

Insurance and Condemnation Award Fund. The Trustee will transfer Net Proceeds to the Depositary for deposit into the Insurance and Condemnation Award Fund, when and as received by the Trustee, and apply the same as described under the Indenture.

Depositaries of Money, Security for Deposits, Investment of Funds and Covenant as to Arbitrage

Security for Deposits. Any and all money received by the County under the provisions of the Indenture, other than the Airport General Fund and the Rebate Account, will be deposited as received with the Trustee or one or more other Depositaries as provided in the Indenture, and will be trust funds under the terms of the Indenture, and, to the extent permitted by law in the case of the Construction Fund, will not be subject to any lien or attachment by any creditor of the County other than the Owners.

All money deposited with the Trustee or any Depositary under the Indenture, other than the Airport General Fund and the Rebate Account, in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency will be continuously secured in such a manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it will not be necessary for the Trustee or the Depositary to give security for the deposit of any money with it for the payment of the principal of or the redemption premium or the interest on any Bonds, or for the Trustee to give security for any money that will be represented by obligations purchased under the provisions of the Indenture as an investment of such money.

All money deposited with the Trustee or any Depositary will be credited to the particular fund, account or subaccount to which such money belongs.

Investment of Money. Money held for the credit of all funds, accounts and subaccounts, other than the Airport General Fund and the Revenue Bond Reserve Account, will be continuously invested and reinvested by the County, the Trustee or the Depositaries, whichever is applicable, in Investment Obligations to the extent practicable. Money held for the credit of the Airport General Fund may be invested and reinvested by the County as provided by law. Investment Obligations will mature or be redeemable at the option of the holder thereof not later than the respective dates when the money held for the credit of such funds, accounts and subaccounts will be required for the purposes intended. Moneys held for the credit of the Revenue Bond Reserve Account may be invested and reinvested in Government Obligations and certain repurchase agreements and investment agreements as provided in the Indenture. The maturity date of any purchase agreement will be deemed to be the stated maturity date of such agreement and not the maturity dates of the underlying Investment Obligations. The County, or the Trustee or any Depositary (at the request of the County) may commingle any of the moneys held by it in any fund, account or subaccount created under the Indenture for investment purposes only, provided that separate records are maintained for each such fund, account or subaccount to account for such transaction.

The County Representative or his designee will give to the Trustee written directions respecting the investment of any money required to be invested under the Indenture. The Trustee may request in writing additional direction or authorization from the County Representative or his designee with respect to the proposed investment of money under the provisions of the Indenture. Upon receipt of such directions, the Trustee shall invest, subject to the provisions of the Indenture, such money in accordance with such directions. In the absence of receipt of such directions, the Trustee shall invest solely in investments described under clause (f) of the definition of Investment Obligations as defined in the Indenture.

The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, the County specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the County periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under this Fourth Supplemental Indenture will be deemed at all times to be a part of such fund, account or subaccount.

The interest accruing on Investment Obligations in the funds, accounts and subaccounts, other than a rebate subaccount, which will retain any and all of its profits and losses, and any profit or loss realized upon the disposition or maturity of such Investment Obligations will be credited to or charged against the following funds, accounts and subaccounts: (1) interest and profit or loss resulting from any account of the Revenue Fund will be credited to or charged against the Revenue Fund; (2) interest and profit or loss resulting from any reserve subaccount will be credited to or charged against the Revenue Fund; (3) interest and profit or loss resulting from each subaccount (other than a rebate subaccount) will be credited and charged against the Revenue Fund; and (4) interest and profit or loss resulting from the Series 2009 Project Subaccount will be credited to or charged against the Series 2009 Project Subaccount.

Valuation. Investment Obligations in any fund, account or subaccount will be valued at least annually (a) at face value if such Investment Obligations mature within 12 months from the date of valuation thereof, and (b) if such Investment Obligations mature more than 12 months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option, if so redeemable, or, if not so redeemable, at the lesser of (1) the cost of such Investment Obligations plus the amortization of any premium or minus the amortization of any discount thereon plus accrued interest, and (2) the market value of such Investment Obligations plus accrued interest.

Covenant as to Arbitrage. The County covenants that so long as any of the Bonds remain Outstanding money on deposit in any fund, account or subaccount maintained in connection with the Bonds, regardless of whether such money was derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated from time to time thereunder. The County further covenants and agrees to comply with the requirements of Section 148(f) of such Code and applicable regulations promulgated from time to time thereunder, and to comply with the further procedures contained in the Indenture.

General Covenants and Representations

Payment of Principal, Interest and Premium. The County will cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and interest on the Bonds at the places, on the dates and in the manner provided in the Indenture and in the Bonds.

Construction of Additional Facilities. The County will construct any Additional Facilities for the construction of which Bonds are issued or for which money repayable from the proceeds of Bonds is advanced to the County. Upon the completion of such Additional Facilities the County will operate and maintain the same as a part of the Airport.

Operation of the Airport. The County will establish and enforce reasonable rules and regulations governing the operation and use of the Airport, operate the Airport in an efficient and economical manner, maintain the properties constituting the Airport in good repair and in sound operating condition for so long as the same are necessary to the operation of the Airport upon a revenue-producing basis, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body that are applicable to the Airport.

Budgets and Covenant as to Current Expenses. On or before the 1st day of each Fiscal Year, the County will prepare a proposed budget for such Fiscal Year for the Airport in the form of the budget then required by law. Each budget will be prepared in such manner as to specify Current Expenses and the amounts to be deposited in the various funds, accounts and subaccounts created by the Indenture during the Fiscal Year for which such budget was prepared. The budget will be accompanied by a pro forma statement of Revenues, Current Expenses and rates, fees, rentals and charges estimated to be necessary to meet the requirements of the provisions relating to the rate covenant in the Indenture and will include or make reference to the amounts to be expended during such Fiscal Year from money in the Construction Fund and the amount of the Renewal and Replacement Fund Requirement for such Fiscal Year.

On or before October 1 of each Fiscal Year, the County will adopt the budget for the Airport for such Fiscal Year (which budget together with any amendments thereof or supplements thereto as hereinafter permitted is collectively called the "Annual Budget").

The proposed budget for such Fiscal Year or, if there is none, the budget for the preceding Fiscal Year, will be deemed to be in force and will be treated as the Annual Budget under the provisions of the Indenture until the adoption of the Annual Budget.

The County may at any time adopt an amended or supplemented Annual Budget for the remainder of the then current Fiscal Year, and will do so when any periodic financial statement indicates that the County is unable to maintain or operate the Airport and comply with the requirements of the Rate Covenant within the budgetary guidelines and statements related thereto, and when so adopted the Annual Budget as so amended or supplemented will be treated as the Annual Budget under the provisions described above.

Copies of the Annual Budget will be mailed by the County to each Owner requesting the same, and made available for inspection at the office of the County Representative. Any Annual Budget required by the Indenture may be part of a budget or other financial report or statement prepared with respect to the Airport.

Records, Accounts and Audits. The County will keep the funds, accounts, subaccounts, money and investments of the Airport separate from all other funds, accounts, money and investments of the County or any of its departments and will keep accurate records and accounts of all items of costs and of all expenditures relating to the Airport and of the Revenues collected and the application of such Revenues. Such records and accounts will be open to the inspection of all interested persons.

Within 180 days after the close of such Fiscal Year the County will cause the Accountant to prepare an audit of its books and accounts pertaining to the Airport. Reports of each such audit will be filed with the County Representative, the Trustee and each Depositary, and copies of each such report will be mailed to each Owner requesting the same and will be made available for inspection at the office of the County Representative. Each such audit report will be accompanied by an opinion of the Accountant stating that the examination of the financial statements was conducted in accordance with generally accepted auditing standards and stating whether such financial statements present fairly the financial position of the Airport or the County and the results of its operations and changes in its financial position for the period covered by such audit report in conformity with generally accepted accounting principles applied on a consistent basis for public entities of like type. Any audit may be part of a comprehensive audit of the County's books and records.

If for any reason beyond its control, the County is unable to obtain the foregoing opinion as to compliance with generally accepted accounting principles, the County will be deemed to be in compliance with the foregoing requirements if it is taking all reasonable and feasible action to obtain such opinion in subsequent Fiscal Years, and if, in lieu of a statement as to compliance and conformity, such opinion states the reasons for such noncompliance or nonconformity.

Insurance. The County will purchase and maintain or cause to be maintained insurance covering such properties belonging to the Airport as are customarily insured against, including loss or damage from such causes as are customarily insured by enterprises of a similar nature in the State, business interruption insurance and comprehensive general liability insurance on the Airport for bodily injury and property damage, with such reasonable deductibles as may be available, including the following:

(a) fire (with Uniform Standard Extended Coverage Endorsements or equivalent coverage obtainable through federal or State programs) and vandalism and malicious mischief insurance as may be approved for issuance in the State, including insurance against loss or damage from lightning, windstorm, hail, explosion, aircraft, vehicles and smoke, subject to deductibles of not more than 50% of the then applicable Renewal and Replacement Fund

Requirement per accident, at all times in amounts equal to the lesser of (i) the principal amount of all Bonds outstanding and (ii) the full replacement cost of the properties constituting the Airport, which amount will be sufficient to ensure that the County could not become a co-insurer under the terms and conditions of the applicable policy or policies. To the extent that any contractor for the construction of Additional Facilities provides an insurance policy or certificate of insurance showing that the same coverage as is required in the Indenture is being carried by such contractor and adequately protects the interest of the County and the Owners in the Additional Facilities or any part thereof, the insurance provided for by this subparagraph (a) with respect to all or any part of the Project or Additional Facilities will not be required for such construction period while all or any part of the Project or Additional Facilities is so covered by such other insurance;

(b) comprehensive general liability insurance with limits of not less than $50,000,000 combined single limit for bodily injury and property damage occurrence;

(c) business interruption insurance, covering loss of anticipated Revenues by reason of the total or partial suspension of, or interruption in, the operation of the Airport, with such exceptions as are customarily imposed by insurers, in an amount equal to the Long-Term Debt Service Requirements plus the budgeted Current Expenses for the then current Fiscal Year; and

(d) workers' compensation insurance in such amounts as are required by law.

If the Insurance Consultant and the County certify to the Trustee that the amount of insurance coverage required by the Indenture is not available on reasonable terms and conditions, the insurance coverage required by the Indenture may be modified in accordance with such determination, and the coverage as modified will constitute the minimum requirements of the Indenture.

The County will also procure, and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for any Revenues or funds of the Airport, such insurance or bonds to be in an aggregate amount at least equal to the maximum amount of such Revenues or funds at any one time in the custody of all such officers and employees or in the amount of one million dollars ($1,000,000), whichever is less.

Unless the insurance coverage required by the Indenture is maintained through Qualified Self Insurance as described below, such coverage will be maintained through policies that (a) are issued by financially responsible insurer or insurers qualified to write the respective insurance in the State and of recognized standing, (b) are in such form and contain such provisions (including, without limitation, the loss payable clause, the waiver of subrogation clause, deductibility clauses and the designation of the named insured parties) as are generally considered customary provisions for the type of insurance involved, and (c) prohibit cancellation or substantial modification by the insurer without at least 30 days prior written notice to the County and the Trustee.

The County will be entitled to provide the coverage required by the Indenture through Qualified Self Insurance, provided that the requirements set forth below are satisfied. "Qualified Self Insurance" means insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the County has a material interest or of which the County has control, either singly or with others.

Each plan of Qualified Self Insurance will be established in accordance with law, will provide that upon the termination of such plan reserves will be established or insurance acquired in amounts adequate to cover any potential retained liability in respect of the period of Qualified Self Insurance, and will be reviewed at least once every three years by an Insurance Consultant or registered actuary who will deliver to the County a report on the adequacy of the reserves established thereunder in light of claims made. If the Insurance Consultant or actuary determines that such reserves are inadequate in light of the claims made, he will make a recommendation as to the amount of reserves that should be established and maintained, and the County will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from, an Insurance Consultant that such recommendation is unreasonable in light of the nature of the claims or the history of recovery against the County for similar claims.

The County will deliver to the Trustee in the month of September at least once every two year period a certificate stating that the County has complied with the requirements of the Indenture.

The Net Proceeds paid in satisfaction of any claim made under policies providing the coverage for fire and casualty and business interruption will be applied as provided in the Indenture.

Compliance with Applicable Law. So long as any Bond is Outstanding, the County will comply or cause there to be compliance with all applicable laws, orders, rules, regulations and requirements of any municipal or other governmental authority relating to the construction, use and operation of the Airport, provided that the County may contest the same, so long as its failure to comply with the same during the period of such contest will not materially impair the operation or the revenue-producing capability of the Airport.

Payment of Charges and Covenant Against Encumbrances. Except as provided in the Indenture, the County will not create or suffer to be created any lien or charge upon the Airport or any part thereof, or on the Net Revenues, except for Permitted Encumbrances. The County will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same become due and payable, all lawful costs, expenses, liabilities and charges relating to the maintenance, repair, replacement or improvement of the properties constituting the Airport and the operation of the Airport and lawful claims and demands for labor, materials, supplies or other objects that might by law become a lien upon the Airport or Net Revenues if unpaid. The County will not be required to pay or cause to be discharged, any lien, cost or other liability so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Disposition of Airport Properties. Except as described below, the County will not sell or otherwise dispose of all or any part of the properties constituting the Airport.

(a) The County will have the right to sell or dispose of any machinery, fixtures, apparatus, tools, instruments or other personal property which may be determined to be part of the Airport, or any materials used in connection therewith if the County determines that such articles are no longer needed or useful in connection with the construction or maintenance of the properties constituting the Airport or the operation of the Airport or that such sale or disposition will not materially impair the operating efficiency of the Airport or reduce the ability of the County to satisfy the requirements relating to the rate covenant as described in the Indenture.

(b) The County, without notice to the Trustee and free of any obligation to make any replacement thereof or substitution therefor, will have the right to demolish or remove any real property and structures existing as part of the Airport provided that the County determines that such removal or demolition does not materially impair the operating efficiency of the Airport or reduce the ability of the County to satisfy the requirements relating to the rate covenant as described in the Indenture.

(c) Notwithstanding the provisions of paragraph (b) above, if the County determines that any real property or structure constituting a part of the Airport or attributable in whole or in part to the Airport has become inadequate, unsuitable or unnecessary, the County will then have the right to demolish or remove such property and, to the extent permitted by law, may sell or otherwise dispose of all or a part of the same, if the County will construct, acquire, replace or substitute real property or structures having a utility value at the Airport at least equal to that of the property demolished or removed.

Unless some other disposition is required by law or by contract, the County will, in its sole discretion, deposit the proceeds resulting from any abandonment, sale or disposition of properties constituting the Airport to any account in the Construction Fund if the amount then on deposit therein is insufficient to pay the costs of Additional Facilities or to the Airport General Fund.

Additional Facilities; Additions to the Airport. All buildings, structures and items of personal property that are constructed, placed or installed in or upon the properties constituting the Airport as an addition or improvement to, as a substitute for, or in renewal, replacement or alteration of, any buildings, structures, and personal property constituting part of the Airport, and all real property acquired as an addition to, in replacement of, or as a substitute for real property constituting a part of the Airport will thereupon become a part of the Airport.

Notice of Taking; Cooperation of Parties. If any public authority or entity attempts to take or damage all or any part of the Airport through Eminent Domain proceedings, the County will take prompt and appropriate measures to protect and enforce its rights and interests and those of the Trustee and the Owners in connection with such proceedings.

The Net Proceeds of any award or compensation resulting from Eminent Domain proceedings will be applied as described under the heading "–Insurance and Eminent Domain Proceeds" below.

Insurance and Eminent Domain Proceeds. All Net Proceeds of all fire and casualty insurance required by the Indenture and all Net Proceeds resulting from Eminent Domain proceedings will be delivered to the Depositary for deposit in the Insurance and Condemnation Award Fund and will be applied at the election of the County:

(a) to promptly, replace, repair, rebuild or restore the Airport to substantially the same condition as that which existed prior to such damage, destruction or taking, with such alterations and additions as the County may determine and as will not impair or otherwise adversely affect the revenue-producing capability of the Airport, provided that, in the event the total amount of such Net Proceeds exceeds $10,000,000, prior to the commencement of such replacement, repair, rebuilding or restoration, the County will deliver to the Trustee a report of an Airport Consultant setting forth (i) an estimate of the total cost of the same, (ii) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially complete, and (iii) a statement to the effect that Net Proceeds, together with other funds made available or to be made available by the County, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airport; or

(b) to the redemption of Bonds, provided that Bonds may be redeemed only if (i) the Airport has been restored to substantially the same condition as prior to such damage, destruction or taking or (ii) the County has determined that the portion of the Airport damaged, destroyed or taken is not necessary to the operation of the Airport and that the failure of the County to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airport, or (iii) the Airport Consultant has been unable to make the statement required by subparagraph (a)(iii) of this paragraph.

If the County does not apply Net Proceeds or cause them to be applied, to replace, repair, rebuild, or restore the Airport, the County will direct the Trustee to redeem Bonds and the Depositary shall transfer from the Insurance and Condemnation Award Fund to the Trustee for deposit into the subaccounts in the Revenue Bond Redemption Account an amount sufficient to pay the Redemption Price of the Bonds to be redeemed and to the subaccounts in the Revenue Bond Interest Account an amount that, together with amounts then on deposit therein, is sufficient to pay interest accruing on the Bonds to be redeemed to the date of redemption.

If the County elects to apply Net Proceeds, or cause them to be applied, to replace, repair, rebuild, or restore the Airport, the County will transfer such Net Proceeds from the Insurance and Condemnation Award Fund to the Proceeds Account, and will make disbursements therefrom, in accordance with the procedures and requirements set forth in the Indenture.

<u>Contracts, Leases and Other Agreements</u>. The County may lease, as lessor, all or any part of the Airport, or contract or agree for the performance by others, of operations or services on or in connection with the Airport or any part thereof, for any lawful purpose, provided, that

(a) the County will remain fully obligated and responsible under the Indenture to the same extent as if such lease, contract or agreement, or any amendment or revision thereof, had not been executed, and

(b) the obligation of the County under such lease, contract or agreement will not impair the performance of the County's obligations under the Indenture.

<u>Financing of Special Purpose Facilities</u>. The County is not prohibited by the Indenture from financing the acquisition or construction of any Special Purpose Facilities permitted by law so long as (a) the County will have delivered to the Trustee an opinion of County Counsel to the effect that the underlying obligations issued to finance such Facilities are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture and that the financing of such Special Purpose Facilities will not conflict with or constitute on the part of the County a breach of or default under any of the covenants or provisions of the Indenture and (b) such Special Purpose Facilities will not be constructed and leased for use or occupation at the Airport under contracts which would provide services, facilities, or supplies whenever such services, facilities, or supplies may be adequately and efficiently made available to the users of the Airport through the then existing improvements at the Airport, the Revenues from which improvements are required under the Indenture to be deposited in the Revenue Fund; and the County will not construct and lease any such Special Purpose Facilities, the use and occupation of which would, in the opinion of the Airport Consultant, result in a reduction of Revenues or Net Revenues below the minimum required to be maintained as provided in the rate covenant as described in the Indenture.

Subject to the provisions described under the heading "—Additional Facilities; Additions to the Airport" above, any such Facility so financed or otherwise acquired by the County and not constituting a part of the Airport may be added to the Airport by resolution of the County Board of Supervisors provided that at the date of inclusion of such Facility in the Airport the County will deliver to the Trustee:

(a) a certificate of the County Representative stating that no Default has occurred and is continuing or, if any Default then exists, that action taken pursuant to this section will cure the same, and

(b) a report of the Airport Consultant stating that based upon its knowledge and analysis of the financial performance and operations of the Airport, the requirements described in paragraph (a)(1)(ii) under the heading "—Issuance of Additional Bonds" below with respect to any indebtedness would be satisfied.

Issuance of Additional Bonds. Subject to the conditions provided in the Indenture relating to the issuance of Additional Bonds, the County has the right to issue Bonds for Additional Facilities or to refund Outstanding Bonds or other indebtedness, as follows:

(a) The County may issue Long-Term Bonds if prior to issuance one of the following conditions is met:

(i) there is delivered to the Trustee a Certificate of the County Representative certifying that, taking into account all outstanding Long-Term Bonds (excluding any Long-Term Bonds to be refunded by the Long-Term Bonds to be issued) and the Long-Term Bonds then to be issued as if they had been issued, at the beginning of the most recent Fiscal Year for which audited financial statements are available preceding the date of delivery of such Certificate, the Net Revenues for such Fiscal Year were not less than 1.50 times the Long-Term Debt Service Requirement with respect to all outstanding Long-Term Bonds and the Long-Term Bonds to be issued for such period; or

(ii) (A) there is delivered to the Trustee a Certificate of the County Representative certifying that, taking into account all outstanding Long-Term Bonds, but not the Long-Term Bonds then to be issued, for the most recent Fiscal Year for which audited financial statements are available preceding the date of delivery of such Certificate, the requirements of the Indenture relating to the rate covenant have been satisfied; and (B) there is delivered to the Trustee a report of an Airport Consultant to the effect that the requirements of the Indenture relating to the rate covenant taking the proposed Long-Term Bonds into account, for (I) in the case of Long-Term Bonds to finance Additional Facilities, (a) the later to conclude of (i) each of the first three full Fiscal Years succeeding the date on which such Additional Facilities are expected to be completed and in operation, or (b) each of the first five Fiscal Years succeeding the date on which such Long-Term Bonds are to be issued, whichever period is concluded later or (II) in the case of Long-Term Bonds not financing Additional Facilities, each of the first five Fiscal Years succeeding the date on which such Long-Term Bonds are issued, will be projected to be satisfied; or

(iii) without compliance with either of the tests mentioned in (i) and (ii) above, additional Long-Term Bonds in an amount not to exceed 10% of Total Operating Revenues for the most recent Fiscal Year for which audited financial statements are available. The total amount of Long-Term Bonds incurred by the County under this clause (iii) and outstanding without compliance with one of the tests mentioned in (i) and (ii) above may not in the aggregate exceed (calculated at the time of issuance of such Long-Term Bonds) the amount calculated in accordance with the provisions of this clause (iii).

(b) Notwithstanding the provisions of paragraph (a) above, Completion Bonds may be issued without satisfaction of an earnings test if the principal amount thereof does not exceed 15% of the principal amount of the Series 1987 Bonds, and may be issued in excess of 15% of such principal amount, but only if any of the tests set forth in paragraph (a) above are met.

(c) Notwithstanding the provisions of paragraph (a) above, Additional Bonds may also be issued without satisfaction of an earnings test in a principal amount not exceeding $30 million for the purpose of funding the cost of mitigation measures described in the environmental impact report related to the Project.

(d) Bonds may be issued for the purpose of refunding all or any part of any Outstanding Bonds or other indebtedness of the County issued for Airport purposes so as to render it no longer Outstanding if prior to issuance thereof.

(i) the proceeds of such Long-Term Bonds, together with interest earnings on the Government Obligations to be acquired and other available funds, will be sufficient to pay the principal of and interest and any premium on the Bonds to be refunded to the redemption or maturity date and the expenses incident to the refunding, and

(ii) (A) the issuance of such Long-Term Bonds will satisfy the requirements of paragraph (a)(ii)(B) above or (B) the maximum annual principal of and interest on such Long-Term Bonds will be less than the maximum annual principal of and interest on the Outstanding Bonds refunded with the proceeds of such Long-Term Bonds.

(e) Short-Term Bonds may be issued in the ordinary course of business if, immediately after the issuance of such Short-Term Bonds, the outstanding principal amount of all Short-Term Bonds does not exceed 10% of Total Operating Revenues for the most recent Fiscal Year preceding the date of issuance of such Short-Term Bonds for which audited financial statements are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year no such Short-Term Bonds will be outstanding.

(f) Subordinated Bonds may be issued by the County without limitation.

Competing Airport Facilities. The County may acquire or construct or operate, or participate with others through a joint exercise of powers agreement or otherwise in the acquisition or construction or operation of, one or more Additional Airports separate and apart from the Airport; provided, that if acquisition or construction or operation of any such Additional Airport (and any contemplated additions or improvement to such Additional Airport) separate and apart from the Airport would result in a reduction of Revenues or Net Revenues below the minimum required to be maintained pursuant to the Indenture in any future Fiscal Year, the County will cause such Additional Airport to become part of the Airport, and in each instance the County will execute an amendment to the Indenture incorporating such Additional Airport into the definition of Airport (and, if necessary, by making any joint exercise of powers agency a co-obligor under the Indenture) and thereafter such Additional Airport and the revenues therefrom will be subject to the terms of the Indenture; and provided further, no Bonds will be issued or incurred in connection with such acquisition or construction except as permitted by the Indenture. Notwithstanding the foregoing, the County may, at its option, cause any such Additional Airport to become part of the Airport.

In the event that an Additional Airport is acquired or constructed or operated and not made a part of the Airport, and the scope of operations of such Additional Airport is materially changed from that originally contemplated at the time of such acquisition or construction, the County will cause such Additional Airport to become a part of the Airport if required to comply with the foregoing provision.

Available Revenues. Pursuant to a Supplemental Indenture or a resolution of the County, the County, from time to time, in its sole discretion, may irrevocably agree to deposit into the Revenue Fund or an Available Revenue Account (as defined below) and pledge Grant Revenues and/or PFCs, to the extent received by the County, in such amounts and during such periods as specified in a Supplemental Indenture or a resolution for the purpose of paying Principal of and interest on the Bonds. Grant Revenues and/or PFCs so irrevocably committed and pledged will constitute Available Revenues under the Indenture. Available Revenues will be deposited to the Revenue Fund or to one or more separate and segregated accounts (each an "Available Revenue Account"). If not deposited directly into the Revenue Fund, the County will transfer or cause to be transferred, on a monthly basis, Available Revenues on deposit in the respective Available Revenue Account(s) to the Revenue Fund, so that such moneys are available for transfer to the respective subaccounts established to pay debt service on the Bonds for such periods as provided in the Supplemental Indenture and any resolution of the County.

Use of Available PFC Revenues; Pledge of PFC Revenues.

(a) The County covenants and agrees that it will comply in all respects with the laws and regulations governing the use of PFCs.

(b) The County covenants and agrees that, without the prior written consent of the Series 2003 Bond Insurer (so long as the bond insurance policy relating to the Series 2003 Bonds is outstanding or any amounts payable to the Series 2003 Bond Insurer in connection therewith are unpaid), it will not issue or incur any bonds or other obligations which are secured in whole or in part by a pledge or commitment of PFCs that is senior in priority of payment for which provision is made in the Indenture, provided that nothing will prohibit the further pledge of PFCs exclusively for the benefit of the Series 2009 Bondholders.

Remedies

Events of Default. Each of the following events is an "Event of Default" under the Indenture:

(a) payment of the principal of and the redemption premium, if any, on any of the Bonds is not made by the County when the same are due and payable, either at maturity or by redemption or otherwise;

(b) payment of the interest on any of the Bonds is not made by the County when the same is due and payable;

(c) final judgment for the payment of money in excess of $1,000,000 is rendered against the County as a result of the ownership, control or operation of the Airport, and any such judgment (including any structured judgment) is not discharged (or provision made therefor) within 60 days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof;

(d) the County: (i) becomes insolvent or the subject of insolvency proceedings; or (ii) is unable, or admits in writing its inability, to pay its debts as they mature; or (iii) makes a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iv) files a petition or other pleading seeking reorganization, composition, readjustment, or liquidation of assets, or requesting similar relief; or (v) applies to a court for the appointment of a receiver for it or for the whole or any part of the Airport other than Special Purpose Facilities; or (vi) has a receiver or liquidator appointed for it or for the whole or any part of the Airport other than Special Facilities (with or without the consent of the County) and such receiver is not discharged within 90 consecutive days after his appointment; or (vii) becomes the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (viii) files an answer to a creditor's petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within 60 consecutive days after the same is filed against the County; and

(e) the County defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, and such default continues for 30 days after receipt by the County of a written notice from the Trustee or the Bond Insurer specifying such default and requesting that it be corrected, provided that if prior to the expiration of such 30-day period the County institutes action reasonably designed to cure such default, no "Event of Default" will be deemed to have occurred upon the expiration of such 30-day period for so long as the County pursues such curative action with reasonable diligence.

Non-Acceleration of Maturities. Nothing in the Indenture will be construed as permitting the Trustee or any Owner to accelerate the maturity of any Bond upon the happening and continuance of any Event of Default.

Remedies. In addition to any remedies then available to the Trustee under the Indenture and under State and federal law, upon the occurrence of an Event of Default the Trustee may:

(a) Require the County to endorse all checks and other negotiable instruments representing Revenues to the order of the Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Trustee.

(b) Notify any or all account debtors of the County to pay any amounts representing Revenues, when due and owing, directly to the Trustee.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Indenture, the Trustee will be entitled, as a matter of right, to the extent permitted by law, to the appointment of a receiver or receivers of the Airport and of the Revenues pending such proceedings, with such powers as the court making such appointments confers, whether or not the Revenues are deemed sufficient ultimately to satisfy the Bonds then Outstanding.

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the County under the Indenture.

Enforcement of Remedies. Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the Owners of not less than 20% in aggregate principal amount of the Bonds then Outstanding will, proceed to protect and enforce the rights of the Owners under federal or State law or under the Indenture by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee will deem most effectual to protect and enforce such rights. For purposes of this heading, the Bond Insurer will be deemed to be the Owner of all Bonds insured by the Bond Insurer.

Pro Rata Application of Funds. If at any time the money in the applicable subaccounts in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account is not sufficient to pay the interest on or the principal of the related Series of Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purposes, whether through the exercise of the remedies provided for in the Indenture or otherwise, will be applied as follows:

> first: if the principal of the Series of Bonds has not become due and payable, to the payment of all installments of interest then due, in the order of the maturity of the installments of such interest;
>
> second: if the principal of less than all of the Series of Bonds has become due and payable, first to the payment of all installments of interest then due on such Bonds of which the principal is not overdue, in the order of the maturity of the installments thereof, and next to the payment of interest at the respective rates specified in the Series of Bonds on overdue principal, and next to the payment of the principal of such Bonds then due in order of their due dates;
>
> third: if the principal of all Series of Bonds has become due and payable by redemption or otherwise, first to the payment of all interest due on such Bonds of which the principal is not overdue, and next to the payment of interest at the respective rates specified in the Series of Bonds on overdue principal, and next to the payment of the principal of the Series of Bonds in order of their due dates; and
>
> fourth: if the principal of all Series of Bonds has become due and payable, and all of the Series of Bonds have been fully paid, together with all interest and premium, if any, thereon, any surplus then remaining will be paid to the County as provided in the Indenture.

All payments to be made to the Owners as described above will be made ratably to the persons entitled thereto, without discrimination or preference, except that if there are insufficient funds to make any payment of interest or principal then due, the amount to be paid in respect of principal or interest, as the case may be, on each Bond will be determined by multiplying the aggregate amount of the funds available for such payment by a fraction, the numerator of which is the amount then due as principal or interest, as the case may be, on each Bond and the denominator of which is the aggregate amount due in respect of all interest or all principal, as the case may be, on all Bonds.

Control of Proceedings by Owners. The Owners of a majority in aggregate principal amount of the Bonds at any time Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction will be in accordance with law and the provisions of the Indenture. For purposes of this heading, the Bond Insurer will be deemed to be the Owner of all Bonds insured by the Bond Insurer.

Restrictions Upon Actions by Individual Owners. Except as described under "Right to Enforce Payment of Bonds Unimpaired" below, no Owner will have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Indenture or for any other remedy under the Indenture unless such Owner previously will (a) have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) have requested the Trustee to take action after the right to exercise such powers or right of action, as the case may be, will have accrued, (c) have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceedings in its or their name, and (d) have offered to the Trustee reasonable security and satisfactory indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing provisions, the Owners of not less than 20% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Owners under the Indenture.

Right to Enforce Payment of Bonds Unimpaired. Nothing in the Indenture will affect or impair the right of any Owner to enforce the payment of the principal of and interest on such Owner's Bonds or the obligation of the County to pay the principal of and interest on each Bond to the Owner thereof at the time and place specified in said Bond.

The Trustee

Resignation and Removal of Trustee Subject to Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee will become effective until the acceptance of appointment by the successor Trustee under the Indenture.

Resignation of Trustee. The Trustee may resign and thereby become discharged from the trusts created by the Indenture by notice in writing given to the County, the Bond Insurer and the Owners of all Bonds not less than 30 days before such resignation is to take effect.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, executed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, filed with the County and the Trustee, and mailed to the Bond Insurer and all Owners of Bonds, not less than 30 days before such removal is to take effect as stated in said instrument or instruments. So long as the County is not in Default under the Indenture, the Trustee may also be removed by the County at any time upon not less than 30 days written notice to the Trustee, which notice will be mailed to the Bond Insurer and the Owners of all Bonds.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Indenture with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the County or the Owners of not less than 20% in aggregate principal amount of Bonds then Outstanding.

Appointment of Successor Trustee. If the position of Trustee becomes vacant for any reason, the County will appoint a Trustee to fill such vacancy.

At any time within one year after any vacancy in the office of the Trustee has occurred, the Owners of 20% in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the County, may appoint a successor Trustee, which will supersede any Trustee theretofore appointed by the County.

Any successor Trustee appointed will be a bank or trust company within the State, that is in good standing and duly authorized to exercise corporate trust powers in the State, that is subject to examination by federal or State authority, and that has a combined capital, surplus and undivided profits aggregating not less than $50,000,000.

Removal and Resignation of Bond Registrar. The Bond Registrar may be removed at any time, with or without cause, by the County, upon one month's written notice by the County to the Bond

Registrar. Upon receipt of notice from the County the Trustee will cause notice of such removal to be mailed to the Bond Insurer and Owners not less than 30 days before such removal is to take effect.

The Bond Registrar may resign and thereby become discharged from the duties, obligations and responsibilities of Bond Registrar under the Indenture, by written notice delivered to the County and the Trustee.

Supplemental Indentures

Supplemental Indenture Without Owners' Consent. The County, with the consent of the Trustee, may adopt supplemental indentures which do not adversely affect the interest of the Owners:

(a) to cure any ambiguity or formal defect or omission or to correct or supplement any provision in the Indenture that may be inconsistent with any other provision in the Indenture; or

(b) to grant to or confer upon the Trustee for the benefit of the Owners, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee; or

(c) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Indenture or other conditions, limitations and restrictions thereafter to be observed, provided that such conditions, limitations, and restrictions do not impair the security for the Outstanding Bonds; or

(d) to provide for the issuance of a Series of Additional Bonds or bonds secured by a subordinate lien on Net Revenues, and to provide the terms and conditions under which such bonds may be issued, subject to and in accordance with the provisions described under the heading "—Issuance of Additional Bonds" above; or

(e) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect of to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America or to permit the registration of Additional Bonds under the Securities Act of 1933; or

(f) to permit the Bonds to be issued as book-entry bonds if the Trustee is provided with an opinion of nationally recognized bond counsel stating that such supplemental indenture is permitted by the Act; or

(g) to add to the covenants and agreements of the County in the Indenture other covenants and agreements thereafter to be observed by the County or to surrender any right or power reserved to or conferred upon the County in the Indenture, provided that such covenants and agreements and the surrendering of any such right or power do not impair the security for the Outstanding Bonds; and

(h) to amend provisions relating to compliance with the Internal Revenue Code of 1986, as amended, in any manner which in the opinion of nationally recognized bond counsel will not adversely affect the exemption of interest on the Bonds from federal income taxation.

Supplemental Indenture with Owner's Consent. Subject to the terms and provisions contained in this section, and not otherwise, the Bond Insurer and the Owners of not less than 51% in aggregate principal amount of the Bonds then Outstanding that will be affected by a proposed supplemental order will have the right to consent to and approve the adoption of such supplemental indenture or indentures as are deemed necessary or desirable by the County for the purpose of amending, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture, provided that the Indenture does not permit (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of Net Revenues other than the lien and pledge created by the Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

Notice of the proposed adoption of a supplemental indenture requiring the consent of Owners will be mailed to all Owners at their addresses as they appear on the registration books maintained by the Trustee. The County will not, however, be subject to any liability to any Owner by reason of its failure to cause such notice to be mailed and any such failure will not affect the validity of such supplemental order when consented to and approved as described above.

Exclusion of Bonds. Bonds owned or held by or for the account of the County will not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and County as Owner of such Bonds will not be entitled to consent or take any other action provided for in the Indenture.

Defeasance

Cessation of Interest of Owners. When (a)(i) the Bonds have become due and payable in accordance with their terms or otherwise as provided n the Indenture, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds have been paid or (ii) if the Trustee holds money or non-callable Government Obligations, or a combination of both, that are sufficient in the aggregate to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, and if the Bonds are due and payable by reason of a call for redemption, irrevocable instructions to call the Bonds for redemption will have been given by the County to the Trustee, and (b) sufficient funds will also have been provided or provision made for paying all other obligations payable under the Indenture by the County, then and in that case the right, title and interest of the Trustee and Owners in the funds, accounts and subaccounts created by the Indenture will thereupon cease, determine and become void, the County Board of Supervisors will repeal and cancel the Indenture, and the Trustee will apply any surplus in the funds or accounts, other than money held for the redemption or payment of Bonds, as provided in the Indenture.

Notwithstanding the foregoing, if money, non-callable Government Obligations, or a combination of both, are deposited with and held by the Trustee as described above, and within 30 days after such money, Government Obligations, or a combination of both, have been deposited with such Trustee, the County, in addition to observing the requirements of the Indenture relating to redemption, causes a notice signed by the Trustee to be mailed to all Owners affected, setting forth

(a) the date designated for the redemption of the Bonds,

(b) a description of the money and Government Obligations so held by such escrow agent, and

(c) that the Indenture has been repealed and cancelled in accordance with the foregoing provisions,

the Trustee will retain such rights, powers and privileges under the Indenture as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium on which such money and Government Obligations have been deposited. Amounts paid by the Bond Insurer under the Bond Insurance Policy will not be deemed paid in accordance with the Indenture but will be due and owing until paid by the County in accordance with the Indenture.

All money and Government Obligations held by the Trustee as described above will be held in trust and applied to the payment, when due, of the Bonds and obligations payable therewith.

For purposes of the Indenture, Government Obligations will be deemed to be sufficient to pay or redeem Bonds on a specified date if the Trustee receives a verification report of a nationally recognized independent certified public accountant determining that the principal of and the interest on such Government Obligations, when due, will be sufficient to pay on such date the principal of, and the premium, if any, and interest due on such Bonds on such date.

APPENDIX E

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

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APPENDIX E

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

[Closing Date]

County of Orange
Santa Ana, California

County of Orange, California
Airport Revenue Bonds
Series 2009A and Series 2009B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Orange in connection with the issuance by the County of Orange, California (the "County") of $___________ aggregate principal amount of County of Orange, California, Airport Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and Series 2009B (the "Series 2009B Bonds," and together with the Series 2009A Bonds, the "Series 2009 Bonds"), issued pursuant to Chapter 14 of Division 2 of Title 3 (Sections 26301 to 26400.53, inclusive), as amended, of the Government Code of the State of California (the "Act"), and pursuant to an Indenture, dated as of July 1, 1987, by and between the County and U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of June 1, 1993, as further supplemented by a Second Supplemental Indenture, dated as of December 1, 1996, a Third Supplemental Indenture, dated as of May 1, 2003, and a Fourth Supplemental Indenture, dated as of __________, 2009, (as so amended and supplemented, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the County, dated the date hereof relating to the Series 2009 Bonds (the "Tax Certificate"), certificates of the County, the Trustee, and others, opinions of County Counsel, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other relevant documents relating to the Bonds may be changed, and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We render no opinion as to the effect on the exclusion from gross income of interest on the Bonds of any such change or action taken or omitted after the date of this opinion without our approval.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2009 Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2009 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2009 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2009 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2009 Bonds constitute the valid and binding limited obligations of the County payable solely from the Net Revenues.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the County. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2009 Bonds, of the Net Revenues, which pledge is on a parity with the pledge securing other Bonds heretofore or hereafter issued in accordance with the requirements of the Indenture, and is subject to the provisions of the Indenture permitting the application of Net Revenues for the purposes and on the terms and conditions set forth therein.

3. Based on existing statutes, regulations, rulings and judicial decisions and assuming compliance by the County with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Series 2009 Bonds is not includable in gross income for federal income tax purposes, except for any Series 2009B Bond during any period in which such Series 2009B Bond is held by a "substantial user" of the facilities financed with the proceeds of the Series 2009B Bonds or a "related person" (as such terms are defined in the Code).

4. Interest on the Series 2009 Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations, and is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability.

5. Interest on the Series 2009 Bonds is exempt from personal income taxes imposed by the State of California.

We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds.

Sincerely yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the County of Orange, California (the "County"), in connection with the issuance of the County of Orange, California, Airport Revenue Bonds, Series 2009A and Series 2009B (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of July 1, 1987, between the County and U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of June 1, 1993, the Second Supplemental Indenture, dated as of December 1, 1996, the Third Supplemental Indenture, dated as of May 1, 2003, and the Fourth Supplemental Indenture, dated as of July 1, 2009 (collectively, the "Indenture"), each by and between the County and the Trustee. The County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The definitions set forth in the Indenture shall apply to any capitalized term used in this Disclosure Certificate. Otherwise the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2009 Bonds (including persons holding 2009 Series Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County or any successor Dissemination Agent designated in writing by the County, which has filed with the County a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) system, as the sole central repository for all electronic continuing disclosure information.

"Participating Underwriter" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The County shall, not later than seven months after the end of the County's Fiscal Year (presently June 30), commencing with the report for Fiscal Year 2008-09, provide or cause to be provided to the National Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Airport required hereunder may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof. The County shall provide a written certification with each Annual Report to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(b) Not later than fifteen (15) Business Days prior to the date set forth in paragraph (a) above, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the National Repository an Annual Report by the date required in subsection (a), the County shall send a notice to the National Repository in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the National Repository; and

(ii) file a report with the County (if the Dissemination Agent is other than the County) certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Airport for the prior 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. If such audited financial statements are not available at 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 financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement relating to the Bonds, in the following charts and tables or under the following captions:

(a) Table 8, entitled "Historical Passenger Activity, Million Annual Passenger (MAP) Cap";

(b) Table 9, entitled "Airline Enplanements Market Share";

(c) Table 10, entitled "Airline Carrier Landed Weight Market Share";

(d) Table 12, entitled "Scheduled Departures";

(e) Table 14, entitled "Revenue Sources"; and

(f) Table 15, entitled "Statements of Revenues and Expenses" (excluding any projections contained therein).

3. The following additional items with respect to the Bonds:

(a) Principal amount of each Series of Bonds outstanding;

(b) Balance in the Revenue Bond Reserve Account for each Series;

(c) Updated information (to the extent material) on the status of the Capital Improvement Project;

(d) Status of any significant legislative, administrative, and judicial challenges to the operation of the Airport known to the County;

(e) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the County shall provide such further material information, if any, as may be necessary to make the specifically required statements, in light of the circumstances in which they are made, not misleading; and

The County is solely responsible for the content and format of the Annual Report.

The County has not undertaken in this Disclosure Certificate to provide all information an investor may want to have in making decisions to hold, sell or buy Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the National Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events (a "Listed Event") with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of holders of the Bonds;

4. optional, contingent or unscheduled calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on the credit enhancements reflecting financial difficulties;

10. substitution of the credit or liquidity providers or their failure to perform;

11. release, substitution or sale of property securing repayment of the Bonds.

(b) Upon the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County has determined that the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file a notice of such occurrence with the National Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure

Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County 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 County. 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 Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Participating Underwriter, the Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County or Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _________, 2009

COUNTY OF ORANGE, CALIFORNIA

By:____

Airport Director

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person:	County of Orange, California
Name of Bond Issue:	County of Orange, California, Airport Revenue Bonds, Series 2009A and Series 2009B
Date of Issuance:	_____________, 2009

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by Section 1820 of the Indenture, dated as of July 1, 1987, between the County and Security Pacific National Bank, as predecessor to U.S. Bank National Association, as successor trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of June 1, 1993, the Second Supplemental Indenture, dated as of December 1, 1996, the Third Supplemental Indenture, dated as of May 1, 2003, and the Fourth Supplemental Indenture, dated as of _______, 2009, each by and between the County and the Trustee. [The County anticipates that the Annual Report will be filed by __________________________.]

Date: ________________________________

COUNTY OF ORANGE, CALIFORNIA

By ____

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APPENDIX G

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2009 Bonds. The Series 2009 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 2009 Bond certificate will be issued for each maturity of each series of such Series 2009 Bonds, in the total aggregate principal amount of each maturity of such Series 2009 Bonds, and will be deposited with DTC.

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

Purchases of the Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2009 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 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 Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009

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COUNTY OF ORANGE, CALIFORNIA • AIRPORT REVENUE BONDS, SERIES 2009A AND SERIES 2009B

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