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

In the opinion of Kutak Rock LLP, Bond Counsel to the Department, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2020BCD Senior Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2020B Senior Bond or Series 2020C Senior Bond for any period during which such Series 2020B Senior Bond or Series 2020C Senior Bond, as applicable, is held by a "substantial user" of the facilities financed or refinanced by the Series 2020B Senior Bonds or the Series 2020C Senior Bonds, as applicable, or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that (a) interest on the Series 2020B Senior Bonds and the Series 2020D Senior Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, and (b) interest on the Series 2020C Senior Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that interest on the Series 2020BCD Senior Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.

$1,058,500,000
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT

$558,500,000	$380,000,000	$120,000,000
Senior Refunding Revenue Bonds	**Senior Revenue Bonds**	**Senior Revenue Bonds**
2020 Series B	**2020 Series C**	**2020 Series D**
(Private Activity/Non-AMT)	**(Private Activity/AMT)**	**(Governmental Purpose/Non-AMT)**

Dated: Date of Delivery **Due: May 15, as shown on the inside cover**

The Los Angeles International Airport, Senior Refunding Revenue Bonds, 2020 Series B (Private Activity/Non-AMT) (the "Series 2020B Senior Bonds"), the Los Angeles International Airport, Senior Revenue Bonds, 2020 Series C (Private Activity/AMT) (the "Series 2020C Senior Bonds") and the Los Angeles International Airport, Senior Revenue Bonds, 2020 Series D (Governmental Purpose/Non-AMT) (the "Series 2020D Senior Bonds" and collectively with the Series 2020B Senior Bonds and the 2020C Senior Bonds, the "Series 2020BCD Senior Bonds") of the Department of Airports of the City of Los Angeles (the "Department") are being issued as described herein. Capitalized terms not defined on the cover of this Official Statement shall have the meanings ascribed to them in this Official Statement.

The Series 2020BCD Senior Bonds are being issued to: (i) refund and defease all of the Department's outstanding Los Angeles International Airport, Senior Revenue Bonds, 2010 Series A; Los Angeles International Airport, Subordinate Revenue Bonds, 2010 Series B; and Los Angeles International Airport, Senior Revenue Bonds, 2010 Series D to realize debt service savings; (ii) pay and/or reimburse the Department for the cost of certain capital projects at Los Angeles International Airport ("LAX"); (iii) make a deposit to the Senior Reserve Fund; and (iv) pay costs of issuance of the Series 2020BCD Senior Bonds. See "PLAN OF FINANCE."

The Series 2020BCD Senior Bonds are limited obligations of the Department payable solely from and secured solely by (i) a pledge of Net Pledged Revenues and (ii) certain funds and accounts held by the Senior Trustee. The Series 2020B Senior Bonds are being issued on parity with the Existing Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS."

The Series 2020BCD Senior Bonds do not constitute or evidence an indebtedness of the City of Los Angeles (the "City") or a lien or charge on any property or the general revenues of the City. Neither the faith and the credit nor the taxing power of the City, the State of California or any public agency, other than the Department, to the extent described herein, is pledged to the payment of the principal of or interest on the Series 2020BCD Senior Bonds. The Department has no power of taxation. The Series 2020BCD Senior Bonds constitute and evidence an obligation of the Department payable only in accordance with Section 609(b) of the City Charter and any other applicable provisions thereof. None of the properties of the Airport System is subject to any mortgage or other lien for the benefit of the owners of the Series 2020BCD Senior Bonds. The Department is under no obligation to pay the Series 2020BCD Senior Bonds, except from funds in the LAX Revenue Account of the Airport Revenue Fund and as further specifically provided in the Senior Indenture.

Interest on the Series 2020BCD Senior Bonds will be payable on each November 15 and May 15, commencing May 15, 2021. The Series 2020BCD Senior Bonds are being issued only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and will be available in authorized denominations of $5,000 and integral multiples thereof. The Series 2020BCD Senior Bonds initially are being issued and delivered in book-entry form only.

The Series 2020BCD Senior Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF THE SERIES 2020BCD SENIOR BONDS – Redemption Provisions."

The Series 2020BCD Senior Bonds are offered when, as and if issued by the Department, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Department, and certain other conditions. Certain legal matters will be passed upon for the Department by Michael N. Feuer, City Attorney of the City. Polsinelli LLP serves as Disclosure Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. Public Resources Advisory Group and Frasca & Associates, LLC serve as Co-Municipal Advisors to the Department. It is expected that the delivery of the Series 2020BCD Senior Bonds will be made through DTC on or about August 27, 2020.

Goldman Sachs & Co. LLC **Siebert Williams Shank & Co., LLC**

Academy Securities, Inc. **Wells Fargo Securities**

Date of Official Statement: August 19, 2020.

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

$558,500,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Senior Refunding Revenue Bonds
2020 Series B
(Private Activity/Non-AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No. (544445)
2024	$31,560,000	5.000%	0.370%	117.074	PT0
2025	28,490,000	5.000	0.470	121.106	PU7
2026	25,635,000	5.000	0.570	124.880	PV5
2027	35,890,000	5.000	0.690	128.239	PW3
2028	25,435,000	5.000	0.850	130.931	PX1
2029	44,335,000	5.000	0.950	133.801	PY9
2030	29,545,000	5.000	1.040	136.505	PZ6
2031	30,435,000	5.000	1.150	135.297[c]	QA0
2032	32,220,000	5.000	1.230	134.426[c]	QB8
2033	34,145,000	5.000	1.330	133.346[c]	QC6
2034	36,240,000	5.000	1.450	132.064[c]	QD4
2035	17,575,000	4.000	1.680	120.716[c]	QE2
2035	6,700,000	5.000	1.500	131.534[c]	QF9
2036	16,495,000	4.000	1.740	120.121[c]	QG7
2037	17,265,000	4.000	1.780	119.726[c]	QH5
2038	18,065,000	4.000	1.820	119.332[c]	QJ1
2039	51,730,000	4.000	1.860	118.940[c]	QK8
2040	67,555,000	4.000	1.900	118.549[c]	QL6
2040	9,185,000	5.000	1.700	129.439[c]	QM4

c Priced to May 15, 2030, the first date that the Series 2020B Senior Bonds can be redeemed.

$380,000,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Senior Revenue Bonds
2020 Series C
(Private Activity/AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No. (544445)
2024	$7,840,000	5.000%	0.600%	116.147	QN2
2025	8,230,000	5.000	0.700	119.915	QP7
2026	8,645,000	5.000	0.820	123.296	QQ5
2027	9,080,000	5.000	1.020	125.772	QR3
2028	9,535,000	5.000	1.130	128.519	QS1
2029	10,015,000	5.000	1.230	131.069	QT9
2030	10,515,000	5.000	1.330	133.346	QU6
2031	11,040,000	5.000	1.440	132.170[c]	QV4
2032	11,590,000	5.000	1.530	131.217[c]	QW2
2033	12,170,000	5.000	1.630	130.167[c]	QX0
2034	12,780,000	5.000	1.730	129.128[c]	QY8
2035	13,425,000	5.000	1.800	128.406[c]	QZ5
2036	14,090,000	5.000	1.840	127.996[c]	RA9
2037	14,795,000	5.000	1.880	127.587[c]	RB7
2038	15,530,000	5.000	1.920	127.180[c]	RC5
2039	16,310,000	5.000	1.960	126.774[c]	RD3
2040	17,125,000	5.000	2.000	126.370[c]	RE1

$82,745,000 – 5.000% Series 2020C Senior Term Bond due May 15, 2045 – Yield 2.110%, Price 125.266[c], CUSIP† No. 544445RF8

$94,540,000 – 4.000% Series 2020C Senior Term Bond due May 15, 2050 – Yield 2.340%, Price 114.349[c], CUSIP† No. 544445RG6

c Priced to May 15, 2030, the first date that the Series 2020C Senior Bonds can be redeemed.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services (CGS), operated on behalf of the American Bankers Association by S&P Global Market Intelligence. This information is not intended to create a database and does not serve in any way as a substitute for the GCS database. CUSIP numbers have been assigned by an independent company not affiliated with the Department or the Underwriters and are included solely for the convenience of the registered owners of the applicable Series 2020C Senior Bonds. None of the Underwriters, the Co-Municipal Advisors or the Department is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the applicable Series 2020C Senior Bonds or as included in this Official Statement. The CUSIP number for a specific maturity is subject to being changed after the issuance of the bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020C Senior Bonds.

$120,000,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Senior Revenue Bonds
2020 Series D
(Governmental Purpose/Non-AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No. (544445)
2024	$2,595,000	5.000%	0.370%	117.074	RH4
2025	2,725,000	5.000	0.470	121.106	RJ0
2026	2,865,000	5.000	0.570	124.880	RK7
2027	3,005,000	5.000	0.690	128.239	RL5
2028	3,155,000	5.000	0.850	130.931	RM3
2029	3,315,000	5.000	0.950	133.801	RN1
2030	3,480,000	5.000	1.040	136.505	RP6
2031	3,655,000	5.000	1.150	135.297[c]	RQ4
2032	3,835,000	5.000	1.230	134.426[c]	RR2
2033	4,030,000	5.000	1.330	133.346[c]	RS0
2034	4,230,000	5.000	1.450	132.064[c]	RT8
2035	2,140,000	5.000	1.500	131.534[c]	RU5
2035	2,300,000	4.000	1.680	120.716[c]	RV3
2036	4,315,000	4.000	1.740	120.121[c]	RW1
2036	325,000	5.000	1.540	131.111[c]	RX9
2037	4,830,000	4.000	1.780	119.726[c]	RY7
2038	5,025,000	4.000	1.820	119.332[c]	RZ4
2039	5,225,000	4.000	1.860	118.940[c]	SA8
2040	5,435,000	4.000	1.900	118.549[c]	SB6

$24,350,000 – 5.000% Series 2020D Senior Term Bond due May 15, 2044 – Yield 1.820%, Price 128.201[c], CUSIP† No. 544445SC4

$29,165,000 – 4.000% Series 2020D Senior Term Bond due May 15, 2048 – Yield 2.070%, Price 116.906[c], CUSIP† No. 544445SD2

[c] Priced to May 15, 2030, the first date that the Series 2020D Senior Bonds can be redeemed

No dealer, broker, salesperson or other person has been authorized by the Department to give any information or to make any representation, other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Department. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020BCD Senior Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The Series 2020BCD Senior Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Senior Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2020BCD Senior Bonds. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Department since the date hereof.

References in this Official Statement to Fiscal Year 2020 financial data are based on preliminary unaudited financials.

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

In connection with the offering of the Series 2020BCD Senior Bonds, the Underwriters may over-allot or effect transactions that may stabilize or maintain the market price of such Series 2020BCD Senior Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Department undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of materials contained on the websites referenced in this Official Statement, including but not limited to, updates of such information or links to other Internet sites accessed through such websites. Any information contained on such websites that is inconsistent with the information set forth in this Official Statement should be disregarded. No information contained on such websites is a part of or incorporated into this Official Statement except as expressly noted.

CITY OF LOS ANGELES OFFICIALS

Eric Garcetti, Mayor
Michael N. Feuer, City Attorney
Ron Galperin, City Controller
Richard H. Llewellyn, Jr., City Administrative Officer
Claire Bartels, Director of Finance and City Treasurer
Holly L. Wolcott, City Clerk

CITY COUNCIL

Gilbert Cedillo (District 1)
Paul Krekorian (District 2)
Bob Blumenfield (District 3)
David E. Ryu (District 4)
Paul Koretz (District 5)
Nury Martinez (District 6)
Monica Rodriguez (District 7)
Marqueece Harris-Dawson (District 8)
Curren D. Price, Jr. (District 9)
Herb J. Wesson, Jr. (District 10)
Mike Bonin (District 11)
John S. Lee (District 12)
Mitch O'Farrell (District 13)
Vacant (District 14)
Joe Buscaino (District 15)

BOARD OF AIRPORT COMMISSIONERS

Sean O. Burton, President
Valeria C. Velasco, Vice President
Gabriel L. Eshaghian, Commissioner
Beatrice C. Hsu, Commissioner
Nicholas P. Roxborough, Commissioner
Cynthia A. Telles, Commissioner
Karim Webb, Commissioner

LOS ANGELES WORLD AIRPORTS STAFF

Justin Erbacci, Chief Executive Officer
Tatiana Starostina, Chief Financial Officer
Bernardo Gogna, Chief Development Officer
Samantha Bricker, Chief Environmental and Sustainability Officer
Michelle D. Schwartz, Chief External Affairs Officer
Jeffrey Utterback, Deputy Executive Director, Commercial Development
Aura Moore, Deputy Executive Director, Information Technology
Jacob Adams, Deputy Executive Director, LAMP Executive
David L. Maggard, Jr., Deputy Executive Director, Law Enforcement and Homeland Security
Michael R. Christensen, P.E., Deputy Executive Director, Operations and Maintenance
Robert Falcon, Deputy Executive Director, Planning & Development Group
Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program
Becca Doten, Deputy General Manager Airports, Public Media Relations
Raymond S. Ilgunas, General Counsel

SENIOR TRUSTEE

The Bank of New York Mellon Trust Company, N.A.

BOND COUNSEL

Kutak Rock LLP

DISCLOSURE COUNSEL

Polsinelli LLP

CO-MUNICIPAL ADVISORS

Public Resources Advisory Group and Frasca & Associates, LLC

AIRPORT CONSULTANT

WJ Advisors LLC

VERIFICATION AGENT

Robert Thomas CPA, LLC

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OFFICIAL STATEMENT

$1,058,500,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES,
CALIFORNIA
LOS ANGELES INTERNATIONAL
AIRPORT

$558,500,000 Senior Refunding Revenue Bonds 2020 Series B (Private Activity/Non-AMT)	$380,000,000 Senior Revenue Bonds 2020 Series C (Private Activity/AMT)	$120,000,000 Senior Revenue Bonds 2020 Series D (Governmental Purpose/Non-AMT)

INTRODUCTION

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

Changes from the Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated August 7, 2020. Capitalized terms used and not otherwise defined in this section have the meanings given to them in this Official Statement. The new information consists of: (i) information regarding the principal amounts, maturity dates, interest rates, prices and other terms of the Series 2020BCD Senior Bonds, (ii) LACERS GASB 68 Actuarial Valuation Based on June 30, 2019 Measurement Date for Employer Reporting as of June 30, 2020 (the "LACERS GASB 68 Valuation"); and (iii) LACERS GASB 75 Actuarial Valuation and Review of OPEB Based on June 30, 2019 Measurement Date for Employer Reporting as of June 30, 2020 ("LACERS GASB 75 Valuation" and together with the LACERS GASB 68 Valuation, the "LACERS Valuations"). The new information with respect to the LACERS Valuations is included in bold under "CERTAIN INVESTMENT CONSIDERATIONS – Retirement Plan Funding" and "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019."

General

The purpose of this Official Statement, which includes the cover page, the inside cover and following pages, the table of contents, and the appendices of this Official Statement, is to provide certain information concerning the issuance by the Department of Airports (the "Department") of the City of Los Angeles, California (the "City"), acting through the Board of Airport Commissioners of the City (the "Board"), of its Los Angeles International Airport, Senior Refunding Revenue Bonds, 2020 Series B (Private Activity/Non-AMT) (the "Series 2020B Senior Bonds"), Los Angeles International Airport, Senior Revenue Bonds, 2020 Series C (Private Activity/AMT) (the "Series 2020C Senior Bonds"), and Los Angeles International Airport, Senior Revenue Bonds, 2020 Series D (Governmental Purpose/Non-AMT) (the "Series 2020D Senior Bonds," and collectively with the Series 2020B Senior Bonds and the Series 2020C Senior Bonds, the "Series 2020BCD Senior Bonds"). Capitalized terms used but not defined herein have the meanings ascribed to them in APPENDIX C-1 – "CERTAIN DEFINITIONS."

Investment Considerations

The purchase and ownership of the Series 2020BCD Senior Bonds involve investment risks. Prospective purchasers of the Series 2020BCD Senior Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2020BCD Senior Bonds, see "COVID-19 Issues and Impacts" and "CERTAIN INVESTMENT CONSIDERATIONS."

The City, the Department and the Airport System

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

COVID-19 Issues and Impacts

Introduction and Governmental Restrictions

The outbreak of COVID-19, a respiratory disease which was first reported in Wuhan, China in December 2019, has since become a worldwide pandemic. The COVID-19 pandemic has resulted in a number of governmental actions, including:

- A national state of emergency declared by the President of the United States.
- Travel restrictions and warnings domestically and internationally by the United States State Department and the Centers for Disease Control and Prevention ("CDC"), as well as other governmental authorities, nations and airlines.
- The issuance of "stay at home" or "shelter in place" orders by many state and local governments in the United States and governments abroad.
- Declaration of a state of emergency by the Governor of the State.
- The issuance of orders by the County of Los Angeles Department of Public Health ("Department of Public Health") directing businesses to close and citizens to stay in their residences as much as practicable, which severely restrict movement and limit business and activities to essential functions.
- The issuance of orders from the City's Mayor (the "Mayor") which mandated the closure of all "non-essential businesses" including schools, bars, performance venues, fitness centers, movie theaters, dine-in service at restaurants and many other public venues.

Overall, the restrictions put in place in response to COVID-19 include restrictions on travel, public gatherings and large group events, orders for residents to stay at home and the promotion of working-at-home.

Decrease in Travel Through LAX

Trends in passenger traffic in the United States and at LAX since 1989 have closely correlated with trends in United States Gross Domestic Product ("GDP"), including decreases during the 1990-1991 and 2008-2009 recessions. From 1989 through 2018, GDP increased an average of 1.5% per year, while the number of enplaned passengers increased at averages of 1.4% per year in the nation and 1.6% per year at LAX. During the second calendar quarter of 2020, GDP declined at an annual rate of 32.9%.

Airports in the United States have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown resulting from the COVID-19 pandemic. The pandemic has had an adverse effect on domestic and international travel and travel related industries, including airlines and concessionaires.

Airlines serving LAX have reduced or cancelled flights and curtailed their overall capacity due to a severe and dramatic drop in demand for both domestic and international air travel in an attempt to match capacity to the modified demand for air travel. Airlines have reported unprecedented reductions in passenger volumes and that they expect those reductions to continue. As of May 19, 2020, the Airports Council International ("ACI") World estimated a reduction of more than 4.6 billion passengers and more than $97 billion loss in revenue for the global airport industry in 2020. In a press release on July 3, 2020, ACI World indicated that global passenger traffic declined by approximately 94.4% year-over-year in April 2020.

Since March 2020, all passenger airlines serving LAX have reported a downturn in traffic as well as expectations for continued reduced levels of traffic. Total enplanements and deplanements for both domestic and international travel were down in January through May 2020 over the prior year, with the greatest year over year drop in April 2020. Total enplanements and deplanements at LAX for April 2020 decreased approximately 95.9%

as compared to April 2019. Total enplanements and deplanements at LAX for May 2020 decreased approximately 92.7% as compared to May 2019. In July 2020, American Airlines announced that it will be suspending certain long-haul international flights originating from LAX with destinations in Asia and Latin America. This change is expected to result in a reduction of approximately 1,100 daily international seats from LAX.

As a part of the federal aid received from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), airlines are restricted from mass layoffs through September 30, 2020. It is unclear what effect the expiration of the employment requirements on October 1, 2020 will have on airlines. United Airlines has notified 36,000 of its employees that their jobs are at risk after the CARES Act aid expires on September 30, 2020. American Airlines and Delta Air Lines have made similar statements regarding potential job cuts.

For a month by month comparison of air traffic data at LAX see "LOS ANGELES INTERNATIONAL AIRPORT –Aviation Activity."

The Department anticipates that airlines will endeavor to gradually increase capacity on existing routes and restart additional destinations in the coming months, but it is difficult to predict when this will occur. In particular, it is not clear how the airlines will respond to any continued travel restrictions, domestic quarantine requirements, federal aid measures, and other impacts to air travel normalization.

As a result of the foregoing, and other factors, the Department has seen an impact to certain operations and revenue sources. Passenger and air traffic declines have proportional impacts on various, but not all, revenue sources. For instance, landing fees, concessions, parking, ground transportation and transportation network companies' revenues, are directly affected by decreases in passenger traffic.

The following information is provided to show percentage variances for certain operating and financial data for the first five months (January – May) in calendar year 2020 compared with the same months in calendar year 2019. April 2020 was the low point for losses in aircraft operations, landed weights, airline revenues, passengers and passenger related revenues. Since that time, the Department has seen some improvement in revenue operations, enplanements, deplanements and cargo among other measures. In reviewing the figures in the following table and throughout the Official Statement, it is important to note that revenues are calculated on an accrual basis. See "LOS ANGELES INTERNATIONAL AIRPORT –Aviation Activity" and "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Summary of Operating Statements"

	January-May 2019	**January-May 2020**	**Percent Change**
Total Revenue Operations(1)	265,978	175,556	(34.0%)
Domestic Enplanements and Deplanements	24,838,996	12,014,318	(51.6%)
International Enplanements and Deplanements	10,174,735	4,626,115	(54.5%)
Total Enplanements and Deplanements(2)	35,013,731	16,640,433	(52.5%)
Domestic Enplaned and Deplaned Cargo	369,618	336,965	(8.8%)
International Enplaned and Deplaned Cargo	569,650	553,969	(2.8%)
Total Enplaned and Deplaned Cargo(3)	939,268	890,934	(5.1%)
Total Operating Revenue(4)	$642,813,000	$490,867,000	(23.6%)
Total Operating Expenses(5)	$327,586,000	$347,005,000	5.9%
Passenger Facility Charge Revenues(6)	$80,002,000	$34,450,000	(56.9%)
Customer Facility Charge Revenues(7)	$31,705,000	$18,085,000	(43.0%)

(1) Total revenue operations for LAX. See Table 7.
(2) Total domestic and international enplaned and deplaned passengers at LAX. See Table 7A.
(3) Total domestic cargo and international cargo at LAX. Figures are in US Tons = 2,000 lbs. See Table 10A.
(4) Total operating revenues for LAX. See Table 11. Figures for the first 5-months of 2020 are based on unaudited statements prepared on an accrual basis.
(5) Total operating expenses for LAX. See Table 11.
(6) Total passenger facility charges for LAX. See Table 11.
(7) Total customer facility charges for LAX. See Table 11.

While the Department cannot predict future passenger activity levels, the Department has assumed for planning purposes, based on the recent and significant decrease in the number of enplaned passengers at LAX, publicly available statements by many of the busiest airlines that serve LAX about reductions in service, and uncertainty regarding the timing of a COVID-19 vaccine or herd immunity, that the number of enplaned passengers using LAX in Fiscal Year 2020 and Fiscal Year 2021 would decline by approximately 29.1% in Fiscal Year 2020 compared to 44.2 million enplaned passengers in Fiscal Year 2019, and decline by approximately 52.1% in Fiscal

Year 2021 compared to the assumed 31.3 million enplaned passengers in Fiscal Year 2020. There can be no assurance that the Department's assumptions will prove to be accurate. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – Airport Financial Performance – Pledged Revenues"

The actual impact of COVID-19 on air travel through LAX and the Department's budget and finances will heavily depend on future events outside of the control of the Department. As a result of these uncertainties, the Department expects to regularly review revenue projections and make adjustments throughout Fiscal Year 2021.

Passenger Airline Temporary Relief Program

Facing pressures on their cash reserves, airlines, concessionaires and service providers at LAX have requested that the Department provide, among other things, temporary financial relief. In many cases the Department has provided some financial relief, including rent and fee relief, and deferrals for tenants, permit holders and concessionaires at LAX and VNY. The Department may continue to provide additional relief in the future as it deems reasonably necessary to address the impacts to the Department and its operations. The impact of the COVID-19 pandemic to the Department and the airlines, concessionaires and service providers at LAX is described in greater detail in this Official Statement.

On April 9, 2020, the Board adopted a temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (the "Passenger Airline Temporary Relief Program"). The Passenger Airline Temporary Relief Program permits eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff (as defined herein) to apply for relief. Key elements of the Passenger Airline Temporary Relief Program are as follows:

- Deferral of terminal and airfield fees payable from April through May 2020.

- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.

- Temporary suspension of all gate utilization calculations and/or requirements under airline leases during April and May 2020.

- The Passenger Airline Temporary Relief Program is available to all commercial passenger air carriers operating scheduled passenger service at LAX and their existing consortiums, provided such air carriers have no payment delinquencies in the 12 months ending March 31, 2020 that have resulted in a drawdown on their Faithful Performance Guarantee ("FPG"), unless they have since then fully replenished their FPGs.

- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees was approximately $93 million.

Concessionaires and Services Temporary Relief Program

On April 16, 2020, by the Board adopted a fee relief program for LAX concessionaires and service providers at LAX (the "Concessionaires and Services Temporary Relief Program"). The Concessionaires and Services Temporary Relief Program permits concessionaires and service providers to apply for relief. Key elements of the Concessionaires and Services Temporary Relief Program are as follows:

For the duration period beginning April 1, 2020 to June 30, 2020 (the "Duration Period"):

- The Department will only require payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee ("MAG"), and, if applicable, defer receipt of in-terminal concession storage rent.
- In the case of off-Airport rental car companies, the Department will only require payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.

- Accrued amounts will be required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six month payment period.

The Concessionaires and Services Temporary Relief Program is available to counterparties that:

- Comply with all applicable City Ordinances.
- Commit to re-employ laid off staff in direct proportion to increases in sales during the recovery period, using December 2019 payroll levels and sales as the basis of full employment/sales.
- Pass along to all sub-concessionaires the same benefits received by the prime counterparty on a ratable basis.
- Have all accounts receivable status current.
- Have fully funded FPG and agree that the Department can draw down on the FPG if a counterparty misses any payments.
- Demonstrate that the counterparty is not entitled to any business interruption insurance benefits that are redundant to the Concessionaires and Services Temporary Relief Program.
- For in-terminal concessionaires only, (a) maintain health insurance coverage for two months at the same rate and level as prior to the layoffs or reduction in hours for all employees who qualified for insurance coverage during February 2020 and who were laid off, furloughed, or experience reduced hours since March 1, 2020 or may be laid off or furloughed as a result of COVID 19, and (b) adhere to all federal requirements with respect to use of funds received under the CARES Act or any future federal relief program.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments was $3 million.

The Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program were structured by the Department to apply in calendar year 2020. The Department currently expects to use $323.6 million in federal CARES Act grants to pay LAX Maintenance and Operation Expenses and debt service. These amounts, along with the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program amounts have been incorporated into the description of key financial metrics presented in the Letter Report of the Airport Consultant. Additionally all projections of airline revenues in the Letter Report of the Airport Consultant are based on the rate-making methodologies of the Rate Agreement, Operating Permit and Airport Terminal Tariff (each as defined herein). The portion of the LAX Maintenance and Operation Expenses and Debt Service assumed to be paid by CARES Act grants has been excluded from the projections of airline rentals, rates, fees and charges and airline revenues. See – "Department's Mitigation Measures in Response to COVID-19."

The Department may extend or revise its Passenger Airline Temporary Relief Program or its Concessionaires and Services Temporary Relief Program to, for example, modify the Duration Period and/or the scope of relief, and may take into consideration whether the airline or concessionaire has received funding through any federal programs. Any such extension or revision is subject to Board approval. The financial metrics set forth in the Letter Report of the Airport Consultant do not reflect any potential extensions to or revisions of the Passenger Airline Temporary Relief Program or the Concessionaires and Services Temporary Relief Program.

Impact of COVID-19 on Capital Improvement Projects

The Department is currently undertaking a $12.3 billion Capital Program (as defined herein) at LAX. Approximately $1.4 billion of the projects included in the Capital Program were completed through the end of Fiscal Year 2019, and another approximately $437.0 million were completed in Fiscal Year 2020. Approximately $10.5 billion of projects in the Capital Program are ongoing or are expected to be started and completed by the end of Fiscal Year 2025. Contractors and development counterparties may make COVID-19 related claims, including possibly for additional compensation or schedule relief, in connection with individual projects that are part of the Capital Program. While some projects may be able to proceed with less interference to scheduling due to the reduced traffic at LAX, other COVID-19-related items, such as social distancing measures and other job safety protocols may interfere with sequencing on projects. The Department cannot predict the timing or scope of any such claims or the impact to the timing or cost of its ongoing projects as a result of COVID-19. While the Department continues to review the Capital Program and may in the future adjust the timing and cost of individual projects given the substantial adjustment in passengers due to COVID-19, no reduction in timing or cost have currently been implemented. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT."

Other Impacts of COVID-19 on the Department, LAX and Certain Concessionaires

Certain sources of the Department's operating revenues are based on passenger activity levels, including, but not limited to, public parking revenues (originating passengers), rental car revenues (originating/arriving passengers) and in-Terminal concession revenues (emplaned passengers). These passenger activity-based revenues, including the ones mentioned in this paragraph, represented approximately 32.0% of total Pledged Revenues (as defined herein) in Fiscal Year 2019. Concession revenues decreased significantly from and after March 2020. Based on unaudited financial results from March 2020 through May 2020, public parking revenues decreased approximately 85.3% in April 2020 as compared with April 2019, rental car revenues decreased approximately 92.7% in May 2020 as compared with May 2019, terminal concessions revenues and advertising revenues each decreased approximately 94.2% in May 2020 as compared with May 2019, commercial vehicle revenues (TNCs, taxis, limos) decreased approximately 97.9% and 95.9% in April and May 2020, respectively, as compared with April and May 2019 and duty free revenues decreased approximately 99.8% and 100% in April and May 2020, respectively, as compared with April and May 2019, respectively. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – Airport Financial Performance – Pledged Revenues"

On May 22, 2020, the Hertz Corporation (which includes Thrifty Car Rental and Dollar Rent-A-Car, collectively, "Hertz") filed for Chapter 11 bankruptcy protection. The Department was not listed as a top 50 creditor in Hertz's bankruptcy filing. The 50th largest creditor listed in the petition filed by Hertz holds a debt of approximately $1.26 million.

On May 27, 2020, Advantage/Enterprise ("Advantage") filed for Chapter 11 bankruptcy protection. Prior to filing, Advantage went off-Airport in February 2020. In its bankruptcy filing, Advantage did not list the Department as one of its top 30 unsecured creditors and the 30th creditor listed in the petition filed by Advantage holds a debt of approximately $142,000.

Together, Hertz and Advantage represented approximately 22.1% of the rental car gross revenue market share at LAX for the 12-month period ending February 2020 (the month prior to disruptions caused by COVID-19). The Department cannot predict whether either of the rental car companies will assume or reject their concession lease and agreement ("CLA") as part of the bankruptcy proceedings. For purposes of the Letter Report of the Airport Consultant, the Airport Consultant assumed that both companies would assume their respective CLAs and would use and lease space in the new consolidated rent-a-car facility (the "ConRAC") that is currently being constructed at LAX and is expected to open in Fiscal Year 2023. Advantage currently still has a CLA for the ConRAC, but it no longer has an existing rental car agreement with LAX. The Letter Report of the Airport Consultant also assumes that both companies would continue to provide rental car services at LAX during Fiscal Years 2021 through 2026 and would operate under their respective CLAs when the ConRAC is opened. See "CERTAIN INVESTMENT CONSIDERATIONS - Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Counterparty Bankruptcies" and "APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT."

Department's Mitigation Measures in Response to COVID-19

In response to the COVID-19 pandemic, the Department is proactively implementing measures intended to mitigate operational and financial impacts, including: hiring limits, except for specific critical positions; deferring non-essential discretionary spending; limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks; limiting overtime to those activities that are necessary for safety, critical operations or emergency management; encouraging voluntary furloughs or reduced work schedules for certain hourly employees; collaborating with CDC on enhanced screening and increasing sanitation procedures at LAX. The Department was one of the first U.S. airports to implement austerity and other measures in response to the pandemic. Among those measures are the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program described above.

In May 2020, the Department created a COVID-19 Recovery Task Force that includes seven work streams to address the Department's operations and communications during the pandemic. The work streams include: 1) improving the Department's fiscal position, 2) engaging and communicating with stakeholders, 3) completing construction and repairs faster, 4) making travel through LAX safer, 5) setting up the Department for success, 6) bringing employees back to work, and 7) increasing passenger traffic through LAX. The leaders on the COVID-19

Recovery Task Force include: the Chief Executive Officer, the Director of Airports Administration, Operations and Maintenance, the Chief Financial Officer, the Chief Development Officer, the Consultant to the Chief Executive Officer, the Deputy Executive Director, Law Enforcement and Homeland Security, the Chief of Airport Police, and the Chief External Affairs Officer.

On March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. The CARES Act provides $10 billion of assistance to U.S. commercial airports, which is apportioned among such airports based on various formulas.

Airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of maintenance and operation expenses on or after January 20, 2020, and the payment of debt service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the agreement between the airport operator and the FAA is executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020.

The Department was awarded CARES Act grants in the amount of approximately $323.6 million for LAX and approximately $157,000 for VNY, payable on a reimbursement basis. The Department's primary objective with the CARES Act funding will be to address near-term pressure caused by the COVID-19 pandemic, including maintenance of debt service coverage levels consistent with current ratings levels, mitigation of the reduction in revenues, continued funding of ongoing capital development projects and maintenance of operating cash on hand in Fiscal Year 2020 and Fiscal Year 2021. As of the date of this Official Statement, the Department has drawn approximately $52.4 million of CARES Act moneys to stabilize cost increases in airline rates at LAX, while preserving the majority of the funds, approximately $271.2 million, for Fiscal Year 2021. These sums have been accrued by the Department in Fiscal Year 2020 and were reimbursed in July 2020.

The CARES Act includes approximately $50 billion for passenger airlines in the United States. Prospective purchasers of the Series 2020BCD Senior Bonds should review the Securities and Exchange Commission ("SEC") filings of the Signatory Airlines (as defined below) for additional information regarding the receipt by any Signatory Airline of CARES Act funding. This reference to a Signatory Airline's SEC filings is for informational purposes only, and such reports are not deemed to be incorporated in this Official Statement. **The Department undertakes no responsibility for and makes no representation as to the accuracy or completeness of any reports and statements relating to Signatory Airlines filed with the SEC as described in this Official Statement**. See "AIRLINE INDUSTRY INFORMATION"

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

Plan of Finance

The Series 2020BCD Senior Bonds are being issued to (i) refund and defease all of the Department's outstanding Series 2010A Senior Bonds (as defined below), Series 2010B Subordinate Bonds (as defined below) and Series 2010D Senior Bonds (as defined below), to realize debt service savings, (ii) pay and/or reimburse the Department for certain capital projects at LAX, (iii) make a deposit to the Senior Reserve Fund, (iv) fund a portion of the interest accruing on the Series 2020C Senior Bonds and the Series 2020D Senior Bonds; and (v) pay costs of issuance of the Series 2020BCD Senior Bonds. See "PLAN OF FINANCE."

Series 2020BCD Senior Bonds

The Series 2020BCD Senior Bonds are being issued pursuant to the Master Trust Indenture, dated as of April 1, 1995, as amended (the "Master Senior Indenture"), by and between the Department, acting through the Board, and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N.A., as trustee (the "Senior Trustee"), and a Twenty-First Supplemental Trust Indenture, to be dated as of August 1, 2020 (the "Twenty First Supplemental Senior Indenture," and together with the Master Senior Indenture and all supplements thereto, the "Senior Indenture"), by and between the Department, acting through the Board, and the Senior Trustee; and under and in accordance with Section 609 of the Charter of the City of Los Angeles, relevant ordinances of the City and the Los Angeles Administrative Code (collectively, the "Charter"). Issuance of the Series 2020BCD Senior Bonds has been authorized by Resolution No. 26347 adopted by the Board on September 20, 2017 and approved by the City Council of the City (the "City Council") on October 24, 2017 and the Mayor of the City on November 1, 2017, and Resolution No. 26967 adopted by the Board on February 20, 2020, and approved by the City Council on March 17, 2020 and the Mayor of the City on March 20, 2020 (collectively, the "Authorizing Resolution"), and Resolution No. 27076 adopted by the Board on July 16, 2020, (the "Document Resolution," and together with the Authorizing Resolution, the "Resolutions").

The Series 2020BCD Senior Bonds are secured by a pledge of and first lien on Net Pledged Revenues (as defined under "SECURITY AND SOURCES OF PAYMENT FOR THE 2020BCD SENIOR BONDS - Flow of Funds" below) on a parity with the Existing Senior Bonds (as defined under "—Existing Senior Bonds" below), and any additional bonds or other obligations issued or incurred on parity with respect to Net Pledged Revenues with the Series 2020BCD Senior Bonds and the Existing Senior Bonds under the terms and provisions of the Master Senior Indenture (the "Additional Senior Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS."

For purposes of this Official Statement, "Senior Bonds" means the Series 2020BCD Senior Bonds, the Existing Senior Bonds and any Additional Senior Bonds. As of the date of this Official Statement, the only obligations the Department has issued pursuant to the Senior Indenture are the Existing Senior Bonds. Net Pledged Revenues are available for the equal and proportionate benefit of all Senior Bonds and any other obligations issued on parity with respect to Net Pledged Revenues pursuant to the Senior Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Pledge of Net Pledged Revenues."

THE SERIES 2020BCD SENIOR BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY OR A LIEN OR CHARGE ON ANY PROPERTY OR THE GENERAL REVENUES OF THE CITY. NEITHER THE FAITH AND THE CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY PUBLIC AGENCY, OTHER THAN THE DEPARTMENT, TO THE EXTENT OF THE NET PLEDGED REVENUES, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2020BCD SENIOR BONDS. THE DEPARTMENT HAS NO POWER OF TAXATION. THE SERIES 2020BCD SENIOR BONDS CONSTITUTE AND EVIDENCE AN OBLIGATION OF THE DEPARTMENT PAYABLE ONLY IN ACCORDANCE WITH SECTION 609(B) OF THE CHARTER AND ANY OTHER APPLICABLE PROVISIONS THEREOF. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM IS SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2020BCD SENIOR BONDS. THE DEPARTMENT IS UNDER NO OBLIGATION TO PAY THE SERIES 2020BCD SENIOR BONDS, EXCEPT FROM FUNDS IN THE LAX REVENUE ACCOUNT OF THE AIRPORT REVENUE FUND AND AS FURTHER SPECIFICALLY PROVIDED IN THE SENIOR INDENTURE. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS."

Existing Senior Bonds

Pursuant to the Senior Indenture and the Charter, the Department, acting through the Board, has previously issued and, as of July 1, 2020, there were outstanding $2,737,220,000 aggregate principal amount of its:

- Los Angeles International Airport Senior Revenue Bonds, 2010 Series A (the "Series 2010A Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds, 2010 Series D (the "Series 2010D Senior Bonds" and together with the Series 2010A Senior Bonds, the "Series 2010 Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2012 Series A (the "Series 2012A Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2012 Series B (the "Series 2012B Senior Bonds" and, together with the Series 2012A Senior Bonds, the "Series 2012 Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2013 Series A (the "Series 2013A Senior Bonds");

- Los Angeles International Airport Senior Revenue Bonds, 2015 Series A (the "Series 2015A Senior Bonds');
- Los Angeles International Airport Senior Revenue Bonds, 2015 Series B (the "Series 2015B Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2015 Series D (the "Series 2015D Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds 2015 Series E (the "Series 2015E Senior Bonds" and together with the Series 2015A Senior Bonds, the Series 2015B Senior Bonds and the Series 2015D Senior Bonds, the "Series 2015 Senior Bonds");
- Los Angeles International Airport Senior Refunding Revenue Bonds, 2016 Series C (the "Series 2016C Senior Bonds");
- Los Angeles International Airport Senior Refunding Revenue Bonds, 2018 Series B (the "Series 2018B Senior Bonds")
- Los Angeles International Airport Senior Refunding Revenue Bonds, 2020 Series A (the "Series 2020A Senior Bonds")

The Series 2010 Senior Bonds, the Series 2012 Senior Bonds, the Series 2013A Senior Bonds, the Series 2015 Senior Bonds, the Series 2016C Senior Bonds, the Series 2018B Senior Bonds and the Series 2020A Senior Bonds are collectively referred to in this Official Statement as the "Existing Senior Bonds."

The Existing Senior Bonds are secured by a pledge of and first lien on the Net Pledged Revenues on parity with the Series 2020BCD Senior Bonds. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Senior Bonds."

Existing Subordinate Obligations

In addition to the Senior Bonds, the Department has outstanding certain Subordinate Obligations (as defined below) which are secured by a pledge of and first lien on Subordinate Pledged Revenues. "Subordinate Pledged Revenues" means for a given period, the Pledged Revenues for such period, less, for such period, the LAX Maintenance and Operation Expenses, less, for such period, the Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds, less, for such period, deposits to any reserve fund or account required pursuant to the Senior Indenture. Subordinate Obligations are issued pursuant to the terms and provisions of the Master Subordinate Indenture dated December 1, 2002, as amended and supplemented (the "Subordinate Indenture"), by and between the Department and U.S. Bank National Association, as trustee (the "Subordinate Trustee").

For purposes of this Official Statement, "Subordinate Bonds" means the Existing Subordinate Bonds (as defined below) and any Additional Subordinate Bonds issued pursuant to the Subordinate Indenture. For purposes of this Official Statement, "Subordinate Obligations" means the Subordinate Bonds, the Subordinate Commercial Paper Notes (as defined below), the payment obligations of the Department under the Current CP Reimbursement Agreements (as defined below) and the New CP Reimbursement Agreements (as defined below), and any Additional Subordinate Obligations issued pursuant to the provisions of the Subordinate Indenture.

Existing Subordinate Bonds

Pursuant to the Subordinate Indenture and the Charter, the Department has previously issued and, as of July 1, 2020, there were outstanding $4,425,950,000 aggregate principal amount of its:

- Los Angeles International Airport, Subordinate Revenue Bonds, 2009 Series C (the "Series 2009C Subordinate Bonds");
- Los Angeles International Airport, Subordinate Revenue Bonds, 2010 Series B (the "Series 2010B Subordinate Bonds");
- Los Angeles International Airport, Subordinate Revenue Bonds, 2010 Series C (the "Series 2010C Subordinate Bonds" and together with the Series 2010B Subordinate Bonds, the "Series 2010 Subordinate Bonds");
- Los Angeles International Airport, Subordinate Revenue Bonds, 2013 Series B (the "Series 2013B Subordinate Bonds");

- Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2015 Series C (the "Series 2015C Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2016 Series A (the "Series 2016A Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2016 Series B (the "Series 2016B Subordinate Bonds" and together with the Series 2016A Subordinate Bonds, the "Series 2016 Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2017 Series A (the "Series 2017A Subordinate Bonds");

- Los Angeles International Airport Subordinate Revenue Bonds, 2017 Series B (the "Series 2017B Subordinate Bonds" and together with the Series 2017A Subordinate Bonds, the "Series 2017 Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2018 Series A (the "Series 2018A Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2018 Series C (the "Series 2018C Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2018 Series D (the "Series 2018D Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2018 Series E (the "Series 2018E Subordinate Bonds" and collectively with the Series 2018A Subordinate Bonds, the Series 2018C Subordinate Bonds and the Series 2018D Subordinate Bonds, the "Series 2018 Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2019 Series A (the "Series 2019A Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2019 Series B (the "Series 2019B Subordinate Bonds");

- Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2019 Series C (the "Series 2019C Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2019 Series D (the "Series 2019D Subordinate Bonds");

- Los Angeles International Airport, Subordinate Revenue Bonds, 2019 Series E (the "Series 2019E Subordinate Bonds"); and

- Los Angeles International Airport, Subordinate Revenue Bonds, 2019 Series F (the "Series 2019F Subordinate Bonds" and collectively with the Series 2019A Subordinate Bonds, the Series 2019B Subordinate Bonds, the Series 2019C Subordinate Bonds, the Series 2019D Subordinate Bonds and the Series 2019E Subordinate Bonds, the "Series 2019 Subordinate Bonds").

The Series 2009C Subordinate Bonds, the Series 2010 Subordinate Bonds, the Series 2013B Subordinate Bonds, the Series 2015C Subordinate Bonds, the Series 2016 Subordinate Bonds, the Series 2017 Subordinate Bonds, the Series 2018 Subordinate Bonds and the Series 2019 Subordinate Bonds are collectively referred to in this Official Statement as the "Existing Subordinate Bonds."

See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Subordinate Bonds and Subordinate Commercial Paper Notes."

Subordinate Commercial Paper Notes

Pursuant to the Subordinate Indenture, the Department is authorized to issue and have outstanding, at any one time, its Los Angeles International Airport, Subordinate Revenue Commercial Paper Notes, Series A (Governmental – Non-AMT), Series B (Private Activity – AMT), Series C (Federally Taxable) and Series D (Private Activity – Non-AMT) (collectively, the "Subordinate Commercial Paper Notes") in a maximum aggregate principal amount not exceeding $500,000,000 (subject to certain conditions). As of July 1, 2020, Subordinate Commercial Paper Notes were outstanding with a maturity value of approximately $63,203,000.

Continuing Disclosure

In connection with the issuance of the Series 2020BCD Senior Bonds, the Department will covenant for the benefit of the owners of the Series 2020BCD Senior Bonds to provide annually certain financial information and operating data concerning the Department to the Municipal Securities Rulemaking Board ("MSRB") and notice of certain enumerated events, pursuant to the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission ("Rule 15c2-12"). See "CONTINUING DISCLOSURE" and APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Letter Report of the Airport Consultant

Included as APPENDIX A to this Official Statement is a Letter Report of the Airport Consultant dated August 6, 2020 prepared by WJ Advisors LLC (the "Airport Consultant") in connection with the issuance of the Series 2020BCD Senior Bonds (the "Letter Report of the Airport Consultant"). See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT."

The Letter Report of the Airport Consultant was prepared to present a projected range of key Department financial metrics from Fiscal Year 2021 through Fiscal Year 2026 (the "Projection Period"): (i) debt service coverage under the Master Senior Indenture and the Master Subordinate Indenture and (ii) the average airline cost per enplanement at LAX. The range of projected key financial metrics contained in the Letter Report of the Airport Consultant was prepared based on a hypothetical three-year and five-year recovery in the number of enplaned passengers back to actual Fiscal Year 2019 passenger levels at LAX, as well as a number of other assumptions described therein. The Letter Report of the Airport Consultant also includes, among other things, a description of certain airline traffic and economic analysis; the Capital Program; the Department's financial performance; and a description of the assumptions upon which the projections contained in the Letter Report of the Airport Consultant were based.

Given the unprecedented nature and continuing uncertainty surrounding the COVID-19 pandemic, the Letter Report of the Airport Consultant does not include any projections of the (1) economic activity in the region served by LAX in the nation or (2) the number of enplaned passengers and other aviation activity (e.g. number of flights at the Airport. As such, the Letter Report of the Airport Consultant used a hypothetical range of passenger recovery periods for the return to actual Fiscal Year 2019 passenger levels (the Fiscal Year prior to COVID-19) at the Airport for purposes of projecting key Airport financial metrics, including debt service coverage and average airline cost per enplaned passenger.

Further, no assurances can be given that the projections discussed in the Letter Report of the Airport Consultant will be achieved or that the assumptions upon which the projections are based will be realized. The Letter Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an explanation of the assumptions and projections used therein. The financial projections in the Letter Report of the Airport Consultant are based upon certain information and assumptions that were provided or reviewed and agreed to by the Department. Additionally, the debt service projections in the Letter Report of the Airport Consultant (i) were not updated to reflect the sale, issuance or final terms of the Series 2020BCD Senior, and (ii) includes the expected refunding savings from the Series 2020B Senior Bonds, but does not include any adjustments for debt service savings which may occur with respect to any refunding of the other Senior Bonds or Subordinate Obligations (in addition to the Refunded Bonds) during the Projection Period. As of the date of this Official Statement, in the opinion of the Airport Consultant, the assumptions made in the Letter Report of the Airport Consultant provide a reasonable basis for the projections therein. See "—Forward-Looking Statements," "CERTAIN INVESTMENT CONSIDERATIONS – Assumptions in the Letter Report of the Airport Consultant," and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT."

Forward-Looking Statements

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

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Department and the Board. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate, and actual results, performance or achievements may differ materially from the expectations and forecasts described in this Official Statement.

Additional Information

Brief descriptions of the Series 2020BCD Senior Bonds, the Senior Indenture, the Subordinate Indenture and certain other documents are included in this Official Statement and the appendices to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to such documents and any other documents, statutes, laws, reports or other instruments described in this Official Statement are qualified in their entirety by reference to each such document, statute, law, report or other instrument. Information contained in this Official Statement has been obtained from officers, employees and records of the Department and from other sources believed to be reliable. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Department or LAX since the date of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the Department and purchasers or owners of any of the Series 2020BCD Senior Bonds. The Department maintains certain websites (including an investor relations website) and social media accounts, the information on which is not part of this Official Statement, is not incorporated by reference in this Official Statement and should not be relied upon in deciding whether to invest in the Series 2020BCD Senior Bonds.

PLAN OF FINANCE

The Series 2020BCD Senior Bonds are being issued to (i) refund and defease all of the Department's outstanding Series 2010A Senior Bonds, Series 2010B Subordinate Bonds and Series 2010D Senior Bonds, to realize debt service savings, (ii) pay and/or reimburse the Department for certain capital projects at LAX, (iii) make a deposit to the Senior Reserve Fund, (iv) fund a portion of the interest accruing on the Series 2020C Senior Bonds and the Series 2020D Senior Bonds, and (v) pay costs of issuance of the Series 2020BCD Senior Bonds.

Refunding of Refunded Bonds

The Series 2020B Senior Bonds are being issued to (i) refund and defease all of the Department's outstanding Series 2010A Senior Bonds (the "Refunded Series 2010A Senior Bonds"), Series 2010B Subordinate Bonds (the "Refunded Series 2010B Subordinate Bonds") and Series 2010D Senior Bonds (the "Refunded Series 2010D Senior Bonds," together with the Refunded Series 2010A Senior Bonds and the Refunded Series 2010B Subordinate Bonds, the "Refunded Bonds"), to realize debt service savings, (ii) make a deposit to the Senior Reserve Fund, and (iii) pay a portion of the costs of issuance of the Series 2020BCD Senior Bonds.

A portion of the proceeds of the Series 2020B Senior Bonds, together with other available moneys to be released from the debt service fund(s) for the Refunded Bonds, the Senior Reserve Fund and the debt service reserve fund established and maintained for the Existing Subordinate Bonds, will be (i) deposited with the Senior Trustee to pay on August 28, 2020 the redemption price of the Refunded Series 2010A Senior Bonds and the Refunded Series 2010D Senior Bonds, and the interest accrued thereon, and (ii) deposited with the Subordinate Trustee to pay on August 28, 2020 the redemption price of the Refunded Series 2010B Subordinate Bonds, and the interest accrued thereon.

The Refunded Bonds include the Series 2010A Senior Bonds, the Series 2010B Subordinate Bonds and the Series 2010D Senior Bonds described below.

Series	Maturity Date (May 15)	Refunded Principal Amount	CUSIP Number[(1)]	Redemption Date	Redemption Price
2010A	2021	$ 2,350,000	544435J76	August 28, 2020	100%
2010A	2021	6,430,000	544435L73	August 28, 2020	100
2010A	2022	980,000	544435J84	August 28, 2020	100
2010A	2022	7,040,000	544435L81	August 28, 2020	100
2010A	2023	7,395,000	544435J92	August 28, 2020	100
2010A	2024	740,000	544435K25	August 28, 2020	100
2010A	2024	7,050,000	544435M23	August 28, 2020	100
2010A	2025	8,150,000	544435K33	August 28, 2020	100
2010A	2026	8,555,000	544435K58	August 28, 2020	100
2010A	2027	10,855,000	544435K66	August 28, 2020	100
2010A	2028	11,415,000	544435K74	August 28, 2020	100
2010A	2029	11,960,000	544435K82	August 28, 2020	100
2010A	2030	13,695,000	544435K90	August 28, 2020	100
2010A	2031	14,400,000	544435M31	August 28, 2020	100
2010A	2032	15,095,000	544435M49	August 28, 2020	100
2010A	2035	49,995,000	544435L99	August 28, 2020	100
2010A	2040	140,830,000	544435K41	August 28, 2020	100
2010B	2021	$ 1,680,000	544435N63	August 28, 2020	100%
2010B	2022	1,955,000	544435N71	August 28, 2020	100
2010B	2023	2,290,000	544435N89	August 28, 2020	100
2010B	2024	2,645,000	544435N97	August 28, 2020	100
2010B	2025	3,025,000	544435P20	August 28, 2020	100
2010B	2026	3,440,000	544435P38	August 28, 2020	100
2010B	2027	3,895,000	544435P46	August 28, 2020	100
2010B	2028	4,375,000	544435P53	August 28, 2020	100
2010B	2029	4,885,000	544435P61	August 28, 2020	100
2010B	2030	6,895,000	544435P79	August 28, 2020	100
2010B	2031	7,530,000	544435Q29	August 28, 2020	100
2010B	2032	8,210,000	544435Q37	August 28, 2020	100
2010B	2033	8,940,000	544435Q45	August 28, 2020	100
2010B	2035	20,265,000	544435P87	August 28, 2020	100
2010B	2040	54,650,000	544435P95	August 28, 2020	100
2010D	2021	$ 620,000	544435S35	August 28, 2020	100%
2010D	2021	6,795,000	544435U57	August 28, 2020	100
2010D	2022	8,940,000	544435S43	August 28, 2020	100
2010D	2023	10,405,000	544435S50	August 28, 2020	100
2010D	2024	10,925,000	544435S68	August 28, 2020	100

(1) CUSIP numbers have been assigned by an independent company not affiliated with the Department or the Underwriters and are included solely for the convenience of the registered owners of the applicable bonds. None of the Underwriters, the Co-Municipal Advisors or the Department is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the applicable bonds or as included in this Official Statement.

Series	Maturity Date (May 15)	Principal Amount	CUSIP Number[(1)]	Redemption Date	Redemption Price
2010D	2025	$ 225,000	544435S76	August 28, 2020	100%
2010D	2025	11,250,000	544435U65	August 28, 2020	100
2010D	2026	12,045,000	544435S84	August 28, 2020	100
2010D	2027	12,675,000	544435S92	August 28, 2020	100
2010D	2028	13,340,000	544435T26	August 28, 2020	100
2010D	2029	14,040,000	544435T34	August 28, 2020	100
2010D	2030	200,000	544435T42	August 28, 2020	100
2010D	2030	1,140,000	544435V23	August 28, 2020	100
2010D	2030	13,435,000	544435U73	August 28, 2020	100
2010D	2033	22,650,000	544435U99	August 28, 2020	100
2010D	2035	205,000	544435T59	August 28, 2020	100
2010D	2035	39,920,000	544435U81	August 28, 2020	100
2010D	2040	136,965,000	544435T67	August 28, 2020	100

(1) CUSIP numbers have been assigned by an independent company not affiliated with the Department or the Underwriters and are included solely for the convenience of the registered owners of the applicable bonds. None of the Underwriters, the Co-Municipal Advisors or the Department is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the applicable bonds or as included in this Official Statement

Robert Thomas CPA, LLC, a firm of independent certified public accountants, will verify that the amounts deposited with the Senior Trustee and the Subordinate Trustee will be sufficient to pay, on August 28, 2020, the redemption price of the Refunded Bonds plus interest accrued thereon. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Financing Capital Program Projects

The Series 2020C Senior Bonds and the Series 2020D Senior Bonds are being issued to (i) pay and/or reimburse the Department for certain capital projects at LAX, (ii) make a deposit to the Senior Reserve Fund, and (iii) pay a portion of the costs of issuance of the Series 2020BCD Senior Bonds. See also APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT" for additional information regarding the Capital Program projects being financed with a portion of the proceeds of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the funds with respect to the Series 2020BCD Senior Bonds:

	Series 2020B Senior Bonds	Series 2020C Senior Bonds	Series 2020D Senior Bonds	Total
SOURCES:				
Principal Amount	$ 558,500,000.00	$ 380,000,000.00	$ 120,000,000.00	$ 1,058,500,000.00
Original Issue Premium	147,396,683.55	90,574,936.35	29,097,004.25	267,068,624.15
Release from Series 2010A and Series 2010D Senior Debt Service Funds and Series 2010B Subordinate Debt Service Fund	14,872,254.20	--	--	14,872,254.20
Release from Senior Reserve Fund	71,769,812.58	--	--	71,769,812.58
Release from Subordinate Reserve Fund	11,893,414.19	--	--	11,893,414.19
TOTAL:	$ 804,432,164.52	$ 470,574,936.35	$ 149,097,004.25	$ 1,424,104,105.12
USES:				
Refund the Refunded Series 2010A Senior Bonds	$321,462,050.28	--	--	$321,462,050.28
Refund the Refunded Series 2010B Subordinate Bonds	136,606,672.22	--	--	136,606,672.22
Refund the Refunded Series 2010D Senior Bonds	320,361,366.48	--	--	320,361,366.48
Deposits to Series 2020C and Series 2020D Senior Construction Funds(1)	--	$453,223,265.99	$143,600,944.93	596,824,210.92
Deposit to Senior Reserve Fund	24,344,973.72	16,229,194.34	5,142,059.36	45,716,227.42
Costs of Issuance(2)	1,657,101.82	1,122,476.02	353,999.96	3,133,577.80
TOTAL:	$ 804,432,164.52	$ 470,574,936.35	$ 149,097,004.25	$ 1,424,104,105.12

(1) To be used to pay a portion of the costs of the Capital Program.

(2) Includes legal fees, underwriters' discount, trustee fees, municipal advisory fees, consultant fees, rating agencies' fees, verification agent fees, printing costs and other costs of issuance.

DESCRIPTION OF THE SERIES 2020BCD SENIOR BONDS

General

The Series 2020BCD Senior Bonds will bear interest at the rates and mature, subject to redemption prior to maturity, on the dates and in the principal amounts set forth on the inside front cover pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2020BCD Senior Bonds will be dated their date of delivery and bear interest from that date payable semi-annually on November 15 and May 15 of each year, commencing May 15, 2021 (each an "Interest Payment Date"). Interest due and payable on the Series 2020BCD Senior Bonds on any Interest Payment Date will be payable to the person who is the registered owner as of the Record Date (The Depository Trust Company ("DTC"), so long as the book-entry system with DTC is in effect). Each Series 2020BCD Senior Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2020BCD Senior Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2020BCD Senior Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before May 1, 2021, in which event such Series 2020BCD Senior Bond will bear interest from its date of delivery. If interest on the Series 2020BCD Senior Bonds is in default, Series 2020BCD Senior Bonds issued in exchange for Series 2020BCD Senior Bonds surrendered for transfer or exchange will bear interest from the last Interest Payment Date to which interest has been paid in full on the Series 2020BCD Senior Bonds surrendered.

The Series 2020BCD Senior Bonds are being issued in denominations of $5,000 and integral multiples thereof ("Authorized Denominations"), in fully registered form in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2020BCD Senior Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2020BCD Senior Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2020BCD Senior Bonds, references herein to the Bondholders or registered owners means Cede & Co. and does not mean the actual purchaser of a Series 2020BCD Senior Bond (the "Beneficial Owner").

So long as Cede & Co. is the registered owner of the Series 2020BCD Senior Bonds, the principal and redemption price of and interest on the Series 2020BCD Senior Bonds are payable by wire transfer from the Senior Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the Direct and Indirect Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX F – "BOOK ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption

The Series 2020BCD Senior Bonds maturing on or before May 15, 2030 are not subject to optional redemption prior to maturity. The Series 2020BCD Senior Bonds maturing on and after May 15, 2031 are redeemable at the option of the Department on or after May 15, 2030, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 2020BCD Senior Bonds to be redeemed plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

Series 2020C Senior Term Bonds. The Series 2020C Senior Bonds maturing on May 15, 2045 (the "Series 2020C Senior Term Bonds (2045)") are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Redemption Date (May 15)	Principal Amount
2041	$17,980,000
2042	15,030,000
2043	15,780,000
2044	16,565,000
2045†	17,390,000

† Final Maturity

The Series 2020C Senior Bonds maturing on May 15, 2050 (the "Series 2020C Senior Term Bonds (2050)," together with the "Series 2020C Senior Term Bonds (2045), the "Series 2020C Senior Term Bonds") are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Redemption Date (May 15)	Principal Amount
2046	$18,270,000
2047	18,995,000
2048	19,755,000
2049	18,390,000
2050†	19,130,000

† Final Maturity

Series 2020D Senior Term Bonds. The Series 2020D Senior Bonds maturing on May 15, 2044 (the "Series 2020D Senior Term Bonds (2044)") are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Redemption Date (May 15)	Principal Amount
2041	$5,650,000
2042	5,930,000
2043	6,230,000
2044†	6,540,000

† Final Maturity

The Series 2020D Senior Bonds maturing on May 15, 2048 (the "Series 2020D Senior Term Bonds (2048)," together with the Series 2020D Senior Term Bonds (2044), the "Series 2020D Senior Term Bonds") are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Redemption Date (May 15)	Principal Amount
2045	$6,870,000
2046	7,140,000
2047	7,430,000
2048†	7,725,000

† Final Maturity

At the option of the Department, to be exercised by delivery of a written certificate to the Senior Trustee, on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2020C Senior Term Bonds and Series 2020D Senior Term Bonds, it may (a) deliver to the Senior Trustee for cancellation the Series 2020C Senior Term Bonds, the Series 2020D Senior Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Department or (b) specify a principal amount of Series 2020C Senior Term Bonds and Series 2020D Senior Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Senior Trustee, at the request of the Department and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2020C Senior Term Bonds and Series 2020D Senior Term Bonds or portion thereof so purchased, acquired or optionally redeemed and delivered to the Senior Trustee for cancellation will be credited by the Senior Trustee at 100% of the principal amount thereof against the obligation of the Department to pay the principal of the Series 2020C Senior Term Bonds and Series 2020D Senior Term Bonds on such mandatory sinking fund redemption date.

Notices of Redemption

The Senior Trustee is required to give notice of redemption, in the name of the Department, to Bondholders affected by redemption (or to DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to the Series 2020BCD Senior Bonds, held by DTC, either via electronic means or by an express delivery service for delivery on the next following Business Day) to each Holder of the applicable Series 2020BCD Senior Bonds, to be redeemed; each such notice will be sent to the Holder's registered address.

Each notice of redemption will specify the date of issue, the applicable Series, the maturity date, the interest rate and the CUSIP number of the applicable Series 2020BCD Senior Bonds to be redeemed (if less than all of the Series 2020BCD Senior Bonds of a Series, maturity date and interest rate are called for redemption, the numbers assigned to such Series 2020BCD Senior Bonds to be redeemed), the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the applicable Series 2020BCD Senior Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid, will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Series 2020BCD Senior Bond, will not affect the validity of the call for redemption of such Series 2020BCD Senior Bond, in respect of which no failure occurs. Any notice sent as provided in the Twenty-First Supplemental Senior Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2020BCD Senior Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price except as otherwise provided in the Senior Indenture. In the event that funds are deposited with the Senior Trustee, sufficient for redemption, interest on the Series 2020BCD Senior Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

The Department may provide that if at the time of mailing of notice of an optional redemption there has not been deposited with the Senior Trustee moneys sufficient to redeem all the Series 2020BCD Senior Bonds, called for redemption, such notice may state that it is conditional and subject to the deposit of the redemption moneys with the Senior Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit by the opening of business one Business Day prior to the scheduled redemption date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such Series 2020BCD Senior Bonds.

Effect of Redemption

On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Twenty-First Supplemental Senior Indenture and sufficient moneys for payment of the redemption price being held in trust by the Senior Trustee to pay the redemption price, interest on such Series 2020BCD Senior Bonds will cease to accrue from and after such redemption date, such Series 2020BCD Senior Bonds will cease to be entitled to any lien, benefit or security under the Senior Indenture, and the owners of such Series 2020BCD Senior Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2020BCD Senior Bonds which have been duly called for redemption and for the payment of the redemption price of which moneys will be held in trust for the holders of the respective Series 2020BCD Senior Bonds to be redeemed, all as provided in the Twenty-First Supplemental Senior Indenture will not be deemed to be Outstanding under the provisions of the Senior Indenture.

Selection of the Series 2020BCD Senior Bonds for Redemption

Redemption of the Series 2020BCD Senior Bonds, will only be in Authorized Denominations. The Series 2020BCD Senior Bonds are subject to redemption in such order of maturity as the Department may direct and by lot, selected in such manner as the Senior Trustee (or DTC, as long as DTC is the securities depository for the Series 2020BCD Senior Bonds) deems appropriate.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS

Flow of Funds

Pursuant to Section 635 of the Charter of the City, all fees, charges, rentals and revenue from every source collected by the Department in connection with its possession, management and control of its assets are deposited in the City Treasury to the credit of the Airport Revenue Fund. Pursuant to the Charter and the Master Senior Indenture, the Department has established the LAX Revenue Account in the Airport Revenue Fund and has covenanted to deposit all LAX Revenues in such account and such LAX Revenues will immediately upon receipt thereof become subject to the lien and pledge of the Senior Indenture and the Subordinate Indenture. The Department has notified the City Treasurer of the pledge of, lien on and interest in LAX Revenues granted by the Senior Indenture and the Subordinate Indenture and has instructed the City Treasurer that all such LAX Revenues are to be accounted for separately and apart from all other revenues, funds, accounts or other resources of the Department or the City.

The Master Senior Indenture generally defines “LAX Revenues” to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the Department from LAX, for any given period, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to: (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Department for the use or availability of property or facilities at LAX; and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Department at LAX, including Facilities Construction Credits, and rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Department or any successor thereto from the possession, management, charge, superintendence and control of LAX (or any LAX Airport Facilities or activities or undertakings related thereto) or from any other facilities wherever located with respect to which the Department receives payments which are attributable to LAX Airport Facilities or activities or undertakings related thereto. LAX Revenues include all income, receipts and earnings from the investment of amounts held in the LAX Revenue Account, any Senior Construction Fund or Subordinate Construction Fund allowed to be pledged by the terms of a Supplemental Senior Indenture or Supplemental Subordinate Indenture, the Senior Reserve Fund, any other Senior Debt Service Reserve Fund, any Subordinate Debt Service Reserve Fund and allocated earnings on the Maintenance and Operations Reserve Fund. **After consultation with its independent auditors, the Department has concluded that any moneys it receives under the CARES Act are not LAX Revenues, and therefore are not pledged to the holders of the Senior Bonds or the Subordinate Obligations and are not subject to the flow of funds set forth in the Master Senior Indenture, as described below**.

The Senior Bonds (including the Series 2020BCD Senior Bonds) are limited obligations of the Department payable solely from and secured solely by (a) a pledge of Net Pledged Revenues, and (b) certain funds and accounts held by the Senior Trustee.

The Master Senior Indenture generally defines "Net Pledged Revenues" to mean, for any given period, Pledged Revenues for such period, less, for such period, LAX Maintenance and Operation Expenses.

The Master Senior Indenture generally defines "Pledged Revenues" to mean, except to the extent specifically excluded in the Senior Indenture or under the terms of any Supplemental Senior Indenture (only with respect to the series of bonds issued pursuant to such Supplemental Senior Indenture), LAX Revenues. Pledged Revenues also include any additional revenues designated as Pledged Revenues pursuant to a Supplemental Senior Indenture. To date, the Department has not designated any additional revenues as Pledged Revenues. The following, including any investment earnings thereon, are specifically excluded from Pledged Revenues: (a) any amounts received by the Department from the imposition of ad valorem taxes; (b) gifts, grants and other income (including any investment earnings thereon) otherwise included in LAX Revenues which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds or the Subordinate Obligations; (c) Net Proceeds or other insurance proceeds received as a result of damage to or destruction of LAX Airport Facilities or any condemnation award or amounts received by the Department from the sale of LAX Airport Facilities under the threat of condemnation, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid, to a use inconsistent with the payment of debt service on the Senior Bonds or the Subordinate Obligations; (d) any Transfer (as defined herein); and (e) LAX Special Facilities Revenue (as defined herein). In addition, the following, including any investment earnings thereon, are excluded from Pledged Revenues, unless designated as Pledged Revenues under the terms of a Supplemental Senior Indenture: (i) Senior Swap Termination Payments or Subordinate Swap Termination Payments paid to the Department pursuant to a Senior Qualified Swap or a Subordinate Qualified Swap, as applicable; (ii) Facilities Construction Credits; (iii) Passenger Facility Charges ("PFC") collected with respect to LAX, unless otherwise pledged under the terms of any Supplemental Senior Indenture; (iv) Customer Facility Charges, unless otherwise pledged under the terms of a Supplemental Senior Indenture (provided that only Customer Facility Charges in respect of LAX may be pledged); (v) unless otherwise pledged, all revenues of the Airport System not related to LAX; and (vi) Released LAX Revenues. Senior Swap Termination Payments, Subordinate Swap Termination Payments, Facilities Construction Credits, PFC revenues, Customer Facility Charges, other revenues of the Airport System not related to LAX and Released LAX Revenues have not been designated as Pledged Revenues under the terms of any Supplemental Senior Indenture or Supplemental Subordinate Indenture.

The Master Senior Indenture requires that Pledged Revenues credited to the LAX Revenue Account be applied as follows and in the order set forth below:

> ***FIRST***, to the payment of LAX Maintenance and Operation Expenses for the Airport System that are payable from LAX Revenues, which include payments to the City for services provided by it to LAX;
>
> ***SECOND***, to the payment of amounts required to be deposited in the Senior Debt Service Funds for the Senior Bonds (including the Series 2020BCD Senior Bonds) pursuant to the Master Senior Indenture and any Supplemental Senior Indenture;
>
> ***THIRD***, to the payment of amounts required to be deposited in the Senior Reserve Fund and any other Senior Debt Service Reserve Fund pursuant to the Master Senior Indenture and any Supplemental Senior Indenture;
>
> ***FOURTH***, to the payment of Subordinate Obligations, pursuant to the Master Subordinate Indenture and any Supplemental Subordinate Indenture;

FIFTH, to the payment of amounts required to be deposited in any Subordinate Debt Service Reserve Fund established for the Subordinate Obligations pursuant to any Supplemental Subordinate Indenture;

SIXTH, to the payment of Third Lien Obligations, if any;

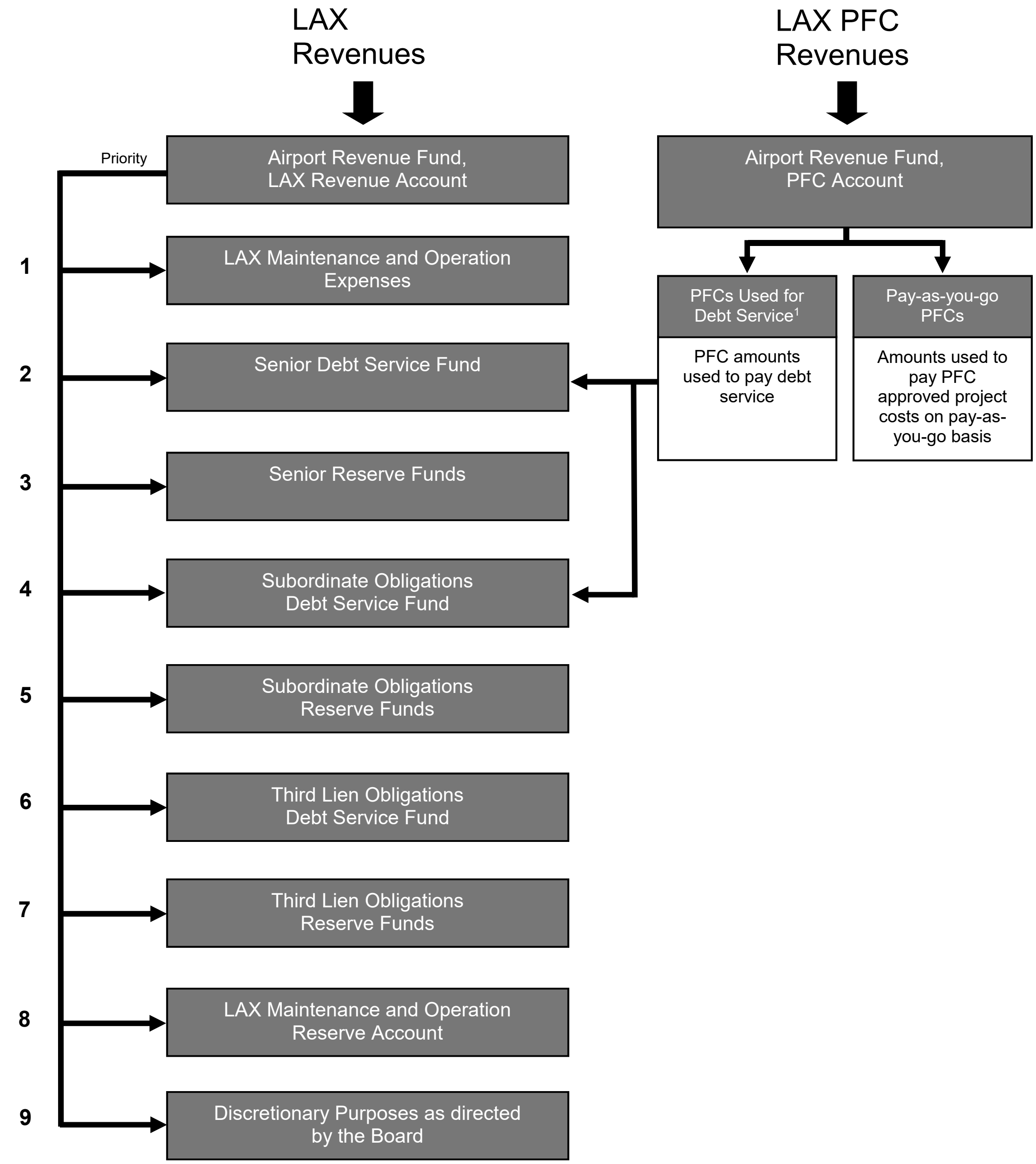
SEVENTH, to the payment of any reserve requirement for the Third Lien Obligations, if any;

EIGHTH, to the payment of the amounts required to be deposited in the LAX Maintenance and Operation Reserve Account which are payable from LAX Revenues as determined by the Department. The Department has covenanted to fund the Maintenance and Operation Reserve Account each Fiscal Year in an amount which, when added to any moneys in such account, will be equal to not less than 25% nor more than 50% of the budgeted LAX Maintenance and Operation Expenses for the current Fiscal Year; and

NINTH, to the payment of such amounts as are directed by the Department for discretionary purposes as authorized by the Charter which include capital projects, defraying the expenses of any pension or retirement system applicable to the employees of the Department, defraying the Maintenance and Operation Expenses of the Airport System, for reimbursement to another department or office of the City on account of services rendered, or materials, supplies or equipment furnished to support purposes of the Department and for any other lawful purpose of the Department, but only to the extent any such purposes relate to LAX.

The following is a graphic description of the flow of funds described above and the flow of PFC revenues. See "—Passenger Facility Charges."

FLOW OF LAX REVENUES AND LAX PFC REVENUES



(1) Pledged Revenues do not include PFC revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. To date, the Department has not elected, and the Department has no current plans to elect, to include PFC revenues in Pledged Revenues nor otherwise pledge PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations. However, the Department has used and expects to use PFC revenues to pay a portion of the debt service on PFC Eligible Obligations (as defined herein). See "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program – Passenger Facility Charges" for additional information about the Department's expected use of PFC revenues.

With respect to the application of Pledged Revenues described in paragraphs FIRST, EIGHTH and NINTH above (i.e., to fund LAX Maintenance and Operation Expenses, the deposits to the LAX Maintenance and Operation Reserve Account, and for the discretionary purposes as directed by the Board), the Department need apply only such amount of Pledged Revenues pursuant to the provisions of such paragraphs as is necessary, after taking into account all other moneys and revenues available to the Department for application for such purposes, to pay the amounts required by such paragraphs.

The Senior Indenture provides that, notwithstanding the provisions therein, nothing precludes the Department from making the payments described in paragraphs FIRST through NINTH above from sources other than Pledged Revenues. For example, during Fiscal Year 2020, the Department used $52.4 million of grants under the CARES Act, from which it applied $9.67 million to the payment of LAX Maintenance and Operation Expenses and $42.7 million to debt service payments. The Department expects to use approximately $271.2 million of grants under the CARES Act in Fiscal Year 2021 and apply those moneys to the payment of LAX Maintenance and Operation Expenses and debt service costs. See "INTRODUCTION – COVID-19 Issues and Impacts."

The Charter does not require the deposit of moneys in certain funds, including, among others, the LAX Maintenance and Operation Reserve Account; however, the Department, pursuant to the Senior Indenture, has covenanted to continue using moneys on deposit in the LAX Revenue Account as described in the flow of funds detailed above.

Pledge of Net Pledged Revenues

The Series 2020BCD Senior Bonds are limited obligations of the Department payable solely from and secured by a pledge of and first lien on Net Pledged Revenues. The Series 2020BCD Senior Bonds are also secured by a pledge of and first lien on amounts held in certain funds and accounts pursuant to the Senior Indenture, as further described herein.

THE SERIES 2020BCD SENIOR BONDS DO NOT CONSTITUTE OR EVIDENCE AN INDEBTEDNESS OF THE CITY OR A LIEN OR CHARGE ON ANY PROPERTY OR THE GENERAL REVENUES OF THE CITY. NEITHER THE FAITH AND THE CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY PUBLIC AGENCY, OTHER THAN THE DEPARTMENT, TO THE EXTENT OF THE NET PLEDGED REVENUES, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2020BCD SENIOR BONDS. THE DEPARTMENT HAS NO POWER OF TAXATION. THE SERIES 2020BCD SENIOR BONDS CONSTITUTE AND EVIDENCE AN OBLIGATION OF THE DEPARTMENT PAYABLE ONLY IN ACCORDANCE WITH SECTION 609(B) OF THE CHARTER AND ANY OTHER APPLICABLE PROVISIONS THEREOF. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM IS SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2020BCD SENIOR BONDS. THE DEPARTMENT IS UNDER NO OBLIGATION TO PAY THE SERIES 2020BCD SENIOR BONDS EXCEPT FROM FUNDS IN THE LAX REVENUE ACCOUNT OF THE AIRPORT REVENUE FUND AND AS FURTHER SPECIFICALLY PROVIDED IN THE SENIOR INDENTURE.

The Department has covenanted in the Master Senior Indenture not to issue any additional bonds or other obligations with a pledge of or lien on Net Pledged Revenues prior or superior to that of the Senior Bonds. Net Pledged Revenues are available for the equal and proportionate benefit and security of all Senior Bonds.

The Series 2020BCD Senior Bonds are secured by a pledge of and lien on Net Pledged Revenues on parity with the Existing Senior Bonds and any Additional Senior Bonds. See "—Additional Senior Bonds" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Senior Bonds." The Series 2020BCD Senior Bonds are not secured by moneys held in any construction funds established under the Senior Indenture.

Senior Rate Covenant

Under the Master Senior Indenture, the Department has covenanted that, while any of the Senior Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the Department as of the date of execution of the Master Senior Indenture), it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with LAX and for services rendered in connection therewith, so that Pledged Revenues in each Fiscal Year will be at least equal to the payments required in such Fiscal Year to be made pursuant to the paragraphs FIRST through EIGHTH set forth in "—Flow of Funds" above. The Department has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with LAX and for services rendered in connection therewith, so that during each Fiscal Year the Net Pledged Revenues, together with any Transfer, will be equal to at least 125% of Senior Annual Debt Service on the Outstanding Senior Bonds for such Fiscal Year. Any amount of Transfer taken into account as described in the previous sentence cannot exceed 25% of Senior Annual Debt Service on the Outstanding Senior Bonds for such Fiscal Year. "Transfer" means for any Fiscal Year the amount of unencumbered funds on deposit or anticipated to be on deposit, as the case may be, on the first day of such Fiscal Year in the LAX Revenue Account (after all deposits and payments required by paragraphs FIRST through NINTH as described under "Flow of Funds" above, have been made as of the last day of the immediately preceding Fiscal Year).

The Master Senior Indenture provides that if the Department violates the above-described covenants, such violation will not be a default under the Senior Indenture and will not give rise to a declaration of a Senior Event of Default if, within 180 days after the date such violation is discovered, the Department revises the schedule of rates, tolls, fees, rentals and charges insofar as practicable and revises any LAX Maintenance and Operation Expenses insofar as practicable and takes such other actions as are necessary so as to produce Pledged Revenues to cure such violation for future compliance; provided, however, that if the Department does not cure such violation by the end of the second subsequent Fiscal Year succeeding the date such violation is discovered, a Senior Event of Default may be declared under the Senior Indenture. The Department may obtain such recommendations from a Consultant as it deems necessary or appropriate to bring the Department into compliance with such covenants. See "CERTAIN INVESTMENT CONSIDERATIONS – Rate Covenant Limitations."

In addition to the requirements of the Master Senior Indenture, the Charter requires the Department to set rates and charges at LAX in an amount sufficient to pay debt service and premiums, if any, due upon the redemption of revenue bonds, in addition to all maintenance and operation expenses at LAX for each Fiscal Year.

Pursuant to the Master Senior Indenture, the Department may exclude from its calculation of Senior Annual Debt Service, for the purpose of determining compliance with the rate covenant described above, the payment of debt service or portions thereof on Senior Bonds whose debt service is payable from amounts not included in Pledged Revenues (including, but not limited to PFC revenues) which have been irrevocably deposited with and held by the Senior Trustee for the payment of debt service on such Senior Bonds. See "—Passenger Facility Charges," "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program – Passenger Facility Charges," "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT" for additional information about the Department's expected use of PFC revenues.

Additionally, pursuant to the Master Senior Indenture, when determining compliance with the rate covenant described above, LAX Maintenance and Operation Expenses for a Fiscal Year are excluded from such calculation to the extent such expenses are paid from moneys other than Pledged Revenues. In Fiscal Year 2020, the Department used $9.67 million of grant moneys received under the CARES Act (which are neither LAX Revenues nor Pledged Revenues) to pay LAX Maintenance and Operation Expenses, which resulted in reducing the total amount of LAX Maintenance and Operation Expenses and increasing the Net Pledged Revenues included in the calculation of the rate covenant described above. In Fiscal Year 2021, the Department also expects to use additional grant moneys received under the CARES Act to pay LAX Maintenance and Operation Expenses. See "INTRODUCTION – COVID-19 Issues and Impacts" and "CERTAIN INVESTMENT CONSIDERATIONS."

Senior Debt Service Deposits

The Master Senior Indenture provides that the Department will cause the City Treasurer to, not later than five Business Days prior to each Payment Date, transfer from the LAX Revenue Account to the Senior Trustee for deposit in the Senior Debt Service Funds established in respect of each Series of Outstanding Senior Bonds the full amount required to pay the principal of and/or interest on Senior Bonds of that Series due on such Payment Date.

Senior Reserve Fund

The Master Senior Indenture established the "Senior Reserve Fund" for all of the Senior Bonds the Department elects to have participate in the Senior Reserve Fund. The Department has elected to have the Existing Senior Bonds participate in the Senior Reserve Fund and pursuant to the Twenty-First Supplemental Senior Indenture, the Department intends to elect to have the Series 2020BCD Senior Bonds participate in the Senior Reserve Fund.

Moneys and investments held in the Senior Reserve Fund may be used only to pay the principal of and interest on the Senior Bonds participating in the Senior Reserve Fund (including the Series 2020BCD Senior Bonds). Moneys and investments held in the Senior Reserve Fund are not available to pay debt service on any Senior Bonds for which the Department has decided will not participate in the Senior Reserve Fund, the Subordinate Obligations or any Third Lien Obligations. The Senior Reserve Fund may be drawn upon if the amounts in the respective Senior Debt Service Funds for the Series 2020BCD Senior Bonds and the other Senior Bonds participating in the Senior Reserve Fund are insufficient to pay in full any principal or interest then due on such

Senior Bonds. In the event any amounts are required to be withdrawn from the Senior Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Senior Debt Service Funds for the Senior Bonds secured by the Senior Reserve Fund.

Pursuant to the Master Senior Indenture, the Senior Reserve Fund is required to be funded at all times in an amount equal to the Senior Reserve Requirement. The "Senior Reserve Requirement" equals the least of (i) Senior Maximum Aggregate Annual Debt Service for Reserve Requirement with respect to all Senior Bonds participating in the Senior Reserve Fund, (ii) 10% of the principal amount of all Senior Bonds participating in the Senior Reserve Fund, less the amount of original issue discount with respect to the Senior Bonds participating in the Senior Reserve Fund if such original issue discount exceeded 2% on such Senior Bonds at the time of original sale, and (iii) 125% of the average Senior Aggregate Annual Debt Service for Reserve Requirement with respect to all Senior Bonds participating in the Senior Reserve Fund. In the event the Department issues any Additional Senior Bonds pursuant to a Supplemental Senior Indenture under which the Department elects to have such Additional Senior Bonds participate in the Senior Reserve Fund, the Department will be required to deposit an amount, if any, in the Senior Reserve Fund sufficient to cause the amount on deposit in the Senior Reserve Fund to equal the Senior Reserve Requirement. At the time of issuance of the Series 2020BCD Senior Bonds, a portion of the proceeds of the Series 2020BCD Senior Bonds will be deposited to the Senior Reserve Fund, and the Senior Reserve Requirement will equal $219,354,127.09 and be fully funded with cash and securities.

The Department may fund all or a portion of the Senior Reserve Requirement with a Senior Reserve Fund Surety Policy. A Senior Reserve Fund Surety Policy may be an insurance policy, surety bond or letter of credit deposited in the Senior Reserve Fund in lieu of or in partial substitution for cash or securities. Any such Senior Reserve Fund Surety Policy must either extend to the final maturity of the Series of Senior Bonds for which the Senior Reserve Fund Surety Policy was issued or the Department must agree, by Supplemental Senior Indenture, that the Department will replace such Senior Reserve Fund Surety Policy prior to its expiration with another Senior Reserve Fund Surety Policy, which will have no adverse effect on ratings, if any, then in effect, on the Senior Bonds, or with cash, and the face amount of the Senior Reserve Fund Surety Policy, together with amounts on deposit in the Senior Reserve Fund, including the face amount of any other Senior Reserve Fund Surety Policy, are at least equal to the Senior Reserve Requirement. As of the date of this Official Statement and at the time of the issuance of the Series 2020BCD Senior Bonds, there are no and there will be no Senior Reserve Fund Surety Policies on deposit in the Senior Reserve Fund. See APPENDIX D-1 — "AMENDMENTS TO THE MASTER SENIOR INDENTURE" for amendments being made to the definition of Senior Debt Service Reserve Fund Surety Policy.

Additional Senior Bonds

The Master Senior Indenture provides the Department with flexibility in establishing the nature and terms of any Additional Senior Bonds hereafter issued with a lien and charge on Net Pledged Revenues on parity with the Series 2020BCD Senior Bonds and the Existing Senior Bonds.

Additional Senior Bonds may be issued under the Master Senior Indenture on parity with the Series 2020BCD Senior Bonds and the Existing Senior Bonds, provided, among other things, there is delivered to the Senior Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the proposed Additional Senior Bonds being issued and the date of delivery of such proposed Additional Senior Bonds (both dates inclusive), prepared by an Authorized Representative showing that the Net Pledged Revenues, together with any Transfer, for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Additional Senior Bonds or preceding the first issuance of the proposed Senior Program Bonds were at least equal to 125% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Additional Senior Bonds, calculated as if the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding; or

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

(i) the Net Pledged Revenues, together with any Transfer, for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Additional Senior Bonds or the establishment of a Senior Program, were at least equal to 125% of the sum of the Senior Annual Debt Service due and payable with respect to all Outstanding Senior Bonds (not including the proposed Additional Senior Bonds or the proposed Senior Program Bonds) for such Fiscal Year or other applicable period; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such proposed Additional Senior Bonds during which no interest on such Additional Senior Bonds is expected to be paid from the proceeds thereof through and including the later of (A) the fifth full Fiscal Year following the issuance of such Additional Senior Bonds, or (B) the third full Fiscal Year during which no interest on such Additional Senior Bonds is expected to be paid from the proceeds thereof, the estimated Net Pledged Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 125% of the Senior Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Additional Senior Bonds (calculated as if the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding).

The certificate described in (a) above is expected to be delivered by an Authorized Representative in connection with the issuance of the Series 2020BCD Senior Bonds.

For purposes of subparagraphs (a) and (b) above, the amount of any Transfer taken into account may not exceed 25% of the Senior Annual Debt Service or Senior Aggregate Annual Debt Service, as applicable, on the Outstanding Senior Bonds, Unissued Senior Program Bonds, the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds, as applicable, for such applicable Fiscal Year or such other applicable period.

For purposes of subsection (b)(ii) above, in estimating Net Pledged Revenues, the Consultant may take into account (1) Pledged Revenues from Specified LAX Projects or LAX Airport Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Pledged Revenues which have been approved by the Department and will be in effect during the period for which the estimates are provided and (3) any other increases in Pledged Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to LAX Maintenance and Operation Expenses, the Consultant may use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical LAX Maintenance and Operation Expenses, (ii) LAX Maintenance and Operation Expenses associated with the Specified LAX Projects and any other new LAX Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the Department, as the Consultant believes to be appropriate. The Consultant may include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Pledged Revenues and may also set forth the calculations of Senior Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

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

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

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

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

(3) if the Senior Bonds being issued are to pay costs of completing a Specified LAX Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Senior Bonds originally issued for such Specified LAX Project and reasonably allocable to the Specified LAX Project to be completed as shown in a written certificate of an Authorized Representative and there is delivered to the Senior Trustee (i) a Consultant's certificate stating that the nature and purpose of such Specified LAX Project has not materially changed and (ii) a certificate of an Authorized Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Specified LAX Project) of the original Senior Bonds issued to finance such Specified LAX Project have been or will be used to pay Costs of the Specified LAX Project, (B) the then estimated Costs of the Specified LAX Project exceed the sum of the Costs of the Specified LAX Project already paid plus moneys available in the Construction Fund established for the Specified LAX Project (including unspent proceeds of the Senior Bonds previously issued for such purpose), and (C) the proceeds to be received from the issuance of such Senior Bonds plus moneys available in the Construction Fund established for the Specified LAX Project (including unspent proceeds of the Senior Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Specified LAX Project.

The Department has covenanted in the Master Senior Indenture that so long as any Senior Bonds are Outstanding, it will not, except as specifically provided in Master Senior Indenture, grant any prior or parity pledge of or any security interest in the Net Pledged Revenues or any of the other security which is pledged pursuant to the Master Senior Indenture, or create or permit to be created any charge or lien thereon or any security interest therein ranking prior to or on a parity with the charge or lien of the Senior Bonds (including Additional Senior Bonds) from time to time Outstanding under the Master Senior Indenture. The Department may, as provided in the Master Senior Indenture, grant a lien on or security interest in the Net Pledged Revenues to secure Subordinate Obligations and Third Lien Obligations. The Department may issue bonds for capital improvements at its other airports pursuant to separate indentures, which bonds will not be secured by a pledge of LAX Revenues. In addition, the Department may issue LAX Special Facility Obligations. See "SPECIAL FACILITY FINANCINGS – LAX Special Facility Obligations."

Passenger Facility Charges

Passenger Facility Charges – Pledged Revenues

Pledged Revenues do not include PFC revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. The Department has not elected, and the Department has no current plans to elect, to include PFC revenues in Pledged Revenues. The Department has not pledged PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations, and the Department has no current plans to pledge PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations. Although PFC revenues are not included in Pledged Revenues and have not been pledged to the payment of debt service on the Senior Bonds and/or the Subordinate Obligations, the Department has used and expects to (to the extent approved by the FAA) use PFC revenues to pay a portion of the debt service on certain Senior Bonds and/or certain Subordinate Obligations which are or become PFC Eligible Obligations. For additional information regarding PFC revenues and the Department's expected use of PFC revenues, see "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program – Passenger Facility Charges," "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – FUNDING THE AIRPORT CAPITAL PROGRAM – PFC Revenues."

Passenger Facility Charges – Exclusion from Rate Covenant and Additional Bonds Tests

Debt service paid with PFC revenues is not included in the calculation of the rate covenants set forth in the Master Senior Indenture and the Master Subordinate Indenture. Additionally, debt service on Additional Senior Bonds and Additional Subordinate Obligations expected to be paid from irrevocably committed PFC revenues is not included in the additional bonds tests set forth in the Master Senior Indenture and the Master Subordinate Indenture. As of the date of this Official Statement, the Department has not irrevocably committed any PFC revenues to the payment of debt service on PFC Eligible Obligations.

Permitted Investments

Moneys held by the Senior Trustee under the Senior Indenture, including moneys in the Senior Debt Service Funds (and the accounts therein) and in the Senior Reserve Fund, may be invested as directed by the Department in Senior Permitted Investments, subject to the restrictions set forth in the Senior Indenture and subject to restrictions imposed upon the Department by the Charter. Investments held in the Senior Reserve Fund cannot exceed a maturity of five years.

All moneys held in the Airport Revenue Fund are currently invested by the City Treasurer in investments authorized by State law. Pursuant to State law, the City Treasurer must present an annual investment policy to the City Council for confirmation. The City has provided to the Department its "City of Los Angeles Investment Policy" for the current fiscal year which authorizes the City Treasurer to invest the City's funds in a manner which maximizes safety, liquidity, yield and diversity. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Investment Practices of the City Treasurer."

Events of Default and Remedies; No Acceleration

Senior Events of Default under the Senior Indenture and related remedies are described in APPENDIX C-2 – "SUMMARY OF THE MASTER SENIOR INDENTURE – Senior Events of Default and Remedies." The occurrence of a Senior Event of Default does not grant any right to accelerate payment of the Senior Bonds to any of the Senior Trustee, the Subordinate Trustee, or the Holders of the Senior Bonds, or the Subordinate Obligations. The Senior Trustee is authorized to take certain actions upon the occurrence of a Senior Event of Default, including proceedings to enforce the obligations of the Department under the Senior Indenture.

Except as described in the following sentence, the occurrence of an event of default with respect to the Subordinate Obligations does not grant any right to accelerate payment of the Subordinate Obligations or the Senior Bonds to any of the Subordinate Trustee, the Senior Trustee, or the Holders of the Subordinate Obligations or the Senior Bonds. Pursuant to the Current CP Reimbursement Agreements, which are scheduled to expire on September 11, 2020, the Department granted to the Current CP Banks (as defined below) the right to accelerate any payments due the Current CP Banks upon an event of default under the Current CP Reimbursement Agreements. However, the New CP Reimbursement Agreements, which are expected to be executed on or about September 9, 2020, will not provide the New CP Banks (as defined below) the right to accelerate any payments due the New CP Banks upon an event of default under the New CP Reimbursement Agreements. The Subordinate Trustee is authorized to take certain actions upon the occurrence of a Subordinate Event of Default, including proceedings to enforce the obligations of the Department under the Subordinate Indenture. See APPENDIX C-4 – "SUMMARY OF THE MASTER SUBORDINATE INDENTURE – Subordinate Events of Default and Remedies." See also "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Subordinate Bonds and Subordinate Commercial Paper Notes."

Amendments to the Master Senior Indenture

On June 1, 2016, pursuant to a Supplemental Senior Indenture, the Department amended certain provisions of the Master Senior Indenture which are more particularly described in APPENDIX D-1 — "AMENDMENTS TO THE MASTER SENIOR INDENTURE" (the "Master Senior Indenture Amendments").

The Master Senior Indenture Amendments cannot become effective until the earlier of: (a) the date none of the Existing Senior Bonds, other than the Series 2016C Senior Bonds, the Series 2018B Senior Bonds and the Series 2020A Senior Bonds, remain Outstanding (the "Prior Existing Senior Bonds"), or (b) the date the Department receives the written consent of 51% or more of the Bondholders of the Outstanding Prior Existing Senior Bonds.

The Master Senior Indenture Amendments do not require the consent of the purchasers of the Series 2020BCD Senior Bonds in order to become effective. Any purchaser of the Series 2020BCD Senior Bonds will be *purchasing the Series 2020BCD Senior Bonds subject to the Master Senior Indenture Amendments. The Department will not be requesting a separate written consent from the purchasers of the Series 2020BCD Senior Bonds for the Master Senior Indenture Amendments.*

As of the date of this Official Statement, the Department has no plans to solicit the written consent of the Bondholders of the Outstanding Prior Existing Senior Bonds, and therefore, in all likelihood, the Master Senior Indenture Amendments will not become effective until the date the Outstanding Prior Existing Senior Bonds are no longer outstanding.

Amendments to the Master Subordinate Indenture

On June 1, 2016, pursuant to a Supplemental Subordinate Indenture, the Department amended certain provisions of the Master Subordinate Indenture which are more particularly described in APPENDIX D-2 – "AMENDMENTS TO THE MASTER SUBORDINATE INDENTURE" (collectively, the "Master Subordinate Indenture Amendments"). The amendments to the Master Subordinate Indenture do not require the consent of the holders of the Senior Bonds (including the Series 2020BCD Senior Bonds) and are provided in this Official Statement for informational purposes only.

For more information about the Subordinate Indenture see APPENDIX C-4 "SUMMARY OF THE MASTER SUBORDINATE INDENTURE."

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Senior Bonds

Pursuant to the Senior Indenture, the Department has previously issued and, as of July 1, 2020, there were outstanding $2,737,220,000 aggregate principal amount of Existing Senior Bonds (including the Refunded Series 2020A Senior Bonds and the Refunded Series 2020D Senior Bonds). The Existing Senior Bonds are secured by a pledge of and lien on Net Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Flow of Funds." The following table sets forth information about the Existing Senior Bonds that were outstanding as of July 1, 2020.

TABLE 1
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
EXISTING SENIOR BONDS
AS OF JULY 1, 2020

Series	Original Principal Amount	Principal Amount Outstanding	Final Maturity (May 15)
2010A[1]	$ 930,155,000	$ 316,935,000	2040
2010D[1]	875,805,000	315,775,000	2040
2012A	105,610,000	58,235,000	2029
2012B	145,630,000	124,010,000	2037
2013A	170,685,000	170,685,000	2043
2015A	267,525,000	248,405,000	2045
2015B	47,925,000	44,360,000	2045
2015D	296,475,000	271,960,000	2041
2015E	27,850,000	24,295,000	2041
2016C	226,410,000	197,485,000	2038
2018B	226,500,000	226,500,000	2034
2020A	738,575,000	738,575,000	2040
Total	$ 4,059,145,000	$ 2,737,220,000	

(1) See "PLAN OF FINANCE – Refunding of Refunded Bonds" for a discussion of the refunding of the Refunded Series 2010A Senior Bonds and the Refunded Series 2010D Senior Bonds.

Source: Department of Airports of the City of Los Angeles.

Subordinate Bonds and Subordinate Commercial Paper Notes

Outstanding Subordinate Bonds and Subordinate Commercial Paper Notes

Pursuant to the Subordinate Indenture, the Department has previously issued and, as of July 1, 2020, there were outstanding $4,425,950,000 aggregate principal amount of the Existing Subordinate Bonds. Additionally, pursuant to the Subordinate Indenture, the Department is authorized to issue and to have outstanding, from time to time, up to $500,000,000 aggregate principal amount of its Subordinate Commercial Paper Notes. As of July 1, 2020, there were Subordinate Commercial Paper Notes outstanding with a maturity value of approximately $63.2 million. The Subordinate Bonds and the Subordinate Commercial Paper Notes are secured by a pledge of and lien on Subordinate Pledged Revenues. The following table sets forth information about the Existing Subordinate Bonds and the Subordinate Commercial Paper Notes that were outstanding as of July 1, 2020.

TABLE 2
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
EXISTING SUBORDINATE BONDS AND SUBORDINATE COMMERCIAL PAPER NOTES
AS OF JULY 1, 2020

Subordinate Obligations	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Existing Subordinate Bonds			
- Series 2009C	$ 307,350,000	$ 262,845,000	May 15, 2039
- Series 2010B[1]	134,680,000	134,680,000	May 15, 2040
- Series 2010C	59,360,000	59,360,000	May 15, 2040
- Series 2013B	71,175,000	61,675,000	May 15, 2038
- Series 2015C	181,805,000	171,270,000	May 15, 2038
- Series 2016A	289,210,000	267,615,000	May 15, 2042
- Series 2016B	451,170,000	441,945,000	May 15, 2046
- Series 2017A	260,610,000	257,420,000	May 15, 2047
- Series 2017B	88,730,000	84,640,000	May 15, 2042
- Series 2018A	426,475,000	424,175,000	May 15, 2048
- Series 2018C	425,000,000	419,105,000	May 15, 2044
- Series 2018D	418,390,000	408,040,000	May 15, 2048
- Series 2018E	159,980,000	159,980,000	May 15, 2048
- Series 2019A	199,830,000	198,785,000	May 15, 2049
- Series 2019B	49,410,000	49,060,000	May 15, 2049
- Series 2019C	189,095,000	180,635,000	May 15, 2039
- Series 2019D	167,955,000	167,955,000	May 15, 2049
- Series 2019E	265,190,000	265,190,000	May 15, 2049
- Series 2019F	411,575,000	411,575,000	May 15, 2049
Total Existing Subordinate Bonds	$ 4,556,990,000	$ 4,425,950,000	
Subordinate Commercial Paper Notes			
- Series A[2]	--[5]	$ 25,749,000	Various[6]
- Series B[3]	--[5]	$ 4,562,000	Various[6]
- Series C[4]	--[5]	$ 32,892,000	Various[6]
Total Subordinate Commercial Paper Notes		$ 63,203,000	
Total outstanding Existing Subordinate Bonds and Subordinate Commercial Paper Notes		$ 4,489,153,000	

(1) See "PLAN OF FINANCE – Refunding of Refunded Bonds" for a discussion of the refunding of the Refunded Series 2010B Subordinate Bonds.
(2) The Subordinate Commercial Paper Notes Series A (Governmental – Non AMT) may be issued in various Subseries designated Subseries A-1 through A-3.
(3) The Subordinate Commercial Paper Notes Series B (Private Activity - AMT) may be issued in various Subseries designated Subseries B-1 through B-3.
(4) The Subordinate Commercial Paper Notes Series C (Federally Taxable) may be issued in various Subseries designated Subseries C-1 through C-3.
(5) Original Principal Amount of Subordinate Commercial Paper Notes varies.
(6) The Subordinate Commercial Paper Notes have rolling maturities of 270 days or less.

Source: Department of Airports of the City of Los Angeles

Each Series of Subordinate Commercial Paper Notes is divided into three Subseries designated Subseries A-1 through A-3, Subseries B-1 through B-3, and Subseries C-1 through C-3. The Subordinate Commercial Paper Notes are issuable in maturities of 1 to 270 days. The Department utilizes the proceeds of Subordinate Commercial Paper Notes to, among other things, finance capital projects at LAX, fund capitalized interest on a portion of the Outstanding Senior Bonds and Subordinate Bonds and to pay maturing Subordinate Commercial Paper Notes.

CP Letters of Credit and CP Reimbursement Agreements.

Current CP Letters of Credit and Current CP Reimbursement Agreements. To provide credit support for the Subordinate Commercial Paper Notes, in September 2017 the Department entered into three separate reimbursement agreements (collectively, the "Current CP Reimbursement Agreements") with Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("SMBC"), Barclays Bank PLC, ("Barclays") and Wells Fargo Bank, National Association, respectively (collectively, the "Current CP Banks"), pursuant to which each Current CP Bank issued a separate irrevocable transferable direct-pay letter of credit (collectively, the "Current CP Letters of Credit"). Each Current CP Letter of Credit provides credit support for the timely payment of the principal of and interest on certain specified Subseries of the Subordinate Commercial Paper Notes as described in more detail in the following table.

Current CP Banks[(1)]	Subseries of Subordinate Commercial Paper Notes Supported by Current CP Letter of Credit	Principal Amount of Subordinate Commercial Paper Notes Supported by Current CP Letter of Credit	Total Stated Amount of Current CP Letter of Credit[(2)]	Current CP Letter of Credit Termination Date[(3)]
Sumitomo Mitsui Banking Corporation, acting through its New York Branch	A-1, B-1, C-1	$ 200,000,000	$218,000,000	September 11, 2020
Barclays Bank PLC	A-2, B-2, C-2	$ 100,000,000	$109,000,000	September 11, 2020
Wells Fargo Bank, National Association	A-3, B-3, C-3	$ 200,000,000	$218,000,000	September 11, 2020

(1) See "New CP Letters of Credit and New CP Reimbursement Agreements" below for a description of the extension and substitution of the Current CP Letters of Credit expected to occur on or about September 9, 2020.

(2) Equal to principal of Subordinate Commercial Paper Notes supported by the Current CP Letter of Credit plus interest on such Subordinate Commercial Paper Notes accruing at a rate of 12% for 270 days based on 360-day year.

(3) Unless extended or terminated sooner in accordance with the respective terms of the Current CP Letter of Credit.

Each Current CP Letter of Credit only supports the payment of the principal of or interest on the applicable Subseries of Subordinate Commercial Paper Notes.

In the event the Department does not immediately reimburse a Current CP Bank for a drawing under the applicable Current CP Letter of Credit, the Department is required pursuant to the applicable Current CP Reimbursement Agreement to pay all principal of and interest due to the applicable Current CP Bank as a result of such drawing within five years of the applicable date of the original drawing. Upon the happening of an event of default under a Current CP Reimbursement Agreement the obligations of the Department to the applicable Current CP Bank may become immediately due and payable. Events of default under the Current CP Reimbursement Agreements include, but are not limited to (i) failure to pay principal of or interest on any drawing, advance or other obligations under the applicable Current CP Reimbursement Agreement, (ii) failure to perform the terms of the applicable Current CP Reimbursement Agreement, (iii) defaults in any payment of any debt secured by a charge, lien or encumbrance on the Net Pledged Revenues or the Subordinate Pledged Revenues and (iv) a downgrade of the Senior Bonds below "BBB-" or "Baa3." Any obligations of the Department incurred pursuant to the Current CP Reimbursement Agreements are secured by Subordinate Pledged Revenues on parity with the Existing Subordinate Bonds and the Subordinate Commercial Paper Notes. Redacted copies of the Current CP Reimbursement Agreements are available on the MSRB's Electronic Municipal Market Access ("EMMA") website.

New CP Letters of Credit and New CP Reimbursement Agreements. Following a request for proposal process, on July 30, 2020, the Board approved the selection of SMBC, Barclays and Bank of America, N.A. ("Bank of America," and collectively with SMBC and Barclays, the "New CP Banks") to provide credit support for the Subordinate Commercial Paper Notes upon the expiration of the Current CP Letters of Credit. On or about September 9, 2020, (i) SMBC is expected to extend the termination date of its Current CP Letter of Credit to September 9, 2022 (such extended CP Letter of Credit being herein referred to as the "SMBC New CP Letter of

Credit"), (ii) Barclays is expected to issue an amended and restated irrevocable transferable direct-pay letter of credit (the "Barclays New CP Letter of Credit"), and (iii) Bank of America is expected to issue an irrevocable transferable direct-pay letter of credit (the "Bank of America New CP Letter of Credit, and collectively with the SMBC New CP Letter of Credit and the Barclays New CP Letter of Credit, the "New CP Letters of Credit"). Each New CP Letter of Credit will provide credit support for the timely payment of the principal of and interest on certain specified Subseries of the Subordinate Commercial Paper Notes as described in more detail in the following table. Additionally, the amounts and termination dates of each of the New CP Letters of Credit are described in the following table.

New CP Banks	**Subseries of Subordinate Commercial Paper Notes Supported by New CP Letter of Credit**	**Principal Amount of Subordinate Commercial Paper Notes Supported by New CP Letter of Credit**	**Total Stated Amount of New CP Letter of Credit**[(1)]	**New CP Letter of Credit Termination Date**[(2)]
Sumitomo Mitsui Banking Corporation, acting through its New York Branch	A-1, B-1, C-1	$ 200,000,000	$218,000,000	September 9, 2022
Barclays Bank PLC	A-2, B-2, C-2	$ 210,000,000	$228,900,000	September 8, 2023
Bank of America, N.A.	A-3, B-3, C-3	$ 90,000,000	$ 98,100,000	September 9, 2021

(1) Equal to principal of Subordinate Commercial Paper Notes to be supported by the New CP Letter of Credit plus interest on such Subordinate Commercial Paper Notes accruing at a rate of 12% for 270 days based on 360-day year.
(2) Unless extended or terminated sooner in accordance with the respective terms of the New CP Letter of Credit.

On or about September 9, 2020, the Department expects to enter into (i) a first amendment to reimbursement agreement with SMBC (collectively, with the Current CP Reimbursement Agreement between the Department and SMBC, the "SMBC New CP Reimbursement Agreement"), pursuant to which SMBC will extend the termination date of the SMBC Current CP Letter of Credit, (ii) an amended and restated reimbursement agreement with Barclays (the "Barclays New CP Reimbursement Agreement"), pursuant to which Barclays will issue the Barclays New CP Letter of Credit, and (iii) a reimbursement agreement with Bank of America (the "Bank of America New CP Reimbursement Agreement," and collectively with the SMBC New CP Reimbursement Agreement and the Barclays New CP Reimbursement Agreement, the "New CP Reimbursement Agreements, pursuant to which Bank of America will issue the Bank of America New CP Letter of Credit.

Each New CP Letter of Credit will only support the payment of the principal of or interest on the applicable Subseries of Subordinate Commercial Paper Notes.

The Department does not expect the terms of the New CP Reimbursement Agreements will vary materially from the terms of the Current CP Reimbursement Agreements, except that upon an event of default under the New CP Reimbursement Agreements the New CP Banks will not have the right to accelerate any payments due the New CP Banks under the New CP Reimbursement Agreements. The New CP Reimbursement Agreements are expected to contain the following provisions:

- In the event the Department does not immediately reimburse a New CP Bank for a drawing under the applicable New CP Letter of Credit, the Department will be required pursuant to the applicable New CP Reimbursement Agreement to pay all principal of and interest due to the applicable New CP Bank as a result of such drawing within three years of the applicable date of the original drawing.
- Events of default under the New CP Reimbursement Agreements will include, among others (i) failure to pay principal of or interest on any drawing, advance or other obligations under the applicable New CP Reimbursement Agreement, (ii) failure to perform the terms of the applicable New CP Reimbursement Agreement, (iii) defaults in any payment of any debt secured by a charge, lien or encumbrance on the Net Pledged Revenues or the Subordinate Pledged Revenues and (iv) a downgrade of the Subordinate Obligations below "BBB-" or "Baa3."
- Any obligations of the Department incurred pursuant to the New CP Reimbursement Agreements will be secured by Subordinate Pledged Revenues on parity with the Existing Subordinate Bonds and the Subordinate Commercial Paper Notes.

On or about September 9, 2020, the Department expects to make available redacted copies of the New CP Reimbursement Agreements on the EMMA website.

Debt Service Requirements

The following table sets forth debt service requirements on the Existing Senior Bonds (prior to any refunding of the Refunded Series 2010A Senior Bonds and/or the Refunded Series 2010D Senior Bonds), the Series 2020BCD Senior Bonds and the Existing Subordinate Bonds (prior to any refunding of the Refunded Series 2010B Subordinate Bonds):

TABLE 3
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
SENIOR BONDS AND SUBORDINATE BONDS DEBT SERVICE REQUIREMENTS[(1)]

Fiscal Year	Total Debt Service on Existing Senior Bonds[(2)]	Principal Requirements on Series 2020B Senior Bonds	Interest Requirements on Series 2020B Senior Bonds	Total Debt Service on Series 2020B Senior Bonds	Principal Requirements on Series 2020C Senior Bonds	Interest Requirements on Series 2020C Senior Bonds	Total Debt Service on Series 2020C Senior Bonds	Principal Requirements on Series 2020D Senior Bonds	Interest Requirements on Series 2020D Senior Bonds	Total Debt Service on Series 2020D Senior Bonds	Total Debt Service on Outstanding Senior Bonds	Total Debt Service on Existing Subordinate Bonds[(3)(4)(5)]	Total Debt Service
2021	$ 138,010,755	$	$ 18,660,674	$ 18,660,674	$	$ 12,939,130	$ 12,939,130	$	$ 3,896,553	$ 3,896,553	$ 173,507,112	$ 303,283,059	$ 476,790,171
2022	154,446,816	--	26,038,150	26,038,150	--	18,054,600	18,054,600	--	5,437,050	5,437,050	203,976,616	302,042,452	506,019,068
2023	147,162,337	--	26,038,150	26,038,150	--	18,054,600	18,054,600	--	5,437,050	5,437,050	196,692,137	306,941,347	503,633,484
2024	149,533,904	31,560,000	26,038,150	57,598,150	7,840,000	18,054,600	25,894,600	2,595,000	5,437,050	8,032,050	241,058,704	313,141,561	554,200,265
2025	154,658,054	28,490,000	24,460,150	52,950,150	8,230,000	17,662,600	25,892,600	2,725,000	5,307,300	8,032,300	241,533,104	312,049,018	553,582,122
2026	159,192,405	25,635,000	23,035,650	48,670,650	8,645,000	17,251,100	25,896,100	2,865,000	5,171,050	8,036,050	241,795,205	312,396,952	554,192,157
2027	155,275,654	35,890,000	21,753,900	57,643,900	9,080,000	16,818,850	25,898,850	3,005,000	5,027,800	8,032,800	246,851,204	307,336,976	554,188,180
2028	155,507,155	25,435,000	19,959,400	45,394,400	9,535,000	16,364,850	25,899,850	3,155,000	4,877,550	8,032,550	234,833,955	319,333,024	554,166,979
2029	151,115,655	44,335,000	18,687,650	63,022,650	10,015,000	15,888,100	25,903,100	3,315,000	4,719,800	8,034,800	248,076,205	306,109,950	554,186,155
2030	172,783,155	29,545,000	16,470,900	46,015,900	10,515,000	15,387,350	25,902,350	3,480,000	4,554,050	8,034,050	252,735,455	301,430,280	554,165,735
2031	173,613,505	30,435,000	14,993,650	45,428,650	11,040,000	14,861,600	25,901,600	3,655,000	4,380,050	8,035,050	252,978,805	308,939,385	561,918,190
2032	173,704,754	32,220,000	13,471,900	45,691,900	11,590,000	14,309,600	25,899,600	3,835,000	4,197,300	8,032,300	253,328,554	308,558,332	561,886,886
2033	173,696,155	34,145,000	11,860,900	46,005,900	12,170,000	13,730,100	25,900,100	4,030,000	4,005,550	8,035,550	253,637,705	288,719,636	542,357,341
2034	173,515,155	36,240,000	10,153,650	46,393,650	12,780,000	13,121,600	25,901,600	4,230,000	3,804,050	8,034,050	253,844,455	288,545,557	542,390,012
2035	193,851,655	24,275,000	8,341,650	32,616,650	13,425,000	12,482,600	25,907,600	4,440,000	3,592,550	8,032,550	260,408,455	288,037,361	548,445,816
2036	193,840,553	16,495,000	7,303,650	23,798,650	14,090,000	11,811,350	25,901,350	4,640,000	3,393,550	8,033,550	251,574,103	298,527,965	550,102,068
2037	194,968,188	17,265,000	6,643,850	23,908,850	14,795,000	11,106,850	25,901,850	4,830,000	3,204,700	8,034,700	252,813,588	297,857,993	550,671,581
2038	179,728,866	18,065,000	5,953,250	24,018,250	15,530,000	10,367,100	25,897,100	5,025,000	3,011,500	8,036,500	237,680,716	297,898,297	535,579,013
2039	155,261,025	51,730,000	5,230,650	56,960,650	16,310,000	9,590,600	25,900,600	5,225,000	2,810,500	8,035,500	246,157,775	277,488,975	523,646,750
2040	167,275,250	76,740,000	3,161,450	79,901,450	17,125,000	8,775,100	25,900,100	5,435,000	2,601,500	8,036,500	281,113,300	245,601,044	526,714,344
2041	59,969,750	--	--	--	17,980,000	7,918,850	25,898,850	5,650,000	2,384,100	8,034,100	93,902,700	262,782,775	356,685,475
2042	27,122,250	--	--	--	15,030,000	7,019,850	22,049,850	5,930,000	2,101,600	8,031,600	57,203,700	257,314,675	314,518,375
2043	27,124,500	--	--	--	15,780,000	6,268,350	22,048,350	6,230,000	1,805,100	8,035,100	57,207,950	238,297,675	295,505,625
2044	20,694,500	--	--	--	16,565,000	5,479,350	22,044,350	6,540,000	1,493,600	8,033,600	50,772,450	217,939,575	268,712,025
2045	20,706,000	--	--	--	17,390,000	4,651,100	22,041,100	6,870,000	1,166,600	8,036,600	50,783,700	191,945,975	242,729,675
2046	--	--	--	--	18,270,000	3,781,600	22,051,600	7,140,000	891,800	8,031,800	30,083,400	191,949,438	222,032,838
2047	--	--	--	--	18,995,000	3,050,800	22,045,800	7,430,000	606,200	8,036,200	30,082,000	158,488,525	188,570,525
2048	--	--	--	--	19,755,000	2,291,000	22,046,000	7,725,000	309,000	8,034,000	30,080,000	133,614,050	163,694,050
2049		--	--	--	18,390,000	1,500,800	19,890,800	--	--		19,890,800	66,717,850	86,608,650
2050	--	--	--	--	19,130,000	765,200	19,895,200	--	--		19,895,200	--	19,895,200
Total	$3,472,757,993	$558,500,000	$308,257,374	$866,757,374	$380,000,000	$329,359,180	$709,359,180	$120,000,000	$95,624,503	$215,624,503	$5,264,499,050	$7,703,289,702	$12,967,788,752

(1) Totals may not add due to individual rounding.

(2) Debt service on the Existing Senior Bonds after the refunding of the Refunded Series 2010A Senior Bonds or the Refunded Series 2020D Senior Bonds.

(3) Debt service on the Existing Subordinate Bonds after the refunding of the Refunded Series 2010B Subordinate Bonds.

(4) Debt service on the Subordinate Commercial Paper Notes (which may be outstanding from time to time up to $500 million aggregate principal amount) and payment obligations under the CP Reimbursement Agreements are not reflected in this table. As of July 1, 2020, approximately $63.2 million of Subordinate Commercial Paper Notes are outstanding. For additional information on these obligations, see "—Subordinate Bonds and Subordinate Commercial Paper Notes" above.

(5) Interest on the Series 2009C Subordinate Bonds and the Series 2010C Subordinate Bonds does not reflect the application of the cash subsidy payments the Department expects to receive from the United States Treasury.

Source: Department of Airports of the City of Los Angeles.

Future Financings

The Department is currently reviewing plans to issue approximately $3.7 billion in aggregate principal amount of Additional Senior Bonds and approximately $884 million in aggregate principal amount of Additional Subordinate Obligations through Fiscal Year 2026 to, among other things, complete the Capital Program.

The Department may pursue additional capital projects and acquisitions in addition to those described in the preceding paragraph. Generally, such projects and acquisitions are referred to in this Official Statement as Other Projects (as defined herein). Any Other Projects and the funding of Other Projects and any additional Pledged Revenues and LAX Maintenance and Operation Expenses associated with the Other Projects are not included in the Letter Report of the Airport Consultant. Funding sources for such Other Projects may include, among other things, the net proceeds from Additional Senior Bonds and/or Additional Subordinate Obligations.

See "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness," "AIRPORT AND CAPITAL PLANNING" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – CAPITAL PROGRAM" for a discussion of certain projects the Department is considering undertaking and the Other Projects.

Additionally, the Department continuously evaluates refunding opportunities and, when economically beneficial, may refund one or more Series of Senior Bonds and/or Subordinate Bonds. The debt service projections in the Letter Report of the Airport Consultant include the refunding of the Refunded Bonds.

Other Obligations

General Obligation Bonds

The City last issued general obligation bonds for Department purposes in 1956, and those bonds were retired in February 1990. The Board has covenanted in the Master Senior Indenture not to adopt a resolution determining that Pledged Revenues be used to pay general obligation bonds of the City on a senior lien basis. There are currently no outstanding general obligation bonds of the City for Department purposes issued or authorized but unissued.

Other Repayment Obligations

Under certain circumstances the obligation of the Department, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a "Repayment Obligation") may be secured by a pledge of and lien on Net Pledged Revenues on parity with the Senior Bonds or by a pledge of and lien on Subordinate Pledged Revenues on a parity with the Subordinate Obligations. See "—Subordinate Bonds and Subordinate Commercial Paper Notes" above for additional information about the pledge of and lien on Subordinate Pledged Revenues granted to the Current CP Banks in connection with the Current CP Banks' issuance of the Current CP Letters of Credit, and the pledge of and lien on Subordinate Pledged Revenues expected to be granted to the New CP Banks in connection with the New CP Banks' issuance of the New CP Letters of Credit.

If a Credit Provider or Liquidity Provider advances funds to pay principal of or interest on or to purchase Senior Bonds, all or a portion of the Department's Repayment Obligation may be afforded the status of a Senior Bond under the Master Senior Indenture. The Department currently does not have any Senior Repayment Obligations outstanding. Additionally, if a Credit Provider or Liquidity Provider advances funds to pay principal of or interest on or to purchase Subordinate Obligations as applicable, all or a portion of the Department's Repayment Obligations may be afforded the status of a Subordinate Obligation under the Master Subordinate Indenture. The Department currently does not have any Subordinate Repayment Obligations outstanding. See APPENDIX C-2 – "SUMMARY OF THE MASTER SENIOR INDENTURE – Senior Repayment Obligations Afforded Status of Senior Bonds" and APPENDIX C-4 – "SUMMARY OF THE MASTER SUBORDINATE INDENTURE – Subordinate Repayment Obligations Afforded Status of Subordinate Obligations."

Credits

The Department from time to time has provided credits to its Aeronautical Users (as defined herein) that may be applied as an offset against amounts otherwise due to the Department by such Aeronautical Users as charges for use of LAX facilities, including amounts owed pursuant to the Airport Terminal Tariff or landing fees. Because these credits are applied as an offset to amounts owed to the Department by such Aeronautical Users, the Department receives less money from these Aeronautical Users than such Aeronautical User would otherwise provide absent the credit. Thus, although the credits are not secured by any pledge of or lien on the Department's revenues, the effect of using such credits is the creation of a higher payment priority for such credits than for the Senior Bonds (including the Series 2020BCD Senior Bonds) and Subordinate Obligations. See "USE OF AIRPORT FACILITIES – Department Acquisition of Certain Terminal Improvements; Credits" and "SPECIAL FACILITY FINANCINGS – Conduit Financings."

Payments in Connection with the Automated People Mover System

As described under "AIRPORT AND CAPITAL PLANNING – The Automated People Mover System," the APM Agreement (as defined herein) provides that the APM Developer (as defined herein) will be entitled to receive APM Milestone Payments (as defined herein) from the Department. The APM Agreement further provides that once passenger service is available on the APM System ("APM Date of Beneficial Operation") (which the Department currently estimates will occur during Fiscal Year 2023), the Department will make monthly APM Capital Availability Payments (as defined herein) and APM Operations and Maintenance Payments (as defined herein) to the APM Developer throughout the term of the APM Agreement.

For the purposes of financial planning by the Department, the Department assumed, that, among other things: (i) the APM Milestone Payments will be funded with the proceeds of Additional Senior Bonds (including the Series 2020D Senior Bonds) and/or Additional Subordinate Bonds, (ii) APM Operations and Maintenance Payments will be treated as LAX Maintenance and Operation Expenses under the Master Senior Indenture; and (iii) APM Capital Availability Payments will be treated as unsecured obligations of the Department payable from available funds of the Department remaining after the payment of LAX Maintenance and Operation Expenses, the payment of debt service and deposits to the debt service reserve funds with respect to the Senior Bonds, the Subordinate Obligations, and any Third Lien Obligations, and deposits to the LAX Maintenance and Operation Reserve Account (or funded NINTH under the Flow of Funds as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Flow of Funds").

The APM Developer has asserted various claims for relief under the APM Agreement. Certain of these claims, including claims for schedule relief, are being resolved using claim resolution processes that are outlined in the APM Agreement. The Department believes that many of the claims are not justified. As of the date of this Official Statement, the Department and the APM Developer have received a non-binding recommendation from the project neutral under the APM Agreement that the APM Developer should be entitled to 157 calendar days of schedule relief. The ultimate resolution of this particular claim is still to be determined. While the Department has included project contingencies in the APM Project budget, the APM Developer's claims may ultimately result in project completion delays or additional project costs to the Department. The Department continues to work with the APM Developer to mitigate and resolve the claims made by the APM Developer. The APM Developer may assert additional claims for relief under the APM Agreement in the future. The Department is unable to predict the overall impact of any such claims, the Department's ability to mitigate or resolve such claims, whether or not claims made for relief under the APM Agreement will ultimately result in material project completion delays or material additional project costs to the Department; however, as of the date of this Official Statement, the Department estimates that the APM Date of Beneficial Occupancy will occur during Fiscal Year 2023.

Payments in Connection with the ConRAC

As described under "AIRPORT AND CAPITAL PLANNING – The ConRAC," the ConRAC Agreement (as defined herein) provides that the ConRAC Developer (as defined herein) will be entitled to receive ConRAC Milestone/Progress Payments (as defined herein) from the Department during construction of the ConRAC as partial compensation for the ConRAC Developer's performance of the work required to design and build the ConRAC. Beginning at the date of beneficial occupancy of the ConRAC (the "ConRAC Date of Beneficial Occupancy") the ConRAC Agreement provides that the ConRAC Developer will receive from the Department ConRAC Capital Availability Payments (as defined herein) for the Developer's portion for designing, building and financing (equity and debt) and for the cost of operating and maintaining the ConRAC through the payment by the Department of ConRAC Operations and Maintenance Availability Payments (as defined herein).

For the purposes of financial planning by the Department, the Department assumed, that, among other things: (i) the ConRAC Milestone/Progress Payments will primarily be funded from Customer Facility Charge revenues and with proceeds of LAX Special Facility Obligations expected to be issued to finance a portion of the cost of the ConRAC (the "ConRAC Special Facility Obligations") (which will be secured by and payable from, in whole or in part, Customer Facility Charge revenues); (ii) the ConRAC Capital Availability Payments will be treated as unsecured obligations of the Department and are expected to be payable from Customer Facility Charge revenues remaining after the payment of the ConRAC Special Facility Obligations or other available funds of the Department remaining after the payment of LAX Maintenance and Operation Expenses, the payment of debt service and deposits to the debt service reserve funds with respect to the Senior Bonds, the Subordinate Obligations, and any Third Lien Obligations, and deposits to the LAX Maintenance and Operation Reserve Account (or funded NINTH under the Flow of Funds as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Flow of Funds"); or (iii) the ConRAC Operations and Maintenance Availability Payments will be treated as LAX Maintenance and Operation Expenses under the Master Senior Indenture and funded primarily from amounts to be received from the rental car companies under the Rental Car CLAs (as defined herein).

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2020BCD Senior Bonds involve investment risk and may not be suitable for all investors. Prospective investors are urged to read this Official Statement, including its appendices, in its entirety. The factors set forth in this Official Statement, among others, may affect the security for and/or trading value of the Series 2020BCD Senior Bonds. The information contained in this Official Statement relates solely to the Series 2020BCD Senior Bonds and speaks only as of the date of this Official Statement. The information in this Official Statement does not purport to be a comprehensive or complete discussion of all risks or other considerations that may be relevant to an investment in the Series 2020BCD Senior Bonds. Other factors may exist which may be material to investors based on their respective individual characteristics. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. Additional risk factors relating to the purchase of Series 2020BCD Senior Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. Additional risks and uncertainties not presently known, or currently believed to be immaterial, may also materially and adversely affect, among other things, Pledged Revenues, Net Pledged Revenues or Subordinate Pledged Revenues or individual investors. In addition, although the various risks discussed in this Official Statement are generally described separately, prospective investors of the Series 2020BCD Senior Bonds should consider the potential effects of the interplay of multiple risk factors which could occur concurrently. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. There can be no assurance that other risks or considerations not discussed in this Official Statement are or will not become material in the future.

COVID-19 and Pandemic Related Matters

The COVID-19 pandemic and resulting restrictions have severely disrupted, and continue to disrupt the economies of the United States and other countries, leading to volatility in the capital markets and an exceptionally steep decline in the U.S. GDP. Many of those markets have lost significant value and may continue to do so. Increased business failures, worker layoffs and consumer and business bankruptcies have begun and are expected to increase in the near future.

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

Demand for Air Travel, Aviation Activity and Related Matters

The Senior Bonds are payable solely from Net Pledged Revenues and other available funds. The Subordinate Obligations are payable solely from Subordinate Pledged Revenues and other available funds. Net Pledged Revenues, Subordinate Pledged Revenues, PFC revenues and Customer Facility Charges depend significantly on the level of aviation activity, enplaned passenger traffic at LAX and passenger spending at airport facilities.

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

The economic slowdown throughout the world and in the United States, the State, and the Los Angeles-Long Beach-Riverside Combined Statistical Area ("Los Angeles CSA"), which includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties, influences the demand for passenger and cargo services at LAX. Consequently, economic assumptions that underlie the projections of enplaned passengers in this Official Statement and the Letter of Report of the Airport Consultant are based on a review of global, national, State and regional economic projections, as well as analyses of historical socioeconomic trends and airline traffic trends. See "INTRODUCTION - COVID-19 Issues and Impacts" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT."

The current U.S. GDP is volatile and unpredictable, with increased unemployment rates, and little to no increases in gains in real disposable personal income and household net worth. Further, trade tensions and slowing global economic growth are reflected in a drop in business confidence and decelerating business investment. Decreases in face-to-face meetings and conferences with suppliers, customers and partners of many major employers is also having a negative effect on demand for airline business travel within the Los Angeles CSA.

The level of aviation activity and enplaned passenger traffic at LAX depend upon and are subject to a number of factors including those discussed above and other economic and political conditions; international hostilities; world health concerns; aviation security concerns including criminal and terrorist incidents; federal government mandated security measures that may result in additional taxes and fees, longer passenger processing and wait times and other inconveniences as discussed in more detail under "—Security Concerns; Cyber Security" below; 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 and changes to (including any privatization of) the national air traffic control and airport systems; competition from other airports; reliability of air service; business travel substitutes, including teleconferencing, videoconferencing and web-casting; consumer price sensitivity; environmental consciousness; changes in law and the application thereof and other factors discussed in more detail under "—Changes in Law and the Application Thereof" and the capacity, availability and convenience of service at LAX, among others. An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the airline industry and result in substantial reductions in and/or cancellations of, bookings and flights, such as is being experienced as a consequence of the COVID-19 pandemic. See "INTRODUCTION- COVID-19 Issues and Impacts."

In addition to revenues from airlines, the Department derives a substantial portion of its revenues from concessionaires including parking operations, terminal commercial manager concessions, duty free concessions, food and beverage concessions, retail concessions, rental cars and TNCs. See "USE OF AIRPORT FACILITIES – Concession and Parking Agreements." Declines in passenger traffic or changes in the way passengers transact with concessionaires have and may in the future adversely affect the commercial operation of concessionaries and alter the mix of revenues at LAX. While the Department's agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties for a concessionaire could lead to a failure by one or more concessionaires to make payments required under such concession agreements and/or interrupt such concessionaires' operations. The Department has adopted the Concessionaires and Services Temporary Relief Program to assist its concessionaires. See "—Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Concessionaire Bankruptcies; INTRODUCTION - COVID-19 Issues and Impacts" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT."

Prior to the COVID-19 pandemic, revenues from TNCs represented an increasing portion of LAX Revenues and may have been contributing to a change in revenue sources, away from parking, rental cars, taxis and limousines. Emerging technologies, including autonomous vehicles and new transportation business strategies, may contribute to additional changes in the Department's revenue sources. There can be no assurances that these changes will not adversely affect the Department's revenues.

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

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

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

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

The aviation industry is cyclical and subject to intense competition and variable demand. Traffic volumes are responsive to a number of factors described in this Official Statement. Airline debt levels fluctuate. The airlines are vulnerable, and have experienced reduced demand, increased cost and other negative effects due to fuel price spikes, labor activity, recession and other external changes (such as change in laws or the application thereof, terrorism, pandemics, military conflicts and natural disasters). As a result, aviation industry-related financial performance, including those concessionaires that rely on airline passenger traffic and revenues for profitability, can fluctuate dramatically. A reduction in the demand for air travel due to unfavorable economic conditions also limits airlines' ability to raise fares to counteract increased fuel, labor and other costs. Deterioration in either the domestic and/or global economy may therefore have a material impact on revenue in the industry. Future increases in passenger traffic will depend largely on the ability of the U.S. and other countries to sustain growth in economic output and income. There can be no assurances that weak economic conditions or other national and international fiscal concerns would not have an adverse effect on the air transportation industry while the Series 2020BCD Senior Bonds remain outstanding. Finally, volatility in the financial and credit markets may have a material adverse effect on the financial condition of airline companies, because such economic conditions could make it difficult for certain airlines to obtain financing on acceptable terms to refinance certain maturing debt and to meet future capital commitments.

As a part of the federal aid received from the CARES Act, airlines are restricted from mass layoffs through September 30, 2020. It is unclear what effect the expiration of the employment requirements on October 1, 2020 will have on airlines. United Airlines has notified 36,000 of its employees that their jobs are at risk after the CARES Act aid expires on September 30, 2020. American Airlines and Delta Air Lines have made similar statements regarding potential job cuts. Delta Air Lines expects to write off up to $3.3 billion in employee buyouts and early retirements. More than 17,000 Delta Air Lines employees have elected to participate in the buyout.

The COVID-19 pandemic has exacerbated the issues described above. For a further discussion of the related effects of the COVID-19 pandemic on the aviation industry, see "INTRODUCTION- COVID-19 Issues and Impacts."

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

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

Additionally, seat capacity has become more concentrated among fewer airlines. The three largest U.S. network airlines, as measured by the number of enplaned passengers (American Airlines, Delta Air Lines, and United Airlines), currently have a strong presence at LAX, and as indicated in each airlines share of enplaned passengers in Fiscal Year 2019: American Airlines (19.2%), Delta Air Lines (17.2%), and United Airlines (14.6%). As shown in Table 8A below, these three airlines continue to have a strong presence as of the first five-months of 2020 with the following shares of enplaned passengers: American Airlines (20.9%), Delta Air Lines (18.1%), and United Airlines (13.4%).

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

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

Such decreases could result in reduced Pledged Revenues, Net Pledged Revenues and Subordinate Pledged Revenues, reduced passenger facility charge collections and increased costs for the airlines and concessionaires serving LAX. It is not possible at this time to predict the effect on gate usage at LAX, or the corresponding impact on Pledged Revenues, Net Pledged Revenues, Subordinate Pledged Revenues, passenger facility charge collections or airline or concessionaires costs, as a result of unknown potential airline consolidations.

Effect of Contractual Counterparty Bankruptcies. A number of airlines and concessionaires (i.e., rental car companies) that served or are currently serving LAX have filed for bankruptcy protection in the past and may do so in the future. As of July 1, 2020, the following are some of the airlines and concessionaires that have sought and are currently under bankruptcy protection: Virgin Australia Holdings Ltd.; Avianca Holdings S.A.; Advantage

Holdco Inc. (Advantage Rent a Car); LATAM Airlines Group S.A. (LAN Airlines S.A.); Hertz Corporation; Thrifty Rent-A-Car System LLC; Dollar Rent-A-Car, Inc.; Dollar Thrifty Automotive Group Inc.; Firefly Rent-A-Car LLC; and Grupo Aeromexico, S.A.B. de C.V. Historically, bankruptcies of airlines operating at LAX have resulted in transitory reductions of service levels, even in cases where such airlines continued to operate in bankruptcy. Future bankruptcies, liquidations or major restructurings of other airlines and/or concessionaires or other contractual counterparties may occur. While it is not possible to predict the impact on LAX of future bankruptcies, liquidations or major restructurings of contractual counterparties, if a contractual counterparty has significant operations or obligations at LAX, its bankruptcy, liquidation or a major restructuring, could have a material adverse effect on revenues of the Department, operations at LAX, the costs to other contractual counterparties to operate at LAX (as, for instance, certain costs allocated to any such airline or concessionaire may be passed on to the remaining airlines or concessionaires under their respective agreements; there can be no assurance that such other contractual counterparties would be financially able to absorb the additional costs) and may result in delays or reductions in payments on Senior Bonds (including the Series 2020BCD Senior Bonds) and Subordinate Obligations. The bankruptcy of a contractual counterparty (such as an airline or rental car company) may over the long term, allow such counterparty to reduce its costs or improve its profitability, thus incentivizing similar contractual counterparties to consider bankruptcy protection to remain competitive.

In the event of a bankruptcy by a contractual counterparty operating at LAX, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) an action to collect amounts owing by the contractual counterparty to the Department or other actions to enforce the obligations of the contractual counterparty to Department and/or the City (e.g., requirements to make capital investments under the applicable agreements). With the authorization of the Bankruptcy Court, the contractual counterparty may be able to repudiate some or all of its agreements with the Department and/or the City and stop performing its obligations (including payment obligations) under such agreements. The contractual counterparty may be able, without the consent and over the objection of the Department and/or the City, the Senior Trustee, the Subordinate Trustee and the holders of the Senior Bonds (including the Series 2020BCD Senior Bonds) and the Subordinate Obligations, to alter the terms, including the payment terms, of its agreements with the Department and/or the City as long as the Bankruptcy Court determines that the alterations are fair and equitable. In addition, with the authorization of the Bankruptcy Court, the contractual counterparty may be able to assign its rights and obligations under any of its agreements with the Department and/or the City to another entity despite any contractual provisions prohibiting such an assignment. The Senior Trustee, the Subordinate Trustee, and the holders of the Senior Bonds (including the Series 2020BCD Senior Bonds) and the Subordinate Obligations, as applicable, may be required under the Bankruptcy Code to return to the contractual counterparty as preferential transfers any money that was used to make payments on the Senior Bonds (including the Series 2020BCD Senior Bonds) or the Subordinate Obligations and that was received by the Department from the contractual counterparty during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Department and/or the City under any agreement with such contractual counterparty may be subject to further limitations under the Bankruptcy Code.

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the "1990 PFC Act") and the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) ("AIR 21," and collectively with the 1990 PFC Act, the "PFC Acts"), the FAA has approved the Department's applications to require the airlines to collect and remit to the Department a passenger facility charge on each enplaning revenue passenger at LAX. See "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program." The PFC Acts provide that PFC revenues collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Department) imposing the PFC revenues, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for passenger facility charge collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. The airlines, however, are permitted to commingle passenger facility charge collections with other revenues and are also entitled to retain interest earned on passenger facility charge collections until such passenger facility charge collections are remitted. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Department cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at LAX. Regardless, the Department could be held to be an unsecured creditor with respect to unremitted PFC revenues held by an airline that has filed for bankruptcy protection. Additionally, the Department cannot predict whether an airline operating at LAX that files for bankruptcy protection would have properly accounted for the PFC revenues owed to the Department or whether the bankruptcy estate would have sufficient moneys to pay the Department in full for the PFC revenues owed by such airline. See "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program," and APPENDIX A –

"LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – FUNDING THE AIRPORT CAPITAL PROGRAM – PFC Revenues" for additional information about the Department's expected use of PFC revenues.

Customer Facility Charge revenues collected by the rental car companies at LAX may constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Department) imposing the Customer Facility Charge, except for any handling fee or retention of interest collected on unremitted proceeds. The rental car companies may be permitted to commingle Customer Facility Charge collections with other revenues and may be entitled to retain interest earned on Customer Facility Charge collections until such Customer Facility Charge collections are remitted. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Department cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the rental car companies operating at LAX. Regardless, the Department could be held to be an unsecured creditor with respect to unremitted Customer Facility Charge revenues held by a rental car company that has filed for bankruptcy protection. Additionally, the Department cannot predict whether a rental car company operating at LAX that files for bankruptcy protection would have properly accounted for the Customer Facility Charge revenues owed to the Department or whether the bankruptcy estate would have sufficient moneys to pay the Department in full for the Customer Facility Charge revenues owed by such rental car company. See "USE OF AIRPORT FACILITIES – Concession and Parking Agreements – Rental Cars," "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program," "—The Automated People Mover System" and "– The ConRAC" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM" for additional information about the Department's expected use of Customer Facility Charge revenues.

With respect to a contractual counterparty in bankruptcy proceedings in a foreign country, the Department is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals nor the extent to which any such orders would be enforceable in the United States.

Other possible effects of a bankruptcy of a contractual counterparty include, but may not be limited to, delays or reductions in revenues received by the Department and potentially in delays or reductions in payments on the Series 2020BCD Senior Bonds. Regardless of any specific adverse determinations in a contractual counterparty bankruptcy proceeding, the fact of a contractual counterparty bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2020BCD Senior Bonds. To date, the Department has not incurred any material losses from recent contractual counterparty bankruptcies. See also "USE OF AIRPORT FACILITIES" regarding performance guaranties required by the Department.

The Department makes no representation with respect to the continued viability of any of the carriers or contractual counterparties serving LAX, airline service patterns, or the impact of any contractual counterparty failures on the Net Pledged Revenues, Subordinate Pledged Revenues and passenger facility charge or Customer Facility Charge collections.

See also "AIRLINE INDUSTRY INFORMATION," "LOS ANGELES INTERNATIONAL AIRPORT - Air Carriers Serving LAX" – Table 5, "—Aviation Activity" – Table 6 and Table 7 and "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Top Revenue Providers and Sources" – Table 12 and Table 13.

Aviation Safety; Security Concerns; Cyber Security

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

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

LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target and has been the scene of a shooting where a TSA officer was killed and several other people were injured in

2013. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. The Department cannot predict whether LAX or any of the Department's other airports will be actual targets of terrorists or other violent acts in the future.

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

Regulations and Restrictions Affecting LAX; Climate Change

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

In general, federal aviation law requires that airport fees charged to airlines and other Aeronautical Users (as defined herein) be reasonable and that to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. Although the Department believes it is in compliance with these requirements, the Department faces occasional challenges to the reasonableness of rates charged and payments made. See "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program." Further, no assurance can be given that additional challenges relating to the reasonableness of fees charged at LAX or the use of airport generated revenues will not be filed in the future. An adverse determination in a challenge or audit could limit the ability of the Department to charge airlines and other Aeronautical Users rates sufficient to meet the covenants in the Senior Indenture and the Subordinate Indenture which would require the Department to increase rates and fees charged to non-Aeronautical Users, could result in the loss of certain federal funding and could have a material adverse impact on the Pledged Revenues, the Net Pledged Revenues and the Subordinate Pledged Revenues. Further, federal grants are paid on a reimbursement basis and are subject to audit. Failure to comply with federal statutes and regulations can result in the loss of PFC revenues and federal grants.

The Internal Revenue Service ("IRS") includes a Tax Exempt and Government Entities Division (the "TE/GE Division"), which has a subdivision that is specifically devoted to tax-exempt bond compliance. The Department can provide no assurance that, if an IRS examination of the Series 2020BCD Senior Bonds was undertaken, it would not adversely affect the market value of the Series 2020BCD Senior Bonds.

Changes in the earth's average atmospheric temperature, generally referred to as "climate change," and related concerns have led to new laws and regulations at the federal and State levels that could have a material adverse effect on the Department's operations and on airlines operating at LAX. The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R.1. In it, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride - cause global warming, and that global warming endangers public health and welfare. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles. The Clean Air Act regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions. Accordingly, the EPA may elect or be forced by the courts to regulate aircraft emissions as a result of this endangerment finding. While the EPA has not yet taken any action to regulate GHG emissions from aircraft, regulation may still be forthcoming. On July 5, 2011, the U.S. District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the greenhouse gas and black carbon emissions of aircraft engines endanger public health and welfare. The EPA is in the process of making its required determinations. The Department cannot predict what the EPA's findings will be or what effect they will have on the Department or the air traffic at LAX.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the California Global Warming Solutions Act of 2006 ("AB 32"), which requires the statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of AB 32: the California cap-and-trade program (the "California Cap-and-Trade Program"). In August 2016, Senate Bill 32 was enacted and extends the California Cap-and-Trade Program and CARB to ensure that California-wide GHG emissions are reduced by at least 40% below the California-wide emissions limit not later than December 31, 2030. The Department's annual metric tons of carbon dioxide equivalent ("MtCO2e") emissions exceed 25,000 metric tons and therefore the Department is required to participate in the California Cap-and-Trade Program. California Cap-and-Trade Program credits are market based, thus, the annual costs for participation in the program may vary. The California Cap-and-Trade Program may result in rising electricity and fuel costs, which may adversely affect the airlines serving LAX and the Department's operations.

The South Coast Air Quality Management District ("SCAQMD") also imposes rules and regulations specifically targeted to various air pollutants and types of operations such as hydrant fueling, private vehicle fueling, power generators, boilers and the use of various volatile organic chemical containing materials.

See "AIRPORT SYSTEM ENVIRONMENTAL MATTERS."

It is not possible to predict whether future restrictions or limitations on operations at or affecting LAX will be imposed, whether future legislation or regulations will affect anticipated federal funding or passenger facility charge collections for capital projects for LAX or whether such restrictions or legislation or regulations would adversely affect Pledged Revenues, Net Pledged Revenues or Subordinate Pledged Revenues.

See "– Changes in Law and Application Thereof."

Federal Funding

The Department receives certain Federal funds including from the Airport Improvement Program ("AIP"). The AIP provides Federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). See "CERTAIN FUNDING SOURCES." Additionally, certain operations at LAX are supported by Federal agencies including, flight traffic controllers, FAA, TSA, FBI and Customs and Border Security, among others. Federal agencies also have regulatory and review authority over, among other things, certain LAX operations, construction at LAX and the airlines operating at LAX.

From time to time, the Federal government has, and may in the future, come to an impasse regarding, among other things, reauthorization of the FAA (which has historically included funding for AIP) and other Federal appropriations and spending.

Failure to adopt such legislation may have a material, adverse impact on, among other things, (i) Federal funding received by the Department, including under the AIP; (ii) Federal agency budgets, hiring, furloughs, operations and availability of Federal employees to support certain operations at LAX, provide regulatory and other oversight, review and provide required approvals, in each case at LAX and over the airlines serving LAX; and (iii) flight schedules, consumer confidence, operational efficiency at LAX and in the air transportation system generally. In addition, the anticipated Federal spending could be affected by, among other things, automatic across-the-board spending cuts, known as sequestration.

There can be no assurance that the Congress will enact and the President will sign Federal appropriation legislation or future FAA reauthorization which may require the Department to fund capital expenditures forecast to come from such Federal funds and from other sources (including operating revenues, Additional Senior Bonds or Additional Subordinate Obligations), result in decreases to the Department's Capital Program or extend the timing for completion of certain projects, and the Department is also unable to predict the future impact of any Federal spending cuts or appropriation impasses on airline traffic at LAX or the Department's revenues. See "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program." See also "– Changes in Law and Application Thereof."

In response to the COVID-19 pandemic, the federal government implemented the CARES Act which, among other things, allocates $10 billion of assistance to eligible U.S. commercial airports, provided they take particular steps, including with respect to keeping their workforces intact. The Department was awarded CARES Act grants in the amount of approximately $323.6 million, payable on a reimbursement basis. The Department may seek other available sources of aid, such as the FEMA Public Assistance program, provided to the City, and through which the Department may be eligible for further aid as a sub-grantee under that program. See "INTRODUCTION – COVID-19 Issues and Impacts."

Considerations Regarding Passenger Facility Charges

Pursuant to the PFC Acts, the FAA has approved the Department's applications to require the airlines to collect and remit to the Department a passenger facility charge on each enplaning revenue passenger at LAX. The Department expects to use PFC revenues to pay a portion of the debt service on PFC Eligible Obligations.

Debt service to be paid with PFC revenues is not included in the coverage calculations described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Passenger Facility Charges," "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Report of the Airport Consultant; Projected Debt Service Coverage" and in APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – FUNDING THE AIRPORT CAPITAL PROGRAM – PFC Revenues."

No assurance can be given that the Department's authority to collect PFC revenues will be increased or extended. Further, no assurance can be given that PFC revenues will actually be received in the amounts or at the times contemplated by the Department. The amount and timing of receipt of actual PFC revenues may vary depending on actual levels of qualified passenger enplanements at LAX. See "—Demand for Air Travel, Aviation Activity and Related Matters" above.

In addition, the FAA may terminate the Department's ability to impose PFC revenues, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Acts or the regulations promulgated thereunder, or (b) the Department otherwise violates the PFC Acts or regulations. The Department's authority to impose passenger facility charges may also be terminated if the Department violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act of 1990 ("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 Department's authority to impose passenger facility charges would not be summarily terminated. No assurance can be given that the Department's authority to impose passenger facility charges will not be terminated by Congress or the FAA, that the passenger facility charge program will not be modified or restricted by Congress or by the FAA so as to reduce PFC revenues available to the Department or that the Department will not seek to decrease the amount of the passenger facility charges to be collected.

In the event the FAA or Congress reduced or terminated the Department's ability to collect PFC revenues, or passenger facility charge collections were otherwise less than anticipated, the Department would need to identify other funding sources to pay the debt service it expects to pay with PFC revenues. In addition, in such a circumstance the Department might need to identify other sources of funding, including issuing Additional Senior Bonds and/or Additional Subordinate Obligations, to finance the projects currently being paid for, or projected to be paid for, with PFC revenues.

The overall capital program funding plan, projected airline payments and other financial results reflected in the Letter Report of the Airport Consultant are based on an assumption by the Airport Consultant that the current $4.50 passenger facility charge level will remain the same during the Projection Period.

See "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM

– FUNDING THE AIRPORT CAPITAL PROGRAM – PFC Revenues" for additional information about the Department's expected use of PFC revenues. See also "– Changes in Law and Application Thereof."

Delays and Cost Increases; Future Capital Projects; Additional Indebtedness

The estimated costs of and projected schedule and sources of funding for the Capital Program and certain other information regarding Other Projects are described in the Letter Report of the Airport Consultant. These costs, schedule and sources of funding are subject to a number of uncertainties and capital project budgets and financing plans are updated and have increased materially from time to time.

The ability of the Department to complete and finance capital projects may be adversely affected by various factors including: estimating variations; design and engineering variations; changes to the scope, scheduling or phasing of the projects; delays in contract awards and/or as a result of the acts or omissions of third-parties; material and/or labor shortages; unforeseen site conditions; adverse weather conditions, earthquakes or other casualty events; contractor or other counterparty defaults; labor disputes; unanticipated levels of inflation; inability of concessionaires, airlines, developers or other transaction participants to obtain or maintain financing; environmental issues; pandemics or epidemics, including the COVID-19 pandemic; governmental orders or acts; bidding conditions through the Department's procurement process, and litigation. For example, certain contractors working on active construction projects have asserted various claims under their construction contracts that may ultimately result in delays or additional costs. The Department is working with these contractors to mitigate and resolve these claims. As of the date of this Official Statement the Department is unable to predict the overall impact of any such claims. No assurance can be given that the existing or future projects will not cost more than the current budget or future budgets for such projects. Schedule delays or cost increases could result in the need to issue Additional Senior Bonds and/or Additional Subordinate Obligations, the expenditure of additional Department funds and the diversion of financial and other resources to such projects, and may result in increased costs to the airlines and others operating at the Airport. As a result, actual results could differ and have differed materially from forecasts.

In addition, certain funding sources are assumed to be available for the Department's projects, including the Capital Program. For example, the Letter Report of the Airport Consultant includes assumptions that concessionaires, airlines, developers or other terminal participants will develop for the Department's eventual acquisition certain elements of the Capital Program and that the Department will receive additional passenger facility charge collection authority, AIP grant funding, TSA funding and Customer Facility Charges for various projects referenced under "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program" and described in greater detail in the Letter Report of the Airport Consultant. See also "—Considerations Regarding Passenger Facility Charges" above. The Letter Report of the Airport Consultant also contains assumptions as to the projected amount of Senior Bonds, Subordinate Obligations and other funding sources for the Capital Program and Other Projects, including the APM System and the ConRAC. The relative amount of these funding sources directly affects the projected debt service and debt service coverage set forth in the Letter Report of the Airport Consultant. No assurances can be given that such development or funding will, in fact, be available, or that the Department will not change its plan of finance described in the Letter Report of the Airport Consultant. If such development or funding sources or other funding sources referred to in the Letter Report of the Airport Consultant are not available or the Department changes its plan of finance as described in the Letter Report of the Airport Consultant, the Department may need to expend additional Department funds, eliminate or scale down projects, divert financial and other resources to such projects or incur additional indebtedness, possibly including issuing Additional Senior Bonds and/or Additional Subordinate Obligations, to finance such projects. Such changes could result in actual results, including but not limited to debt service coverage, differing materially from the projections in the Letter Report of the Airport Consultant.

As described in this Official Statement and in the Letter Report of the Airport Consultant, private developers will have significant roles in the design, construction, financing, maintenance and operation of the APM System and the ConRAC. While the Department has required customary assurances of performance by the APM Developer and the ConRAC Developer (as defined below), such customary assurances of performance may not protect the Department from significant adverse financial consequences in the event of nonperformance or default by the APM Developer or the ConRAC Developer.

In addition, the Department intends to undertake future capital projects at LAX. The Department may pursue capital projects and acquisitions beyond the Capital Program, the cost of which may be material. See "AIRPORT AND CAPITAL PLANNING" and APPENDIX A – "LETTER REPORT OF THE AIRPORT

CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – CAPITAL PROGRAM" for a discussion of the Other Projects.

Because the cost, scope and timing for undertaking certain future projects and acquisitions beyond the Capital Program (including the Other Projects) is uncertain, associated financial impacts are not included in the financial projections in the Letter Report of the Airport Consultant. The costs of any such projects are not known at this time. If additional projects are undertaken and other financing sources are not available, the Department may issue Additional Senior Bonds and/or Additional Subordinate Obligations to finance such projects, and may elect to divert financial and other resources to such projects. As a result, actual results could differ and have differed materially from financial projections.

The Department intends, where practical, to implement certain capital projects using a modular and phased approach, so that future projects (or project phases) can be deferred if unanticipated events occur (such as lower than anticipated growth or declines in aviation activity at LAX). The Department has decided and may in the future decide not to proceed with certain capital projects and/or proceed with them on a different schedule and/or may need to make alternative arrangements in cases of contractor delays, defaults or inability to perform, in each case resulting in different results than those included in financial forecasts. See "INTRODUCTION – COVID 19 Issues and Impacts."

The Department's ability to finance its Capital Program also depends upon the orderly function of the capital markets which have in the past experienced substantial disruptions. Another market disruption may negatively impact the timing and ability of issuers of municipal debt, such as the Department, to access short or long term funding. No assurance can be given that this source of funding will actually be available in the amounts or at the times desired by the Department.

See "AIRPORT AND CAPITAL PLANNING" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – CAPITAL PROGRAM" for a discussion of certain projects the Department is considering undertaking and "LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT."

Seismic Risks; Other Force Majeure Events

The City is located in a seismically active region of the State. During the past 150 years, the Los Angeles area has experienced several major and minor earthquakes. The most recent major earthquake that occurred in the Los Angeles area occurred on January 17, 1994. That earthquake measured 6.7 on the Richter Scale. LAX experienced no disruption of service following that earthquake. Damage in excess of $11 million was sustained at VNY and LAX. The Department received funds from FEMA and from its insurance carrier as a result of the earthquake damage at VNY.

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

The Department's ability to generate revenues is also at risk from other force majeure events, such as extreme weather events, droughts, and other natural occurrences, fires, explosions, spills of hazardous substances, strikes and lockouts, terrorist or other attacks, sabotage, or wars, blockades or riots. No assurance can be given that such events will not occur while the Series 2020BCD Senior Bonds are outstanding. The Department has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance and limited earthquake insurance as described under "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Risk Management and Insurance." Any damage to the Department's facilities or other properties could adversely affect its revenues or require substantial new capital spending by the Department or others to replace or improve facilities and surrounding infrastructure. The proceeds available under such property and casualty insurance may not be sufficient to replace the entire Airport after the occurrence of such an event. Moreover, no assurance can be given that such insurance will always be available in sufficient amounts at a reasonable cost or available at all or that insurers will pay claims in a timely manner or at all. The Department is unable to predict when another earthquake or other force majeure event may occur and what impact, if any, it may have on the Department's operations or finances or whether the Department or others will have sufficient resources to rebuild or repair damaged facilities and surrounding infrastructure following a major earthquake or other force majeure event.

Capacity of the National Air Traffic Control System; Capacity of LAX

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

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

Changes in Law and Application Thereof

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

From time to time, governmental agencies, executives and legislative bodies, have proposed, issued or enacted and may continue to propose, issue and enact, legislation, rules, orders and other laws and guidance that have the effect of law, particularly in with respect to Federal aviation regulation, funding, security, immigration, tariffs and trade. The proposal, issuance or enactment of such legislation, rules, orders and other laws and guidance that have the effect of law may have a material effect on the airline industry and the Department. In particular, as noted under "—Federal Funding," the Department receives, and the Capital Program is designed with the expectation of receipt of, federal AIP capital grants to support airport infrastructure, including entitlement grants and discretionary grants. As of the date of this Official Statement, there is insufficient information available about the potential governmental action to estimate the impacts, if any, on direct or indirect Federal funding that may impact the aviation industry, airports or local governments or their respective operations, including law enforcement, transportation or other activities. If there is a reduction in the amount of AIP grants awarded to the Department for LAX, or a reduction or delay in receipt by the Department of grants under the CARES Act, such reduction or delay could (i) increase by a corresponding amount the capital expenditures that the Department would need to fund from other sources (including operating revenues, Additional Senior Bonds or Additional Subordinate Obligations), (ii) result in decreases to the Department's Capital Program or (iii) extend the timing for completion of certain projects. Moreover, while enforcement of potential executive orders, laws or regulations could impose additional financial burdens upon the aviation industry, the Department or the City, as of the date of this Official Statement, insufficient information available regarding potential governmental action to estimate the magnitude, if any, of such potential impacts.

Loss of Federal Tax Exemption

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2020BCD Senior Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended (the "Code"), or court decisions may also cause interest on the Series 2020BCD Senior Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2020BCD Senior Bonds, or could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Prospective purchasers of the Series 2020BCD Senior Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. Interest on the Series 2020BCD Senior Bonds may become subject to federal income taxation if certain events occur subsequent to the date of issuance of the Series 2020BCD Senior Bonds that violate the requirements and limitations prescribed by the Code. Although the Department has agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur. If certain requirements are violated, the interest on the Series 2020BCD Senior Bonds may be deemed to be taxable retroactive to the date of issuance. The Series 2020BCD Senior Bonds are not subject to mandatory redemption or to mandatory acceleration in the event of such an occurrence. No premium or additional interest will be paid to the bondholders or former bondholders to compensate the bondholders for any losses they may incur as a result of the interest on the Series 2020BCD Senior Bonds becoming subject to federal income taxation. See "TAX MATTERS" below.

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

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Events of Default and Remedies; No Acceleration," except with respect to the Current CP Reimbursement Agreements as described below, the occurrence of a Senior Event of Default does not grant any right to accelerate payment of the Senior Bonds or the Subordinate Obligations to any of the Senior Trustee, the Subordinate Trustee, or the Holders of the Senior Bonds or Subordinate Obligations. The Senior Trustee is authorized to take certain actions upon the occurrence of a Senior Event of Default, including proceedings to enforce the obligations of the Department under the Senior Indenture. Pursuant to the Current CP Reimbursement Agreements, the Department granted to the Current CP Banks the right to accelerate any payments due to the Current CP Banks upon an event of default under the Current CP Reimbursement Agreements. However, the Department does not expect to grant to the New CP Banks the right to accelerate any payments due to the New CP Banks upon an event of default under the New CP Reimbursement Agreements. The Subordinate Trustee is authorized to take certain actions upon the occurrence of a Subordinate Event of Default, including proceedings to enforce the obligations of the Department under the Subordinate Indenture.

The rights and remedies available to the Senior Trustee, the Subordinate Trustee and the owners of the Senior Bonds (including the Series 2020BCD Senior Bonds) and Subordinate Bonds, and the obligations incurred by the Department, may become subject to, including through a City bankruptcy, among other things: (i) the Bankruptcy Code, including a determination that Net Pledged Revenues and Subordinate Pledged Revenues, as the case may be, may not be afforded the protections of "special revenues" under the Bankruptcy Code; (ii) other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally, now or hereinafter in effect; (iii) equity principles; (iv) limitations on the specific enforcement of certain remedies; (v) the exercise by the United States of America of the powers delegated to it by the Constitution; (vi) the reasonable and necessary exercise, in certain circumstances, of the police powers inherent in the sovereignty of the State and its governmental bodies having an interest in serving a significant and legitimate public purpose; and (vii) regulatory and judicial actions that are subject to discretion and delay.

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

Bonds as general unsecured creditors of the City; and (x) the release of all or a portion of Net Pledged Revenues or Subordinate Pledged Revenues, free and clear of lien of the Master Senior Indenture or Master Subordinate Indenture, as the case may be.

Legal opinions to be delivered concurrently with the delivery of the Series 2020BCD Senior Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2020BCD Senior Bonds may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, as well as limitations on legal remedies against cities in the State.

See also APPENDIX C-2 – "SUMMARY OF THE MASTER SENIOR INDENTURE – Senior Events of Default and Remedies – Application of Moneys" and APPENDIX C-4 – "SUMMARY OF THE MASTER SUBORDINATE INDENTURE – Subordinate Events of Default and Remedies – Application of Moneys." See also "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Subordinate Bonds and Subordinate Commercial Paper Notes."

Rate Covenant Limitations

As described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Senior Rate Covenant," the Senior Indenture includes covenants with respect to the establishment of rates and charges. However, the Senior Indenture provides that so long as the Department is taking specified steps to meet the applicable rate covenant, an event of default will not be triggered until the end of the second subsequent Fiscal Year. The ability of the Department to increase rates and charges and to reduce expenses is limited by, among other things, federal law (including the provisions thereof described under "—Regulations and Restrictions Affecting LAX; Climate Change") and certain agreements with airlines and other users of LAX facilities. See "USE OF AIRPORT FACILITIES." In Fiscal Year 2020, the Department used $9.67 million of grant moneys received under the CARES Act (which are neither LAX Revenues nor Pledged Revenues) to pay LAX Maintenance and Operation Expenses, which resulted in reducing the total amount of LAX Maintenance and Operation Expenses and increasing the Net Pledged Revenues included in the calculation of the rate covenant. In Fiscal Year 2021, the Department also expects to use additional grant moneys received under the CARES Act to pay LAX Maintenance and Operation Expenses.

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

The Letter Report of the Airport Consultant included as APPENDIX A incorporates numerous assumptions and states that the projections in the Letter Report of the Airport Consultant is subject to uncertainties. The range of projected key financial metrics relied on in the Letter Report of the Airport Consultant was prepared based on a hypothetical three-year and five-year recovery in the number of enplaned passengers compared to actual Fiscal Year 2019 passenger levels at LAX, as well as a number of other assumptions described therein. The key financial metrics were also based, in part, on comments related to vaccine timing and the expected return to travel from, but not limited to, a major airplane manufacturer, certain of the busiest airlines serving LAX, credit rating agencies and organizations representing the airlines. The negative effect of COVID-19 on the Los Angeles CSA, the State and the United States economic activity (e.g., population and unemployment) in 2020, and potentially later years, could be substantially lower than historical levels. The amount and length of any reduction in economic activity and its effect on passenger travel at the Airport is not within the scope of the Letter Report of the Airport Consultant.

Given the unprecedented nature and continuing uncertainty surrounding the COVID-19 pandemic, the Letter Report of the Airport Consultant does not include any projections of the (1) economic activity in the region served by LAX in the nation or (2) the number of enplaned passengers and other aviation activity (e.g., the number of flights at the Airport). As such, the Letter Report of the Airport Consultant used a hypothetical range of passenger recovery periods for the return to actual Fiscal Year 2019 passenger levels (the Fiscal Year prior to the outbreak of COVID-19) at the Airport for purposes of projecting key Airport financial metrics, including debt service coverage and average airline cost per enplaned passenger.

The Letter Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an understanding of all of the assumptions used to prepare the projections made therein. No assurances can be given that the projections discussed in the Letter Report of the Airport Consultant will be achieved or that the assumptions upon which the projections are based will be realized. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances will occur. Therefore, actual results achieved during the Projection Period may vary from those set forth in APPENDIX A and the variations may be material and adverse. Additionally, the debt service projections in the Letter Report of the Airport Consultant are not expected to be updated to reflect the sale, issuance or final terms of the Series 2020BCD Senior Bonds or the debt service savings to be achieved from the refunding of the Refunded Bonds. Further, the Letter Report of the Airport Consultant does not cover the entire period through maturity of the Series 2020BCD Senior Bonds. See "INTRODUCTION – Forward-Looking Statements," APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT." See also "—Delays and Cost Increases; Future Capital Projects; Additional Indebtedness."

Retirement Plan Funding

As described in more detail under "THE DEPARTMENT OF AIRPORTS – Retirement Plan," Department employees, including Airport Police, currently participate in the Los Angeles City Employees' Retirement System ("LACERS"). Under requirements of the Charter, the Department makes contributions to LACERS with respect to its employees in amounts determined by LACERS and its actuaries. See "THE DEPARTMENT OF AIRPORTS – Retirement Plan," regarding changes to the Charter to permit Airport Police to participate in the Los Angeles Fire and Police Pension Plan ("LAFPP"). The Department's pension cost varies from year to year depending on, among other things, the annual contribution rate determined by LACERS and by LAFPP and their respective actuaries, the total salaries paid to the Department's covered employees and the retirement benefits accruing to those employees. For Fiscal Year 2019, pursuant to GASB 68 (as described below), a proportional allocation of the City's Net Pension Liability (as described below) in the aggregate amount of approximately $773.4 million was allocated to the Department with respect to LAX. For Fiscal Year 2019, pursuant to GASB 75 (as defined below), a proportional allocation of the City's Net OPEB Liability (as defined below) in the aggregate amount of approximately $77.8 million was allocated to the Department with respect to LAX.

The following key findings were contained in the LACERS Valuations (i) the allocation of LACERS Net Pension Liability for the Department increased from approximately $785 million as of June 30, 2018 to approximately $819 million as of June 30, 2019, and (ii) the allocation of LACERS Net OPEB Liabilities for the Department decreased from approximately $78 million as of June 30, 2018 to approximately $69 million as of June 30, 2019. The COVID-19 pandemic is rapidly evolving and is having a significant impact on the U.S. economy in calendar year 2020, including most OPEB plans, and will likely continue to have an impact in the future. The result of the LACERS GASB 75 Valuation does not include the impact of (i) changes in the market value of plan assets since June 30, 2019; (ii) changes in interest rates since June 30, 2019; (iii) short-term or long-term impacts on mortality of the covered population; (iv) the potential for federal or state fiscal relief, or (v) short-term increases in health plan costs related to the testing or treatment of COVID-19. Each of the above factors could significantly impact the results of the LACERS GASB 75 Valuation and the obligations of the Department in connection therewith.

The LACERS Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2019 ("LACERS Valuation Report" and together with the LACERS Valuations and the Los Angeles City Employees' Retirement System, Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2019, the "LACERS Reports") and the Los Angeles Fire and Police Pension System Annual Report for the fiscal year ended June 30, 2018 and the City of Los Angeles Fire and Police Pension Plan Actuarial Valuation and Review of Retirement and Other Postemployment Benefits as of June 30, 2019 (collectively, the "LAFPP Reports") have reported unfunded actuarial accrued liabilities ("UAAL") for retirement benefits and for health subsidy benefits. Due to LACERS' and LAFPP's smoothing methodology, certain investment losses have not been recognized in the determination of LACERS' or LAFPP's UAAL. Contributions by the Department to LACERS and to LAFPP are expected to increase significantly in the coming Fiscal Years, as contribution rates are subject to change due to changes in market conditions, assumptions and funding methodologies. Factors beyond the Department's control, including but not limited to, returns on LACERS, and if any Airport Police participate in LAFPP in the future, to LAFPP plan assets, may affect the Department's retirement and health subsidy benefit expenses and may increase the Department's related funding obligations. These increases may adversely affect the Department's financial condition.

Investors are cautioned that information about the City's Net Pension Liability, the City's Net OPEB Liability, LACERS and LAFPP, including UAALs, funded ratios and calculations of required contributions, included or referenced in this Official Statement, are "forward looking" information. Such "forward looking" information reflects the judgment of LACERS and LAFPP and their respective actuaries as to the amount of assets that LACERS and LAFPP will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated employees and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

As noted in APPENDIX B and APPENDIX H, the City has unfunded pension plan actuarial liabilities. In a bankruptcy of the City, the amounts of current and, if any, accrued (unpaid) contributions owed to LACERS or LAFPP, as well as future material increases in required contributions could create additional uncertainty as to the City's ability to pay debt services with respect to Senior Bonds (including the Series 2020BCD Senior Bonds) and Subordinate Bonds. Although the issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in cases under the Bankruptcy Code of several California municipalities, including Stockton and San Bernardino, the relevant disputes have not been litigated to decision in the Federal circuit appellate courts, and thus there are no rulings from which definitive guidance can be taken in such cases.

For information regarding the City's Net Pension Liability, the City's Net OPEB Liability, LACERS-related and LAFPP-related unfunded actuarial accrued liabilities, LACERS and LAFPP system assets, LACERS and LAFPP funded ratios and certain of the City's projected contributions to LACERS and LAFPP, related assumptions and other LACERS-related and LAFPP-related information, see APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" and APPENDIX H – "CERTAIN INFORMATION REGARDING THE RETIREMENT PLAN AND PENSION SYSTEMS OF THE CITY OF LOS ANGELES." The information in APPENDIX H has been provided by the City. The LACERS and the LAFPP Reports are available on LACERS' and LAFPP's websites, respectively, and contain additional information regarding LACERS and LAFPP assumptions, plan details and investment of plan assets. The Department is relying upon, and has not independently confirmed or verified, the accuracy or completeness of this section, APPENDIX H or the LACERS Reports, LAFPP Reports or other information incorporated by reference therein.

AIRLINE INDUSTRY INFORMATION

Many of the major scheduled domestic airlines serving LAX, or their respective parent corporations, and many of the foreign airlines serving LAX with American Depository Receipts ("ADRs") registered on a national exchange, 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 domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial aid and operating statistics with the U.S. DOT. Such reports can be inspected at the U.S. DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, 1200 New Jersey Avenue, S.E., Washington, D.C. 20590, and copies of such reports can be obtained from U.S. DOT at prescribed rates.

Foreign airlines serving LAX, or foreign corporations operating airlines serving LAX (unless such foreign airlines have ADRs registered on a national exchange), are not required to file information with the SEC. Such foreign airlines, or foreign corporations operating airlines serving LAX, file limited information only with the U.S. DOT.

See "CERTAIN INVESTMENT CONSIDERATIONS – Demand for Air Travel; Aviation Activity and Related Matters," "—Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Concessionaire Bankruptcies" and "—Security Concerns; Cyber Security."

The Department undertakes no responsibility for and makes no representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or U.S. DOT as described in this section or (ii) any material contained on the SEC's website as described in this section, including, but not limited to, updated information on the SEC website or links to other Internet sites accessed through the SEC's website.

Any such information is not part of this Official Statement nor has such information been incorporated by reference herein, and such information should not be relied upon in deciding whether to invest in the Series 2020BCD Senior Bonds.

SPECIAL FACILITY AND CONDUIT FINANCINGS

LAX Special Facility Obligations

Pursuant to the Master Senior Indenture, the Department may (i) designate a separately identifiable existing facility or improvement or a planned facility or improvement as a "LAX Special Facility," (ii) pursuant to an indenture other than the Master Senior Indenture and without a pledge of any Pledged Revenues (except as otherwise provided in (iv) below), incur debt primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility or improvement, (iii) provide that the contractual payments derived from or related to such LAX Special Facility, together with other income and revenues available to the Department from such LAX Special Facility to the extent necessary to make certain payments required under the Master Senior Indenture, will be "LAX Special Facilities Revenue" and will not be included as Pledged Revenues, unless otherwise provided in any supplemental indenture, and (iv) provide that the debt so incurred will be an "LAX Special Facilities Obligation" and the principal of and interest thereon will be payable solely from the LAX Special Facilities Revenue and the proceeds of such LAX Special Facilities Obligation set aside exclusively to pay debt service on such LAX Special Facility Obligation (except the Department may, in its sole discretion, determine to make Pledged Revenues or such other moneys not included in Pledged Revenues available (through a specific pledge or otherwise and subject to any covenant or other provisions of the Master Senior Indenture or such other indentures or agreements of the Department) to the payment of principal of and interest on such LAX Special Facility Obligation in such amounts and at such times as may be agreed to by the Department). The Department may from time to time refinance any such LAX Special Facility Obligation with other LAX Special Facility Obligations.

The Department does not currently have any outstanding LAX Special Facility Obligations but may in the future. See "AIRPORT AND CAPITAL PLANNING – The ConRAC."

Conduit Financings

In addition to the improvements financed or planned to be financed at LAX through the issuance of revenue bonds, interest income, PFC revenues and grants-in-aid, other improvements at LAX have been financed through the issuance of bonds by the Regional Airports Improvement Corporation ("RAIC"), by the California Statewide Communities Development Authority ("CSCDA") and by the California Municipal Finance Authority ("CMFA"). Bonds of RAIC, CSCDA and CMFA are not obligations of the Department or the City, are not payable from or secured by any pledge of, or lien upon, moneys in the Airport Revenue Fund, and do not rely on the taxing power of the City. RAIC, CSCDA and CMFA bonds are secured solely by the payment obligations of the airlines or other users of the facilities financed with such bonds and in the case of RAIC bonds, by leasehold deeds of trust on the financed properties. See "AIRPORT AND CAPITAL PLANNING – The Automated People Mover System."

Certain of the outstanding RAIC bonds have buy-back rights, whereby the Department may at any time purchase the financed facilities by retiring the bonds used to finance those facilities. The Department may from time to time identify leases related to improvements which can be terminated on terms favorable to the Department. Financing for any such lease terminations and any restructuring of third-party debt associated with such lease terminations could be provided by the Department through use of moneys in the Airport Revenue Fund or by issuing Additional Senior Bonds, Additional Subordinate Bonds, Subordinate Commercial Paper Notes or other obligations of the Department. See "USE OF AIRPORT FACILITIES."

THE DEPARTMENT OF AIRPORTS

General Description

The City, acting through the Department, currently operates two airports in the Airport Service Region, LAX and VNY. The Department voluntarily returned the operating certificate relating to LA/PMD to the FAA, but may, upon compliance with certain requirements, request to have the LA/PMD certificate reissued. LAX, VNY and LA/PMD are collectively referred to as the "Airport System." The Airport System is operated as a financially self-sufficient enterprise, without City General Fund support.

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

VNY is a general aviation airport located approximately 20 miles northwest of downtown Los Angeles, in the San Fernando Valley, and occupies approximately 730 acres. VNY is one of the busiest general aviation airports in the United States with 237,224 operating movements in Fiscal Year 2019 as reported by the FAA. More than 100 businesses are located at VNY, including four fixed-base operators and numerous other aviation service companies. These businesses cater to a variety of private, government and corporate aviation needs. For Fiscal Year 2019, net operating income at VNY was approximately $3.2 million. For the last six calendar months (July – December) of 2018 net operating income at VNY was approximately $1.8 million. For the last six calendar months (July – December) of 2019 net operating income at VNY was approximately $1.6 million. For the first five calendar months (January – May) of 2019, net operating income at VNY was approximately $1.6 million. For the first five calendar months (January – May) of 2020, net operating income at VNY was approximately $1.3 million.

LA/PMD is located in the Antelope Valley approximately 60 miles north of LAX. Currently, there is no scheduled service at LA/PMD. The Department owns approximately 17,500 acres of land at and around LA/PMD. The Department has transferred operation, management, and control of the LA/PMD terminal facility to the City of Palmdale, but has retained certain rights for future development of the adjoining 17,500 acres. For Fiscal Year 2019, net operating revenues at LA/PMD were approximately $759,000. For the last six calendar months (July – December) of 2018 net operating income at LA/PMD were approximately $892,000. For the last six calendar months (July – December) of 2019 net operating income at LA/PMD were approximately $328,000. For first five calendar months (January – May) of 2019, net operating losses at LA/PMD were approximately $206,000. For first five calendar months (January – May) of 2020, net operating losses at LA/PMD were approximately $161,000.

Subsidization within the Airport System

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

VNY serves as a reliever airport for LAX. Any VNY subsidy, when provided, is recovered by the Department through an increase in landing fees at LAX. Landing fees at LAX are calculated based on LAX's operating costs and amortization of debt as well as certain costs associated with VNY. In Fiscal Year 2019, LAX provided no subsidy to VNY. In calendar year 2020 to date, LAX has provided no subsidy to VNY.

In Fiscal Year 2019, LAX provided no subsidy to LA/PMD, which generated operating income before depreciation of approximately $759,000. For a discussion of LA/PMD income during 2019 and 2020 see "THE DEPARTMENT OF AIRPORTS – General Description."

Any subsidy for LA/PMD is not incorporated in LAX landing fees but rather would be paid from discretionary funds and may increase or decrease in the future. See "AIRPORT SYSTEM ENVIRONMENTAL MATTERS – Hazardous Substances."

Board of Airport Commissioners

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

Member	Occupation	Date of Appointment	Current Term Expires
Sean O. Burton, President	Business Executive	August 2013	June 30, 2025
Valeria C. Velasco, Vice President	Attorney	September 2005	June 30, 2022
Gabriel L. Eshaghian	Real Estate Investor	August 2013	June 30, 2024
Beatrice C. Hsu	Business Executive	August 2013	June 30, 2021
Nicholas P. Roxborough	Attorney	March 2019	June 30, 2025
Cynthia A. Telles	Civic Leader/Professor	August 2013	June 30, 2023
Karim Webb	Entrepreneurial Activist	October 2019	June 30, 2024

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

Oversight

The Charter allows the City Council to review all Board actions. The Charter states that actions of the Board become final at the expiration of five meeting days of the City Council unless the City Council acts within that time, by a two-thirds vote, to bring an action of the Board before the City Council for review or to waive review of the action. If the City Council chooses to assert jurisdiction over the action, the City Council may, by a two-thirds vote, veto the action of the Board within 21 calendar days of voting to bring the matter before it, or the action of the Board is final. An action vetoed by the City Council shall be remanded to the Board which will have the authority it originally held to take action on the matter. In addition, the Charter provides that certain actions of the Board, including the issuance of debt, must also be approved by the City Council. The City Council approved the issuance of the Series 2020BCD Senior Bonds.

Additionally, the Department is subject to periodic audits, reviews, inspections and other inquiries by, among others, the City Controller, the FAA, the U.S. DOT, the Office of the Inspector General, the U.S. and California Environmental Protection Agencies, various water control boards and air quality management districts, the California Coastal Commission and the Department's own auditors. See "CERTAIN FUNDING SOURCES – Grants" and "AIRPORT SYSTEM ENVIRONMENTAL MATTERS – Hazardous Substances."

Department Management

Responsibility for the implementation of the policies formulated by the Board and for the day-to-day operations of the Airport System rests with the senior management of the Department. The Chief Executive Officer is appointed by the Board, subject to confirmation by the Mayor and the City Council. Subject to civil service rules and regulations, he or she is empowered to appoint and remove the senior managers. Within each of the various divisions in the Department, there are various sections that are assigned certain responsibilities for the efficient operation and development of the Airport System. The current principal administrative officers and their positions are named below:

Justin Erbacci, Chief Executive Officer. Mr. Erbacci was appointed General Manager/Chief Executive Officer in June 2020. Mr. Erbacci previously served as the Department's Chief Operating Officer (and Interim Chief Executive Officer from January 2020), where he oversaw the implementation and delivery of the Department's $14 billion ongoing modernization program and led the integration of the capital development, guest experience, innovation, commercial strategy, information technology, environmental and sustainability, and operations and facilities management functions at both LAX and VNY. Mr. Erbacci joined the Department in October 2016 as Chief Innovation and Technology Officer and Deputy Executive Director where he was responsible for implementing the Department's overall information technology vision and strategy, in addition to leveraging innovative technologies and processes to enhance operations at LAX and VNY general aviation airports. Mr. Erbacci's role was expanded to Chief Innovation and Commercial Strategy Officer where, in addition to his previous role, he also sponsored and led the terminal development and improvement program and shaped commercial and business strategies. Prior to his appointment with the Department, he served as Vice President of Customer Experience & Technology for Star Alliance. In this role, he was responsible for the development, implementation, architecting, operations, and maintenance of all global IT applications and infrastructure components, and led all Star Alliance product and service activities at the over 1,300 airports where its airlines operated. Additionally, Mr.

Erbacci has served as the Director of Global Product Management for Credit Suisse, and as a Manager of Business Planning and Technology at United Airlines. Mr. Erbacci has also served as a senior IT consultant for firms including Reese McMahon LLC, Cambridge Management Consultants, and Deloitte Touche Tohmatsu. Prior to consulting, he practiced law as a civil rights defense litigator. Mr. Erbacci earned a Master of Business Administration degree from the Vienna School of Economics/Moore School of Business at the University of South Carolina, and a Juris Doctor degree from Loyola University of Chicago's School of Law. He also earned a Bachelor of Arts in Political Science from Loyola University of Chicago.

Tatiana Starostina, Chief Financial Officer. Ms. Starostina was appointed Chief Financial Officer in January 2020. Ms. Starostina has more than 16 years of experience in the aviation industry. Most recently, she served as the Assistant Director of Aviation – Business and Strategy at the Port of Oakland having previously served as Manager of Financial Planning. Prior to serving at the Port of Oakland, Ms. Starostina worked at the Port of Portland as the Senior Manager for Financial Analysis and Projects. Prior to the Port of Portland she worked at United Airlines as Regional Manager for Airport Affairs, Corporate Real Estate. Her work included negotiation of airport-airline agreements at airports, which were undergoing substantial terminal development programs that required significant changes in airline operations and business arrangements. She helped develop new rate making methodologies and served on Airline-Airport Affairs Committees, overseeing capital improvement programs. Ms. Starostina serves as the Chair of the Airport Airline Business Working Group of the Airports Council International — North America (ACI-NA) Finance Committee. She was named the Medium Airport Finance Professional of the Year by ACI-NA in 2019. Ms. Starostina holds an MBA from the Kellogg School of Management at Northwestern University in analytical finance, strategy, accounting and decision science.

Bernardo Gogna, Chief Development Officer. Mr. Gogna has over 25 years of design, program and project management experience, of which 20 years is aviation-related. Prior to joining the Department, he served as Capital Program Director at Amsterdam Airport Schiphol where he managed a multi-billion dollar landside and airside facilities capital program to deliver a new pier, terminals, roads, and utilities. Prior to joining Schiphol, he was the Director of Global Aviation for AECOM and managed aviation projects throughout Europe, Asia, and the Middle East. As the Project Director at the New Doha International Airport, Mr. Gogna led the effort to design, procure, construct and prepare operations for a new airport, including the 6.46m ft^2 Emiri Terminal, an air traffic control tower, aircraft parking positions, maintenance hangars, as well as cargo and ARFF facilities. Mr. Gogna holds a Master's degree in Architecture from Pratt Institute and undergraduate degrees in architecture and urban design and regional planning from Politecnico di Milano in Italy and the Bartlett School of Architecture in London.

Samantha Bricker, Chief Environmental and Sustainability Officer. Ms. Bricker was named Chief Environmental and Sustainability Officer in August 2019. Ms. Bricker is responsible for overseeing all environmental and sustainability programs for the Department including, air quality and conservation initiatives, noise programs, environmental planning, regulatory compliance as well as transportation and mobility strategy. Ms. Bricker is also responsible for coordinating with external agencies and stakeholders in support of the LAMP Program (defined herein). She was appointed Executive Director of the Environmental Planning Group in November 2016 which oversees all entitlements and planning, noise program sustainability and environmental compliance for the Department. Before her appointment at the Department, Ms. Bricker was the Chief Operating Officer at the Exposition Metro Line Construction Authority for over 10 years where she oversaw the planning, procurement, real estate program, government and community outreach, finance and budget for the Exposition Light Rail transit project. She holds a Master's degree in Political Science from University of California Los Angeles and a Bachelor's degree in Political Science from Northwestern University.

Michelle D. Schwartz, Chief External Affairs Officer. Ms. Schwartz was appointed *Chief External Affairs Officer* in September 2018. Prior to joining the Department, she served as Senior Director of Government Affairs for Charter Communications where she developed, coordinated and implemented government and community affairs strategies. Prior to her engagement with Charter, Ms. Schwartz served as Chief of Staff to the FAA Administrator where she provided advice on the management of a \$16.3 billion budget and more than 47,000 employees. As Deputy Chief of Staff to U.S. Senator Frank Lautenberg, Ms. Schwartz assisted with securing more than \$60 billion in Federal funds to rebuild New Jersey and New York after Superstorm Sandy. Ms. Schwartz holds a Juris Doctorate degree from Yale Law School and a Bachelor of Arts in Public Policy Studies from Duke University.

Jeffrey Utterback, Deputy Executive Director, Commercial Development. Mr. Utterback was appointed Deputy Executive Director, Commercial Development in January, 2019. Prior to joining the Department, Mr.

Utterback served as Director of Real Estate and Economic Development for the Port of Seattle where he led all major real estate planning, acquisitions and development projects across the Port of Seattle's aviation, maritime and cruise facilities. Prior to joining the Port of Seattle, Mr. Utterback served as the Senior Managing Director of Kennedy Wilson, a global real estate investment and services company. His responsibilities included oversight of construction management, property management and accounting, in addition to supervising the generation of new business, acquisitions and development opportunities. Mr. Utterback also served as an Investment Officer with the Washington State Investment Board and was responsible for the oversight of seven real estate operating companies. He also served as the Head of the Washington State Investment Board's Global Co-Investment vehicle. Prior to joining the Washington State Investment Board, he ran his own fee development business and directly developed institutional properties, primarily in Central Europe and East Africa. Mr. Utterback earned a bachelor's degree in Architecture and a master's degree in Business Administration from the University of Texas at Austin.

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

Jacob Adams, Deputy Executive Director, LAMP Executive. Mr. Adams was appointed Deputy Executive Director at the Department in November 2018 and is currently serving as the Program Executive for LAMP. Mr. Adams has over 25 years of experience in the development and delivery of airport and heavy civil infrastructure programs. He has led programs and projects from concept through planning, entitlement, procurement, design, construction, commissioning, activation and close-out. Mr. Adams joined the City in 1990 and served the Department from 1994 to 2011 in progressively responsible positions as part of the Airports Development Group. After providing remote consultation, he returned to the Department in 2016. Mr. Adams holds a license as a registered Professional Engineer in California. He has a Bachelor of Science in Engineering from Virginia Polytechnic Institute and State University and an Associate Degree in Project Management from George Washington University.

David L. Maggard, Jr., Deputy Executive Director, Law Enforcement and Homeland Security. Chief Maggard was appointed Deputy Executive Director in August 2019. Chief Maggard provides leadership, management oversight and policy direction to all law enforcement and security staff at Airport System; coordinates with other law-enforcement agencies; is responsible for counter-terrorism efforts; and oversees firefighting, emergency medical, and fire-prevention services provided by the Los Angeles Fire Department at LAX. He also participates in Airport-wide leadership teams and has responsibility for integrating the law enforcement and homeland security functions with Airport operations and other aviation staff. Chief Maggard joined the Department as Assistant Chief of Operations in November 2015 after retiring from the Irvine Police Department following 12 years of service. At the time of his retirement, he was serving as Chief of Police – Director of Public Safety for the City of Irvine where he led 450 public safety professionals. Chief Maggard served as the President of the California Police Chief's Association; represented California at the State Association of Chiefs of Police; and was appointed by California Governor Jerry Brown to the Board of State and Community Corrections. Chief Maggard successfully graduated from the Federal Bureau of Investigation National Academy and holds a Bachelor of Arts in Legal Studies from the University of California, Berkeley; a Master of Science in Criminal Justice from California State University, Long Beach; and is currently a Doctoral Candidate in Education at Pepperdine University.

Michael R. Christensen, P.E., Deputy Executive Director, Operations and Maintenance. Mr. Christensen was appointed Deputy Executive Director, Facilities Maintenance and Utilities Group, in May 2017, and subsequently Deputy Executive Director, Operations and Maintenance, in August 2019. His responsibilities include overseeing both facilities maintenance and utilities along with operations and emergency management. Mr.

Christensen has over 43 years of experience as a transportation professional. Prior to joining the Department, Mr. Christensen held senior executive positions at the Ports of Long Beach and Los Angeles. Before joining the Port of Los Angeles in 2006, Mr. Christensen served as Vice President at Parsons Transportation Group, where he was responsible for a broad range of local, regional, and national airport, port, planning, goods movement, and rail projects. Before his Parsons assignments, he served as Vice President and Managing Principal for Nolte and Associates and as President of Summit/Lynch Consulting Engineers, both transportation consulting firms in Walnut Creek, California. His career also included 16 years of service to the Southern Pacific Railroad where he held posts at eight different locations throughout the railroad's 13-state system engaged in maintenance, construction, and environmental remediation. Mr. Christensen earned a bachelor's degree in civil engineering from Arizona State University and a certificate in Executive Education from the Harvard Kennedy School of Government. He is a professional civil engineer in California and nine other western states and is a member of the American Society of Civil Engineers. He is a Certified Member of the American Association of Airport Executives.

Robert Falcon, Deputy Executive Director, Planning & Development Group. Mr. Falcon was appointed permanent Deputy Executive Director of Planning & Development Group in January 2020, previously holding the interim position since August 2019. In this role, he oversees the planning, design and construction of the Department's capital improvement program. The Planning & Development Group manages significant infrastructure projects such as the Midfield Satellite Concourse, Airport Police Facility, and numerous utility and airfield improvement projects. Previously, Mr. Falcon served as the Chief Airports Engineer overseeing the Airside, Landside and Utilities Infrastructure Planning Division responsible for airport planning and engineering. He has over 27 years of experience with the City. Prior to his assignment at the Department, Mr. Falcon worked as a civil engineer for road, bridge and fire station projects. He is a registered Professional Civil Engineer in California. Mr. Falcon holds a Bachelor of Science degree in Civil Engineering from the University of Maryland, and is a member of the American Society of Civil Engineers.

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

Becca Doten, Deputy General Manager Airports, Public Media Relations. Ms. Doten was appointed as Deputy General Manager Airports, Public Media Relations in July 2017. In this role Ms. Doten oversees internal and external communications for the Department, leads strategic communications planning, media/press relations, digital and social media efforts and marketing. Ms. Doten has more than a decade of experience in communications and public policy at the city, county and state level. Prior to joining the Department Ms. Doten supervised the Los Angeles office of the State Controller, serving as the Assistant Deputy Controller and statewide Director of External Affairs. Previous to that, she spent seven years working for the City of Los Angeles, serving as the Chief of Staff and Director of Communications for a Los Angeles City Councilmember and as the Director of the Mayor's Crisis Response Team. Ms. Doten holds a Bachelor of Arts degree in Film Production from the University of Southern California and is a sworn Reserve Officer with the Los Angeles Police Department.

Raymond S. Ilgunas, General Counsel. Mr. Ilgunas is a Managing Sr. Assistant City Attorney and has served as General Counsel to the Department since 2011. He advises the Board, the Department, the Department's Executive Director, the City Council and its subcommittees and the Mayor on legal matters relating to the operation and management of the Airport System. He is responsible for overseeing all cases and contracts relating to the Airport System and providing specialized legal counsel on federal regulatory matters governing airports. Also, as General Counsel he is counsel to the Department's Chief Operating Officer and Finance Division in connection with all Airport System financing issues. Prior to joining the Department, Mr. Ilgunas served as counsel to the Community Redevelopment Agency of the City of Los Angeles (the "CRA/LA"). In this capacity, he provided legal advice to the CRA/LA's Board, its Housing, Management and Budget and Project Review Committees, the Executive Director, City Council and its subcommittees and the Mayor concerning all aspects of redevelopment. Prior to his position at CRA/LA, Mr. Ilgunas held a variety of legal positions serving as counsel to the Land Use, Ethics, General Counsel and Criminal Divisions in the City Attorney's Office. Mr. Ilgunas serves on the ACI-North America and California Airports Council Legal Steering Committees. Mr. Ilgunas holds a Juris Doctorate degree from Loyola Law School, Los Angeles and a Bachelor of Arts degree from Loyola Marymount University.

Employees and Labor Relations

The Department is a civil service organization, which as of June 30, 2020 had 4,086 authorized positions and 4,332 total positions (including temporary positions), of which 4,023 authorized positions and 4,269 total positions were at LAX and 63 total positions were at VNY. This wide range of job classifications is grouped into eight job categories, including Officials and Administrators, Professionals, Technicians, Protective Service, Paraprofessionals, Administrative Support, Skilled Craft and Service Maintenance.

As of June 30, 2019 the Department had 3,763 authorized positions and 4,376 total positions (including temporary positions), of which 3,704 authorized positions and 4,316 total positions were at LAX and 59 authorized positions and 60 total positions were at VNY.

The Department has been awarded a CARES Act grant, the conditions of which require the Department to employ at least 90.0% of its staff of March 27, 2020 through December 31, 2020. The Department intends to comply with the terms of the CARES Act grant and the projections in the Letter Report of the Airport Consultant include the receipt of CARES Act grant funds. As of the date of this Official Statement, the Department has no plans to implement any involuntary terminations.

The Fiscal Year 2021 budgeted personnel expenses associated with salaries/overtime, and pension contributions are projected to decrease by $25.1 million, or 7.4% and $6.7 million, or 6.8%, respectively, compared to Fiscal Year 2020. The proposed budget assumes the City's announced furlough program and a reduction of 494 employees in the Department's Fiscal Year 2020 budgeted headcount to approximately 3,269 positions which include full-time and part-time positions. The reduced headcount is a result of the hiring freeze implemented in March of 2020, the plan to manage headcount, and positions vacated due to the Separation Incentive Program ("SIP"), which offers eligible staff members the opportunity to retire from City service. A total of 331 employees have chosen to participate in the program to voluntarily terminate their employment with the Department, which SIP departures began on June 6, 2020. Any employment terminations through the SIP fall within CARES Act guidelines and are not expected to be counted as a termination for CARES Act compliance matters.

Additionally, the Department is currently working with the labor unions to develop solutions to limit the need for furloughs during Fiscal Year 2021, while achieving budgeted personnel expense savings. Because savings assumed in the Department's expenditures from furloughs were calculated based on their implementation prior to the COVID-19 pandemic, absent any approved alternative solutions, any changes to the projected expenses will reduced in projected savings or lead to additional service impacts.

The Department expects to have a COVID-19 screening application in place in August 2020 which will allow employees reporting to work to check their temperatures daily and answer questions related to symptoms. Based on the information provided, the application will determine whether the employee should report to work. The Department also expects to install touchless health check stations at building entrances so that employees and guests can check their temperature prior to entering the building.

As a municipal organization, the Department's employee and labor relations are governed by applicable State and City civil service rules and regulations as well as 24 separate labor agreements between management and unions ("Memoranda of Understanding"). Most of the Department's employees are covered by the Memoranda of Understanding. The following table lists all Memoranda of Understanding between the Department and labor and management unions and their respective expiration dates as of June 30, 2020.

TABLE 4

**DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
MEMORANDA OF UNDERSTANDING
BETWEEN THE CITY AND
EMPLOYEE LABOR ORGANIZATIONS REPRESENTING EMPLOYEES OF THE LOS ANGELES INTERNATIONAL AIRPORT**

Bargaining Unit	Expires
Service Employees International Union, Local 721	
Equipment Operation and Labor Employees Representation Unit No. 4	June 30, 2021
Professional Engineering and Scientific Unit No. 8	June 30, 2021
Service and Craft Representation Unit No. 14	June 30, 2021
Service Employees Representation Unit No. 15	June 30, 2021
Supervisory Professional Engineering and Scientific Unit No. 17	June 30, 2021
Safety/Security Representation Unit No. 18	June 30, 2021
Municipal Construction Inspectors Association, Inc.	
Inspectors Unit No. 5	June 22, 2022
Los Angeles Professional Managers Association	
Management Employees Unit No. 36	June 30, 2021
Personnel Director Unit No. 63	June 30, 2021
Confidential Senior Personnel Analysts Unit No. 64	June 30, 2021
American Federation of State, County and Municipal Employees	
Clerical and Support Services Unit No. 3	June 30, 2021
Executive Administrative Assistants Unit No. 37	June 30, 2021
Engineers and Architects Association	
Administrative Unit No. 1	June 30, 2022
Supervisory Technical Unit No. 19	June 30, 2022
Supervisory Administrative Unit No. 20	June 30, 2022
Technical Rank and File Unit No. 21	June 30, 2022
Local No. 501, International Union of Operating Engineers	
Plant Equipment Operation and Repair Representation Unit No. 9	June 30, 2021
Los Angeles City Supervisors and Superintendents Association, Laborer's International Union of North America, Local 777	
Supervisory Blue Collar Unit No. 12	June 30, 2021
Los Angeles/Orange Counties Building and Construction Trades Council	
Building Trades Rank and File Representation Unit No. 2	June 30, 2021
Supervisory Building Trades and Related Employees Representation Unit No. 13	June 30, 2021
Use of Union Hiring Halls for Temporary Use of Craft Workers No. 35	On-going
All City Employees Association, Local 2006, AFSCME, Council 36, AFL-CIO	
Professional Medical Services Unit No. 10	June 30, 2021
Los Angeles Airport Peace Officers Association	
Peace Officers Representation Unit No. 30	June 18, 2022
Airport Supervisory Police Officers' Association of Los Angeles	
Supervisory Peace Officers' Unit No. 39	June 18, 2022
Airport Police Command Officers Association of Los Angeles	
Management Peace Officers' Unit No. 40	June 18, 2022

Source: Department of Airports of the City of Los Angeles.

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

Retirement Plan

Department employees participate in either LACERS or LAFPP.

LACERS is a contributory plan, established in 1937 under the Charter, covering most City employees except certain uniformed fire and police personnel and employees of the Department of Water and Power. LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, Harbor police and Airport police. The LACERS and LAFPP plans are the obligation of the City. Under requirements of the Charter, the Department makes contributions to LACERS and LAFPP with respect to its employees in amounts determined by LACERS or LAFPP, as the case may be, and its actuaries. The Department does not participate in the governance or management of LACERS or LAFPP.

The Department's pension cost varies from year to year depending on, among other things, the annual contribution rate determined by LACERS and its actuaries, the total salaries paid to the Department's covered employees and the retirement benefits accruing to those employees. The Department contributed approximately $92.5 million, $78.8 million, $74.3 million, $73.9 million, $68.7 million and $62.0 million to LACERS with respect to LAX in Fiscal Years 2020, 2019, 2018, 2017, 2016 and 2015, respectively. The Department contributed to LAFPP approximately $1.7 million, $1.3 million and $0.4 million in Fiscal Years 2020, 2019 and 2018, respectively. For each of these Fiscal Years, the contribution made by the Department equaled 100% of the annual required contribution as calculated by LACERS, LAFPP and their respective actuaries.

In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which applies to governmental entities such as the Department. GASB 68 requires governments providing defined benefit pensions to recognize the difference between pension plans' fiduciary net position (the amount held in a trust for paying retirement benefits, generally the market value of assets) and their long-term obligation for pension benefits as a liability ("Net Pension Liability"). Also, pursuant to GASB 68, a proportionate share of the City's Net Pension Liability is allocated for accounting purposes to the Department. GASB 68 addresses the disclosure of pension liability only and does not impose any funding requirements. See "CERTAIN INVESTMENT CONSIDERATIONS – Retirement Plan Funding."

In 2015, GASB issued Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"), which applies to governmental entities such as the Department. GASB 75 requires the liability of employers to employees for defined benefit postemployment benefits other than pensions ("OPEB") to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB plan's fiduciary net position ("Net OPEB Liability"). Also, pursuant to GASB 75, a proportionate share of the City's Net OPEB Liability is allocated for accounting purposes to the Department. GASB 75 addresses the disclosure of OPEB liability only and does not impose any funding requirements. See "CERTAIN INVESTMENT CONSIDERATIONS – Retirement Plan Funding."

Due to LACERS' and LAFPP's smoothing methodology, certain investment losses have not been recognized in the determination of LACERS' and LAFPP's UAAL. Aggregate contributions by the Department to LACERS and LAFPP may increase significantly in the coming Fiscal Years, as contribution rates are subject to change due to changes in market conditions, assumptions and funding methodologies.

Investors are cautioned that information about the City's Net Pension Liability, the City's Net OPEB Liability, LACERS and LAFPP, including UAALs, funded ratios and calculations of required contributions, included or referenced in this Official Statement, are "forward looking" information. Such "forward looking" information reflects the judgment of LACERS AND LAFPP and their actuaries as to the amount of assets that LACERS and LAFPP will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated employees and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

For information regarding the City's Net Pension Liability, the City's Net OPEB Liability, LACERS-related and LAFPP-related unfunded actuarial accrued liabilities, LACERS and LAFPP system assets, LACERS and LAFPP funded ratios and certain of the City's projected contributions to LACERS and LAFPP, related assumptions and other LACERS-related and LAFPP-related information, see APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" and APPENDIX H – "CERTAIN INFORMATION REGARDING THE RETIREMENT PLAN AND PENSION SYSTEMS OF THE CITY OF LOS ANGELES." The information in APPENDIX H has been provided by the City. The LACERS Reports and LAFPP Reports are available on

LACERS' and LAFPP's website and contain additional information regarding LACERS and LAFPP assumptions, plan details and investment of plan assets. The Department is relying upon, and has not independently confirmed or verified, the accuracy or completeness of this section, APPENDIX H or the LACERS Reports, LAFPP Reports or other information incorporated by reference therein. See also "CERTAIN INVESTMENT CONSIDERATIONS – Retirement Plan Funding."

LOS ANGELES INTERNATIONAL AIRPORT

Introduction

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

No airline dominates in shares of enplaned passengers or provides formal "hubbing" activity at LAX. No air carrier accounted for more than 20% of LAX's total enplanements for Fiscal Year 2019. For Fiscal Year 2019, approximately 81.6% of passengers at LAX represented originating and destination passengers (that is, all passengers beginning or ending their trips at LAX). The remaining approximately 18.4% of passengers represented connections to or from regional markets as well as domestic connections to or from international markets. Historically, the level of connecting passengers at LAX is due primarily to: (i) LAX's role as a major gateway to numerous international markets; (ii) the geographical location of LAX in relation to numerous markets along the west coast of the United States; (iii) the significant number of nonstop flights to and from domestic markets; and (iv) the alliances among airlines serving LAX. As of June 2020, LAX provided scheduled service to 43 international destinations. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSES."

Facilities

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

Passenger terminal facilities include ticketing and baggage check-in on the upper departure level and baggage claim on the ground level, fronting on the lower-level roadway. Passenger terminal facilities provide access to and from aircraft arrival/departure areas. LAX currently has a total of 115 contact gates in the Central Terminal Area along with a number of remote gate positions for a total of 134 gates. Several of the jet gates accommodate propeller driven aircraft.

The existing airfield consists of four parallel east-west runways configured in two pairs. The north airfield complex includes Runway 6L-24R (8,926 feet) and Runway 6R-24L (10,285 feet). The south airfield complex includes Runway 7R-25L (11,095 feet) and Runway 7L-25R (12,091 feet). All runways are 150 feet wide, except for Runway 7R-25L, which is 200 feet wide. For approaches during Instrument Flight Rules conditions, instrument landing systems are installed on all eight runway ends. The current runway system at LAX can accommodate arrivals and departures of all commercial aircraft currently in service, including the Airbus A380.

Approximately 10,429 public parking spaces are available at LAX in parking lots owned by the Department, including approximately (i) 7,718 parking spaces in eight parking garages in the Central Terminal Area, (ii) 2,690 public parking spaces in parking Lot E, and (iii) 21 public parking spaces in a cell phone waiting lot. See "USE OF AIRPORT FACILITIES – Concession and Parking Agreements."

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

The Department coordinates on a regular basis with federal, state and local partners, including the CDC, the TSA, and state and local health departments to develop and implement protocols in response to the COVID-19 pandemic. The federal government has also issued directives regarding the required screening of passengers possibly exposed to COVID-19. The screening protocols build on the Department's established infectious disease protocols, which include reviewing information from pilots, flight attendants or crew who are trained to spot and report symptoms.

In response to the COVID-19 pandemic, the Department installed more than 250 additional hand sanitizer stations and approximately 700 Plexi-Glass shields throughout the terminals at LAX. The Department has increased cleaning frequency of public areas and restrooms and has increased deep cleaning throughout LAX, focusing on "high touch" areas, such as handrails, escalators, elevator buttons and restroom doors. The Department is also coordinating with its contracting partners to ensure their cleaning crews follow the same protocols. The LAX Shuttle fleet is being disinfected and cleaned several times per day. In addition, signage has been added to high traffic areas, including areas with passengers, with information about how to reduce the spread of illness and symptoms of the coronavirus. The Department is also testing additional measures, such as UVC light units in some restrooms and electrostatic spray units for disinfecting.

Sustainability Initiatives

The Department has a longstanding commitment to advancing sustainability in its built environment and operations at LAX and VNY, and is engaged in ongoing efforts to collaborate, deliver results and drive innovation. The Department categorizes and measures its sustainability performance at LAX and VNY on the basis of (i) economic viability, (ii) social responsibility, (iii) energy stewardship, (iv) water conservation, (v) air quality, (vi) material resources management, (vii) sustainable construction practices, and (viii) natural resources management. Following adoption of the Department's Sustainable Design and Construction Policies in 2017, and building upon its 2007 Sustainability Vision and Principles, the Department progressed in these focus areas, and has named a Chief Environmental and Sustainability Officer as of August 2019 who is responsible for overseeing all environmental and sustainability programs for the Department. In recognition of the Department's commitment to mitigating climate change impacts through a comprehensive inventory of greenhouse gas emissions, it has achieved Airport Carbon Accreditation, "Level 3 – Optimization" for the past three years, a program in which the Department voluntarily participates. The Board also approved a Sustainability Action Plan in November 2019, which sets specific goals for the Department to reduce water and energy use, as well as emissions and waste reductions. The LAMP is a cornerstone of the Department's sustainability efforts, and its transformation of ground transportation at LAX is projected to serve 30 million travelers annually and reduce vehicle miles traveled by 117,000 per day when both the APM System (as defined below) and ConRAC (as defined below) open in 2023. The Department was selected as the "Public Agency of the Year" by the Los Angeles Sustainability Coalition in 2018, in recognition of the improvements in Los Angeles regional transportation system sustainability that are expected from the APM System. In addition, the Department is taking steps toward establishing a more sustainable approach to its vehicle fleet, with alternative fuel technology first introduced in 1993 and an Electric Vehicle Purchasing Policy adopted in 2017 to progressively increase the percentage of light duty electric vehicles from 2017 to 2035, ultimately reaching 100%. In 2018, the Department was named a winner of the "2018 Green Fleet Awards." The Department has also increased the number of publicly accessible electric vehicle chargers and is taking steps toward all-electric gate operations. The Department periodically issues a Sustainability Report which contains additional information regarding sustainability, as well as the Department's Corporate Social Responsibility and Environmental practices.

Air Carriers Serving LAX

The following table sets forth the air carriers serving LAX as of June 1, 2020. See “AIRLINE INDUSTRY INFORMATION.”

TABLE 5

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
AIR CARRIERS SERVING LAX
AS OF JUNE 1, 2020

Scheduled U.S. Carriers (15)	Foreign Flag Carriers (55)		Nonscheduled Carriers (24)	All-Cargo Carriers (38)
Alaska Airlines	ABC Aerolineas (Interjet)	Iberia[‡]	Aero Micronesia Inc	21 Air
Allegiant Air	Aeroflot[*]	Japan Airlines[‡]	Ameristar Air Cargo	ABX Air Inc.
American Airlines[‡]	Aer Lingus	KLM Royal Dutch[*]	Antonov Airlines	AeroLogic GmbH
Boutique Air	AeroMexico[*]	Korean Air[*]	ASL Airlines Belgium	Aerotransporte De Carga Union
Delta Air Lines[*]	Avianca/TACA[†]	LATAM[‡]	Berry Aviation	Aerotransportes Mas De Carga
Envoy Air[(1)]	Air Canada[†]	Lan Peru[‡]	Clay Lacy Aviation	Air Bridge Cargo Airlines
Frontier Airlines	Air China[†]	LACSA	Cargojet Inc	Air China Cargo
Hawaiian Airlines	Air France[*]	LOT Polish Airlines[†]	Comlux Aruba N.V.	Air Transport International
JetBlue Airways	Air Italy SpA	Lufthansa German[†]	Eastern Airlines LLC	Ameriflight
MN Airlines (Sun Country)	Air New Zealand[†]	Norwegian Air Shuttle	Elan Express	Amerijet International
Mokulele Airlines	Air Pacific (Fiji Airways)	Norwegian Air UK	Estafeta Carga Aerea	Asiana Cargo
SkyWest Airlines[(2)]	Air Tahiti Nui	Philippine Airlines	Ethiopian Airlines	Atlas Air Cargo
Southwest Airlines	Alitalia[*]	Qantas[‡]	Lynden Air	CargoLogicAir
Spirit Airlines	All Nippon[†]	Qatar Airways	Miami Air	Cargolux
United Airlines[†]	Asiana[†]	Saudi Arabian Airlines[*]	Privilege Style S.A.	Cathay Pacific Cargo
	Austrian Airlines[†]	Scandinavian Airlines[†]	Silk Way West Airlines	China Airlines Cargo
	British Airways[‡]	Sichuan Airlines[†]	Sky Lease I Inc	China Cargo Airlines
	Cathay Pacific[‡]	Singapore Airlines[†]	Skybird Aviation Inc.	China Southern Cargo
	China Airlines[*]	SWISS[†]	Suparna Airlines Co Ltd.	Emirates SkyCargo
	China Eastern[*]	Turkish Airlines[†]	Swift Air LLC	Eva Airways Cargo
	China Southern[*]	Virgin Atlantic Airways	Tampa Cargo	FedEx
	Copa[†]	Virgin Australia	Tatonduk Outfitters (Everts Air Cargo)	Flugfelagid Atlanta Hf
	El Al Israel	VivaAerobus	Volga-Dnepr	Gulf & Caribbean Cargo
	Emirates	Volaris	Wamos Air	IFL Group
	Etihad Airways	Volaris Costa Rica		Kalitta Air LLC
	Eva Airways[†]	WestJet		Kalitta Charters
	Finnair	Xiamen Airlines[*]		Korean Cargo
	Hainan Airlines			Lan Cargo
				Lufthansa German
				National Air Cargo Group
				Nippon Cargo
				Polar Air Cargo
				Qantas Airways Cargo
				Qatar Airways Cargo
				Singapore Airlines Cargo
				Southern Air
				United Parcel Service
				Western Global Airlines

[*] Member of Sky Team.
[†] Member of Star Alliance.
[‡] Member of One World Alliance.
[(1)] Envoy flies for American Airlines.
[(2)] SkyWest flies for Alaska Airlines, American Airlines, Delta Air Lines, and United Airlines.
Source: Department of Airports of the City of Los Angeles.

Aviation Activity

LAX is classified by the FAA as a large hub airport. According to Airports Council International ("ACI") statistics, in calendar year 2019, LAX ranked as the 3rd busiest airport in the world, approximately 11,943,425 passengers behind the second busiest airport in the world, and the 2nd busiest airport in North America in terms of total number of enplaned passengers, and 13th busiest airport in the world and 5th busiest airport in North America in terms of total cargo. According to the United States Department of Transportation Origins and Destinations Survey of Airline Passenger Traffic for calendar year 2019, LAX ranked 1st nationally in number of domestic O&D passengers. O&D passengers begin and end their journeys at LAX, while connecting passengers transfer to other flights at LAX. Enplanements had grown from approximately 36.1 million in Fiscal Year 2015 to approximately 44.2 million in Fiscal Year 2019, an increase of approximately 22.4%. For the first half of Fiscal Year 2020 (July 2019 – December 2019), according to ACI, LAX remained ranked 1st nationally in the number of O&D passengers. The following table shows the air passenger activity, total movements and cargo volume at LAX relative to the world's busiest airports. **Since the publication of the foregoing statistics and data, the COVID-19 pandemic has had a significant impact on enplanements at LAX and the finances and operations of the Department and the airlines, concessionaires and service providers at LAX**. See "LOS ANGELES INTERNATIONAL AIRPORT" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSES – OVERVIEW OF AIRPORT ROLE."

TABLE 6

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP 15 WORLDWIDE RANKINGS – CALENDAR YEAR 2019

Rank	Airport	Total Passengers	Airport	Total Movements	Airport	Total Cargo (metric tons)[1]
1	Atlanta (ATL)	110,531,300	Chicago (ORD)	919,704	Hong Kong (HKG)	4,809,485
2	Beijing (PEK)	100,011,438	Atlanta (ATL)	904,301	Memphis (MEM)	4,322,740
3	**Los Angeles (LAX)**	**88,068,013**	Dallas/Fort Worth (DFW)	720,007	Shanghai (PVG)	3,634,230
4	Dubai (DXB)	86,396,757	**Los Angeles (LAX)**	**691,257**	Louisville (SDF)	2,790,109
5	Tokyo (HND)	85,505,054	Denver (DEN)	631,955	Incheon (ICN)	2,764,369
6	Chicago (ORD)	84,649,115	Beijing (PEK)	594,329	Anchorage (ANC)	2,745,348
7	London (LHR)	80,888,305	Charlotte (CLT)	578,263	Dubai (DXB)	2,514,918
8	Shanghai (PVG)	76,153,455	Las Vegas (LAS)	552,962	Doha (DOH)	2,215,804
9	Paris (CDG)	76,150,009	Amsterdam (AMS)	515,811	Taipei (TPE)	2,182,342
10	Dallas/Fort Worth (DFW)	75,066,956	Frankfurt (FRA)	513,912	Tokyo (NRT)	2,104,063
11	Guangzhou (CAN)	73,386,153	Shanghai (PVG)	511,846	Paris (CDG)	2,102,268
12	Amsterdam (AMS)	71,706,999	Guangzhou (CAN)	491,249	Miami (MIA)	2,092,472
13	Hong Kong (HKG)	71,415,245	Paris (CDG)	482,676	**Los Angeles (LAX)**	**2,091,622**
14	Incheon (ICN)	71,204,153	Houston (IAH)	478,070	Frankfurt (FRA)	2,091,174
15	Frankfurt (FRA)	70,556,072	London (LHR)	478,002	Singapore (SIN)	2,056,700

(1) ACI cargo statistics do not match those presented elsewhere in this Official Statement because ACI uses a different methodology for calculating.

Source: ACI Preliminary World Airport Traffic and Results for 2019, June 2020.

The following table presents historical total revenue operations (landings and takeoffs) and total domestic and international enplanements and deplanements at LAX for Fiscal Years 2010 through 2019, as well as for the last six calendar months of calendar year 2018 and 2019, and for the first five calendar months of calendar year 2019 and 2020.

As shown in the table below, from Fiscal Year 2010 through Fiscal Year 2019, total enplaned and deplaned passengers at LAX increased at a compounded annual growth rate of approximately 4.7%. See also "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Counterparty Bankruptcies."

For the six month period ended December 31, 2019, the growth rate of aviation activity, including revenue operations, domestic and international enplanements and deplanements, slowed compared to growth rates over the prior Fiscal Years. As a direct result of the COVID-19 pandemic, for the five month period ended May 31, 2020, the growth rate slowed significantly, with operations growth down approximately 34.1% and total enplanements and deplanements down approximately 52.5%. For a further breakdown of the year over year comparisons from July 2018 through May 2019 as compared with July 2019 through May 2020, see Table 7A.

TABLE 7

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
AIR TRAFFIC DATA[1]

	Revenue Operations		Enplanements and Deplanements					
Fiscal Year	**Total Operations**	**Operations Growth (%)**	**Domestic[2]**	**Domestic Growth (%)**	**International[2]**	**International Growth (%)**	**Total[2]**	**Total Passenger Growth (%)**
2010	545,752	0.8	42,145,783	2.2	15,752,062	2.9	57,897,845	2.4
2011	555,319	1.8	44,352,913	5.2	16,253,725	3.2	60,606,638	4.7
2012	578,876	4.2	45,957,814	3.6	16,967,262	4.4	62,925,076	3.8
2013	570,865	(1.4)	47,641,025	3.7	17,328,077	2.1	64,969,102	3.2
2014	597,734	4.7	50,153,104	5.3	18,629,078	7.5	68,782,182	5.9
2015	608,687	1.8	52,465,475	4.6	19,612,144	5.3	72,077,619	4.8
2016	627,529	3.1	56,133,548	7.0	21,675,592	9.5	77,809,140	8.0
2017	662,621	5.6	58,857,648	4.9	24,067,027	9.0	82,924,675	6.6
2018	668,911	0.9	60,902,492	3.5	25,729,359	3.1	86,631,851	4.5
2019	663,266	(0.8)	61,983,392	1.8	25,922,076	0.3	87,905,468	1.5
July – Dec.[3]								
2018	341,062	--	31,471,904	--	13,384,266	--	44,856,170	--
2019	333,784	(2.1)	31,860,203	1.2	13,158,512	(1.7)	45,018,715	0.4
Jan. – May [3]								
2019	265,978	--	24,838,996	--	10,174,735	--	35,013,731	--
2020	175,404	(34.1)	12,014,318	(48.4)	4,626,115	(64.5)	16,640,433	(52.5)

(1) Due to its date of publication, certain of the information contained in this table is more current than certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2019 and June 30, 2018, as well as for the last six calendar months of calendar year 2019 and 2019, and for the first five calendar months of calendar year 2019 and 2020.
(2) Enplaned and deplaned passengers.
(3) This information is reflective of the specific months referenced, and not a full fiscal year.
Source: Department of Airports of the City of Los Angeles.

The following table presents the total revenue operations (landings and takeoffs) and total domestic and international enplanements and deplanements at LAX for each month in the last six calendar months of calendar years 2018 and 2019 and each month in the first five calendar months of calendar years 2019 and 2020. As shown below, operations growth dropped by 19.7% and passenger growth dropped by 55.4% in March 2020 as compared with March 2019. The most significant declines in growth occurred in May 2020 for operations and in April 2020 for passenger growth. The declines at LAX in March, April and May 2020, is consistent with the nationwide decline in airline passenger activity throughout the United States for the same months. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT"

TABLE 7-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
AIR TRAFFIC DATA

	Revenue Operations		Enplanements and Deplanements					
Month	**Total Operations**	**Operations Growth (%)**	**Domestic[2]**	**Domestic Growth (%)**	**International[2]**	**International Growth (%)**	**Total[2]**	**Passenger Growth (%)[1]**
July 2018	60,320		5,830,398		2,600,032		8,430,430	
July 2019	59,401	(1.5%)	5,933,926	1.8%	2,535,889	(2.5%)	8,469,815	.5%
August 2018	60,155		5,631,756		2,505,654		8,137,410	
August 2019	59,052	(1.8%)	5,708,830	1.4%	2,428,040	(3.1%)	8,136,870	0.0%
September 2018	54,731		4,774,099		2,108,425		6,882,524	
September 2019	52,987	(3.2%)	4,900,376	2.6%	2,106,825	0.0%	7,007,201	1.8%
October 2018	56,170		5,132,670		2,124,616		7,257,286	
October 2019	54,518	(2.9%)	5,111,199	(0.5%)	2,083,673	(1.9%)	7,194,872	(0.9%)
November 2018	53,530		4,983,499		1,959,826		6,943,325	
November 2019	51,872	(3.1%)	4,846,915	(2.8%)	1,884,624	(3.8%)	6,731,539	(3.1%)
December 2018	56,156		5,119,482		2,085,713		7,205,195	
December 2019	55,954	(0.4%)	5,358,957	4.7%	2,119,461	1.6%	7,478,418	3.8%
January 2019	53,589		4,668,196		2,079,878		6,748,074	
January 2020	52,827	(1.4%)	4,624,738	(0.9%)	2,053,736	(1.3%)	6,678,474	(1.0%)
February 2019	47,950		4,318,611		1,731,392		6,050,003	
February 2020	48,363	0.9%	4,260,530	(1.4%)	1,560,949	(9.9%)	5,821,479	(3.8%)
March 2019	55,615		5,322,333		2,046,465		7,368,798	
March 2020	44,673	(19.7%)	2,400,535	(54.9%)	886,884	(56.7%)	3,287,419	(55.4%)
April 2019	53,589		5,116,096		2,117,274		7,233,370	
April 2020	14,885	(72.2%)	240,197	(95.3%)	59,167	(97.2%)	299,364	(95.9%)
May 2019	55,235		5,413,760		2,199,726		7,613,486	
May 2020	14,656	(73.5%)	488,318	(91.0%)	65,379	(97.0%)	553,697	(92.7%)

(1) The passenger growth is calculated based on the difference between the total operations in that month as compared with the same month for the prior calendar year.
(2) Enplaned and deplaned passengers.
Source: Department of Airports of the City of Los Angeles.

Enplanements at LAX for the air carriers with the largest share of enplanements at LAX for Fiscal Years 2015 through 2019 are shown in the table below.

TABLE 8

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL TOTAL ENPLANEMENTS BY AIRLINE(1)
(RANKED BY FISCAL YEAR 2019 RESULTS)

		Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018		Fiscal Year 2019	
	Airline	Enplanements	Share(2)	Enplanements	Share(2)	Enplanements	Share(2)	Enplanements	Share(2)	Enplanements	Share(2)
1	American Airlines(3)‡	6,799,109	18.8%	7,613,660	19.5%	8,002,129	19.2%	8,123,030	18.7%	8,470,061	19.2%
2	Delta Air Lines(4)*	6,020,280	16.7	6,550,711	16.8	6,838,256	16.4	7,326,619	16.8	7,624,050	17.2
3	United Airlines(5) †	6,225,103	17.2	6,020,563	15.5	6,062,305	14.6	6,254,908	14.4	6,444,715	14.6
4	Southwest Airlines	4,212,706	11.7	4,446,133	11.4	4,843,969	11.6	4,969,888	11.4	4,955,873	11.2
5	Alaska Airlines(6)	3,187,184	8.8	3,370,666	8.7	3,524,495	8.5	3,656,694	8.4	3,343,980	7.6
6	Spirit Airlines	510,478	1.4	956,783	2.5	1,237,471	3.0	1,259,622	2.9	1,257,930	2.8
7	JetBlue Airways	570,938	1.6	675,589	1.7	784,922	1.9	886,227	2.0	920,655	2.1
8	Air Canada†	597,050	1.7	660,642	1.7	712,467	1.7	756,337	1.7	772,434	1.7
9	Qantas Airways‡	614,333	1.7	596,257	1.5	519,450	1.2	542,085	1.2	519,941	1.2
10	Hawaiian Airlines	422,871	1.2	441,634	1.1	440,721	1.1	497,753	1.1	518,062	1.2
11	Aerovias De Mexico*	402,416	1.1	436,396	1.1	433,813	1.0	424,084	1.0	400,446	0.9
12	Volaris	253,973	0.7	302,444	0.8	351,114	0.8	363,178	0.8	384,704	0.9
13	Westjet	218,999	0.6	218,886	0.6	299,496	0.7	385,938	0.9	371,639	0.8
14	Norwegian Air Shuttle	102,196	0.3	137,963	0.4	213,335	0.5	330,737	0.8	336,680	0.8
15	Lufthansa Airlines†	277,103	0.8	295,623	0.8	296,968	0.7	304,574	0.7	315,443	0.7
16	Air France*	288,789	0.8	305,948	0.8	309,367	0.7	308,063	0.7	309,134	0.7
17	Air New Zealand†	336,537	0.9	335,133	0.9	313,889	0.8	315,974	0.7	308,737	0.7
18	British Airways	296,368	0.8	277,131	0.7	287,409	0.7	308,475	0.7	294,630	0.7
19	Eva Airways†	270,524	0.7	288,719	0.7	290,206	0.7	292,767	0.7	291,731	0.7
20	Air China Limited	190,489	0.5	239,485	0.6	265,241	0.6	285,582	0.7	289,170	0.7
	Other	4,324,322	12.0	4,788,203	12.3	5,575,909	13.4	5,962,052	13.7	6,077,449	13.7
	Airport Total(2)	36,121,768	100.0	38,958,569	100.0	41,602,932	100.0	43,554,587	100.0	44,207,464	100.0

* Member of Sky Team Alliance.
† Member of Star Alliance.
‡ Member of One World Alliance.
(1) For those airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activity for the airlines that are now a part of the surviving airline are included in the information presented (including in years prior to the such merger or acquisition). Due to its date of publication, certain of the information contained in this table is more current than certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2019 and June 30, 2018.
(2) Totals may not add due to rounding.
(3) Includes US Airways, SkyWest, Envoy, American Eagle and Compass Airlines as American Airlines.
(4) Includes SkyWest and Compass Airlines as Delta.
(5) Includes SkyWest Airlines as United.
(6) Includes Virgin America as Alaska.
Source: Department of Airports of the City of Los Angeles.

Enplanements at LAX for the air carriers with the largest share of enplanements at LAX for the last six calendar months of calendar years 2018 and 2019 and for the first five calendar months of calendar years 2019 and 2020 are shown in the table below.

TABLE 8-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL TOTAL ENPLANEMENTS BY AIRLINE[(1)]
(RANKED BY JANUARY-MAY 2020 RESULTS)

		July – December				January – May			
		2018		2019		2019		2020	
	Airline	Enplanements	Share[(2)]	Enplanements	Share[(2)]	Enplanements	Share[(2)]	Enplanements	Share[(2)]
1	American Airlines[(3)‡]	4,252,724	18.9 %	4,382,711	19.4%	3,455,094	19.6%	1,738,614	20.9%
2	Delta Air Lines[(4)*]	3,783,858	16.8	4,004,409	17.7	3,101,038	17.6	1,499,748	18.1
3	United Airlines[(5) †]	3,341,781	14.9	3,243,818	14.4	2,510,007	14.3	1,108,324	13.4
4	Southwest Airlines	2,527,712	11.2	2,380,794	10.5	2,010,006	11.4	861,246	10.4
5	Alaska Airlines[(6)]	1,720,596	7.6	1,677,683	7.4	1,321,395	7.5	663,077	8.0
6	Spirit Airlines	664,428	3.0	658,868	2.9	465,918	2.6	240,590	2.9
7	JetBlue Airways	433,582	1.9	510,442	2.3	400,914	2.3	196,421	2.4
8	Air Canada[†]	405,770	1.8	414,164	1.8	290,413	1.7	135,782	1.6
9	Qantas Airways[‡]	270,842	1.2	258,254	1.1	207,512	1.2	116,361	1.4
10	Hawaiian Airlines	271,007	1.2	254,416	1.1	203,423	1.2	100,831	1.2
11	Volaris	187,612	0.8	230,423	1.0	157,683	0.9	91,109	1.1
12	Air New Zealand[†]	159,088	0.7	158,444	0.7	124,614	0.7	70,712	0.9
13	Westjet	188,964	0.8	181,786	0.8	147,440	0.8	68,519	0.8
14	British Airways	157,937	0.7	148,426	0.7	112,292	0.6	68,135	0.8
15	Korean Airlines	127,567	0.6	132,507	0.6	101,154	0.6	62,643	0.8
16	Air France[*]	160,205	0.7	167,763	0.7	120,112	0.7	59,704	0.7
17	Aerovias De Mexico[*]	213,700	0.9	143,316	0.6	148,232	0.8	59,542	0.7
18	Asiana Airlines	136,363	0.6	123,820	0.5	106,502	0.6	58,226	0.7
19	Virgin Australia International	124,531	0.6	129,970	0.6	106,223	0.6	57,047	0.7
20	Eva Airways[†]	150,699	0.7	142,014	0.6	119,950	0.7	54,536	0.7
	Other	3,319,247	14.0	3,143,298	13.9	2,328,006	13.2	988,865	11.9
	Airport Total[(2)]	22,503,224	100.0	22,586,644	100.0	17,590,939	100.0	8,300,032	100.0

* Member of Sky Team Alliance.
† Member of Star Alliance.
‡ Member of One World Alliance.
(1) For those airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activity for the airlines that are now a part of the surviving airline are included in the information presented (including in years prior to the such merger or acquisition). Due to its date of publication, certain of the information contained in this table is more current than certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2019 and June 30, 2018 and for the first five calendar months of calendar year 2019 and 2020.
(2) Totals may not add due to rounding.
(3) Includes US Airways, SkyWest, Envoy, American Eagle and Compass Airlines as American Airlines.
(4) Includes SkyWest and Compass Airlines as Delta.
(5) Includes SkyWest Airlines as United.
(6) Includes Virgin America as Alaska.
Source: Department of Airports of the City of Los Angeles.

The following table presents the total revenue landed weight for the air carriers with the largest share of revenue landed weight at LAX for Fiscal Years 2015 through 2019 are shown in the table below.

TABLE 9

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOTAL REVENUE LANDED WEIGHT(1)
(RANKED ON FISCAL YEAR 2019 RESULTS)
(000 LBS.)

		Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	Airline	2015	Share(2)	2016	Share(2)	2017	Share(2)	2018	Share(2)	2019	Share(2)
1	American Airlines(3) ‡	8,416,536	15.3%	9,557,554	16.2%	10,389,870	16.6%	10,127,508	15.8%	10,443,496	16.1
2	Delta Airlines(4)*	7,479,719	13.6	8,171,783	13.8	8,114,506	12.9	8,256,339	12.9	8,472,919	13.1
3	United Airlines(5) †	7,447,619	13.5	7,181,910	12.1	7,121,940	11.4	7,385,299	11.5	7,598,169	11.7
4	Southwest Airlines	4,977,130	9.0	5,203,678	8.8	5,491,352	8.8	5,640,799	8.8	5,527,878	8.5
5	Alaska Airlines(6)	3,519,396	6.4	3,899,120	6.6	3,946,338	6.3	4,076,436	6.3	3,792,600	5.9
6	Federal Express	1,795,385	3.3	1,899,029	3.2	2,068,855	3.3	2,045,342	3.2	2,081,790	3.2
7	Spirit Airlines	508,438	0.9	987,642	1.7	1,344,172	2.1	1,283,316	2.0	1,246,310	1.9
8	Qantas Airways‡	1,390,011	2.5	1,340,695	2.3	1,171,352	1.9	1,188,312	1.8	1,148,143	1.8
9	JetBlue Airways	643,914	1.2	766,158	1.3	916,512	1.5	1,039,622	1.6	1,099,130	1.7
10	Korean Air*	1,252,622	2.3	1,132,512	1.9	1,073,416	1.7	1,078,306	1.7	1,052,664	1.6
11	Cathay Pacific Airways‡	1,114,834	2.0	1,142,039	1.9	1,135,572	1.8	1,015,449	1.6	980,929	1.5
12	Air Canada†	734,164	1.3	828,701	1.4	876,755	1.4	920,207	1.4	969,912	1.5
13	China Southern Airlines	530,600	1.0	665,211	1.1	756,903	1.2	743,964	1.2	788,017	1.2
14	Asiana Airlines†	655,670	1.2	653,292	1.1	745,578	1.2	785,038	1.2	740,156	1.1
15	Hawaiian Airlines	662,590	1.2	691,217	1.2	664,592	1.1	761,191	1.2	736,121	1.1
16	Lufthansa German Airlines†	585,469	1.1	646,035	1.1	660,532	1.1	701,447	1.1	718,535	1.1
17	Air China†	535,570	1.0	684,047	1.2	635,768	1.0	683,189	1.1	702,277	1.1
18	British Airways	609,554	1.1	575,390	1.0	604,756	1.0	657,365	1.0	670,273	1.0
19	Eva Airways†	741,350	1.3	748,540	1.3	727,122	1.2	677,719	1.1	656,847	1.0
20	Air New Zealand†	660,416	1.2	661,188	1.1	625,116	1.0	625,282	1.0	597,289	0.9
	Other	10,767,913	19.6	11,740,439	19.8	13,633,098	21.7	14,548,404	22.6	14,723,328	22.7
	Airport Total(2)	55,028,900	100.0	59,176,180	100.0	62,704,105	100.0	64,240,534	100.0	64,746,783	100.0

* Member of Sky Team Alliance.
† Member of Star Alliance.
‡ Member of One World Alliance.
(1) For those airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activity for the airlines that are now a part of the surviving airline are included in the information presented (including in years prior to the such merger or acquisition). Due to its date of publication, certain of the information contained in this table is more current than certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2019 and June 30, 2018.
(2) Totals may not add due to rounding.
(3) Includes US Airways, SkyWest, Envoy, American Eagle and Compass Airlines as American Airlines.
(4) Includes SkyWest and Compass Airlines as Delta.
(5) Includes SkyWest Airlines as United.
(6) Includes Virgin America as Alaska.
Source: Department of Airports of the City of Los Angeles.

The following table presents the total revenue landed weight for the air carriers with the largest share of revenue landed weight at LAX for the last six calendar months of calendar years 2018 and 2019 and for the first five calendar months of calendar years 2019 and 2020.

TABLE 9-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOTAL REVENUE LANDED WEIGHT[(1)]
(RANKED ON JANUARY-MAY 2020 RESULTS)
(000 LBS.)

		July – December				January – May			
		2018		2019		2019		2020	
	Airline	Enplanements	Share[(2)]	Enplanements	Share[(2)]	Enplanements	Share[(2)]	Enplanements	Share[(2)]
1	American Airlines[(3) ‡]	5,320,826	16.0%	5,356,907	16.2%	4,248,758	16.3%	2,780,567	15.4%
2	Delta Air Lines[(4)*]	4,252,071	12.8	4,419,362	13.4	3,463,423	13.3	2,249,119	12.5
3	United Airlines[(5) †]	3,950,227	11.9	3,872,456	11.7	3,021,459	11.6	1,950,190	10.8
4	Southwest Airlines	2,853,004	8.6	2,667,376	8.1	2,235,002	8.6	1,426,000	7.9
5	Alaska Airlines	1,944,716	5.9	1,891,809	5.7	1,526,372	5.9	1,003,870	5.6
6	Federal Express	1,085,700	3.3	965,951	2.9	843,351	3.2	773,192	4.3
7	Kalitta Air LLC	153,562	0.5	360,810	1.1	240,272	0.9	435,739	2.4
8	Korean Air[*]	545,965	1.6	532,914	1.6	418,192	1.6	424,696	2.4
9	Cathay Pacific Airways[‡]	503,564	1.5	498,500	1.5	395,459	1.5	327,418	1.8
10	China Airlines Ltd.	282,422	0.9	281,870	0.9	210,860	0.8	306,533	1.7
11	JetBlue Airways	529,448	1.6	605,356	1.8	472,566	1.8	304,032	1.7
12	Spirit Airlines	637,930	1.9	640,222	1.9	491,090	1.9	303,012	1.7
13	Asiana Airlines[†]	403,838	1.2	361,068	1.1	280,458	1.1	285,890	1.6
14	Qantas Airways[‡]	588,372	1.8	564,164	1.7	468,706	1.8	280,863	1.6
15	China Southern Airlines	390,345	1.2	380,828	1.2	329,580	1.3	234,582	1.3
16	Eva Airways[†]	333,550	1.0	340,686	1.0	279,265	1.1	230,146	1.3
17	Air Canada[†]	509,718	1.5	543,028	1.6	369,971	1.4	208,779	1.2
18	Air China[†]	362,811	1.1	328,334	1.0	278,203	1.1	206,458	1.1
19	British Airways	349,973	1.1	330,631	1.0	268,446	1.0	193,968	1.1
20	Hawaiian Airlines	383,548	1.2	359,033	1.1	294,128	1.1	192,906	1.1
	Other	7,553,858	22.8	7,609,438	23.1	5,842,986	22.4	3,886,127	21.6
	Airport Total[(2)]	33,175,914	100.0%	33,007,286	100.0%	26,047,352	100.0%	18,004,087	100.0%

[*] Member of Sky Team Alliance.
[†] Member of Star Alliance.
[‡] Member of One World Alliance.
[(1)] For those airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activity for the airlines that are now a part of the surviving airline are included in the information presented (including in years prior to the such merger or acquisition). Due to its date of publication, certain of the information contained in this table is more current than certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2019 and June 30, 2018.
[(2)] Totals may not add due to rounding.
[(3)] Includes US Airways, SkyWest, Envoy, American Eagle and Compass Airlines as American Airlines.
[(4)] Includes SkyWest and Compass Airlines as Delta.
[(5)] Includes SkyWest Airlines as United.
[(6)] Includes Virgin America as Alaska.
Source: Department of Airports of the City of Los Angeles.

According to traffic reports submitted to the Department by the airlines, cargo volumes at LAX have increased from approximately 1.86 million tons in Fiscal Year 2010 to approximately 2.40 million tons in Fiscal Year 2019, averaging approximately 2.09 million tons each Fiscal Year, during this period. The following table presents enplaned and deplaned cargo at LAX for the previous ten Fiscal Years and for the last six calendar months of calendar years 2018 and 2019 and for the first five calendar months of calendar years 2019 and 2020.

TABLE 10

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
ENPLANED AND DEPLANED CARGO[(1)]
(US TONS = 2,000 lbs)

Fiscal Year	Domestic Cargo	Annual Growth	International Cargo	Annual Growth	Total Cargo	Annual Growth
2010	792,005	8.7	1,067,249	20.4	1,859,254	15.1
2011	791,414	(0.1)	1,101,270	3.2	1,892,684	1.8
2012	807,532	2.0	1,107,499	0.6	1,915,031	1.2
2013	814,920	0.9	1,134,220	2.4	1,949,140	1.8
2014	805,423	(1.2)	1,127,263	(0.6)	1,932,686	(0.8)
2015	838,095	4.1	1,274,616	13.1	2,112,711	9.3
2016	853,422	1.8	1,267,466	(0.6)	2,120,888	0.4
2017	894,193	4.8	1,423,921	12.3	2,318,114	9.3
2018	896,577	0.3	1,521,789	6.9	2,418,366	4.3
2019	904,498	0.9	1,496,933	(1.6)	2,401,431	(0.7)
July – Dec.[(2)]						
2018	464,279	--	804,748	--	1,269,027	--
2019	436,990	(5.9)	744,274	(7.5)	1,181,264	(6.9)
Jan. – May[(2)]						
2019	369,618	--	569,650	--	939,268	--
2020	338,367	(8.5)	554,116	(2.7)	892,483	(5.0)

(1) Due to its date of publication, certain of the information contained in this table is more current than certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2019 and June 30, 2018 Years and for the last six calendar months of calendar year 2018 and 2019 and for the first five calendar months of calendar year 2019 and 2020.
(2) This information is reflective of the specific months referenced, and not a full fiscal year.
Source: Department of Airports of the City of Los Angeles.

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

The following table presents enplaned and deplaned cargo at LAX for each month in the last six calendar months of calendar years 2018 and 2019 and each month in the first five calendar months of calendar years 2019 and 2020. For the eleventh month period ending May 31, 2020, the growth rate of enplaned and deplaned cargo declined overall by 6.2%, however, during the month of May 2020 as compared with the month of May 2019, the growth rate increased by approximately 5.3%.

TABLE 10-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
ENPLANED AND DEPLANED CARGO[(1)]
(US TONS = 2,000 lbs)

Month	Domestic Cargo	Annual Growth	International Cargo	Annual Growth	Total Cargo	Annual Growth
July 2018	71,234		132,053		203,287	
July 2019	70,862	(0.5%)	122,140	(7.5%)	193,002	(5.1%)
August 2018	75,839		139,624		215,463	
August 2019	73,970	(2.5%)	123,424	(11.6%)	197,394	(8.4%)
September 2018	70,485		139,344		209,829	
September 2019	65,277	(7.4%)	120,770	(13.3%)	186,047	(11.3%)
October 2018	82,664		133,911		216,575	
October 2019	73,076	(11.6%)	129,148	(3.6%)	202,224	(6.6%)
November 2018	78,156		135,469		213,625	
November 2019	71,363	(8.7%)	128,430	(5.2%)	199,793	(6.5%)
December 2018	85,902		124,346		210,248	
December 2019	82,442	(4.0%)	120,362	(3.2%)	202,804	(3.5%)
January 2019	76,706		105,237		181,943	
January 2020	64,310	(16.2%)	108,124	2.7%	172,434	(5.2%)
February 2019	67,805		92,230		160,035	
February 2020	58,657	(13.5%)	88,915	(3.6%)	147,572	(7.8%)
March 2019	79,232		129,021		208,253	
March 2020	70,138	(11.5%)	116,783	(9.5%)	186,921	(10.2%)
April 2019	73,285		117,006		190,291	
April 2020	67,968	(9.2%)	108,406	(7.5%)	176,373	(8.1%)
May 2019	72,591		126,155		198,746	
May 2020	77,294	6.5%	131,888	4.5%	209,182	5.3%

(1) Due to its date of publication, certain of the information contained in this table is more current than certain of the information contained in the Annual Financial Report of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) Los Angeles International Airport for the Fiscal Years ended June 30, 2019 and June 30, 2018 Years and for the first five calendar months of calendar year 2019 and 2020.

Source: Department of Airports of the City of Los Angeles

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

FACTORS AFFECTING FUTURE AIRLINE TRAFFIC," for a discussion of the impact of aviation activity on revenues generated at LAX.

Competition

The region served by LAX (the "Airport Service Region") includes primary and secondary areas. The primary geographical area served by LAX consists of the Los Angeles CSA as designated by the United States Bureau of the Census and includes the five-county area of Los Angeles, Orange, Riverside, San Bernardino and Ventura counties. The Los Angeles CSA is the second largest Combined Statistical Area ("CSA") with 2.0 million households having income in excess of $100,000. There are six air carrier airports within the primary area. Historically and statistically, LAX is the dominant airport in the primary area, with approximately 76.5% of the total enplaned passengers in Fiscal Year 2019. In Fiscal Year 2019, LAX accounted for approximately 97.1% of LAX's primary area's international enplaned passengers.

Three other airports, Ontario International Airport (ONT), Bob Hope Airport (BUR) in Burbank and John Wayne Airport (SNA) in Orange County, provide air service to major domestic markets and together accounted for approximately 18.2% of total enplaned passengers in LAX's primary area in Fiscal Year 2019. Two other airports, Long Beach Airport (LGB) and Palm Springs Airport (PSP), provide limited air service to destinations outside of the Airport Service Region and accounted for approximately 4.5% of enplaned passengers in LAX's primary area in Fiscal Year 2019.

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

Emergency Management

The Department has four core groups that are responsible for emergency management: Fire, Law Enforcement, Airport Operations and Emergency Management Division. These core groups are responsible for the emergency planning for all phases of emergency management: mitigation, preparedness, response and recovery. The roles and responsibilities of each entity within these four groups are defined by Emergency Support Functions in the federal National Incident Management System ("NIMS"), the National Response Framework, the California Standardized Emergency Management System ("SEMS"), FAA Regulation Part 139 ("FAR 139"), the Charter, the Airport Rules and Regulations, and other statutes. The "Airport Rules and Regulations" are established pursuant to the Charter in order to, among other things, comply with FAA and TSA regulations which require the Department to establish operational and safety procedures and institute certain secondary measures for airport certification. Emergency management responsibilities for the core groups include: (1) hazard vulnerability analysis, (2) development and maintenance of emergency operations plans, (3) integration with the City's Emergency Management Department and the emergency processes of other City departments and agencies, (4) developing, conducting and coordinating training and exercises, (5) planning for continuity of operations/continuity of government for the Airport System, (6) oversight of implementation for new emergency guidelines, mandates, technology, emergency response and preparedness at local, state, federal and international levels concerning airport emergency operations and (7) responding to the activation of the Department Operations Center, and sending Department representation to the City Emergency Operations Center for emergency activations.

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

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

See also "CERTAIN INVESTMENT CONSIDERATIONS –Security Concerns; Cyber Security" and "—Seismic Risks."

CERTAIN FUNDING SOURCES

Passenger Facility Charges

Generally, the PFC Acts permit public agencies controlling certain commercial service airports to charge each enplaning passenger a facility charge ranging from $1.00 to $4.50. The proceeds from passenger facility charges must be used to finance eligible airport-related projects. Eligible airport-related projects approved by the FAA are referred to in this Official Statement as "Approved PFC Projects." Public agencies wishing to impose and use passenger facility charges to finance eligible airport-related projects must apply to the FAA for the authority to do so. The Department has received approval from the FAA to collect a passenger facility charge up to $4.50 on each eligible enplaning passenger at LAX.

The Department expects to submit additional applications to impose and use passenger facility charges for eligible expenditures including, but not limited to, PFC Eligible Obligations (as defined below). If such applications to impose and use passenger facility charges for eligible expenditures are approved, such approval may extend the date by which such PFC revenues are expected to be collected.

PFC revenues to fund certain Approved PFC Projects are collected by air carriers as part of the price of a ticket and then remitted to the Department. The air carriers are permitted by the PFC Acts to retain a portion of each passenger facility charge collected (currently $0.11 of each passenger facility charge collected) as compensation for collecting and handling PFC revenues. PFC revenues received by the Department are net of this collection fee. Since 1993, the Department has received approval from the FAA to impose and use approximately $4.2 billion of PFC revenues (including investment income) at LAX and the Department's authority to collect passenger facility charges extends through January 1, 2029. Total PFC revenues collected by the Department as of September 30, 2019 were approximately $2.9 billion.

As a result of the COVID-=19 pandemic, and other factors, PFC revenues at LAX were approximately $45.5 million (approximately 56.9%) lower during the first five calendar months (January – May) of 2020 as compared to the same period in 2019. For the 11-month period ending May 31, 2020, the total PFC revenues collected by the Department were $115.85 million.

A portion of the projects in the Capital Program (as defined below) are expected to be funded from passenger facility charges and collections that have not yet been applied for or approved.

PFC revenues may also be used for the payment of debt service on certain portions of Senior Bonds and/or Subordinate Obligations issued to finance all or a portion of Approved PFC Projects ("PFC Eligible Obligations"). The Department expects to pay a portion of the debt service on the PFC Eligible Obligations with PFC revenues. However, the Department is prohibited from using PFC revenues to pay debt service on PFC Eligible Obligations in excess of the amounts of passenger facility charges approved by the FAA for the Approved PFC Projects. If the actual cost of Approved PFC Projects is less than the amount approved by the FAA, the Department may be required to submit an amendment to the FAA application to reduce the approved amount for applicable projects.

Pledged Revenues do not include PFC revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. To date, the Department has not elected, and the Department has no current plans to elect, to include PFC revenues in Pledged Revenues nor otherwise pledge PFC revenues to the payment of the Senior Bonds or the Subordinate Obligations. However, the Department expects to use PFC revenues to pay a portion of the debt service on PFC Eligible Obligations. Debt service paid with PFC revenues is not included in the calculation of the rate covenant set forth in the Senior Indenture. Debt service on Additional Senior Bonds expected to be paid from irrevocably committed PFC revenues is not included in the additional bonds test set forth in the Senior Indenture although the Department has not made any such irrevocable commitment of PFC revenues. See

"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Pledge of Net Pledged Revenues – Senior Rate Covenant" and "—Passenger Facility Charges."

No assurance can be given that PFC revenues will actually be received in the amounts or at the times expected by the Department. The amount and timing of receipt of actual PFC revenues are expected to vary depending on actual levels of qualified passenger enplanements at LAX. As a result of the COVID-19 pandemic, and other factors, enplanements and deplanements at LAX were approximately 52% lower during the first five calendar months (January – May) of 2020 as compared to the same period in 2019. If PFC revenues are not available, the Department may be required to eliminate or scale down projects or incur additional indebtedness, possibly including issuing Additional Senior Bonds, Additional Subordinate Bonds or Subordinate Commercial Paper Notes, to finance such projects. In the event of an airline bankruptcy, it is unclear whether the Department would be afforded the status of a secured creditor with regard to PFC revenues collected or accrued with respect to that airline. See "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges," "—Delays and Cost Increases; Future Capital Projects; Additional Indebtedness," "—Demand for Air Travel, Aviation Activity and Related Matters" and "—Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Concessionaire Bankruptcies" and the discussion regarding a number of factors that may impact the number of passenger enplanements and the Department's receipt of PFC revenues. See also "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – FUNDING THE AIRPORT CAPITAL PROGRAM – Passenger Facility Charge Revenues" for additional information about the Department's expected use of PFC revenues.

Grants

Under the AIP, the FAA awards grant moneys to airports around the country for capital improvement projects and airport operating costs. AIP grants include entitlement funds, which are apportioned annually based upon the number of enplaned passengers and total landed weight of all-cargo aircraft at the airport, as well as discretionary funds, which are awarded by the FAA based on a national priority system. Generally, federal grants are paid to the Department on a reimbursement basis when the grant agreement is approved and after eligible expenditures are made. The amount and timing of receipt of actual AIP grant moneys may vary and may not be reimbursed for a significant period of time after the eligible expenditure is made. If AIP grant moneys are not available or timely reimbursed, the Department may be required to eliminate or scale down projects or incur additional indebtedness, possibly including issuing Additional Senior Bonds, Additional Subordinate Bonds or Subordinate Commercial Paper Notes, to finance such projects. The Department has received approximately $321.7 million in AIP grants authorized for acceptance by the Board since June 2008. See "– Federal Funding" and "—Delays and Cost Increases; Future Capital Projects; Additional Indebtedness."

Pursuant to the Aviation and Transportation Security Act, the Department has been awarded approximately $235 million of reimbursements from the Department of Homeland Security for the installation of in-line baggage screening systems at LAX. In June 2011, the Board approved the award of approximately $13.4 million from the TSA for the Department's Closed Circuit Television Security System at LAX. During Fiscal Year 2020, the Department received approximately $3.364 million for security-related reimbursements at LAX.

On March 5, 2020, the Board authorized the acceptance of FAA funds in the sum of $7.4 million for the Secured Access Area Post and Enabling Project ("SAAP") at LAX. The funds for SAAP will cover capital expenditures and operating expenses which will allow for construction to continue as planned.

On March 27, 2020, the CARES Act was signed into law, which includes, among other things, the award of certain grants to U.S. airports, including LAX. Under the CARES Act airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can be lawfully used, including, in the case of LAX, the payment of LAX Maintenance and Operation Expenses incurred on or after January 20, 2020 and the payment of debt service payable on or after March 27, 2020. CARES Act grants must be used within four years from the date of the agreement between the airport operator with the FAA, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020. The Department was awarded approximately $323.6 million in CARES Act grants, which will be provided to the Department on a reimbursement basis. The Department used $52.4 million of CARES Act grants in Fiscal Year 2020 to pay LAX Maintenance and Operation Expenses and to pay a portion of the debt service on the Senior Bonds and Subordinate Bonds, and the Department expects to use $271.2 million of CARES Act grants in Fiscal Year 2021 to pay LAX Maintenance and Operation Expenses and debt service costs. The projection of LAX Maintenance and Operation Expenses is based on the Department's Fiscal Year 2021 budget of $784.6 million, allowances for additional LAX Maintenance and Operation Expenses associated with certain Airport Capital Program projects, and an assumed 5.0% increase per year through Fiscal Year 2026. In preparing the projection of LAX Maintenance and Operation Expenses, any currently expected use of CARES Act grants to pay certain expenses was not included in the $784.6 million of Fiscal Year 2021 LAX Maintenance and Operation Expenses. However, in calculating total airline revenues and debt service coverage in Fiscal Year 2021, LAX Maintenance and Operation Expenses were reduced by the expected use of CARES Act grants. Differences in the Fiscal Year 2021 budget described above from the Fiscal Year 2021 budget described in the Letter Report of the Airport Consultant are due to certain adjustments related to capitalized salaries and benefits and other similar adjustments for the purposes of the Senior Master Indenture. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT."

The Department is subject to periodic compliance reviews by the FAA and the Office of the Inspector General, some of which have included a review of payments made by the Department to the City, to verify the Department's compliance with applicable federal laws, FAA grant assurances and FAA policies concerning the use of airport revenue and airport revenue diversion. In addition, interested parties such as Airlines for America (formerly known as the Air Transport Association of America) and Aircraft Owners and Pilots Association may initiate U.S. DOT proceedings relating to these types of issues.

A portion of the projects in the Capital Program are expected to be funded from AIP grants that have not yet been applied for or approved. See "AIRPORT AND CAPITAL PLANNING" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – FUNDING THE AIRPORT CAPITAL PROGRAM – Federal Grants" for additional information about the Department's expectations concerning grants.

Customer Facility Charges

The Department requires the collection by rental car companies of a customer facility charge ("Customer Facility Charge") at a rate of $9 per day (for up to 5 days). For the fiscal year ended June 30, 2019, the Department collected approximately $80.2 million in Customer Facility Charge revenues. Through June 30, 2019, the Department had collected (including investment earnings) approximately $430.4 million in the aggregate of Customer Facility Charge revenues. As a result of the COVID-19 pandemic, and other factors, customer facility charge revenues at LAX are approximately $13.6 million (approximately 43.0%) lower during the first five calendar months (January – May) of 2020 as compared to the same period in 2019.

The Customer Facility Charges collected by the rental car companies on behalf of the Department are permitted under applicable law to finance, design and construct the new ConRAC; to finance, design, construct and operate a common-use transportation system (the APM System, as described in this Official Statement), as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system. The Rental Car CLAs provide additional limitation on the use of Customer Facility Charge revenues.

Pledged Revenues do not include Customer Facility Charge revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. To date, the Department has not elected, and the Department has no current plans to elect, to include Customer Facility Charge revenues in Pledged Revenues nor otherwise pledge Customer Facility Charge revenues to the payment of the Senior Bonds or the Subordinate Obligations. The Department expects to issue LAX Special Facility Obligations in connection with the financing of the ConRAC, secured from a pledge of Customer Facility Charges.

For additional discussion regarding Customer Facility Charges, see "USE OF AIRPORT FACILITIES - Concession and Parking Agreements – Rental Cars," "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program," "—The Automated People Mover System," "—The ConRAC" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM."

USE OF AIRPORT FACILITIES

General

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

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

In response to the impacts of the COVID-19 pandemic on passenger airlines serving LAX and concessionaires and service providers at LAX, the Board passed the Passenger Airline Temporary Relief Program on April 9, 2020 and the Concessionaires and Services Temporary Relief Program on April 16, 2020. For a further discussion on these programs, see "INTRODUCTION - COVID-19 Issues and Impacts." As of the date of this Official Statement both the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program remain in place.

Operating Permits – Landing and Apron Facilities and Landing Fees

The Department has entered into separate operating permits covering the use of landing and apron facilities with air carriers serving LAX. These operating permits grant operating rights to each airline typically for a ten-year term, and are commonly referred to as the "Air Carrier Operating Permits" or the "ACOPs." For new ACOPs, the Department is currently authorized to issue ACOPs that expire June 30, 2022, with an option to extend each ACOP for another 10-year term. The ACOPs are terminable by either party on 30 days' notice. The ACOPs require each airline to pay a landing and apron fee to the Department for each aircraft that uses the landing and apron facilities at LAX, generally equal to the product of (i) the units of maximum gross landed weight of the aircraft, with each unit being 1,000 pounds, multiplied by (ii) the applicable landing or apron fee rate currently in effect. Air carriers that are not a party to an ACOP must still comply with the Airport Rules and Regulations, which require the uninterrupted payment of landing and apron fees and such landing and apron fees are substantially higher than for air carriers that are party to an ACOP. The landing and apron fee rates to be charged during each Fiscal Year are based upon the Department's then-current budget and are adjusted at the end of each Fiscal Year to reflect the actual expenses incurred. All adjustments for deficiencies are billed when determined and overages are credited to the affected airlines. The Department expects that the ACOPs will be renewed upon their expiration, though no assurances can be given that they will be, or that the terms of the new ACOPs will be the same as the existing terms.

For Fiscal Year 2019, revenues to the Department from landing fees at LAX were approximately $295.7 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019." See also APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES – Airline Revenues."

For the last six calendar months (July – December) of 2018, revenues to the Department from landing fees at LAX were approximately $152.2. For the last six calendar months (July – December) of 2019, revenues to the Department from landing fees at LAX were approximately $158.5. For the first five calendar months (January – May) of 2019, revenues to the Department from landing fees at LAX were approximately $120.2 million. For the first five calendar months (January – May) of 2020, revenues to the Department from landing fees at LAX were approximately $87.2 million.

Airport Terminal Tariff

Subject to the Passenger Airline Temporary Relief Program, Airlines and businesses involved in aeronautical activities other than governmental activities or concessions (each, an "Aeronautical User") use terminal space at LAX under the terms of the LAX Passenger Terminal Tariff (the "Airport Terminal Tariff"). The Airport Terminal Tariff has no term or expiration date but is subject to change from time to time by the Board. After consultation with airline representatives regarding the Department's rates and charges, on September 17, 2012, the

Board approved certain changes to the Airport Terminal Tariff, as described below, which became effective on January 1, 2013.

Subject to the Passenger Airline Temporary Relief Program, Terminal rates under the Airport Terminal Tariff are designed to recover all costs, including administrative and access costs, allocable to terminal space used by Aeronautical Users. Subject to the Passenger Airline Temporary Relief Program, under the Airport Terminal Tariff, Aeronautical Users are required to pay to the Department:

- Terminal Buildings Charge – A charge based on an equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to the passenger facilities at LAX by the total rentable areas in the terminals.

- FIS Fee – A fee based on an equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to Federal Inspection Services ("FIS") areas at LAX by the number of international passengers passing through the FIS facilities.

- Common Use Area Fees and Charges – Fees and charges based on rates calculated by the Department based on airlines' use of common areas in the terminals, such as hold rooms, baggage claim systems and ticket counters.

- Terminal Special Charges – Fees based on rates calculated by the Department for use by the Aeronautical Users of certain equipment and services at LAX that are not otherwise billed to Aeronautical Users through the rates and charges described above, such as, in certain terminals custodial services, outbound baggage system maintenance, terminal airline support systems and loading bridge capital and maintenance.

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

For Fiscal Year 2019, revenues to the Department from terminal rentals at LAX (including cargo and warehouse) were approximately $507.4 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019." See also APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES."

For the last six calendar months (July – December) of 2018, revenues to the Department from terminal rentals at LAX (including cargo and warehouse) were approximately $257.2. For the last six calendar months (July – December) of 2019, revenues to the Department from terminal rentals at LAX (including cargo and warehouse) were approximately $278.6. For the first five calendar months (January – May) of 2019, revenues to the Department from terminal rentals at LAX (including cargo and warehouse) were approximately $229.9 million. For the first five calendar months (January – May) of 2020, revenues to the Department from terminal rentals at LAX (including cargo and warehouse) were approximately $202.2 million.

Rate Agreement

In connection with the negotiation of the terms of the Airport Terminal Tariff, to resolve certain litigation that was then pending and potential future litigation regarding the Department's rate setting methodology and to provide phase-in of the new rates and charges for airlines, the Department offered the airlines (including certain consortiums that have been formed to manage specified terminal facilities at LAX) a Rate Agreement (the "Rate Agreement"). All airlines serving LAX have executed Rate Agreements. The Rate Agreements expire in 2022.

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

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

Beginning in calendar year 2014, the Department provided Signatory Airlines a credit for a portion of the concession revenues generated in the terminals at LAX. The amount of these credits was approximately $39.3 million in Fiscal Year 2019 and approximately $41.3 million in Fiscal Year 2020. The amount of these credits was approximately $17.0 million for the last six calendar months (July – December) of 2018, approximately $19.7 million for the last six calendar months (July – December) of 2019, approximately $16.4 million for the first five calendar months (January – May) of 2019, and approximately $17.2 million for the first five calendar months (January – May) of 2020. These credits result in a reduced Terminal Building Rate (and a corresponding reduction in revenues derived from the Terminal Building Rate) and a reduced FIS Rate paid by the Signatory Airlines.

Under the Rate Agreement, the Department is required to establish a Terminal Renewal and Improvement Fund (the "TRIF"). The TRIF is required to be funded from annual net revenues from the application of the Airport Terminal Tariff. Amounts deposited in the TRIF are required to be used by the Department to fund, together with debt and grant funding, terminal related capital improvements. Deposits into the TRIF may not exceed $125 million annually with a maximum unused fund balance amount of $500 million. This limit is subject to annual consumer price index increases. The Department is permitted to collect and amortize charges associated with capital projects funded from TRIF deposits, however, such collection and amortization is required to be deferred for five years after the projects are placed in service. In June 2020, the Department transferred approximately $143.7 million of the TRIF to the Airport Revenue Fund to finance terminal related capital improvements.

Under the Rate Agreement, beginning in calendar year 2014, 50% of the funds in the TRIF that are not otherwise committed to projects in excess of the TRIF limit described above, are required to be deposited in a Revenue Sharing Fund. As of July 2, 2020, $23.7 million of the TRIF was deposited to the Revenue Sharing Funds. The remaining excess funds may be used by the Department for any lawful purpose. Amounts deposited in the Revenue Sharing Fund are required to be distributed to the Signatory Airlines that have passed certain eligibility criteria as a credit against any amount due in the following priority: first, against Terminal rents and second, against landing fees.

In December 2019, the Board authorized the Department to enter into an Amended and Restated Rate Agreement ("Rate Agreement Amendment") with willing airlines. If agreed, the Rate Agreement Amendment would, among other things, (i) extend the term and terms of the Rate Agreement through December 2032; (ii) require airlines executing a Rate Agreement Amendment to pay an "extraordinary debt service coverage charge" to the Department designed to maintain a debt service coverage ratio (inclusive of all of the Department's Senior Bonds, Subordinate Obligations, APM Capital Availability Payments, and ConRAC Capital Availability Payments) equal to not less than 1.40X; and (iii) under certain circumstances, eliminate the requirement that a participating airline provide the performance guarantee otherwise required under the Airport Terminal Tariff or lease agreement, as the case may be, and instead pay to the Department a "bad debt surcharge," a pooled surcharge designed to compensate the Department for bad debt costs. The Department is offering the terms of the Rate Agreement Amendment to any Signatory Airline that enters into a Rate Agreement Amendment by July 31, 2020. If a Signatory Airline does not enter into a Rate Agreement Amendment by July 31, 2020, the terms of the Rate Agreement Amendment will no longer be available to such airline, the airline will be governed by its Rate Agreement (unmodified by the Rate Agreement Amendment) and at the expiration of such Rate Agreement airlines not agreeing to a Rate Agreement Amendment will be subject to the Airport Terminal Tariff. Passenger airlines and approved airline consortiums not currently operating at LAX and commencing operations in the future will have an opportunity to sign the new agreement during or prior to their first 30 days of passenger service at LAX. As of the date of this Official Statement, several airlines servicing the Airport have executed a Rate Agreement Amendment, including the four largest airlines.

The Letter Report of the Airport Consultant does not take into account the terms of the Rate Agreement Amendment. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES."

Land and Other Non-Terminal Building Rentals

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

In Fiscal Year 2019, revenues to the Department from Land Rentals at LAX were approximately $118.1 million and revenues to the Department from Other Building Rentals at LAX were approximately $74.5 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019."

For the last six calendar months (July – December) of 2018, revenues to the Department from Land Rentals at LAX were approximately $57.7 million and revenues to the Department from Other Building Rentals at LAX were approximately $35.3 million. For the last six calendar months (July – December) of 2019, revenues to the Department from Land Rentals at LAX were approximately $60.7 million and revenues to the Department from Other Building Rentals at LAX were approximately $39.4 million. For the first five calendar months (January – May) of 2019, revenues to the Department from Land Rentals at LAX were approximately $51.0 million and revenues to the Department from Other Building Rentals at LAX were approximately $32.6 million. For the first five calendar months (January – May) of 2020, revenues to the Department from Land Rentals at LAX were approximately $46.1 million and revenues to the Department from Other Building Rentals at LAX were approximately $33.7 million.

Department Acquisition of Certain Terminal Improvements; Credits

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

Under the Department's terminal leases, subject to certain conditions, the Department has agreed to purchase from Aeronautical Users certain Aeronautical User Improvements in the aggregate amount of approximately $1.9 billion (of which as of July 1, 2020, approximately $1.2 billion have not been purchased) and the Department has the option to purchase from Aeronautical Users certain Terminal Improvements in the aggregate principal amount of approximately $1.6 billion (of which as of July 1, 2020, approximately $1.2 billion have not been purchased). If the Department does not exercise the option to purchase the Terminal Improvements, it may be required under the applicable terminal lease to issue to the applicable Aeronautical User a credit in an amount to reimburse the applicable Aeronautical User for costs related to such Terminal Improvements and imputed interest. If such credits are issued, the credits may be issued and amortized on a straight-line basis over the period from the date on which the Department could exercise the option to purchase the Terminal Improvements through the end of the terminal lease or such date as the Department extinguishes the credit through cash payment. The Department retains the option to purchase the Terminal Improvements and related credits at any time during the term of the terminal lease.

The Department, pursuant to the Department's terminal leases, also may be required to issue credits to certain Aeronautical Users responsible for the cost of relocating other terminal users to facilitate the terminal renovations, for the cost of such relocations. The amounts of these credits may vary depending on the scope of the required relocations. As of July 1, 2020, the Department had agreed to issue approximately $60 million of relocation rental credits to Delta Air Lines in equal installments of approximately $15 million per year over a four year period commencing in 2020. As of July 1, 2020, approximately $45 million remain outstanding. Credits are applied as an offset against amounts otherwise due to the Department by such Aeronautical Users as charges for use of LAX facilities, including amounts owed pursuant to the Airport Terminal Tariff and landing fees. Because these credits are applied as an offset to amounts owed to the Department by such Aeronautical Users, the Department receives less money from these Aeronautical Users than such Aeronautical Users would otherwise provide absent the credit. Thus, although the credits are not secured by any pledge of or lien on the Department's revenues, the effect of using such credits is the creation of a higher payment priority for such credits than for the Senior Bonds and the Subordinate Obligations. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Other Obligations – Credits."

From time to time the Department may negotiate with Aeronautical Users regarding new terminal leases that may contain terms similar to those described above. If the Department enters into any such new leases, the Department may agree to be obligated or have the right to purchase from such Aeronautical Users the applicable

Aeronautical User Improvements, the cost of which purchase may be material and financed with the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations when such acquisition is made.

The acquisition of certain Aeronautical User Improvements and Terminal Improvements under terminal leases are part of the Capital Program, and those terminal acquisition projects identified in the Letter Report of the Airport Consultant, including their capital and operating costs, financing and estimated revenue impacts, have been included in the financial analysis included in the Letter Report of the Airport Consultant. See "AIRPORT AND CAPITAL PLANNING" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – CAPITAL PROGRAM," which is part of the Letter Report of the Airport Consultant and contained in APPENDIX A.

Facilities Use Terms and Conditions

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

Concession and Parking Agreements

The Department has entered into numerous agreements with office management companies, parking operators, terminal commercial managers, duty free concessionaires, food and beverage concessionaries, retail concessionaires and others. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES."

Each of the following arrangements is subject to the Concessionaires and Services Temporary Relief Program.

Facility Management

The Department has entered into various parking operation and management agreements with ABM Aviation, Inc., LAZ Parking California, LLC ("LAZ") and Colliers International Real Estate Management Services (CA) (together, the "Facility Management Companies"), whereby the Facility Management Companies will provide facility management and operational services with respect to Department-owned office buildings, parking structures and parking lots. Under these agreements the Facility Management Companies are compensated for the provision of services through various monthly management and service fees and, where applicable, are required to remit the gross revenues from the parking facilities, on a daily basis, to the Department. These agreements may be terminated by the Department upon 90 days' notice. For Fiscal Year 2019, parking revenues to the Department at LAX were approximately $104.3 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019."

For the last six calendar months (July – December) of 2018, parking revenues to the Department at LAX were approximately $47.7 million. For the last six calendar months (July – December) of 2019, parking revenues to the Department at LAX were approximately $58.9 million. For the first five calendar months (January – May) of 2019, parking revenues to the Department at LAX were approximately $46.6 million. For the first five calendar months (January – May) of 2020, parking revenues to the Department at LAX were approximately $26.1 million.

Duty Free Concessions

The Department entered into a duty-free merchandise concession agreement with DFS Group L.P. ("DFS) for the design, construction, development and operation of duty free and duty paid merchandise concession at all terminals at LAX (the "DFS Concession Agreement"). The initial term of the DFS Concession Agreement is scheduled to expire in September 2024. Under certain circumstances, the Department has the right to extend the DFS Concession Agreement for three consecutive one year extension terms. Under the DFS Concession Agreement, DFS is required to make initial capital investments for initial improvements to its premises of approximately $25 million and make mid-term capital investments for refurbishment of its premises of approximately $17 million. The DFS Concession Agreement provides that the Department will receive from DFS the greater of a minimum annual guarantee or performance rent comprised of percentage rent (based on the application of certain percentages to gross sales of various categories of products) and contingent rent (10% of gross sales in excess of $175 million). Under the DFS Concession Agreement, the minimum annual guaranty is the greater of (i) $30 million, provided that in the second year of the DFS Concession Agreement, such amount will be increased based on the consumer price index, (ii) a percentage of the prior year's rent payment, unless, in certain circumstances, international enplaned passengers at LAX have decreased below certain thresholds, and (iii) commencing in the third year of the DFS Concession Agreement, $6.25 per international enplaned passenger, subject to annual consumer price index increases. DFS is required to provide a performance guaranty in an amount equal to 25% of its minimum annual guaranty.

For Fiscal Year 2019, revenues to the Department from duty free sales at LAX were approximately $84.9 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019."

For the last six calendar months (July – December) of 2018, revenues to the Department from duty free sales at LAX were approximately $43.3 million. For the last six calendar months (July – December) of 2019, revenues to the Department from duty free sales at LAX were approximately $42.7 million. For the first five calendar months (January – May) of 2019, revenues to the Department from duty free sales at LAX were approximately $33.3 million. For the first five calendar months (January – May) of 2020, revenues to the Department from duty free sales at LAX were approximately $15.5 million.

Rental Cars

Approximately 40 rental car companies operate within 2 miles of LAX, with vehicle rental sites located off-airport. Twelve rental car companies (the "Concessionaire Rental Car Companies") operating at LAX provide free shuttle services between LAX and their respective locations and are permitted to pick up and drop off their customers directly from the airline terminals. The Concessionaire Rental Car Companies are each required to pay annually to the Department either a minimum annual guaranty or a concession fee, as set forth in the agreements with the Concessionaire Rental Car Companies. The agreements with the Concessionaire Rental Car Companies are scheduled to expire the earlier of (i) the operational date of the ConRAC or (ii) January 31, 2024.

The Department requires non-Concessionaire Rental Car Companies that service LAX to enter into a non-exclusive license agreement. Subject to the terms of the non-exclusive license agreement, non-Concessionaire Rental Car Companies are required to have their customers transported on Department-operated buses to and from a non-concessionaire rental car site located on West Century Boulevard, near Airport Boulevard. The non-exclusive license agreements expire at the earlier of (i) the operational date of the ConRAC or (ii) January 31, 2024. Non-Concessionaire Rental Car Companies are required to pay $6,120 per month, which fees are subject to an annual increase of two percent.

For Fiscal Year 2019, the Concessionaire Rental Car Companies paid approximately $82.6 million in concession fees to the Department.

For the last six calendar months (July – December) of 2018, the Concessionaire Rental Car Companies paid approximately $45.4 million in concession fees to the Department. For the last six calendar months (July – December) of 2019, the Concessionaire Rental Car Companies paid approximately $45.8 million in concession fees to the Department. For the first five calendar months (January – May) of 2019, the Concessionaire Rental Car Companies paid approximately $30.5 million in concession fees to the Department. For the first five calendar months (January – May) of 2020, the Concessionaire Rental Car Companies paid approximately $19.5 million in concession fees to the Department.

The Department collected Customer Facility Charges for Fiscal Year 2019 of approximately $80.2 million at LAX. For the 11-month period ending May 31, 2020, the Department collected Customer Facility Charges of approximately $63.3 million. For the last six calendar months (July – December) of 2018, the Department collected Customer Facility Charges of approximately $41.7 million at LAX. For the last six calendar months (July – December) of 2019, the Department collected Customer Facility Charges of approximately $45.2 million at LAX. For the first five calendar months (January – May) of 2019, the Department collected Customer Facility Charges of approximately $31.7 million at LAX. For the first five calendar months (January – May) of 2020, the Department collected Customer Facility Charges of approximately $18.1 million at LAX.

Pledged Revenues do not include Customer Facility Charge revenues unless otherwise included in Pledged Revenues pursuant to a Supplemental Senior Indenture. The Department has not included Customer Facility Charge revenues in Pledged Revenues pursuant to any Supplemental Senior Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS – Flow of Funds."

In Fiscal Year 2019, the Department entered into a series of substantially similar concession and lease agreements with various rental car companies servicing LAX (the "Rental Car CLAs") which provide for, among other things, use and occupancy of the ConRAC. Rental car brands that are subject to a Rental Car CLA include: Avis, Budget, Zip Car, Enterprise, Alamo, National, Hertz, Thrifty, Dollar, Fox, Payless, Sixt, Advantage, and EZ. The Rental Car CLAs were entered into in connection with the development of the ConRAC. The Rental Car CLAs have terms of 20 years from the ConRAC Date of Beneficial Occupancy, subject to certain extension and termination rights. The Department expects that the ConRAC Date of Beneficial Occupancy will occur in Fiscal Year 2023. Under the Rental Car CLAs, commencing on the ConRAC Date of Beneficial Occupancy, rental car companies that have entered into a CLA will be required to pay to the Department (i) a concession fee, equal to the greater of a minimum annual guarantee or ten percent of annual gross revenue; (ii) land and other facility-related rental and operation and maintenance charges; (iii) a common-use transportation system ("CTS") contribution, for the privilege of ConRAC customers' use of the APM System that will transport passengers between the ConRAC and the Central Terminal Area (the "CTS Contribution"); and (iv) certain other charges. Pursuant to the Rental Car CLAs, if remaining Customer Facility Charge revenues (after application to debt service on ConRAC Special Facilities Obligations, if any, and ConRAC Capital Availability Payments, each as described below) and CTS Contributions are greater than the 41% of APM System operating and capital costs, a portion of the excess amount is required to be applied to CTS Contribution abatement and a portion is required to be distributed to the Department to pay other Customer Facility Charge-eligible costs. See also "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program" and "—ConRAC" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM" for additional information about Customer Facility Charges, the Rental Car CLA, and the ConRAC and financing thereof.

Terminal Commercial Manager Concessions

The Department has entered into terminal commercial manager concession agreements with Westfield Airports, LLC ("Westfield"), for concession development in Terminal 2, Tom Bradley International Terminal ("TBIT"), and the Midfield Satellite Concourse ("URW Agreement No. 1"), and Terminals 1, 3 and 6 ("URW Agreement No. 2" and together with the URW Agreement No. 1, the "URW Concession Agreements"). Westfield was sold to Unibail-Rodamco SE ("Unibail-Rodamco") in 2018. As a result of the merger, the Department was notified by Unibail-Rodamco that the corporate name for Westfield was changed to URW Airports, LLC ("URW").

Pursuant to the URW Concession Agreements, URW serves as a developer and manager of retail, specialty retail, food and beverage and other passenger services in the applicable terminals and space, including selecting concessionaires, subject to Department approval. Under the URW Concession Agreements, URW is required to develop concession and related spaces, market and promote the concessionaires, negotiate and administer contracts with each concessionaire, and monitor and manage concessionaire performance. The term of each URW Concession Agreement is comprised of a development period and an operational period. The URW Agreements are currently scheduled to expire with respect to the following terminals as follows:

Terminal	Scheduled Expiration
1	June 2032
2	January 2032
3	June 2029
6	September 2030
TBIT	January 2032
Midfield Satellite Concourse	January 2032

Under the URW Concession Agreements, URW and its concessionaires are required to make initial capital investments in initial premises improvements in an aggregate amount of approximately $160.5 million, initial capital investments in initial non-premises improvements in an aggregate amount of approximately $74.5 million and capital investments in mid-term premises improvements in an aggregate amount of approximately $32.1 million. When all of the terminal space has been delivered to URW, the Department is to receive from URW the greater of an aggregate minimum annual guarantee (for calendar year 2019 the minimum annual guaranty is approximately $43.5 million) or percentage rent comprised of base percentage rent (a percentage of URW's revenues less certain allowances for improvements and management fees) and contingent percentage rent (a certain percentage of URW's revenues in excess of certain benchmarks). Beginning in January 2014, each minimum annual guaranty was subject to increase based on the consumer price index and a percentage of the prior year's percentage rent and to decrease based on certain reductions in passenger enplanements. Under the URW Concession Agreements, URW is required to provide performance guaranties in the initial aggregate amounts of $2 million, which amounts are required to increase to two months minimum annual guaranty, but not less than $3 million. The Department may terminate (a) URW Agreement No. 1 in the thirteenth year of operation and (b) URW Agreement No. 2 in the tenth year of operation, in each case if URW does not meet certain performance targets, subject to certain buy-out payments for URW's investment in improvements.

For Fiscal Year 2019, revenues to the Department from the terminal commercial manager was approximately $58.6 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019."

For the last six calendar months (July – December) of 2018, revenues to the Department from the terminal commercial manager was approximately $26.4 million. For the last six calendar months (July – December) of 2019, revenues to the Department from the terminal commercial manager was approximately $27.7 million. For the first five calendar months (January – May) of 2019, revenues to the Department from the terminal commercial manager was approximately $21.7 million. For the first five calendar months (January – May) of 2020, revenues to the Department at LAX from the terminal commercial manager was approximately $12.1 million.

Transportation Network Companies

In August 2015, the Department approved non-exclusive license agreements ("TNC Agreements") with various TNCs which connect passengers with approved drivers who provide transportation using their own vehicles and pay for the service through a mobile application. TNCs include Uber and Lyft, and other similar companies. The Department's TNC Agreements allow each company's approved drivers' access to designated Airport property in connection with the provision of transportation services for airport customers, employees, and passengers with their personal baggage. Subject to the terms of the TNC Agreements, TNCs are required (except in limited circumstances) to pick-up or drop-off passengers only on the Central Terminal Area upper departure level and are only allowed to use Airport property within the designated TNC airport assignment area and designated TNC staging areas at LAX. The TNC Agreements are subject to termination by the Department upon 7 days' notice by the Department or upon 30 days' written notice by the TNC. Under the TNC Agreements, TNCs are required to pay the Department a monthly license fee equal to the greater of $25,000 or the product of (i) the number of trips conducted by the TNC's vehicles in one calendar month and (ii) the trip fee then in effect. The current trip fee approved by the Board is $4.00 for each drop-off or pick-up at LAX. The Department cannot predict the impact of TNCs on revenues from parking, other ground transportation services or rental cars concessionaires.

For Fiscal Year 2019, TNCs recorded nearly 12.5 million pick-ups/drop-offs at LAX resulting in just over $59.6 million in revenue for the Department. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES" and for additional information about TNC revenues. In 2019, the Department added the LAX-it parking lot to provide a pickup location for taxis and rideshare.

For the last six calendar months (July – December) of 2018, TNCs recorded nearly 6.0 million pick-ups/drop-offs at LAX resulting in approximately $29.0 million in revenue for the Department. For the last six calendar months (July – December) of 2019, TNCs recorded nearly 6.7 million pick-ups/drop-offs at LAX resulting in approximately $27.9 million in revenue for the Department. For the first five calendar months (January – May) of2019, TNCs recorded nearly 5.1 million pick-ups/drop-offs at LAX resulting in approximately $25.6 million in revenue for the Department. For the first five calendar months (January – May) of 2020, TNCs recorded nearly 3.4 million pick-ups/drop-offs at LAX resulting in approximately $10.2 million in revenue for the Department.

Advertising Sponsorship and New Media Concession

The Department entered into a Terminal Media Operator Concession Agreement ("TMO Agreement") with JCDecaux Airport, Inc. ("JCDecaux"), effective February 2014. Pursuant to the TMO Agreement, JCDecaux serves as terminal media operator for the development and operation of certain advertising, sponsorship and other media concession locations within LAX. Under the TMO Agreement JCDecaux is granted the right to, among other things, market certain advertising and digital activation opportunities, develop and manage advertising displays, sponsorship activations and other media elements display locations at LAX. Under the TMO Agreement, JCDecaux is, subject to Department review, required to undertake certain development activities relating to advertising displays and other media elements at LAX. The TMO Agreement is scheduled to expire in December 2023. Subject to certain conditions provided in the TMO Agreement, JCDecaux is required to make an initial investment in certain improvements for the purpose of its sponsorship activations, advertising displays or other media elements equal to $18.5 million. JCDecaux is also required to make additional investments in certain improvements for the purpose of its sponsorship activations, advertising displays or other media elements equal to $3.5 million over the remainder of the initial term of the TMO Agreement. The annual concession fees payable from JCDecaux to the Department under the TMO Agreement are based on a series of formulas set forth in the TMO Agreement and consist of, among other things, certain fees derived from certain minimum guarantees and/or certain fees derived from a percentage of gross revenues from advertising, media and sponsorship activities. For Fiscal Year 2019, JCDecaux was required to pay to the Department not less than an advertising minimum annual guaranty in the amount of approximately $22.8 million and a sponsorship minimum annual guaranty in the amount of approximately $6.4 million. Each of these minimum annual guaranties is subject to increases on an annual basis.

In Fiscal Year 2019, revenues to the Department from the TMO Agreement were approximately $31.7 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion for Fiscal Year 2019."

For the last six calendar months (July – December) of 2018, revenues to the Department from the TMO Agreement were approximately $15.2 million. For the last six calendar months (July – December) of 2019, revenues to the Department at LAX from the TMO Agreement were approximately $15.5 million. For the first five calendar months (January – May) of 2019, revenues to the Department from the TMO Agreement were approximately $14.0 million. For the first five calendar months (January – May) of 2020, revenues to the Department from the TMO Agreement were approximately $11.8 million.

Food and Beverage Concessions

The Department has entered into concession agreements with several food and beverage concessionaires for concessions at Terminals 4, 5, 7, 8 and the commuter facilities at LAX (the "Food and Beverage Concession Agreements"). The Food and Beverage Concession Agreements provide that the Department will receive from each concessionaire a concession fee equal to the greater of a minimum annual guaranty or a percentage of gross receipts. The aggregate minimum annual guaranty under the Food and Beverage Concession Agreements is approximately $13.8 million. Under the Food and Beverage Concession Agreements, each concessionaire is required to make initial capital investments for initial improvements to such concessionaire's premises, aggregating approximately $37.9 million, and additional mid-term capital investments for refurbishment of the applicable premises, aggregating approximately $7.5 million. Each food and beverage concessionaire is required to provide a performance guaranty in an amount equal to 25% of the applicable minimum annual guaranty. The Food and Beverage Concession Agreements are scheduled to expire in June 2023.

For Fiscal Year 2019, revenues to the Department from food and beverage concessions at LAX were approximately $25.5 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019."

For the last six calendar months (July – December) of 2018, revenues to the Department from food and beverage concessions at LAX were approximately $12.8 million. For the last six calendar months (July – December) of 2019, revenues to the Department from food and beverage concessions at LAX were approximately $13.0 million. For the first five calendar months (January – May) of 2019, revenues to the Department from food and beverage concessions at LAX were approximately $10.1 million. For the first five calendar months (January – May) of 2020, revenues to the Department from food and beverage concessions at LAX were approximately $5.4 million.

Retail Concessions

The Department has entered into concession agreements with a number of retail concessionaires for concessions at Terminals 4, 5, 7 and 8 at LAX (the "Retail Concession Agreements"). The Retail Concession Agreements provide that the Department will receive from each concessionaire a concession fee equal to the greater of a minimum annual guaranty or a percentage of gross receipts. The aggregate minimum annual guaranty under the Retail Concession Agreements is approximately $7.5 million. Under the Retail Concession Agreements, each concessionaire is required to make initial capital investments for initial improvements to such concessionaire's premises, aggregating approximately $10.8 million, and additional mid-term capital investments for refurbishment of the applicable premises, aggregating approximately $2.1 million. Each concessionaire is required to provide a performance guaranty in an amount equal to 25% of the applicable minimum annual guaranty. The Retail Concession Agreements are scheduled to expire in June 2023.

For Fiscal Year 2019, revenues to the Department from the Retail Concession Agreements were approximately $12.2 million. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2019."

For the last six calendar months (July – December) of 2018, revenues to the Department from Retail Concession Agreements were approximately $6.3 million. For the last six calendar months (July – December) of 2019, revenues to the Department from Retail Concession Agreements were approximately $6.3 million. For the first five calendar months (January – May) of 2019, revenues to the Department from Retail Concession Agreements were approximately $4.9 million. For the first five calendar months (January – May) of 2020, revenues to the Department from Retail Concession Agreements were approximately $2.9 million.

FINANCIAL AND OPERATING INFORMATION CONCERNING LAX

Summary of Operating Statements

The following table summarizes the financial results from operations for LAX for Fiscal Years 2015 through 2019. In reviewing the figures in the following table and throughout the Official Statement, it is important to note that revenues are calculated on an accrual basis See APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018."

TABLE 11

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL OPERATING STATEMENTS
(DOLLARS IN THOUSANDS)[1]

	Fiscal Year				
	2015[2]	2016[2]	2017	2018	2019
Operating revenues:					
Aviation revenue					
Landing fees (net)	$ 227,518	$ 238,491	$ 260,971	$ 284,014	$ 295,724
Building rentals	365,296	462,667	493,382	527,476	581,946
Other aviation revenue[3]	95,042	102,766	105,599	114,374	125,535
Concession revenue	354,082	398,692	441,623	469,187	501,167
Airport sales and services	2,047	2,838	3,241	3,624	3,639
Other operating revenue	1,815	1,158	23,873[4]	23,729[4]	6,356
Total operating revenue	$ 1,045,800	$ 1,206,612	$ 1,328,689	$ 1,422,404	$ 1,514,367
Operating expenses:					
Salaries and benefits	$ 374,018	$ 387,595	$ 438,153[5]	$ 466,263[5]	$ 456,948
Contractual services	174,745	182,659	203,277	221,421	220,990
Administrative expense	2,890	3,288	2,905	4,447	4,250
Materials and supplies	46,102	46,062	43,830	49,703	53,414
Utilities	38,355	36,181	36,043	39,433	46,191
Advertising and public relations	4,606	4,095	2,988	2,512	3,851
Other operating expenses	4,682	3,999	15,304[6]	10,942	12,730
Total operating expenses before depreciation and amortization	$ 645,398	$ 663,879	$ 742,500	$ 794,721	$ 798,374
Income from operations before depreciation and amortization	$ 400,402	$ 542,733	$ 586,189	$ 627,683	$ 715,993
Depreciation and amortization	(178,035)	(226,439)	(298,176)	(360,638)	(402,646)
Operating Income	$ 222,367	$ 316,294	$ 288,013	$ 267,045	$ 313,347
Non-Operating revenues/(expenses):					
Passenger facility charges	$ 137,855	$ 150,409	$ 163,869	$ 171,431	$ 173,100
Customer facility charges	29,347	31,996	32,545	55,759	80,248
Interest income	20,327	19,638	23,327	35,080	67,901
Change in fair value of investments	(2,021)	13,776	(20,738)	(25,232)	41,422
Other non-operating revenue[3]	8,618	17,985	15,743	43,421	23,996
Interest expense	(166,919)	(182,386)	(193,469)	(205,308)	(294,767)
Bond expense	(2,488)	(3,764)	(2,516)	(4,417)	(6,728)
Other non-operating expenses	(7,071)[7]	(3,026)	23	2,500	--
Net non-operating revenues/(expenses)	$ 17,648	$ 44,628	$ 18,784	$ 73,234	$ 85,172
Income before capital grants, and inter-agency transfers	$ 240,015	$ 360,922	$ 306,797	$ 340,279	$ 398,519
Federal grants	30,964	49,255	87,762	54,297	29,864
Inter-agency transfers	5,303	5,116	1,856	--	--
Transfer of residual operation from ONT	--	--	104,125[4]	--	--
Change in net position	276,282	415,293	500,540	394,576	428,383
Net position, beginning of period	$ 4,345,029	$ 4,053,417	$ 4,468,710	$ 4,969,250	$ 5,287,330
Change in accounting principle and removal of net pension obligation	(567,894)[8]	--	--	(76,496)[9]	--
Net position, end of period	$ 4,053,417	$ 4,468,710	$ 4,969,250	$ 5,287,330	$ 5,715,713

(1) Totals may not add due to rounding.
(2) Restated. Certain reclassifications have been made to conform to fiscal year 2019 presentation.
(3) Includes reimbursement of security-related expenses; TSA revenue pertaining to law enforcement officers and canines presented in non-operating revenue.
(4) Fiscal Years 2018 and 2017 Other Operating Revenues include employee salary and overhead reimbursement of approximately $16.7 million and $21.0 million, respectively, from OIAA pursuant to the Staff Augmentation Agreement. As described in Note 17 of the notes to the Annual Financial Report, the Department transferred the assets and liabilities of Ontario International Airport ("ONT") to Ontario International Airport Authority ("OIAA") as contemplated by a settlement agreement with ONT on November 1, 2016. As a result of the transfer, the Department recognized a transfer of residual operation from ONT of approximately $104.1 million in Fiscal Year 2017.
(5) Fiscal Year 2018 and 2017 Salaries and Benefits expense include salaries and benefits of approximately $13.8 million and $17.4 million, respectively, from OIAA subsequent to the OIAA transfer on November 1, 2016.
(6) Fiscal Year 2017 increase in other operating expense was mainly due to the accrual and payment of approximately $3.7 million property taxes for the Park One parking lot pursuant to the lease covering the fiscal years from 2014 to 2017.
(7) Includes approximately $6.948 million adjustment to Fund Balance.
(8) Primarily comprised of the proportional allocation of the City's Net Pension Liability. See "THE DEPARTMENT OF AIRPORTS – Retirement Plan."
(9) Primarily comprised of the proportional allocation of the City's Net OPEB Liability. See "THE DEPARTMENT OF AIRPORTS – Retirement Plan."
(10) Derived from unaudited financial statement.
Source: Department of Airports of the City of Los Angeles.

The following table summarizes the financial results from operations at LAX during the last six months (July – December) of 2018 and 2019, and the first five months (January – May) of 2019 and 2020.

TABLE 11-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL OPERATING STATEMENTS
(DOLLARS IN THOUSANDS)[(1)]

	July – December		January - May	
	2018	2019	2019[(3)]	2020[(3)]
Operating revenues:				
Aviation revenue				
Landing fees (net)	$ 152,234	$ 158,508	$ 120,191	$ 87,176
Building rentals	293,126	318,105	261,996	235,919
Other aviation revenue[(2)]	61,342	64,561	53,911	49,020
Concession revenue	254,025	260,536	202,504	115,886
Airport sales and services	1,819	2,077	1,530	1,698
Other operating revenue	2,853	2,615	2,681	1,168
Total operating revenue	$ 765,399	$ 806,402	$ 642,813	$ 490,867
Operating expenses:				
Salaries and benefits	$ 223,813	$ 233,421	$ 187,823	$ 198,837
Contractual services	93,466	102,546	88,339	98,906
Administrative expense	2,127	2,126	1,619	1,314
Materials and supplies	20,312	22,984	23,264	23,688
Utilities	23,039	25,477	19,550	17,583
Advertising and public relations	1,538	1,492	1,637	1,370
Other operating expenses	6,691	6,788	5,354	5,307
Total operating expenses before depreciation and amortization	$ 370,986	$ 394,834	$ 327,586	$ 347,005
Income from operations before depreciation and amortization	$ 394,413	$ 411,568	$ 315,227	$ 143,862
Depreciation and amortization	(194,253)	(219,157)	(171,940)	(183,782)
Operating Income	$ 200,160	$ 192,411	$ 143,287	$ (39,920)
Non-Operating revenues/(expenses):				
Passenger facility charges	$ 81,394	$ 81,403	$ 80,002	$ 34,450
Customer facility charges	41,723	45,221	31,705	18,085
Interest income	27,197	37,571	29,193	36,391
Change in fair value of investments	--	--	--	--[(4)]
Other non-operating revenue[(2)]	5,456	8,508	18,475	1,917
Interest expense	(140,902)	(161,156)	(127,897)	(117,899)
Bond expense	(3,701)	(1,374)	(1,626)	(2,162)
Other non-operating expenses	(432)	--	432	--
Net non-operating revenues/(expenses)	$ 10,735	$ 10,173	$ 30,284	$ (29,218)
Income before capital grants, and inter-agency transfers	$ 210,895	$ 202,584	$ 173,571	$ (69,138)
Federal grants	7,365	1,143	5,741	7,916
Inter-agency transfers	--	--	--	--
Transfer of residual operation from ONT	--	--	--	--
Change in net position	218,260	203,727	179,312	(61,222)
Net position, beginning of period	5,287,330	5,715,713	5,505,590	5,919,440
Change in accounting principle and removal of net pension obligation	$ --	$ --	$ --	$ --
Net position, end of period	$ 5,505,590	$ 5,919,440	$ 5,684,902	$ 5,858,218

(1) Totals may not add due to rounding.
(2) Includes reimbursement of security-related expenses; TSA revenue pertaining to law enforcement officers and canines presented in non-operating revenue.
(3) Derived from unaudited financial statement.
(4) Fair value of investment will be booked at June 30, 2020.
Source: Department of Airports of the City of Los Angeles.

See also APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018."

Management Discussion of the Last Six Months (July – December) of Calendar Years 2018 and 2019 and of the First Five Months (January – May) of Calendar Years 2019 and 2020

Last Six Months (July-December) of Calendar Years 2018 and 2019

Total operating revenue at LAX for the last six months (July – December) of calendar year 2019 was approximately $806.4 million, an increase of approximately $41.0 million, or approximately 5.4%, from the last six months (July – December) of calendar year 2018. Landing fee revenue at LAX for the last six months (July – December) of calendar year 2019 was approximately $158.5 million, an increase of approximately $6.3 million, or approximately 4.1%, from the last six months (July – December) of calendar year 2018. Building rental revenue at LAX for the last six months (July – December) of calendar year 2019 was approximately $318.1 million, an increase of approximately $25.0 million, or approximately 8.5%, from the last six months (July – December) of calendar year 2018. The increases in building rental revenue were primarily due to the improvements and refurbishments in the terminals, scheduled rate increases, and new and renegotiated leases signed with the airlines and other tenants. Land rental revenue at LAX for the last six months (July – December) of calendar year 2019 was $60.7 million, an increase of approximately $3.0 million, or approximately 5.3%, from the last six months (July – December) of calendar year 2018. The increase in land rental revenue was mainly due to an overall increase in leased areas. Concession revenue at LAX for the last six months (July – December) of calendar year 2019 was approximately $260.5 million, an increase of approximately $6.5 million, or approximately 2.6%, from the last six months (July – December) of calendar year 2018. The increases in concession revenue were mainly due to an increase in auto parking rates as well as a slight increase in traffic. Other operating revenue at LAX, including airport sales and services and other aviation and operating revenue, for the last six months (July – December) of calendar year 2019 was approximately $8.6 million, an increase of approximately $0.2 million, or approximately 2.5%, from the last six months (July – December) of calendar year 2018.

Operating expenses before depreciation and amortization at LAX for the last six months (July – December) of calendar year 2019 were approximately $394.8 million, an increase of approximately $23.8 million, or approximately 6.4%, from the last six months (July – December) of calendar year 2018. Salaries and benefit expenses at LAX for the last six months (July – December) of calendar year 2019 were approximately $233.4 million, an increase of approximately $9.6 million, or approximately 4.3%, from the last six months (July – December) of calendar year 2018. The increase in salaries and benefit expenses was primarily due to the terms of bargaining agreements with employee unions. Contractual services expenses at LAX for the last six months (July – December) of calendar year 2019 were approximately $102.5 million, an increase of approximately $9.1 million, or approximately 9.7%, from the last six months (July – December) of calendar year 2018, which was mostly driven by the opening of the auxiliary curb, "LAX-it", for taxis and rideshare. Materials and supplies expenses at LAX for the last six months (July – December) of calendar year 2019 were approximately $23.0 million, an increase of approximately $2.7 million, or approximately 13.2%, from the last six months (July – December) of calendar year 2018, mostly due to the LAX-it opening. Other operating expenses at LAX, including administrative expenses (net of allocation to VNY and LA/PMD), utilities, advertising and public relations and other operating expense, for the last six months (July – December) of calendar year 2019 were approximately $35.9 million, an increase of approximately $2.5 million, or approximately 7.5% from the last six months (July – December) of calendar year 2018. The increase in utilities was mainly due to an increase in electricity as a result of Terminal 4 operations, completion of Terminal 6 electrical upgrade project, and increase of water charges due to a rate hike.

For the last six months (July – December) of calendar year 2019, the net position of the Department with respect to LAX was approximately $5.9 billion, an increase of approximately $413.9 million, or approximately 7.5%, from the last six months (July – December) of calendar year 2018.

First Five Months (January – May) of Calendar Years 2019 and 2020

Total operating revenue at LAX for the first five months (January – May) of calendar year 2020 was approximately $490.9 million, a decrease of approximately $152.5 million, or approximately 23.6%, from for the first five months (January – May) of calendar year 2019 due primarily to the decrease in passenger traffic during this period. Landing fee revenue at LAX for the first five months (January – May) of calendar year 2020 was approximately $87.2 million, a decrease of approximately $33.0 million, or approximately 27.5%, from the first five months (January – May) of calendar year 2019. Building rental revenue at LAX for the first five months (January – May) of calendar year 2020 was approximately $235.9 million, decrease of approximately $26.1 million, or approximately 10.0%, from first five months (January – May) of calendar year 2019. The decreases in building rental revenue were primarily due to decreases in terminal use fees as a result of the drop in passenger traffic as impacted by COVID-19 in Fiscal Year 2020, reduction in common use activity and other rent relief in response to COVID-19. Land rental revenue at LAX for first five months (January – May) of calendar year 2020 was $46.1 million, a decrease of approximately $4.9 million or approximately 9.5%, from the first five months (January – May) of calendar year 2019. The decrease in land rental revenue was mainly due to an overall decrease in leased areas due to lease terminations, including the leases that were terminated in order to accommodate LAX-it, LAMP and other projects. Concession revenue at LAX for the first five months (January – May) of calendar year 2020 was approximately $115.9 million, a decrease of approximately $86.6 million, or approximately 42.8%, from the first five months (January – May) of calendar year 2019. The decreases in concession revenue were due to a waiver of MAGs and a decrease in percent rents based on concessionaries' sales due to passenger traffic reduction. Other operating revenue at LAX, including airport sales and services and other aviation and operating revenue, for the first five months (January – May) of calendar year 2020 was approximately $5.7 million, a decrease of approximately $1.4 million, or approximately 19.4%, from the first five months (January – May) of calendar year 2019. The decrease in other operating revenue was primarily due to a decrease in various reimbursements, refunds and penalty fees.

Operating expenses before depreciation and amortization at LAX for the first five months (January – May) of calendar year 2020 were approximately $347.0 million, an increase of approximately $19.4 million, or approximately 5.9%, from the first five months (January – May) of calendar year 2019. Salaries and benefit expenses at LAX for the first five months (January – May) of calendar year 2020 were approximately $198.8 million, an increase of approximately $11.0 million, or approximately 5.9%, from the first five months (January – May) of calendar year 2019. The increase in salaries and benefit expenses was primarily due to the terms of bargaining agreements with employee unions. The approximately $17 million cost of the separation incentives under the SIP was accrued in June 2020, and while not reflected in the January-May 2020 financial information, this cost will be included in the Fiscal Year 2020 salaries and benefit expenses. Contractual services expenses at LAX for the first five months (January – May) of calendar year 2020 were approximately $98.9 million, an increase of approximately $10.6 million, or approximately 12.0%, from the first five months (January – May) of calendar year 2019, which was mostly driven by the opening of the LAX-it. Materials and supplies expenses at LAX for the first five months (January – May) of calendar year 2020 were approximately $23.7 million, an increase of approximately $0.4 million, or approximately 1.8%, from first five months (January – May) of calendar year 2019. Other operating expenses at LAX, including administrative expenses (net of reliever fee), utilities, advertising and public relations and other operating expense, for the first five months (January – May) of calendar year 2020 were approximately $25.6 million, a decrease of approximately $2.6 million, or approximately 9.2% from the first five months (January – May) of calendar year 2019. The decrease was primarily due to lower utilities as a result of credit adjustments in Fiscal Year 2020.

For the first five months (January – May) of calendar year 2020, the net position of the Department with respect to LAX was approximately $5.9 billion, an increase of approximately $173.3 million, or approximately 3.0%, from the first five months (January – May) of calendar year 2019.

Management Discussion of Fiscal Year 2019

Total operating revenue at LAX for Fiscal Year 2019 was approximately $1.5 billion, an increase of approximately $92.0 million, or approximately 6.5f%, from Fiscal Year 2018. Landing fee revenue at LAX for Fiscal Year 2019 was approximately $295.7 million, an increase of approximately $11.0 million, or approximately 3.9%, from Fiscal Year 2018. Building rental revenue at LAX for Fiscal Year 2019 was approximately $581.9 million, an increase of approximately $54.5 million, or approximately 10.3%, from Fiscal Year 2018. The increases in building rental revenue were primarily due to the improvements and refurbishments in the terminals, scheduled rate increases, and new and renegotiated leases signed with the airlines and other tenants. Land rental revenue at LAX for Fiscal Year 2019 was $118.1 million, an increase of approximately $10.2 million or approximately 9.5%, from Fiscal Year 2018. The increase in land rental revenue was mainly due to an overall increase in leased areas. Concession revenue at LAX for Fiscal Year 2019 was approximately $501.2 million, an increase of approximately $32.0 million, or approximately 6.8%, from Fiscal Year 2018. The increases in concession revenue were due to a combination of an increase in TNC revenue as a result of a one-time penalty fee of $4.7 million in addition to the increase in ridership driven by the popularity of TNCs in Fiscal Year 2019, increased auto parking revenue attributed to parking rate increase in the Central Terminal Area parking structures starting from January 2019, and increased passenger levels which resulted in increased in-terminal concessions. Other operating revenue at LAX, including airport sales and services and other aviation and operating revenue, for Fiscal Year 2019 was approximately $17.4 million, a decrease of approximately $16.4 million, or approximately 48.5%, from Fiscal Year 2018. The decrease in other operating revenue was primarily due to the recognition of ONT employee salary reimbursement (including overhead costs) of approximately $16.7 million from OIAA in Fiscal Year 2018. The Department ceased staff augmentation services to OIAA in April 2018.

Operating expenses before depreciation and amortization at LAX for Fiscal Year 2019 were approximately $798.4 million (net of allocation to VNY and LA/PMD), an increase of approximately $3.6 million, or approximately 0.5%, from Fiscal Year 2018. Salaries and benefit expenses at LAX for Fiscal Year 2019 were approximately $456.9 million, a decrease of approximately $9.3 million, or approximately 2.0%, from Fiscal Year 2018. The decrease in salaries and benefit expenses was primarily due to a decrease in Workers' compensation in Fiscal Year 2019 as additional projected year-end liability was recognized in Fiscal Year 2018 based on the actuarial report. Contractual services expenses at LAX for Fiscal Year 2019 were approximately $221.0 million, a decrease of approximately $0.4 million, or approximately 0.2%, from Fiscal Year 2018. Materials and supplies expenses at LAX for Fiscal Year 2019 were approximately $53.4 million, an increase of approximately $3.7 million, or approximately 7.5%, from Fiscal Year 2018. Other operating expenses at LAX, including administrative expenses (net of allocation to VNY and LA/PMD), utilities, advertising and public relations and other operating expense, for Fiscal Year 2019 were approximately $67.0 million (net of allocation to VNY and LA/PMD), an increase of approximately $9.7 million, or approximately 16.9% from Fiscal Year 2018. The increase in utilities at $6.8 million was mainly due to increase in electricity attributed to the Central Utility Plant additional boiler usage, acquisition of Terminal 4 operations, and new duct bank as a result of Terminal 2 improvement project. The $1.8 million increase in other operating expenses (after allocation to VNY and LA/PMD) was mainly due to higher insurance premiums.

For Fiscal Year 2019, the net position of the Department with respect to LAX was approximately $5.7 billion, an increase of approximately $428.4 million, or approximately 8.1%, from Fiscal Year 2018.

For Fiscal Year 2019, pursuant to GASB 68, a proportional allocation of the City's Net Pension Liability, together with other pension liability adjustments, in the aggregate amount of approximately $773.4 million, as of measurement date June 30, 2018 and reporting date June 30, 2019, were allocated to the Department with respect to LAX. For Fiscal Year 2019, pursuant to GASB 75, a proportional allocation of the City's Net OPEB Liability, together with other OPEB liability adjustments, in the aggregate amount of approximately $77.8 million, as of measurement date June 30, 2018 and reporting date June 30, 2019, were allocated to the Department with respect to LAX. **The following key findings were contained in the LACERS Valuations (i) the allocation of LACERS Net Pension Liability for the Department increased from approximately $785 million as of June 30, 2018 to $819 million as of June 30, 2019, and (ii) the allocation of LACERS Net OPEB Liabilities for the Department decreased from approximately $78 million as of June 30, 2018 to $69 million as of June 30, 2019.** GASB 68 and GASB 75 address the disclosure of pension and OPEB liability only and do not impose any funding requirements. The Department expects that its contributions to LACERS and LAFPP will continue to increase, in amounts that may be significant. See "CERTAIN INVESTMENT CONSIDERATIONS – Retirement Plan Funding" and "THE DEPARTMENT OF AIRPORTS – Retirement Funding."

Department Unrestricted Funds

As of June 30, 2020, the Department had approximately $964 million in unrestricted cash on hand. It is the Department's policy to maintain cash on hand equal to at least one-year of Maintenance and Operation Expenses. The preliminary unaudited Fiscal Year 2020 unrestricted days cash on hand is 392 days excluding the Maintenance and Operation Reserve Fund and 487 days cash on hand including the Maintenance and Operation Reserve Fund.

Top Revenue Providers and Sources

The following tables set forth the top ten revenue providers at LAX for Fiscal Year 2019.

TABLE 12

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE PROVIDERS
FISCAL YEAR 2019
(DOLLARS IN THOUSANDS)[(1)(2)]

1.	American Airlines[(3)‡]	$ 176,089
2.	United Air Lines[†]	157,125
3.	Delta Air Lines[*]	152,939
4.	DFS Group	85,678
5.	Southwest Airlines	78,336
6.	Westfield/URW	58,623
7.	Alaska Airlines[(4)]	54,449
8.	Tom Bradley Int'l Terminal Equipment	44,522
9.	The Hertz Corporation[(5)]	35,969
10.	Uber	34,343

* Member of Sky Team Alliance.

† Member of Star Alliance.

‡ Member of One World Alliance.

(1) Excludes revenue from the federal government. The amounts in this table reflect those amounts billed by the Department to the applicable revenue providers as of June 30, 2019. Excludes rental credits, if any.

(2) For airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activities for the airlines that are now a part of the surviving airline are included in the information presented.

(3) Includes US Airways, Envoy, SkyWest and Compass Airlines as American Airlines.

(4) Includes Virgin America as Alaska Airlines.

(5) Includes approximately $16.3 million of Customer Facility Charges (CFCs). CFCs are not included in Pledged Revenues.

Source: Department of Airports of the City of Los Angeles.

The following tables set forth the top ten revenue providers at LAX for the last six calendar months of calendar years 2018 and 2019 and for the first five calendar months of calendar years 2019 and 2020.

TABLE 12A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE PROVIDERS
FOR THE LAST SIX CALENDAR MONTHS OF CALENDAR YEAR 2018 AND 2019
AND FIRST FIVE CALENDAR MONTHS OF CALENDAR YEAR 2019 AND 2020
(DOLLARS IN THOUSANDS)[(1)(2)]

		July – December		January - May	
		2018	**2019**	**2019**	**2020**
1.	American Airlines[(3)‡]	$ 80,912	$ 98,789	$ 79,893	$ 77,250
2.	United Air Lines[†]	76,904	85,533	72,018	64,567
3.	Delta Air Lines[*]	75,351	84,759	67,948	65,054
4.	DFS Group	38,689	46,608	40,160	16,919
5.	Southwest Airlines	40,271	41,304	35,081	30,278
6.	Alaska Airlines[(4)]	27,611	28,957	23,569	22,006
7.	Westfield/URW	31,485	29,557	22,359	14,476
8.	Tom Bradley Int'l Terminal Equipment	22,040	26,002	21,510	22,479
9.	Uber	16,010	18,126	15,216	8,828[(5)]
10.	The Hertz Corporation	19,290	20,209	13,790[(6)]	10,595[(7)]

* Member of Sky Team Alliance.
† Member of Star Alliance.
‡ Member of One World Alliance.
(1) Excludes revenue from the federal government. The amounts in this table reflect those amounts billed by the Department to the applicable revenue providers from July – December and January – May in each calendar year, as indicated. Excludes rental credits, if any.
(2) For airlines that (i) were party to a completed merger or acquisition, (ii) have received a single FAA certificate and (iii) have completed operational integration, only the surviving entity is presented and the activities for the airlines that are now a part of the surviving airline are included in the information presented.
(3) Includes US Airways, Envoy, SkyWest and Compass Airlines as American Airlines.
(4) Includes Virgin America as Alaska Airlines.
(5) For the reported period Federal Express ($10,343), Qantas $(10,276) and Avis Rent A Car System LLC ($8,936) rank ahead of Uber.
(6) Includes approximately $6.2 million of CFCs. CFCs are not included in Pledged Revenues.
(7) Includes approximately $4.8 million of CFCs. CFCs are not included in Pledged Revenues.

Source: Department of Airports of the City of Los Angeles.

The following table sets forth top ten revenue sources at LAX for Fiscal Year 2019.

TABLE 13

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE SOURCES
FISCAL YEAR 2019(1)
(DOLLARS IN THOUSANDS)

1.	Terminal Rentals	$ 507,404
2.	Landing Fees	295,724
3.	Land Rentals(2)	118,145
4.	Auto Parking	104,274
5.	Food, Beverage, Gift, News and Terminal Commercial Managers	91,443
6.	Duty Free Sales	84,912
7.	Rental Cars(3)	82,607
8.	Other Building Rentals(4)	74,542
9.	Transportation Network Companies	59,590
10.	Advertising	31,676

(1) The amounts in this table reflect those amounts received by the Department from the applicable revenue sources as of June 30, 2019.
(2) Consists primarily of rental revenue derived from the ancillary land facilities at LAX.
(3) Excludes Customer Facility Charges which are not included in Pledged Revenues.
(4) Consists primarily of rental revenue derived from cargo, maintenance and other building facilities at LAX.
Source: Department of Airports of the City of Los Angeles.

The following table sets forth top ten revenue sources at LAX for the last six calendar months of calendar years 2018 and 2019 and for the first five calendar months of calendar years 2019 and 2020.

TABLE 13A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE SOURCES
FOR THE LAST SIX CALENDAR MONTHS OF CALENDAR YEAR 2018 AND 2019
AND FIRST FIVE CALENDAR MONTHS OF CALENDAR YEAR 2019 AND 2020(1)
(DOLLARS IN THOUSANDS)

		July – December		January - May	
		2018	2019	2019	2020
1.	Terminal Rentals	$ 257,244	$ 278,657	$ 229,902	$ 202,209
2.	Landing Fees	152,234	158,508	120,191	87,176
3.	Land Rentals(2)	57,645	60,676	51,004	46,149
4.	Auto Parking	48,489	58,948	46,588	26,111
5.	Food, Beverage, Gift, News and Terminal Commercial Managers	47,702	45,690	34,776	20,489
6.	Duty Free Sales	45,430	42,667	33,560	15,525
7.	Other Building Rentals (4)	43,184	39,448	32,094	33,710
8.	Rental Cars(3)	35,882	45,789	30,831	19,522
9.	Transportation Network Companies	29,133	27,924	25,097	10,217
10.	Advertising	16,208	15,495	12,941	11,775

(1) The amounts in this table reflect those amounts received by the Department from the applicable revenue sources from July to December and January - May in each calendar year, as indicated.
(2) Consists primarily of rental revenue derived from the ancillary land facilities at LAX.
(3) Excludes Customer Facility Charges which are not included in Pledged Revenues.
(4) Consists primarily of rental revenue derived from cargo, maintenance and other building facilities at LAX.
Source: Department of Airports of the City of Los Angeles.

Budgeting Process

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

Fiscal Year 2021 Budget

Department management submitted the proposed Fiscal Year 2021 operating budget to the Board and the Board formally adopted the Fiscal Year 2021 operating budget in June 2020.

The Fiscal Year 2021 LAX operating budget projects operating revenues of approximately $1.3 billion, approximately 18.8% lower than projected in the Fiscal Year 2020 LAX operating budget. The Department projects LAX aviation revenues of approximately $1.1 billion, approximately the same as that forecast in the Fiscal Year 2020 LAX operating budget. As a significant portion of LAX aviation revenues are derived through cost recovery formulas used in calculation of airfield and terminal rates and charges, the Department projects little change in LAX aviation revenues. The Fiscal Year 2021 LAX operating budget projects non-aviation operating revenues of approximately $207.8 million, approximately 60.4% lower than forecast in the Fiscal Year 2020 LAX operating budget, as decreased levels of passenger traffic contribute to lower terminal concession and ground transportation revenues as a result of COVID-19. The Fiscal Year 2021 LAX operating budget projects operating expenses of approximately $784.6 million, approximately 12.9% lower than the Fiscal Year 2020 LAX operating budget. The Fiscal Year 2021 LAX operating budget does not include appropriations for the Capital Program or other capital improvement projects. Department management will be required to seek approval from the Board for appropriations of funds for certain projects on a project-by-project basis. See "AIRPORT AND CAPITAL PLANNING." Under the Fiscal Year 2021 LAX operating budget, the Department has budgeted approximately $466.0 million for salaries, benefits and other payroll expenses for the Department's employees at LAX (representing a decrease of approximately 6.7% from the Fiscal Year 2020 LAX operating budget) and approximately $67.3 million for payments to the City for fire service, supplemental police assistance and other support services and personnel costs at LAX. Amounts budgeted for these expenses represent approximately 67.8% of the LAX operating budget for Fiscal Year 2021. Personnel decreases are due to a hiring freeze, overtime freeze, attrition and the SIP. Contractual services, including payments for services provided by the City, as described above, are budgeted in the Fiscal Year 2021 LAX operating budget at approximately $203.4 million (representing a decrease of approximately 23.1% from the Fiscal Year 2020 LAX operating budget). See also "THE DEPARTMENT OF AIRPORTS – Employees and Labor Relations" and "—Retirement Plan."

The actual impact of the COVID-19 pandemic on air travel through LAX and the Department's budget and finances will heavily depend on future events outside of the control of the Department. As a result of these uncertainties, the Department will regularly review Fiscal Year 2021 revenue projections and make adjustments throughout Fiscal Year 2021.

The following table sets forth a summary of the operating budget at LAX for Fiscal Year 2021.

TABLE 14

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
SUMMARY OF OPERATING BUDGET
FISCAL YEAR 2021[(1)]
(DOLLARS IN MILLIONS)

Operating revenues:	
Aviation revenue	
Landing fees	$ 310.8
Building rentals	661.8
Land rentals	98.7
Other aviation revenue	2.5
Concession revenue	202.6
Airport sales and services	1.6
Miscellaneous revenue	3.6
Total operating revenue	$ 1,281.6
Operating expenses:	
Salaries and benefits	$ 466.0
Contractual services	203.4
Materials and supplies	48.5
Utilities	41.1
Adjustment for capitalized salaries and pass-through expenses	(27.0)
Other operating expenses	28.6
Total operating expenses	$ 760.6
Income from operations before depreciation and amortization	$ 521.0

(1) Totals may not add due to rounding.
Source: Department of Airports of the City of Los Angeles.

Debt Service Coverage

The following table shows historical debt service coverage on the Senior Bonds and the Subordinate Obligations for Fiscal Years 2015 through 2019.

TABLE 15

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL DEBT SERVICE COVERAGE
FISCAL YEARS 2015-2019(1)
(DOLLARS IN THOUSANDS)

	2015	2016	2017	2018	2019
Pledged Revenues(2)					
Total Operating Revenues	$ 1,045,800	$ 1,206,612	$ 1,328,689	$ 1,422,404	$ 1,514,367
Interest Income(3)	9,700	18,313	3,139	8,251	62,483
Build America Bonds Subsidy(4)	7,719	7,761	7,613	7,478	7,349
Non-Operating TSA Revenue	2,895	2,139	3,287	4,104	3,364
Total Pledged Revenues	$ 1,066,114	$ 1,234,825	$ 1,342,728	$ 1,442,237	$ 1,587,563
LAX Maintenance and Operation Expenses(5)	(645,091)	(660,656)	(725,190)	(784,369)	(786,919)
Net Pledged Revenues(6)	$ 421,023	$ 574,169	$ 617,538	$ 657,868	$ 800,644
Senior Bond Aggregate Annual Debt Service(7)	$ 110,237	$ 92,210	$ 131,059	$ 114,054	$ 101,385
Senior Bond Debt Service Coverage Ratio	3.82x	6.23x	4.71x	5.77x	7.90x
Subordinate Obligations Debt Service(8)	$ 55,439	$ 62,305	$ 82,063	$ 100,619	$ 132,790
Subordinate Obligations Debt Service Coverage Ratio	5.61x	7.74x	5.93x	5.40x	5.27x
Total Debt Service Coverage Ratio	2.54x	3.72x	2.90x	3.06x	3.42x

(1) Derived from unaudited financial statements.
(2) As defined in the Senior Indenture.
(3) Excludes interest income from PFC revenues, Customer Facility Charges and construction funds.
(4) Represents cash subsidy payments from the United States Treasury received in connection with the Series 2009C Subordinate Bonds and the Series 2010C Subordinate Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS – Federal Funding; Impact of Federal Sequestration."
(5) As defined in the Senior Indenture. Excludes depreciation and expenses of LAX payable from sources other than Pledged Revenues. Deducted from Maintenance and Operation expenses are net non-cash pension and OPEB expenses of $17,179, $10,268 and $11,324 in fiscal years 2017, 2018 and 2019, respectively.
(6) As defined in the Senior Indenture. Equals Pledged Revenues less LAX Maintenance and Operation Expenses.
(7) Net of approximately $91.0 million, $124.0 million, $118.0 million, $136.0 million and $147.7 million of PFC revenues used in fiscal years 2015, 2016, 2017, 2018 and 2019, respectively, to pay debt service on Senior Bonds. Presentations of the use of PFC revenues to pay debt service on Senior Bonds in this table differ from those in the audited financial statements of the Department due to differences in accounting practices.
(8) Excludes capitalized interest; also includes actual debt service with respect to the Subordinate Commercial Paper Notes.

Source: Department of Airports of the City of Los Angeles.

Investment Practices of the City Treasurer

All moneys held in the Airport Revenue Fund are currently invested by the City Treasurer in investments authorized by State law. The City Treasurer invests temporarily idle cash for the City, including that of the Department, as part of a pooled investment program (the "Pool") which combines general receipts with special funds for investment purposes and allocates interest earnings on a pro rata basis when the interest is earned and distributes interest receipts based on the previously established allocations. Below is a summary of assets of the Pool as of May 31, 2020:

TABLE 16

CITY OF LOS ANGELES POOLED INVESTMENT FUND[(1)]
ASSETS AS OF MAY 31, 2020
(Dollars in Millions)

Description	Market Value[(2)]	% of Total	Department Market Value[(3)]	LAX Market Value[(4)]
Bank Deposits	$ 803	5.80%	$ 115	$ 115
Commercial Paper	2,903	20.99	416	414
Corporate Notes	121	0.87	17	17
U.S. Federal Agencies/Munic/Supras	1,562	11.29	223	222
U.S. Treasuries	186	1.34	27	27
Total Short-Term Core Portfolio:	$ 5,575	40.29%	$ 798	$ 795
Corporate Notes	935	6.76	134	133
U.S. Federal Agencies/Munic/Supras	584	4.22	83	83
U.S. Treasuries	6,575	47.53	941	937
Asset-Backed Securities	166	1.20	24	24
Total Long-Term Reserve Portfolio	$ 8,260	59.71%	$ 1,182	$ 1,177
Total Cash & Pooled Investments	$ 13,835	100.0%	$ 1,980	$ 1,972

(1) Derived from unaudited financial statements; based on General Portfolio Asset Holdings provided by the Office of Finance.
(2) Total amount held by the City in the Pool, including the funds of other departments.
(3) The Department's share of the Pool, including restricted assets; allocated by Financial Reporting Division of the Department.
(4) Inclusive of restricted cash; fund not segregated from other funds in the Pool; allocated by Financial Reporting Division of the Department.

Source: Office of Finance, City of Los Angeles and Department of Airports of the City of Los Angeles, California.

The average life of the investment portfolio in the Pool as of May 31, 2020 was approximately 2.0 years.

The City's treasury operations are managed in compliance with the California State Government Code and a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The City Treasurer indicates that the City does not invest in structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments and mortgage-derived interest or principal-only strips. See also Note 3 – APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018."

Risk Management and Insurance

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

The Department carries commercial aviation general liability insurance with coverage limits of $1.3 billion for losses arising out of liability for airport operations. The deductible on the commercial aviation liability coverage is $10,000 per occurrence with an annual $500,000 aggregate deductible. This aviation liability coverage incorporates a foundation of comprehensive in-house claims management program, incremental claims analysts and adjustors and both outside and inside defense counsel. The liability coverage has endorsements of coverage for all third-party claims and suits, on premises automobile coverage, personal and advertising injury coverage, errors and omissions coverage and hangar and aircraft owner's liability coverage. Additionally, the Department carries employment practices liability insurance with coverage limits of $10 million for protection against employment-related losses, including coverage for defense costs and damages, with a self-insured retention of $2.5 million.

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

The Department carries cyber liability insurance with coverage limits of $30 million for protection against cyber liability risks as well as critical financial protection from loss, disclosure, or theft of data in any form, including but not limited to, media and content rights infringement and liability, network security failure, denial of service attacks and transmission of malicious code. The Department has a self-insured retention of $100,000 for cyber liability coverage.

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

The Department maintains an insurance reserve fund, pursuant to Board policy. This fund has been established to fund uninsured or under-insured losses or where insurance capacity is unavailable or excessive in cost relative to coverage. This reserve fund would provide primary funding for catastrophic losses with respect to all three airports in the Airport System. As of June 30, 2020, there was approximately $120 million in this fund.

Pursuant to the State Labor Code, the State Department of Industrial Relations has provided the City a Certificate of Consent to Self-Insure in connection with its workers' compensation liability. See Note 10 to APPENDIX B – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018." Additionally, the Department annually conducts a comprehensive review of its active loss prevention program and risk profile for both general liability and property/casualty perils. This on-going program seeks to identify, eliminate or mitigate the loss or peril before it becomes a loss or claim. This review of its program may include benchmarking surveys with other similar domestic U.S. airports as well as examination of probable loss expectancy, exposure studies that incorporate past losses and statistical probabilities of future losses. The results of such reviews are used to establish insurance for coverage perils and limits of coverage.

AIRPORT AND CAPITAL PLANNING

Overview

The Department is undertaking a multi-billion dollar capital development program at LAX. Projects include various terminal, airfield and apron, access and other projects, to, among other things, modernize terminals, make long-term improvements to passenger access, and accommodate existing and future aircraft designs, all to address growth in passenger activity levels that is projected to occur with or without these projects. The Department is employing various strategies to design, build and finance multiple facilities concurrently, including, among others, the design-build-finance-operate-maintain arrangements described under the captions "—The Automated People Mover System" and "—The ConRAC;" design-bid-build arrangements; design-build arrangements; and terminal acquisitions described under the caption "USE OF AIRPORT FACILITIES – Department Acquisition of Certain Terminal Improvements; Credits."

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

The following is a discussion of the Department's current capital development program and certain anticipated sources of financing.

Capital Program

The Department manages its capital development planning with a variety of tools, including a multi-year comprehensive planning tool (the "Capital Program"). The Capital Program is a list of capital development projects compiled based on prioritized needs and resulting financial metrics, is used to inform decision makers and stakeholders of proposed capital expenditures and opportunity costs, and is designed to assist with the development of long term funding plans while managing financial risk to the Department. The Capital Program is updated periodically as projects are programmed for implementation. Projects in the Capital Program include: projects already underway but not yet completed at LAX; projects not yet underway at LAX but are expected to be completed during the Projection Period; and planning associated with potential future projects such as certain additional or replacement terminal facilities or passenger gates that are not expected to commence during the Projection Period. Where the Capital Program projects are not expected to commence during the Projection Period, such projects are not included in their entirety in the projections of the Airport Consultant. In each case, the projects included in the Capital Program are certain enough in terms of their scope, cost, certain approval and reviews, funding sources and/or other commercial arrangements, if any, to be included in the projections of the Airport Consultant.

Certain Capital Program projects are subject to further planning efforts, environmental approvals and/or necessary Board or other required approvals. The Board's periodic review of the Capital Program does not constitute project or program approval of appropriations for their funding. Capital development projects require specific Board action and may require environmental review.

The Department plans to undertake certain Capital Program projects, or portions thereof, if demand at LAX warrants and such projects meet Department financial metrics, which may include the availability of moneys from expected funding sources, financial market conditions, proposed capital structures for design-build-finance-operate-maintain arrangements, airline costs per enplaned passenger, debt service coverage and such other matters as may be determined from time to time.

See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – CAPITAL PROGRAM" for a more detailed description of the Capital Program and the projects included in the Capital Program.

The "Capital Program" for the purposes of this Official Statement and in the Letter Report of the Airport Consultant does not include any Other Projects (as described below).

COVID-19 Related Adjustments to the Capital Program

The Capital Program, which is estimated to cost approximately $12.3 billion, is currently expected to be completed by the end of Fiscal Year 2025. It is anticipated that some claims, including possibly for additional compensation or schedule relief, may be made in connection with individual projects that are part of the Capital Program. While some projects may be able to proceed with less interference to scheduling due to the reduced traffic at LAX, other COVID-19 related items, such as social distancing measures and other job safety protocols may interfere with sequencing or scheduling on the project. The Department cannot predict the timing or scope of any such claims or the impact to the timing or cost of its ongoing projects as a result of COVID-19. While the Department continues to review the Capital Program and may in the future adjust the timing and cost of individual projects given the substantial adjustment in passengers due to COVID-19, no reduction or changes in timing or cost have currently been implemented. Furthermore, other factors such as changes in Pledged Revenues, LAX Maintenance and Operation Expenses, and Debt Service, and certain availability payments, may impact the financing, construction, and completion of the Capital Program. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT"

LAX Landside Access Modernization Program

To continue the extensive upgrading and modernization of LAX and to address increasing levels of traffic congestion at and around LAX, the Department is redeveloping the ground access system to LAX. The Department is implementing components of the LAX Landside Access Modernization Program ("LAMP") to, among other things, improve access options and the travel experience for passengers, shift the location where different modes of traffic operate within the Central Terminal Area and on the surrounding street network and provide direct connections to the rail and transit systems of the Los Angeles County Metropolitan Transportation Authority. By implementing LAMP, the Department seeks to provide more travel time certainty, reduce traffic congestion and improve air quality in and around LAX. LAMP includes several individual components, including, among others, the APM System, intermodal transportation facilities, the ConRAC, pedestrian walkway connections to the passenger terminals within the Central Terminal Area, and roadway improvements.

The Automated People Mover System

On April 11, 2018, the Department and LAX Integrated Express Solutions, LLC (the "APM Developer") entered into a design-build-finance-operate-maintain agreement, as amended (the "APM Agreement"), for the purposes of developing, financing, operating and maintaining an approximately 2.25 miles elevated, grade-separated automated people mover ("APM") system at LAX that will generally run from the new ConRAC described below and the Central Terminal Area (collectively, the "APM System"). The APM Developer is comprised of Fluor Enterprises, Inc., Balfour Beatty Investments, Inc., ACS Infrastructure Development, Inc., HOCHTIEF PPP Solutions GmbH, and Bombardier Transportation (Holdings) USA Inc., among others. Under the APM Agreement, the Department has granted the APM Developer the exclusive right, during a 30-year term, to design, build, finance, operate and maintain the APM System. Construction of the APM System has commenced.

APM Developer Share of Project Funding.

The APM Developer has indicated that it expects to incur costs for the planning, development, design, construction and financing of the APM System of approximately $2.72 billion. Under the terms of the APM Agreement, the APM Developer is solely responsible for obtaining and repaying, at its own cost and risk and without recourse to the City or the Department, all financing necessary for its share of the costs of the design and construction of the APM System. In June 2018, the APM Developer secured several sources of financing for its share of the design and construction of the APM System, including, among other sources, approximately $1.3 billion of proceeds from senior lien revenue bonds issued by CMFA.

APM Milestone Payments.

In addition to the financing required to be obtained by the APM Developer, the APM Agreement provides that the APM Developer will be entitled to receive a series of six milestone payments from the Department upon its completion of certain design and construction milestones in the aggregate principal amount of approximately $1.01 billion, subject to deductions provided in the APM Agreement, as partial compensation for the APM Developer's performance of the work required to design and construct the APM System (each such payment, an "APM Milestone Payment"). Subject to certain conditions, the APM Agreement provides for the Department to make APM Milestone Payments to the APM Developer of approximately $168.3 million in each case not earlier than

March 31, 2019, December 31, 2019, September 30, 2020, June 30, 2021, March 31, 2022 and 60 days after final completion of the APM Project. As of the date of this Official Statement, the Department has timely made its scheduled APM Milestone Payments to the APM Developer. The Department expects that its third APM Milestone Payment will be paid in the fourth calendar quarter of 2020, upon the APM Developer's satisfaction of certain APM Agreement conditions.

APM Capital Availability Payments and Operations and Maintenance Payments.

The APM Agreement further provides that once passenger service is available on the APM System (the "APM Date of Beneficial Operation"), which the Department estimates will occur during Fiscal Year 2023, the Department must make monthly payments to the APM Developer to compensate the APM Developer for its share of the costs of designing, building and financing the APM System ("APM Capital Availability Payments") and for the cost of operating and maintaining the APM System ("APM Operations and Maintenance Payments," together with APM Capital Availability Payments, "APM Availability Payments"). Under the APM Agreement, the Department's obligation to make APM Availability Payments would be subject to certain structured caps and increases based on agreed upon indices. The Department expects to make, and the projections in the Letter Report of the Airport Consultant includes an estimate of and the expected sources of payment of, the APM Capital Availability Payments in Fiscal Years 2023, 2024, 2025 and 2026. The Department expects to make, and the projections in the Letter Report of the Airport Consultant includes an estimate of, the APM Operations and Maintenance Payments beginning in Fiscal Year 2023.

Assumptions Regarding the APM System in the Letter Report of the Airport Consultant.

The Letter Report of the Airport Consultant contains a variety of other assumptions and qualifications regarding the APM System which investors should consider. There can be no assurances that any of the Department's estimates and expectations or the Airport Consultant's assumptions, estimates or projections will be attained. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT" for additional information regarding assumptions made by the Airport Consultant with respect to the funding and financing of the APM System; and "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness."

The ConRAC

On November 6, 2018, the Department and LA Gateway Partners, LLC (the "ConRAC Developer") entered into a design-build-finance-operate-maintain agreement (the "ConRAC Agreement"). The ConRAC Developer is comprised of Fengate Capital Management Ltd., PCL Investments USA, LLC and MVI Finance LLC. Under the ConRAC Agreement, subject to certain limitations, the Department granted to the ConRAC Developer the exclusive right, during a term, to design, build, finance, operate and maintain the ConRAC. Construction of the ConRAC has commenced.

ConRAC Developer Share of Project Funding. The ConRAC Developer has indicated that it expects to incur costs for the planning, development, design, construction and financing of the ConRAC of approximately $1.0 billion. Under the terms of the ConRAC Agreement, the ConRAC Developer is solely responsible for obtaining and repaying, at its own cost and risk and without recourse to the City or the Department, all financing necessary for its share of the costs of the design and construction of the ConRAC. In December 2018, the ConRAC Developer secured several sources of financing for its share of the design and construction of the ConRAC, including, among other sources, approximately $450 million of proceeds from the issuance of private placement bonds and a construction loan.

ConRAC Milestone/Progress Payment. The ConRAC Agreement provides that, subject to certain conditions, the ConRAC Developer is entitled to receive a series of progress and milestone payments from the Department upon its completion of certain design and construction milestones in the aggregate amount of approximately $730.3 million, subject to deductions provided in the ConRAC Agreement, as partial compensation for the ConRAC Developer's performance of the work required to design and construct the ConRAC (each such payment, a "ConRAC Milestone/Progress Payment"). Subject to certain conditions, the ConRAC Agreement provides for the Department to make ConRAC Milestone/Progress Payments to the ConRAC Developer beginning in Fiscal Year 2020 through and including Fiscal Year 2024.

ConRAC Capital Availability Payments and ConRAC Operations and Maintenance Availability Payments. The ConRAC Agreement further provides that commencing on the ConRAC Date of Beneficial Occupancy (expected in early 2023 concurrent with APM Date of Beneficial Occupancy) payments will be made to the ConRAC Developer to compensate the ConRAC Developer for the costs of designing, building and financing a portion of the ConRAC ("ConRAC Capital Availability Payments") and for the cost of operating and maintaining the ConRAC ("ConRAC Operations and Maintenance Availability Payments," together with ConRAC Capital Availability Payments, "ConRAC Availability Payments"). The Department expects to make, and the projections in the Letter Report of the Airport Consultant includes an estimate of and the expected sources of payment of, the ConRAC Capital Availability Payments in Fiscal Years 2023, 2024, 2025 and 2026. The Department expects to make, and the projections in the Letter Report of the Airport Consultant includes an estimate of, the ConRAC Operations and Maintenance Payments beginning in Fiscal Year 2023.

Assumptions Regarding the ConRAC System in the Letter Report of the Airport Consultant. The Letter Report of the Airport Consultant contains a variety of other assumptions and qualifications regarding the ConRAC which investors should consider. There can be no assurances whether the Department estimates and expectations or the Airport Consultant assumptions, estimates or projections will be attained. See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT" for additional information regarding assumptions made by the Airport Consultant with respect to the funding and financing of the ConRAC; and "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness." There can be no assurances (i) that the Customer Facility Charges collected by the rental car companies on behalf of the Department will be sufficient to pay amounts related to the required ConRAC Milestone/Progress Payments, ConRAC Capital Availability Payments, any debt service payments with respect to ConRAC Special Facility Obligations or any other lawful use; or (ii) that the annual amount of Customer Facility Charges in excess of Customer Facility Charges required to pay debt service on the ConRAC Special Facility Obligations and ConRAC Capital Availability Payments plus the CTS Contribution will be sufficient to pay annual capital and operating costs associated with the CTS portion of the APM System, as projected in the Letter Report of the Airport Consultant. If there are insufficient funds to make the foregoing described payments, additional Department funds may be required to fund such annual capital and operating costs and such Department funds would not be available for other uses.

Other Projects

"Other Projects" include long-term future projects at LAX that are being considered by the Department, but are not included in the Capital Program. Large components of the Other Projects (and thus not part of the Capital Program described in this Official Statement and the Letter Report of the Airport Consultant) include, for example, additional or replacement terminal facilities and passenger airline gates; certain parking and roadway projects; airfield and aircraft parking improvements; and future APM System stations.

While the Department may incur costs during the Projection Period related to Other Projects, as of the date of this Official Statement, the specific scopes, costs, certain approvals and reviews, funding sources, and/or commercial arrangements of Other Projects have not advanced sufficiently to permit the Department to fully estimate the costs, funding plans and commercial arrangements for purposes of the financial projections contained in the Letter Report of the Airport Consultant. The Department expects to continue to refine the cost to implement certain Other Projects as better information becomes available related to construction cost inflation, project scope, project phasing or assumed method of project delivery. Once the plans for Other Projects have advanced sufficiently, if the Department decides to proceed with such projects, they will likely be transitioned from being categorized as Other Projects to being part of the Capital Program. While all Other Projects proceed through various stages of definition, they remain subject to substantial changes including in scope, timing of implementation, cost, funding (including defining the funding sources, lien for priorities for any debt financing and other elements of the funding mix) and approvals.

The Department is unable to accurately estimate the timing or costs related to the Other Projects at this time, but the potential costs of such projects, if undertaken, are likely significant. Potential sources of funding for Other Projects may include some or all of the following: Federal funds; PFC revenues (for any portion of Other Projects that may become an Approved PFC Project); net proceeds of LAX Special Facility Obligations; net proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations; Department funds; funds from developers and/or derived from a design-build-finance-operate-maintain arrangement or variant thereof; funds derived from concession agreements with developers, under which the developer concessionaires may pay rent plus a percentage of revenues derived from the applicable facility, if any; and/or other sources. No assurance can be made that these Other Projects will not cost more than the Department's initial rough order-of-magnitude cost estimates of these Other Projects.

While a variety of approvals and other reviews, including environmental reviews, have been obtained or completed for certain Other Projects, for others, the Department is still in the process of defining, planning and/or undertaking environmental review. In April 2019, the Department started an environmental review process on an Airfield and Terminal Modernization Project ("ATMP"), an "Other Project" that contemplates additional airfield, terminal and landside roadway improvements while staying within the airport's existing footprint. The ATMP would be designed to elevate the passenger experience, to increase efficiency and safety within the north airfield. ATMP includes several individual components, including, among others, reconfiguration of taxiways and runways, improvements to terminals and the concourse, and the addition of new gates. Specifically, the proposed terminal improvements could include the construction of (i) Concourse 0 as an easterly extension of Terminal 1; (ii) Terminal 9, a new passenger terminal located south of Century Boulevard and east of Sepulveda Boulevard; (iii) new arrival and departures roadways; and (iv) a new station on the planned APM System. If approved, these new projects could be targeted for completion as soon as 2028.

See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT" for additional information regarding the Other Projects and the potential financing sources thereof and "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness" for a discussion of certain additional factors that may impact the delivery and financing of the Other Projects.

Treatment of Capital Projects in the Letter Report of the Airport Consultant

The Letter Report of the Airport Consultant organizes the Department's capital development projects and plans into the Capital Program and Other Projects. The Letter Report of the Airport Consultant assumes that the Department would issue approximately $130.3 million in principal amount of the Series 2020C Senior Bonds and $104.3 million in principal amount of the Series 2020D Senior Bonds and use such proceeds to (1) reimburse the Department for certain prior expenditures paid with Department Funds, and (2) fund reserve deposits and pay the costs of issuance. The Letter Report of the Airport Consultant includes the use of the net proceeds of the future Senior Bonds and Subordinate Obligations, including the Series 2020C Senior Bonds and the Series 2020D Senior Bonds proceeds to be used to finance a portion of the costs of the Capital Program. The projections in the Letter Report of the Airport Consultant reflect assumed changes in Pledged Revenues, LAX Maintenance and Operation Expenses and debt service, and certain availability payments associated with the financing, construction and completion of the Capital Program.

The Department funds that were used to pay certain of the costs of the Airport Capital Program that will be reimbursed from a portion of the proceeds of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds, and that were expected to be amortized and included in the projection of airline revenues presented in the Letter Report of the Airport Consultant pursuant to the Rate Agreement, Airport Terminal Tariff and Operating Permit have been replaced with the estimated Debt Service on the applicable portions of the Series 2020C Senior Bonds and Series 2020D Senior Bonds.

See "INTRODUCTION - Letter Report of the Airport Consultant."

The "Capital Program" for the purposes of this Official Statement and in the Letter Report of the Airport Consultant does not include any Other Projects.

Financing the Capital Program

Overview

The following table sets forth the estimated Capital Program costs and sources of funds as of the date of this Official Statement based on a 5-year hypothetical recovery:

**DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
CAPITAL PROGRAM COSTS AND SOURCES OF FUNDS[1]
(dollars in thousands)**

	Estimated Project Costs	TSA/AIP Grants	Pay-as-you-go PFCs	Department Funds[5]	Other Funds[2]	Prior Bonds	Future Bonds
Terminal Projects[3]	$ 6,982,883	$ 71,397	$ 5,960	$ 1,284,438	--	$ 2,951,144	$ 2,669,943
Airfield & Apron Projects	646,254	128,500	--	141,918	--	304,480	71,356
LAMP[4]	3,736,737	--	--	1,633,055	$ 913,745	336,583	853,354
Remaining Projects	959,752	--	258,883	344,440	--	132,096	224,333
Total Capital Program	$ 12,325,626	$199,897	$ 264,843	$ 3,403,851	$ 913,745	$ 3,724,303	$ 3,818,986

(1) Only includes projects expected to be completed by the end of Fiscal Year 2025 to show one full year of financial forecasts following completion of the Capital Program.

(2) Includes (1) pay-as-you-go CFC revenues, (2) proceeds of Special Facility Obligations expected to be issued by the Department and secured by CFC revenues and (3) $25 million of Los Angeles Department of Water and Power funds.

(3) The Department expects that a future phase associated with portions of these projects will be constructed after the Projection Period and be completed by the end of Fiscal Year 2027. The Department currently expects the future phase to cost approximately $625 million. It is estimated that the cost of the future phase will be funded from a combination of cash generated by the Department after the Projection Period and the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations issued after the Projection Period.

(4) Includes costs to be paid by the Department. Does not include costs to be paid by the APM Developer or the ConRAC Developer during construction.

(5) Includes proceeds of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds that are expected to be used to reimburse the Department for capital expenditures previously paid with Department Funds.

Source: Department of Airports of the City of Los Angeles.

See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT"

Sources of Funds

The Department's share of the costs of the projects in the Capital Program (which excludes Other Projects) is expected to be approximately $12.3 billion in the aggregate. Cost estimates include permitting, entitlement, design, engineering, construction, escalation for inflation and contingency amounts.

Overall, the Capital Program is expected to be financed with a combination of grants, PFC revenues, Department and other funds, Existing Senior Bonds and Existing Subordinate Bonds and Additional Senior Bonds and/or Additional Subordinate Obligations, and may be financed with the proceeds of Third Lien Obligations. Some or all of the funding sources for certain projects of the Capital Program have already been secured, although certain TSA and AIP grants and approvals for passenger facility charge collections have not yet been received. The estimated costs of, and the projected schedule for, the Capital Program are subject to various uncertainties. In addition, it is possible that the Department will pursue projects not incorporated in the Capital Program. The Department may ultimately decide not to proceed with certain capital projects or Other Projects or may proceed with them on a different schedule, resulting in different results than those included in the projections of the Airport Consultant, if any.

Department and Other Funds. A portion of the Capital Program is expected to be financed with Department funds, funds deposited in the TRIF pursuant to the Rate Agreements, grants other than AIP and TSA grants, airline and other tenant contributions, proceeds of LAX Special Facility Obligations and other Department revenue sources. Projects included in the Capital Program are expected to be financed from Department funds and other funds other than AIP and TSA grants in the amount of approximately $4.6 billion.

See "USE OF AIRPORT FACILITIES," "CERTAIN FUNDING SOURCES," "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – FUNDING THE AIRPORT CAPITAL PROGRAM – Department Funds" and "– Other Funds and Prior Bonds" for additional information about the Department funds available for funding the Capital Program.

Debt Financing. A portion of the Capital Program project costs are expected to be financed with approximately $7.5 billion of proceeds of Senior Bonds and Subordinate Obligations, as described below, approximately:

- $3.7 billion of proceeds of previously issued Senior Bonds and Subordinate Obligations;
- $3.2 billion of proceeds of Additional Senior Bonds; and
- $631 million of proceeds of Additional Subordinate Obligations.

See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Future Financings" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT" for additional information regarding the Department's future financing plans.

Grants. A portion of the Capital Program is expected to be financed with federal and other grants. Projects included in the Capital Program are expected to be financed from AIP and TSA grants in the amount of approximately $199.9 million. See "CERTAIN FUNDING SOURCES – Grants."

Passenger Facility Charges. A portion of the Capital Program is expected to be financed with PFC revenues on a pay-as-you-go basis in the amount of approximately $264.8 million. See "CERTAIN FUNDING SOURCES – Passenger Facility Charges" and APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – FUNDING THE AIRPORT CAPITAL PROGRAM – Passenger Facility Charge Revenues" for additional information about the Department's expected use of PFC revenues.

Uses of Funds

The funds described above are used to finance a variety of Capital Program projects, which include various terminal projects, airfield and apron projects, access projects and other projects.

See APPENDIX A – "LETTER REPORT OF THE AIRPORT CONSULTANT" for additional information regarding the projects included in the Capital Program and the financing thereof, "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness," "PLAN OF FINANCE" and "USE OF AIRPORT FACILITIES – Airport Terminal Tariff."

AIRPORT SYSTEM ENVIRONMENTAL MATTERS

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

Aircraft Noise Impacts

In the State, commercial airports operate under operating permits issued by the California Department of Transportation ("Caltrans"). Airports within the State are regulated under the State of California Aeronautics Act. The Department maintains a Noise Management Section within the Environmental Programs Group which operates the Department's noise monitoring system and prepares and submits periodic reports to Caltrans as required under applicable law.

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

Compliance measures include sound insulation of certain incompatible structures to reduce the interior noise levels to acceptable levels, acquisition of incompatible properties located within the noise impact areas and the purchase of noise easements from affected property owners. LAX was granted a three-year noise variance effective February 13, 2011. Since the Department timely submitted an application for a new variance, it continues to operate under the existing variance until Caltrans acts on the Department's application.

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

For the period from November 1997 through and including June 30, 2019, the FAA approved the collection and use of PFC revenues in the amount of approximately $1.04 billion for Noise Mitigation Programs, which consist of $30.9 million for reimbursement of eligible expenditures related to the Lennox Schools and approximately $44.4 million for Inglewood Unified School District's sound insulation programs, and $878.3 million for Noise Mitigation – Land Acquisition for incurred and anticipated costs for the Voluntary Residential Land Acquisition in the Manchester Square and Belford neighborhoods near LAX and the residential Noise Mitigation Program to sound insulate residences in Los Angeles County, the City of El Segundo and the City of Inglewood.

As of June 30, 2019, the Department has expended approximately $895.3 million of PFC revenues in connection with the residential Noise Mitigation Program and for funding of eligible expenditures related to the Lennox and Inglewood Unified Schools' sound insulation programs. See "CERTAIN FUNDING SOURCES – Passenger Facility Charges" and "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program."

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

Hazardous Substances

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

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

The Department conducts annual inspections of tenant and Department operations, regarding compliance with the Department's National Pollutant Discharge Elimination System Storm Water Permit for Industrial Facilities (the "Storm Water Discharge Permit"), issued by the State Water Resources Control Board ("SWRCB"), Los Angeles Regional Water Quality Control Board ("LARWQCB") at LAX. These inspections seek to confirm compliance with the Storm Water Discharge Permit. The Department is also subject to regulation under the Construction Storm Water Permit, the General Industrial Storm Water Permit, the City's Municipal Separate Storm Sewer System (MS4) Permit, storm water City ordinances, the City's Municipal Wastewater Permit, and Industrial Waste Permits for certain sewer discharges. The Department maintains records of all known areas where hazardous materials have been accidentally discharged. The Department works cooperatively with the relevant regulatory agencies to confirm that the responsible tenants are remediating contamination caused by their operations. There are, currently, two major remediation programs in place at LAX. One program involves the release of jet fuel to ground water underlying LAX. The tenant at the time of the release, Continental Airlines (now merged with and into United Airlines), has accepted responsibility for the remediation and active remediation systems are in place at the direction of the LARWQCB.

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

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

The chemicals known as Per- and Polyflouroalkyl Substances ("PFAS") are found in numerous products, used in many manufacturing processes, and also in aircraft firefighting foam ("AFFF") at airports and military bases across the country. AFFF is effective in smothering fuel fires and the FAA specifies that AFFF must contain PFAS. The Los Angeles Fire Department uses AFFF at LAX and VNY in their firefighting apparatus. There is no regulatory guidance at this time as to acceptable levels of PFAS in soil or groundwater. LAX was directed by the Los Angeles Regional Water Quality Control Board ("LARWQCB") to sample at two locations for PFAS in groundwater at existing fuel investigation sites. Levels in groundwater at these sites ranged in 2017 from approximately 200 parts per trillion ("PPT") to 1,700 PPT with no discernible plume pattern or gradient. The EPA recommends lifelong exposure in drinking water at 70 PPT. In March 2019, the Department received a Water Code Section 13267 Order from the SWRCB and the LARWQCB for investigation of the presence of PFAS at LAX. The order is part of a statewide phased investigation plan regarding PFAS, with orders initially issued to all Part 139 airports in California that use AFFF fire-fighting foam for training or response which is required by the FAA. No assurance can be given that any investigation and/or remediation costs for any such contamination will not be material.

No assurance can be given that future environmental legislation, regulations, restrictions or limitations will not adversely impact operations at LAX, anticipated federal funding or passenger facility charge collections for capital projects for LAX or Pledged Revenues, Net Pledged Revenues or Subordinate Pledged Revenues.

Emission Standards

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

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

On November 7, 2019, the Board approved an air quality improvement plan (the "AQIM") developed in consultation with the SCAQMD. The AQIM outlines measures the Department plans to take to reduce emissions of NOx from Airport operations and includes a Memorandum of Understanding with the SCAQMD (the "SCAQMD MOU") for the Department to implement specific air quality improvement measures (the Ground Support Equipment Emissions Reduction Program, the LAX Alternative Fuel Vehicle Incentive Program, and the conversion of Department-owned buses to zero emission) and track actual emissions reductions from those measures to allow the SCAQMD to receive credit for those reductions under the SCAQMD's Air Quality Management Plan ("AQMP"). The Department is implementing the SCAQMD MOU, the AQIM and related air quality improvement measures at LAX.

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

AB 32 and related California legislative action specifically regulates the release of certain GHG emissions from stationary sources within the State. The Mandatory Reporting requirement under AB 32 requires facilities that generate greater than 10,000 MtCO2e per year to report their GHG emissions. The Department owns and operates a cogeneration plant at LAX along with other stationary sources in the facility (e.g., natural gas boilers and heaters). The Department complies in all material respects with all requirements under AB 32. In addition to the AB 32 Mandatory Reporting requirement, the Department must also report its GHG emissions to the United States Environmental Protection Agency. Since 2011, the Department has reported its GHG emissions from these sources in substantial compliance with applicable requirements. The State Attorney General's Office has been using CEQA aggressively to apply the provisions of AB 32 to local and regional plans as well as to projects. Project level CEQA analysis prepared for projects at LAX must include an analysis of the project's potential GHG emissions and impacts. Since January 2013, facilities such as LAX that are subject to the Mandatory Reporting requirement under AB 32 are required to comply with the California Cap-and-Trade Program applicable to certain sources of GHG emissions in the State such as refineries, power plants, industrial facilities and transportation fuels. The California Cap-and-Trade Program includes an enforceable GHG cap that will decline over time. Under the California Cap-and-Trade Program, CARB distributes GHG allowances, which are tradable permits, equal to the emission allowed under the cap. The Department is required to obtain emission allowances for annual emissions at LAX. These emission allowances can be obtained by way of free allocation from CARB, through purchase from the secondary market and CARB auction, and reserve sale. The cost to the Department of obtaining required emissions allowances is dependent on the actual emissions generated at LAX and the price fluctuations in the market for emissions credits. The Department expects to recoup the cost of purchasing emission credits through landing fees at LAX and or LAX terminal rates and charges, as applicable. The consequences of not meeting an annual compliance obligation can include enforcement actions and penalties equivalent to four times the facilities' excess emissions. Various industries throughout the State may seek to purchase emission allowances to comply with the Cap-and-Trade Program, which may cause the price of allowances to increase. The emission allowance price has increased to approximately $18 per MtCO2e since November 2019. LAX emits on average approximately 47,000 MtCO2e annually when fully operational. The Department's purchase of allowances may vary and no assurance can be given that such costs will not be material.

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

See also "AIRPORT AND CAPITAL PLANNING," "CERTAIN INVESTMENT CONSIDERATIONS – Regulations and Restrictions Affecting LAX; Climate Change" and "LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT."

LITIGATION REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT

General

From time to time, the Department is a party to litigation and is subject to claims arising out of its normal course of business and operations. At this time, there is no pending litigation relating to the Airport System or the Department's operations or business pertaining thereto that would reasonably be expected to have a material impact on Net Pledged Revenues or the operation of LAX, except as described under "THE DEPARTMENT OF AIRPORTS – Subsidization within the Airport System," "USE OF AIRPORT FACILITIES," "AIRPORT AND CAPITAL PLANNING," "AIRPORT SYSTEM ENVIRONMENTAL MATTERS" and below.

TPS Parking Management Litigation

On June 30, 2017, petitioners TPS Parking Management, LLC, doing business as The Parking Spot, and TPS Parking Century, LLC filed a petition for writ of mandate against the City and the Department (the "Petition"). Among other things, the Petition (i) alleges that the environmental review process for LAMP was inadequate and that the LAMP Environmental Impact Report did not adequately address, disclose, evaluate and potentially mitigate various environmental impacts, and (ii) seeks to set aside the approvals related to the LAMP, injunctive relief, and to require the City and the Department to revise the LAMP Environmental Impact Report to evaluate and disclose alleged deficiencies. On June 18, 2020, pursuant to City Charter section 273, the Board, in closed session, considered the matter and has made a recommendation to the City Council, which is expected to review the matter during the month of August 2020. Unless earlier resolved, the trial date is currently scheduled for September 3, 2020.

LITIGATION REGARDING THE SERIES 2020BCD SENIOR BONDS

There is no litigation now pending or, to the best of the Department's knowledge, threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2020BCD Senior Bonds or in any way contests the validity of the Series 2020BCD Senior Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Series 2020BCD Senior Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2020BCD Senior Bonds.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel to the Department, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2020BCD Senior Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2020B Senior Bond or Series 2020C Senior Bond for any period during which such Series 2020B Senior Bond or Series 2020C Senior Bond, as applicable, is held by a "substantial user" of the facilities financed or refinanced by the Series 2020B Senior Bonds or the Series 2020C Senior Bonds, as applicable, or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that (a) interest on the Series 2020B Senior Bonds and the Series 2020D Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax, and (b) interest on the Series 2020C Senior Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinions described above assume the accuracy of certain representations and compliance by the Department with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2020BCD Senior Bonds. Failure to comply with such requirements could cause interest on the Series 2020BCD Senior Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020BCD Senior Bonds. The Department has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2020BCD Senior Bonds.

The accrual or receipt of interest on the Series 2020BCD Senior Bonds may otherwise affect the federal income tax liability of the owners of the Series 2020BCD Senior Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2020BCD Senior Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2020BCD Senior Bonds.

Bond Counsel if further of the opinion that interest on the Series 2020BCD Senior Bonds is exempt from present State of California personal income taxes.

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

Tax Treatment of Original Issue Premium

The Series 2020BCD Senior Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Series 2020BCD Senior Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Series 2020BCD Senior Bond over its stated redemption price at maturity constitutes premium on such Premium Series 2020BCD Senior Bond. A purchaser of a Premium Series 2020BCD Senior Bond must amortize any premium over such Premium Series 2020BCD Senior Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Series 2020BCD Senior Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Series 2020BCD Senior Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Series 2020BCD Senior Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Series 2020BCD Senior Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Series 2020BCD Senior Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2020BCD Senior Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2020BCD Senior Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2020BCD Senior Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2020BCD Senior Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2020BCD Senior Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2020BCD Senior Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020BCD Senior Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

RATINGS

Moody's Investors Service Inc. ("Moody's"), S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") and Fitch Ratings ("Fitch"), have assigned ratings of "Aa2" (with a stable outlook), "AA-" (with a negative outlook), and "AA" (with a negative outlook), respectively, to the Series

2020BCD Senior Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings, including any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: S&P, 55 Water Street, 38th Floor, New York, New York 10041; Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and Fitch, One State Street Plaza, New York, New York 10004. The Department furnished the rating agencies with certain information and materials concerning the Series 2020BCD Senior Bonds and the Department, some of which is not included in this Official Statement. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2020BCD Senior Bonds.

LEGAL MATTERS

The validity of the Series 2020BCD Senior Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Department. A complete copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX E to this Official Statement. Polsinelli LLP serves as Disclosure Counsel to the Department. Bond Counsel and Disclosure Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Department and the City by Michael N. Feuer, Esq., City Attorney. Certain matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

CO-MUNICIPAL ADVISORS

The Department has retained the services of Public Resources Advisory Group and Frasca & Associates, LLC, as Co-Municipal Advisors in connection with the authorization and delivery of the Series 2020BCD Senior Bonds. The Co-Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Co-Municipal Advisors perform other services for the Department.

AIRPORT CONSULTANT

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

FINANCIAL STATEMENTS

The audited financial statements of the Department for Fiscal Years 2019 and 2018 are included as part of APPENDIX B attached hereto. The financial statements have been audited by Moss Adams LLP, independent auditors, as stated in its Los Angeles World Airports (Los Angeles International Airport) Annual Financial Report for the Fiscal Years ended June 30, 2019 and June 30, 2018 included in APPENDIX B. Moss Adams LLP was not requested to consent to the inclusion of its report on the financial statements or any of its reports included in APPENDIX B and it has not undertaken to update any of these reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement (including the Letter Report of the Airport Consultant), and no opinion is expressed by Moss Adams LLP with respect to any event subsequent to the date of its reports.

CONTINUING DISCLOSURE

In connection with the issuance of the Series 2020BCD Senior Bonds, the Department will covenant to provide, or cause to be provided, to the MSRB certain annual financial information and operating data relating to the Department and, in a timely manner, notice of certain listed events for purposes of Rule 15c2-12 adopted by the SEC. See APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Department has agreed to provide the foregoing information to MSRB through the Electronic Municipal Market Access (EMMA) website.

UNDERWRITING

The Series 2020BCD Senior Bonds are being purchased from the Department by Goldman Sachs & Co. LLC on its own behalf and on behalf of Siebert Williams Shank & Co., LLC, Academy Securities, Inc. and Wells Fargo Bank National Association, the underwriters of the Series 2020BCD Senior Bonds (collectively, the "Underwriters"), at a price of $1,323,297,312.35 (consisting of the aggregate principal amount of $1,058,500,000.00, plus an original issue premium of $267,068,624.15, less an underwriters' discount of $2,271,311.80) all subject to the terms of the Bond Purchase Agreement between the Department and the Underwriters (the "Bond Purchase Agreement").

The Bond Purchase Agreement provides that the Underwriters shall purchase all of the Series 2020B Senior Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The Underwriters may change the initial public offering yields set forth on the inside front cover pages of this Official Statement. The Underwriters may offer and sell the Series 2020BCD Senior Bonds to certain dealers (including dealers depositing the applicable Series 2020BCD Senior Bonds into investment trusts) at prices lower than the public offering prices or at yields higher than the yields stated on the inside front cover pages of this Official Statement.

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

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Department. The market activities of the Underwriters and other market participants may impact the value of the Series 2020BCD Senior Bonds. The Underwriters have indicated that their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The following paragraphs have been provided by Wells Fargo Bank National Association, one of the Underwriters for inclusion in this Official Statement and the Department does not make any representation as to their accuracy or completeness.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the Series 2020BCD Senior Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2020BCD Senior Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2020BCD Senior Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2020BCD Senior Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC a firm of independent certified public accountants, will verify from the information provided to them the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts deposited with the Senior Trustee and the Subordinate Trustee will be sufficient to pay, on August 28, 2020, the redemption price of the Refunded Bonds plus interest accrued thereon.

MISCELLANEOUS

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

All references to the Charter, the Senior Indenture, the Subordinate Indenture, the agreements with any other parties and laws and regulations herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Department which are located at One World Way, Los Angeles, California. This Official Statement is not to be construed as a contract or agreement between the City or the Department and the owners of any of the Series 2020BCD Senior Bonds.

AUTHORIZATION

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

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

By: /s/ Justin Erbacci
Chief Executive Officer

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APPENDIX A

LETTER REPORT OF THE AIRPORT CONSULTANT

WJ ADVISORS
AVIATION MANAGEMENT CONSULTANTS

Appendix A

Letter Report of the Airport Consultant

on the proposed issuance of

Los Angeles International Airport
Senior Refunding Revenue Bonds
2020 Series B

August 6, 2020

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

Prepared by
WJ Advisors LLC | Denver, Colorado

www.wj-advisors.com

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August 6, 2020

Mr. Sean O. Burton, President
Board of Airport Commissioners
Los Angeles World Airports
1 World Way
Los Angeles, California 90045

Re: Letter Report of the Airport Consultant on the Proposed Issuance of Los Angeles International Airport Senior Refunding Revenue Bonds, 2020 Series B, Non-Alternative Minimum Tax

Dear Mr. Burton:

WJ Advisors LLC is pleased to submit this letter report (2020B Letter Report) related to the proposed issuance of Los Angeles International Airport Senior Refunding Revenue Bonds, 2020 Series B, Non-Alternative Minimum Tax (the proposed Series 2020B Senior Bonds), by the Department of Airports (Department) of the City of Los Angeles (City). The proposed Series 2020B Senior Bonds are to be issued pursuant to the Department's Master Trust Indenture, as amended, and the Twenty-First Supplemental Trust Indenture (collectively referred to herein as the Senior Revenue Bond Indenture).

The Department also issues Subordinate Obligations pursuant to the Master Subordinate Trust Indenture (as amended and supplemented, and collectively referred to herein as the Subordinate Revenue Bond Indenture). In this 2020B Letter Report, the Senior Revenue Bond Indenture and the Subordinate Revenue Bond Indenture are collectively referred to as the Revenue Bond Indentures. The City owns and, through the Department, operates Los Angeles International Airport (Airport or LAX).

COVID-19

The worldwide outbreak of novel coronavirus SARS-CoV-2 (COVID-19) starting in late 2019 caused significant disruptions to domestic and international passenger travel as well as the conduct of day-to-day business in the City, the rest of the United States (U.S.) and the world. The numbers of flights and passengers on the passenger airlines serving the Airport have been and continue to be substantially lower than they were during the same months in the previous year as a result of the global pandemic known as COVID-19.

As an indicator of the declines in airline passenger activity in the United States[1] resulting from COVID-19, the Transportation Security Administration (TSA) has reported that the number of passengers screened at all United States airports, including the Airport, decreased relative to

[1] The actual numbers of enplaned passengers for the United States during the same months are not currently available.

the same months of 2019 in the prior year as follows: (51.7%) in March 2020, (95.3%) in April 2020, (90.4%) in May 2020, and (81.1%) in June 2020.

At the Airport, the number of enplaned passengers decreased as follows in comparison to numbers of enplaned passengers in the same months of 2019 (the latest data available): (55.4%) in March 2020, (95.7%) in April 2020, (92.4%) in May 2020, and (87.1%) in June 2020.

In the past, the largest monthly decrease in the number of enplaned passengers at the Airport prior to COVID-19 was (33.7%) in September 2001 of fiscal year[2] (FY) 2002 and was related to the events of September 11, 2001. Similarly, the largest monthly decrease in the United States was (33.4%) in September 2001 and was also related to the terrorist attacks of September 11, 2001. These points of comparison are indicated solely to provide an understanding the magnitude of the monthly decrease in passenger traffic at the Airport resulting from COVID-19 relative to prior events.

Certain sources of Pledged Revenues at the Airport are based on passenger activity levels, including, but not limited to public parking revenues (originating passengers), rental car revenues (arriving passengers) and in-Terminal concession revenues (enplaned passengers). These passenger activity-based revenues, including the ones mentioned in this paragraph, represented approximately 32.0% of total Pledged Revenues at the Airport based on actual FY 2019 results (latest available data; see Figure 13 in Section 3 of this 2020B Letter Report).

The largest source of Pledged Revenues is from airline rentals, rates, fees and charges for use of the Terminals, Airfield and Apron areas at the Airport, which represented 49.8% of Pledged Revenues based on actual FY 2019 results. In general, the contractual arrangements between the Department and the airlines using the Airport means that declines in airline and passenger activity does not materially affect the level of revenues earned from the airlines on a year-to-year basis, mostly because of a provision in the contractual arrangements that allows the Department to adjust all airline revenues from budget to actual results.

In reaction to the significant decline in aviation activity resulting from COVID-19, the Department implemented the following two programs:

- *Passenger Airline Temporary Relief Program*, which allows certain airlines qualifying for and deciding to participate in this program to defer the payment of Terminal rentals and Airfield and Apron fees for April 2020 and May 2020, but repay the same amounts to the Department over a six month period starting July 1, 2020 or in a lump sum amount on July 1, 2020. Regardless if the amounts are paid over six months or in lump sum, the

[2] The Department's Fiscal Year ends June 30.

payments will be accrued by the Department as FY 2020 revenues[3], even though the repayment would occur in FY 2021.

- *Concessionaires and Services Temporary Relief Program,* which allows certain concessionaires qualifying for and participating in this program to only pay a percentage fee of gross revenues to the Department from April 2020 through June 2020[4], but not pay the minimum annual guarantee (MAG) that would have otherwise been due and payable to the Department. In Table 1 below, the MAG waiver applies to the following categories of nonairline revenues: rental car, duty free, Terminal concessions, and advertising.

Provided below is the percent change in the largest sources of nonairline revenues using unaudited financial results from March 2020 through May 2020, as compared to the same month in the previous year.

Table 1
PERCENT DECREASE IN THE LARGEST SOURCES OF NONAIRLINE REVENUES
(compared to the same month in the previous year)
Los Angeles International Airport

Concession Revenues	March 2020	April 2020	May 2020
Automobile public parking	(45.3%)	(85.3%)	(80.6%)
Rental car revenues (a)	(19.6%)	(16.4%)	(92.7%)
Duty free revenues (a)	(33.2%)	(99.8%)	(100.0%)
Terminal concessions (a)	(34.3%)	(98.6%)	(95.1%)
Advertising (a)	(1.0%)	(79.7%)	(94.2%)
Commercial vehicle revenues	(60.6%)	(97.9%)	(95.9%)

Source: Unaudited Department records.
(a) In April 2020 and May 2020, the percent decrease is the result of declines in the numbers of enplaned passengers using the Airport and the MAG waiver, as described earlier in this 2020B Letter Report.

[3] Similarly, the results of the annual budget to actual adjustment performed by the Department at the end of each Fiscal Year are accrued in the same Fiscal Year (e.g., the budget to actual adjustment for FY 2020 performed in FY 2021 is accrued in FY 2020).
[4] The Concessionaires and Services Temporary Relief Program may be extended by the Department from June 2020 through September 2020, if approved by the Board of Airport Commissioners.

Mr. Sean O. Burton
August 6, 2020

Given the unprecedented nature and continuing uncertainty surrounding COVID-19, this 2020B Letter Report does not include any projections of (1) economic activity in the region served by the Airport or in the nation or (2) the number of enplaned passengers and other aviation activity (e.g., number of flights) at the Airport.

As such, in this 2020B Letter Report, we have used a hypothetical range of passenger recovery periods for the return to actual FY 2019 passenger levels (the Fiscal Year prior to COVID-19) at the Airport for purposes of projecting key Airport financial metrics, including debt service coverage and average airline cost per enplaned passenger (CPE).

DEPARTMENT ACTIONS

As the negative effects on airline travel at the Airport, in the United States, and internationally caused by COVID-19 became more apparent, the Department took a series of operational, commercial, and financial actions that included, but were not limited to (1) reducing LAX Maintenance and Operating (the M&O) Expenses and (2) implementing a deferral and repayment program for airline payments of rentals, rates, fees and charges and a concessionaire MAG waiver program, as described earlier.

All airline deferred and repayment amounts were structured by the Department to occur in FY 2020 and FY 2021, and these amounts have been incorporated into the projections of key financial metrics presented later in this 2020B Letter Report.

CARES ACT GRANTS

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law, which included, among other things, the award of certain grants to the operators of all United States airports, including Los Angeles International Airport. The Department was awarded $323.6 million in CARES Act grants, which is to be provided to the Department on a reimbursement basis.

Airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of LAX Maintenance and Operation (M&O) Expenses on or after January 20, 2020, and the payment of debt service (Debt Service) on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the agreement between the airport operator and the Federal Aviation Administration (FAA) was executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020.

Under the Revenue Bond Indentures, federal grants, including CARES Act grants, are not included in the definition of Pledged Revenues. However, any LAX M&O Expenses and Debt

Service paid using grants, including CARES Act grants, can be excluded from the calculation of debt service coverage pursuant to the Revenue Bond Indentures.

The Department currently expects to use the $323.6 million in CARES Act grants to pay LAX M&O Expenses and/or Debt Service, as included in the projection of key financial metrics presented later in this 2020B Letter Report.

PROPOSED SERIES 2020B SENIOR BONDS

The net proceeds from the sale of the proposed Series 2020B Senior Bonds are currently expected to be used to refund (1) $316.9 million in remaining bond principal of the Series 2010A Bonds, (2) $315.8 million in remaining bond principal of the Series 2010D Bonds, and (3) $134.7 million in remaining bond principal of the Series 2010B Bonds (collectively, the Refunded Bonds). The net proceeds of the proposed Series 2020B Senior Bonds are also to be used to pay certain costs of issuance.

The proposed Series 2020B Senior Bonds are assumed to be issued as fixed-rate bonds with a final maturity date of May 15, 2040. An all-in true interest cost of approximately 2.48% on the proposed Series 2020B Senior Bonds is assumed by Public Resources Advisory Group (the Department's Co-Financial Advisor).

Upon the issuance of the proposed Series 2020B Senior Bonds and refunding of the Refunded Bonds, the average annual reduction in Airport Debt Service is currently estimated to be approximately $14.3 million per year during the Projection Period (as defined below).

POTENTIAL ISSUANCE OF ADDITIONAL SERIES 2020 SENIOR BONDS

Depending on a number of factors, including bond market conditions at or around the pricing of the proposed Series 2020B Senior Bonds, the Department may decide to issue additional series of Senior Bonds, the net proceeds of which would be used to (1) reimburse certain Department funds that have been used to pay Airport Capital Program project costs (2020 Reimbursement Portion) and (2) pay certain project costs associated with the Airport Capital Program (2020 New Money Portion) that would have otherwise been funded from the net proceeds of future Senior Bonds and Subordinate Obligations (Future Bonds). In the Official Statement, the net proceeds from the proposed issuance of the Los Angeles International Airport Senior Revenue Bonds, 2020 Series C (Series 2020C Senior Bonds) and the Los Angeles International Airport Senior Revenue Bonds, Series 2020 D (Series 2020D Senior Bonds) would be used to reimburse Department funds and fund Airport Capital Program project costs, both as described above in this paragraph.

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In this 2020B Letter Report, it was assumed that the Department would issue approximately $130.3 million in bond principal of the Series 2020C Senior Bonds and $104.3 million in bond principal of the Series 2020D Senior Bonds and use the net proceeds of both series to (1) reimburse certain Department Funds and (2) fund reserve deposits and pay the costs of issuance.

The Department's Co-Financial Advisor has assumed that the Series 2020C Senior Bonds would be issued as fixed-rate bonds with an all-in true interest cost of 3.36% and a final maturity date of May 15, 2050, and the Series 2020D Senior Bonds would be issued as fixed rate bonds with an all-in true interest cost of 3.14% and a final maturity date of May 15, 2048. Estimated Debt Service for each series of Bonds were provided by the Department's Co-Financial Advisor.

The amortization charges associated with the assumed reimbursement of certain Department funds from the net proceeds of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds that would have been included in the projection of airline revenues presented in this 2020B Letter Report pursuant to the Rate Agreement, Tariff and Operating Permit have been replaced with the estimated Debt Service on the 2020 Reimbursement Portion of the Series 2020C Senior Bonds and Series 2020D Senior Bonds.

The estimated Debt Service from the 2020 New Money Portion of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds is included in the estimated Debt Service for the Future Bonds.

SCOPE OF THIS 2020B LETTER REPORT

This 2020B Letter Report was prepared to present a range of results from FY 2021 through FY 2026 (the Projection Period) for the following key Airport financial metrics (1) debt service coverage under the Senior Revenue Bond Indenture and the Subordinate Revenue Bond Indenture, and a combined coverage rate for informational purposes only (discussed later in this 2020B Letter Report) and (2) the average airline CPE at the Airport.

Additionally, we were asked to provide the following other information:

- **Section 1.** Economic basis for airline traffic at the Airport.
- **Section 2**. Airport Capital Program and Funding Sources.
- **Section 3**. Airport Financial Performance.

In preparing this 2020B Letter Report, we assisted Department management in identifying key factors affecting the projection of financial metrics and in formulating assumptions about those factors. The results and key findings of our analyses are summarized in this 2020B Letter Report. This 2020B Letter Report should be read in its entirety for an understanding of the projections and the underlying assumptions.

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Capitalized terms in this 2020B Letter Report are used as defined in the Senior Revenue Bond Indenture, the Air Carrier Operating Permit for the Use of Landing and Apron Facilities at the Airport (Operating Permit), and/or the Department's rate agreement (Rate Agreement) with the airlines using terminal facilities pursuant to the Los Angeles International Airport Passenger Terminal Tariff (Tariff).

ASSUMPTIONS USED TO PROJECT KEY FINANCIAL METRICS

The range of projected key financial metrics was prepared based on a hypothetical three-year and five-year recovery[5] in the number of enplaned passengers to actual FY 2019 passenger numbers at the Airport, as well as several other assumptions, as discussed below.

Enplaned Passengers

From July 2019 through February 2020, the actual number of enplaned passengers at the Airport (prior to the significant decrease in passengers due to COVID-19) decreased 0.4% in comparison to the number of enplaned passengers in the same months of FY 2019.

Starting in March 2020, the Airport experienced significant decreases in the actual number of enplaned passengers in comparison to numbers of enplaned passengers in the same months of FY 2019, as follows (latest data available): (55.4%) in March 2020, (95.7%) in April 2020, (92.4%) in May 2020, and (87.1%) in June 2020.

The *actual* number of enplaned passengers using the Airport in FY 2020 was 28.9% lower compared to the number of enplaned passengers during the same period in FY 2019.

Given the recent and significant decrease in the numbers of enplaned passengers at the Airport, publicly available statements by many of the busiest airlines serving the Airport about reductions in service to their other national and international markets, and uncertainty regarding the timing of a COVID-19 vaccine, Department management has assumed that the number of enplaned passengers using the Airport in FY 2021 would decline 52.3% in FY 2021 compared to the actual 31.4 million enplaned passengers in FY 2020. The assumed decline takes into account certain potential factors affecting the number of enplaned passengers using the Airport in FY 2021, including, but not limited to, domestic and international travel restrictions, continued health and other concerns related to COVID-19 that affect the propensity to travel, and lack of a vaccine and/or if a widely available vaccine is available, the

[5] Based, in part, on comments related to vaccine timing and the expected return to travel from, but not limited to, a major airplane manufacturer, certain of the busiest airlines serving the Airport, credit rating agencies, and organizations representing the airline/aviation industry.

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August 6, 2020

widespread use of a vaccine. The number of enplaned passengers at the Airport in FY 2021 were assumed to equal 15.0 million.

The total projected decrease in the number of enplaned passengers is approximately 66.1% from actual FY 2019 enplaned passengers (pre-COVID 19) through the end of FY 2021.

The number of enplaned passengers at the Airport using the hypothetical recovery periods of three-years and five-years, are presented in Table 2, on the following page. The estimated number of enplaned passengers in FY 2021 was used as the basis for the numbers projected during the recovery.

After the number of enplaned passengers reach actual FY 2019 enplaned passenger levels, it was assumed that the number of enplaned passengers would increase at the actual 20-year rate of growth in passenger traffic at the Airport (from FY 1999 through FY 2019) of approximately 1.7% per year, which was affected by, among other events, the events of September 11, 2001 and the financial crisis of 2008/2009 and subsequent national economic recession.

Table 2
HYPOTHETICAL RECOVERY IN THE NUMBER OF ENPLANED PASSENGERS
Los Angeles International Airport
(in millions)

	Number of Enplaned Passengers			
Fiscal Year	**Three-year Recovery**	**Annual Increase (Decrease)**	**Five-year Recovery**	**Annual Increase (Decrease)**
Actual FY 2019	44.2		44.2	
Actual FY 2020	31.4	(28.9%)	31.4	(28.9%)
FY 2021	15.0	(52.3%)	15.0	(52.3%)
FY 2022	21.5	43.3%	18.6	24.0%
FY 2023	30.8	43.3%	23.1	24.2%
FY 2024	44.2	43.5%	28.7	24.2%
FY 2025	45.0	1.8%	35.6	24.0%
FY 2026	45.7	1.6%	44.2	24.2%

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Airport Capital Program and Funding Sources

An overview of the Airport Capital Program and proposed funding sources is discussed below and is more fully described in Section 2—Airport Capital Program and Funding Sources. The proposed funding sources are based on the 5-year hypothetical recovery in the number of enplaned passengers described earlier in this 2020B Letter Report.

- **Airport Capital Program.** The Airport Capital Program, which is estimated to cost approximately $12.3 billion, started in or around FY 2016 and is currently expected to be completed by the end of FY 2025. According to the Department, approximately $1.4 billion of the Airport Capital Program was completed through the end of FY 2020. Of the $12.3 million in Airport Capital Program project costs, approximately $10.9 billion is ongoing or is expected to be started and completed by the end of FY 2025.

  While the Department continues to review the Airport Capital Program and may delay the timing and/or reduce the scope and cost of individual projects included in the Program given the substantial reduction in passengers due to COVID-19, it was assumed in this 2020B Letter Report that the Department would implement and complete the remaining $10.9 billion Airport Capital Program by the end of FY 2025.

  The financial projections included in this 2020B Letter Report reflect assumed changes in Pledged Revenues, LAX M&O Expenses, and Debt Service, and certain availability payments (APs), as discussed below, associated with the financing, construction, and completion of the Airport Capital Program.

- **Airport Capital Program Funding Sources**. The Department currently estimates that the $12.3 billion Airport Capital Program would be funded from the following sources: (1) $3.4 billion of Department funds, (2) $3.7 billion of proceeds from the sale of prior bonds, (3) the net proceeds from the sale of approximately $3.8 billion of the Future Bonds, and (4) $1.4 billion of other funds, including, but not limited to, passenger facility charge (PFC) revenues on a pay-as-you-go basis and federal grants-in-aid (other than CARES Act grants).

Airport Financial Performance

Provided below is an overview of the Airport's financial performance, including an overview of Pledged Revenues, LAX M&O Expenses, and Debt Service, all of which is more fully discussed in Section 3—Airport Financial Performance.

- **Pledged Revenues.** Under the Senior Revenue Bond Indenture, Pledged Revenues include rentals, rates, fees, and charges associated with the Airport, except for PFC revenues, customer facility charge (CFC) revenues, and certain other revenues. Airline revenues from Terminal rentals, landing fees, and apron fees accounted for 49.8% of Pledged Revenues in FY 2019. The projection of airline revenues in this 2020B Letter Report was based on the rate-making methodologies in the Rate Agreement, Operating Permit, and Tariff. That portion of the annual LAX M&O Expenses and Debt Service assumed to be paid by CARES Act grants has been excluded from the projection of airline rentals, rates, fees, and charges and airline revenues.

The second largest source of Pledged Revenues in FY 2019 was concession revenues, followed by aviation revenues (other than airline revenues), investment earnings, miscellaneous revenues, and Airport sales and services revenues. Revenues from these sources were projected on the basis of the terms and conditions of the underlying agreements between the Department and Airport tenants, and for concession and certain other revenue sources, the hypothetical recovery in passenger traffic described earlier in this 2020B Letter Report.

- **LAX M&O Expenses.** Under the Revenue Bond Indentures, LAX M&O Expenses are defined as substantially all of the day-to-day expenses of operating the Airport as determined under generally accepted accounting principles, excluding depreciation and expenses paid from sources other than Pledged Revenues (e.g., CARES Act and other federal grants, CFC revenues).

  The projection of LAX M&O Expenses is based on the Department's FY 2021 budget of $768.2 million, allowances for additional LAX M&O Expenses associated with certain Airport Capital Program projects, and an assumed 5.0% increase per year through FY 2026. In preparing the projection of LAX M&O Expenses, we did not include in the $768.2 million of FY 2021 LAX M&O Expenses any currently expected use of CARES Act grants to pay certain expenses, but in calculating total airline revenues and debt service coverage in FY 2021, as presented in this 2020B Letter Report, we have reduced LAX M&O Expenses by the expected use of CARES Act grants.

- **Debt Service.** Senior Bond Aggregate Annual Debt Service (net of capitalized interest and certain PFC revenues) is estimated to increase from $101.4 million in FY 2019 to $344.9 million in FY 2026.

  Projected changes in Senior Bond debt service and Subordinate Obligations debt service are attributable to (1) the overall structure of outstanding Senior Bonds and Subordinate Obligations, (2) the reduction in debt service from the refunding of the Refunded Bonds with the proposed issuance of the Series 2020B Senior Bonds, (3) estimated Debt Service from the 2020 Reimbursement Portion of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds, and (4) the additional debt service associated with the Future Bonds, which includes the 2020 New Money Portion of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds.

Estimated Debt Service on the proposed Series 2020B Senior Bonds, the 2020 Reimbursement Portion, and Future Bonds (including the 2020 New Money Portion) was provided by the Department's Co-Financial Advisor.

PROJECTED KEY FINANCIAL METRICS

A summary of the following key projected financial metrics is presented in Table 3:

- Debt service coverage pursuant to the Senior Revenue Bond Indenture.
- Total debt service coverage of Senior Bonds and Subordinate Obligations.

As shown on Table 3, projected debt service coverage on Senior Bonds in each Fiscal Year of the Projection Period demonstrates compliance with the Senior Rate Covenant of 125% of Senior Bonds Debt Service, including the proposed Series 2020B Senior Bonds, the 2020 Reimbursement Portion of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds, and that portion of the Future Bonds assumed to be issued as Senior Bonds, including the 2020 New Money Portion of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds.

The Department is permitted under the Revenue Bond Indentures to include a "Transfer" from the LAX Revenue Account to the Debt Service Fund for purposes of meeting the Senior Bond Rate Covenant, which shall not exceed 25% of Senior Bond Aggregate Annual Debt Service on outstanding Senior Bonds. No Transfers were assumed in this 2020B Letter Report for the purposes of calculating debt service coverage requirements.

The projection of key financial metrics also includes:

- Coverage for information purposes only to demonstrate the ability of the Department to meet all of its secured and unsecured obligations, which includes (1) all Debt Service on existing Senior Bonds and Subordinate Obligations, the proposed Series 2020B Senior Bonds (but excluding debt service on the Refunded Bonds), the 2020 Reimbursement Portion of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds, and Future Bonds, including the 2020 New Money Portion of the Series 2020C Senior Bonds and the Series 2020D Senior Bonds and (2) the annual automated people mover (APM) system capital availability payments (APM Capital APs) and the annual consolidated rent-a-car facility (ConRAC) capital availability payments (ConRAC Capital APs), both of which are paid to the developer of each project as unsecured obligations of the Department are not required to be included in the calculation of debt service coverage under the Revenue Bond Indentures.
- Average airline CPE, which is projected to be substantially higher during the Projection Period than in previous years at the Airport, as a result of (1) the projected decrease in the numbers of enplaned passengers resulting from COVID-19 and (2) the relatively

fixed-cost nature of airline terminal and airfield facilities at the Airport and most other airports in the United States. The average airline CPE at the Airport for the most recent five year period ending FY 2019 (the fiscal year prior to COVID-19) were as follows: $16.52 (FY 2019), $15.59 (FY 2018), $15.02 (FY 2017), $14.83 (FY 2016), and $13.97 (FY 2015).

Although this is not known as of the date of this 2020B Letter Report, we expect that the average airline CPE at most airports in the United States will be higher in the near-term as compared with previous years for similar reasons as those at the Airport.

ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS

The financial projections presented in this 2020B Letter Report are based on information and assumptions provided by, or reviewed with and agreed to by, Department management. The projections reflect management's expected course of action during the Projection Period and, in management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the projections are set forth in the attachment, "Background." The attachment should be read in its entirety for an understanding of the projections and the underlying assumptions.

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

However, any projection 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 projected and actual results, and those differences could be material and adverse. Neither WJ Advisors LLC nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, projections, opinions, or conclusions disclosed in this 2020B Letter Report. We have no responsibility to update this 2020B Letter Report for events and circumstances occurring after the date of this 2020B Letter Report.

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

Respectfully submitted,

WJ Advisors LLC

WJ Advisors LLC

Table 3
SUMMARY OF KEY FINANCIAL METRICS
Los Angeles International Airport

	1. 3-year Hypothetical Recovery in Enplaned Passengers (a)						2. 5-Year Hypothetical Recovery in Enplaned Passengers (a)					
	Debt Service Coverage (b)			Average Passenger Airline CPE			Debt Service Coverage (b)			Average Passenger Airline CPE		
Fiscal Year	Senior Bond	Total Debt Service	Debt Service including APM and Capital AP	Passenger Airline Revenues (in millions) (c)	Enplaned Passengers (millions)	Average Cost per Enplaned Passenger	Senior Bond	Total Debt Service	Debt Service including APM and Capital AP	Passenger Airline Revenues ($mils)	Enplaned Passengers (millions)	Average Cost per Enplaned Passenger
Actual 2019	7.90	3.42	n/a	$ 730.3	44.2	$ 16.52	7.90	3.42	n/a	$ 730.3	44.2	$ 16.52
2020	9.92	2.41	n/a	754.6	31.3	24.08	9.92	2.41	n/a	754.6	31.3	24.08
2021	9.92	2.04	n/a	716.1	15.0	47.74	9.92	2.04	n/a	716.0	15.0	47.73
2022	4.96	1.76	n/a	1,004.5	21.5	46.74	4.61	1.67	n/a	1,011.8	18.6	54.37
2023	4.71	1.93	1.86	1,099.3	30.8	35.68	3.96	1.69	1.63	1,120.6	23.1	48.52
2024	4.83	2.23	1.96	1,296.1	44.2	29.32	3.45	1.71	1.54	1,337.0	28.7	46.64
2025	5.19	2.36	2.06	1,358.0	45.0	30.21	3.87	1.95	1.74	1,430.7	35.6	40.19
2026	5.22	2.38	2.07	1,365.1	45.7	29.86	4.43	2.22	1.96	1,446.4	44.2	32.72
	Percent increase (decrease) from previous year						Percent increase (decrease) from previous year					
2020	25.6%	(29.4%)	n/a	3.3%	(29.1%)	45.8%	25.6%	(29.4%)	n/a	3.3%	(29.1%)	45.8%
2021	0.0%	(15.6%)	n/a	(5.1%)	(52.1%)	98.3%	0.0%	(15.6%)	n/a	(5.1%)	(52.1%)	98.3%
2022	(50.0%)	(13.8%)	n/a	40.3%	43.3%	(2.1%)	(53.6%)	(18.1%)	n/a	41.3%	24.1%	13.9%
2023	(5.1%)	10.1%	n/a	9.4%	43.4%	(23.7%)	(14.1%)	1.5%	n/a	10.8%	24.1%	(10.8%)
2024	2.6%	15.1%	5.4%	17.9%	43.5%	(17.8%)	(12.8%)	1.2%	(5.7%)	19.3%	24.1%	(3.9%)
2025	7.4%	5.9%	5.1%	4.8%	1.7%	3.0%	12.3%	13.8%	13.0%	7.0%	24.2%	(13.8%)
2026	0.6%	0.9%	0.4%	0.5%	1.7%	(1.2%)	14.3%	14.0%	12.7%	1.1%	24.2%	(18.6%)

(a) Recovery from low point in FY 2021 to FY 2019 enplaned passenger level.
(b) Calculated per the Indenture. CARES Act grants are assumed to pay LAX M&O Expenses by $50.0 million in FY 2020 and $273.6 million in FY 2021.
(c) FY 2020 passenger airline revenues include FY 2020 airline rates and charges deferred and repaid in FY 2021.

BACKGROUND

City of Los Angeles, Department of Airports

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TABLES

FIGURES

SECTION 1

AIRLINE TRAFFIC AND ECONOMIC ANALYSES

OVERVIEW OF AIRPORT ROLE

The Airport has an important role in the international, national, State of California, and regional and local air transportation systems and was the second busiest airport in the United States in terms of total (enplaned and deplaned) passengers in 2019 (the latest available data), according to preliminary statistics compiled by Airports Council International. The Airport is one of six commercial service airports in the greater Los Angeles area and has the most international airline service and the greatest number of connecting passengers in the area.

Large Origin-Destination Passenger Base

The Airport's large origin-destination (O&D) passenger base is related to the population of the area served by the Airport, the strength of the local economy, and the attractiveness of the Los Angeles Combined Statistical Area (CSA, defined below), the primary geographic area served by the Airport, as a tourist destination. In 2019, approximately 35.4 million originating passengers enplaned at the Airport, making the Airport the busiest O&D passenger airport in the United States.

The Los Angeles CSA includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. As shown in Table 4, the population of the Los Angeles CSA was 18.9 million in 2019, accounting for approximately 78.4% of Southern California's total population in that year. Los Angeles County includes the City of Los Angeles and accounted for approximately 53.7% of the population of the Los Angeles CSA in 2019.

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

Primary Commercial Service Airport in the Los Angeles CSA

As shown on Figure 1, the Los Angeles CSA is served by six airports with scheduled passenger airline service, including the Airport, which is defined as a large-hub airport[6]. The Airport accounts for the majority of short-haul domestic airline service in the CSA, dominates medium- and long-haul domestic service, and is the primary international air transportation gateway in Southern California.

In FY 2019, the number of enplaned passengers at the Airport accounted for approximately 76.5% of all enplaned passengers at the six airports in the Los Angeles CSA. The airports in Orange County and Ontario are medium-hub airports; the airports in Burbank, Long Beach, and Palm Springs are small-hub airports.

[6] The Federal Aviation Administration (FAA) definition of large-, medium-, and small hub airports are available at the following link: http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/categories/.

Table 4

POPULATION OF SOUTHERN CALIFORNIA IN 2019

Area	Population	Percent of Southern California population	Percent of Los Angeles CSA or Surrounding Counties
Los Angeles CSA			
Los Angeles County	10,141,882	42.1%	53.7%
Orange County	3,205,635	13.3	17.0
Riverside County	2,489,882	10.3	13.2
San Bernardino County	2,191,865	9.1	11.6
Ventura County	854,896	3.6	4.5
Subtotal—Los Angeles CSA	18,884,160	78.4%	100.0%
Surrounding Counties			
San Diego County	3,370,634	14.0%	64.9%
Kern County	905,434	3.8	17.4
Santa Barbara County	448,280	1.9	8.6
San Luis Obispo County	285,583	1.2	5.5
Imperial County	183,341	0.8	3.5
Subtotal—Surrounding Counties	5,193,272	21.6%	100.0%
Total Southern California	24,007,432	100.0%	

Source: Woods & Poole Economics, Inc., May 2020.
Note: Columns may not add to totals shown because of rounding.

Each airport in the Los Angeles CSA provides short- and medium-haul domestic airline service and draws passengers largely from its closest surrounding geographical area. The Airport primarily provides longer haul domestic service and international service and draws passengers from the Los Angeles CSA and surrounding counties in Southern California.

The Airport also serves a large secondary area consisting of the counties surrounding the Los Angeles CSA. The secondary area, shown lightly shaded on Figure 1, is served by seven airports with scheduled airline service, including San Diego International Airport, a large-hub airport with considerable domestic airline service and limited international service. Other airports in the secondary service area, including airports in San Luis Obispo, Santa Barbara, Santa Maria, and Imperial Counties, provide limited scheduled domestic service, including service to the Airport.

Figure 1
AIRPORT SERVICE REGION

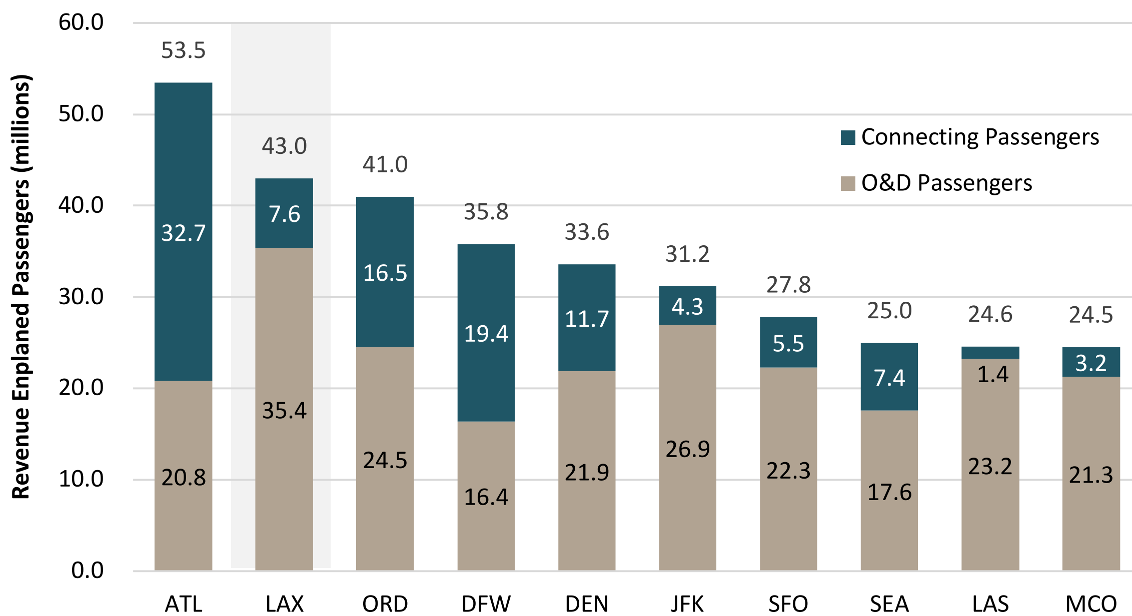
Road miles from Los Angeles to:	
Bakersfield (Meadows Field Airport)	122.0
Burbank	27.9
Imperial County (Imperial County Airport)	223.0
Long Beach	22.6
Ontario	56.5
Orange County (John Wayne Airport)	41.8
Oxnard	66.5
Palm Springs	124.0
San Diego	125.0
Santa Barbara	106.0
Santa Maria	157.0
Van Nuys	22.7

PASSENGER VOLUMES AT LAX

For the 12-month period ending December 31, 2019, the Airport was the second busiest airport in the United States, and the busiest airport in terms of O&D passengers, with approximately 43.0 million revenue enplaned passengers and 35.4 million O&D enplaned passengers (see Figure 2 below).

Hartsfield-Jackson Atlanta International Airport, which had 53.5 million revenue enplaned passengers, was the busiest airport in the United States. San Francisco International Airport and Seattle-Tacoma International Airport are the two other airports on the West Coast that are ranked among the 10 busiest airports, with approximately 27.8 million and 25.0 million revenue enplaned passengers in 2019, respectively.

Figure 2
10 BUSIEST U.S. AIRPORTS AS MEASURED BY REVENUE ENPLANED PASSENGERS

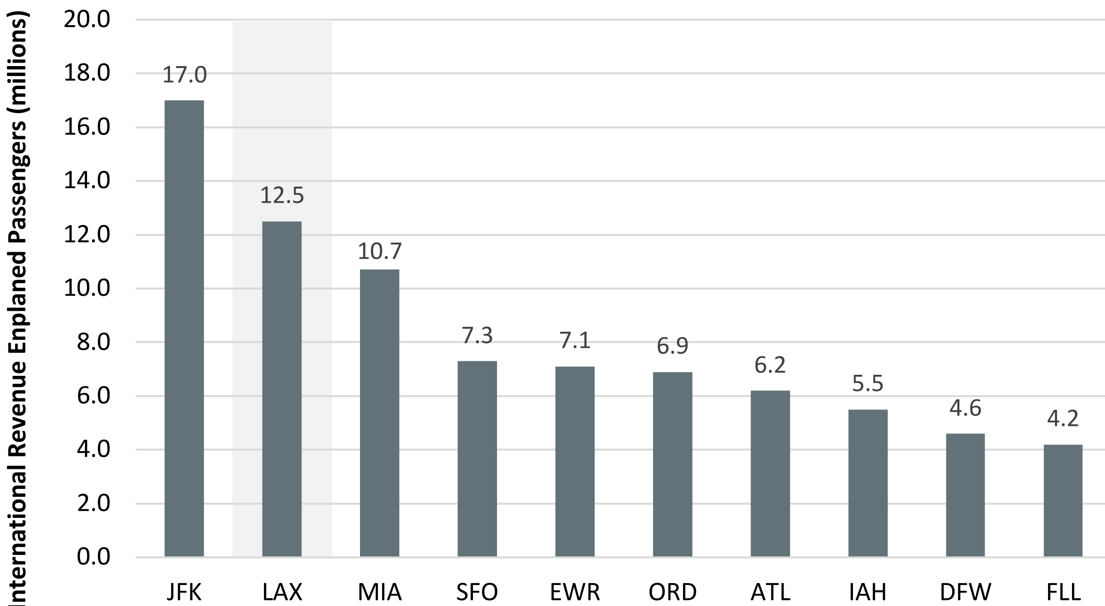


ATL = Hartsfield–Jackson Atlanta International Airport
LAX = Los Angeles International Airport
ORD = Chicago O'Hare International Airport
DFW = Dallas/Fort Worth International Airport
DEN= Denver International Airport
JFK = John F. Kennedy International Airport
SFO = San Francisco International Airport
SEA= Seattle-Tacoma International Airport
LAS = McCarran Intercontinental Airport
MCO = Orlando International Airport

Note: Totals may not add to 100% because of rounding.
Source: U.S. Department of Transportation, T100 database, 12-months ending December 2019, accessed June 2020, for all airports shown.

For the 12-month period ended January 2019, the Airport was the second busiest international gateway in terms of international revenue enplaned passengers in the United States and the busiest international gateway on the West Coast, with approximately 12.5 million international revenue enplaned passengers (see Figure 3).

Figure 3
**10 BUSIEST INTERNATIONAL GATEWAY U.S. AIRPORTS
AS MEASURED BY INTERNATIONAL REVENUE ENPLANED PASSENGERS**



JFK = John F. Kennedy International Airport
LAX = Los Angeles International Airport
MIA = Miami International Airport
EWR = Newark International Airport
SFO = San Francisco International Airport
ORD = Chicago O'Hare International Airport
ATL = Hartsfield–Jackson Atlanta International Airport
IAH = George Bush Houston Intercontinental Airport
FLL = Fort Lauderdale-Hollywood International Airport
DFW = Dallas/Fort Worth International Airport

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

John F. Kennedy International Airport, which had 17.0 million international revenue enplaned passengers during the same period, was the busiest international gateway in the United States. San Francisco International Airport is the only other international gateway airport on the West Coast that is ranked among the 10 busiest international gateways, with approximately 7.3 million international revenue enplaned passengers during the same 12-month period.

ECONOMIC BASIS FOR AIRLINE TRAFFIC

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

Most of the data presented in this section of the 2020B Letter Report is for the 12-month period ending December 31, 2019, which is the latest available data. Only the unemployment data, which is through April 2020, includes the negative economic effect of COVID-19 in the Los Angeles CSA, State of California, and the United States.

In the State of California, including the Los Angeles CSA, the State of California has directed Californians to, among other things, stay at home to slow the spread of the virus, made testing free for most Californians who are medically eligible for testing, deployed the California National Guard to work at food banks, and distributed millions of N95 masks and other protective gear to health care workers.

The California Department of Public Health has mandated that face coverings be worn state-wide in public settings (e.g., grocery stores, retail stores, offices, and on public transit) and outdoors when it is not possible to maintain six feet of physical distance. The California Pandemic Resilience Roadmap progressively designates sectors, businesses, and activities that may reopen with certain modifications and at a pace consistent with health and safety needs.

In consultation with the Los Angeles County Board of Supervisors, the County of Los Angeles Health Officer may issue orders that are more restrictive than those of the State Public Health Officer, should local COVID-19 conditions warrant. In response to recent changes in the number of daily reported COVID-19 cases and hospitalizations, the County of Los Angeles Health Officer ordered the closure of beaches over the Fourth of July weekend and prohibited public fireworks displays.

Efforts to reduce the spread of COVID-19 in Los Angeles County are expected to continue for the foreseeable future.

It is likely, but not known as of the date of this 2020B Letter Report, that the negative effect of COVID-19 on the Los Angeles CSA, the State of California and the United States economic activity (e.g., population, unemployment) in 2020, and potentially later years, could be substantially lower than historical levels.

The amount and length of any reduction in economic activity and its effect on passenger travel at the Airport is not within the scope of this 2020B Letter Report.

Historical Population, Nonagricultural Employment, and Per Capita Personal Income

This section provides an overview of the Los Angeles regional economy and current conditions and trends.

As shown in Table 5, the Los Angeles CSA, with 18.9 million residents in 2019, is the second largest of the 166 CSAs in the United States. Only the New York-Newark CSA, with approximately 22.7 million residents, represents a larger market for airline travel. The third largest CSA is Chicago-Naperville, about one-half the size of the Los Angeles CSA.

Table 5
10 LARGEST COMBINED STATISTICAL AREAS IN THE UNITED STATES
2019

Rank	Combined Statistical Area	Estimated population
1	New York-Newark CSA	22,746,996
2	Los Angeles CSA	18,884,160
3	Chicago-Naperville CSA	9,893,742
4	Washington-Baltimore-Arlington CSA	9,880,126
5	San Jose-San Francisco-Oakland CSA	9,730,970
6	Boston-Worcester-Providence CSA	8,315,343
7	Dallas-Fort Worth CSA	8,048,812
8	Philadelphia-Reading-Camden CSA	7,283,270
9	Houston-The Woodlands CSA	7,228,519
10	Miami-Fort Lauderdale-Port St. Lucie CSA	6,986,907

Source: Woods & Poole Economics, Inc., May 2020.

Population. As shown on the following table and on Figure 4, the growth rate for the population in the Los Angeles CSA has historically been comparable to the population growth rates in California and the United States.

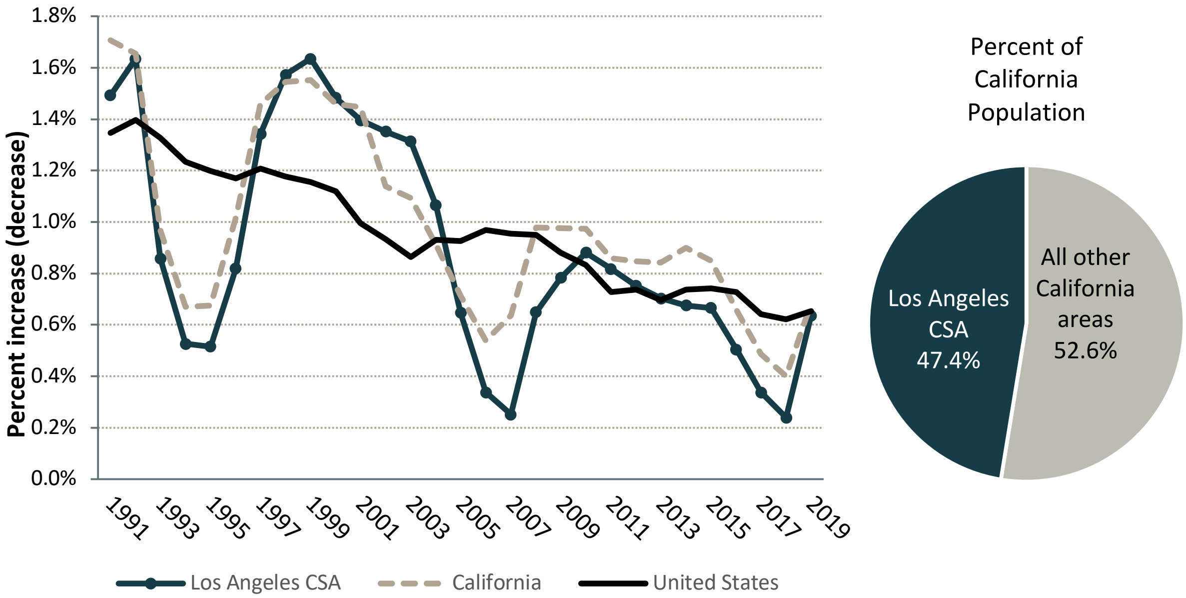
Population in the Los Angeles CSA increased an average of 1.2% per year from 14.6 million in 1990 to 16.4 million in 2000. From 2000 to 2010, population in the Los Angeles CSA increased from 16.4 million to 17.9 million, resulting in an average annual increase of 0.9% per year. From 2010 to 2019, population in the Los Angeles CSA increased from 17.9 million to 18.9 million, resulting in an average annual increase of 0.6% per year.

	Population (in millions)		
	Los Angeles CSA	California	United States
1990	14.6	30.0	249.6
2000	16.4	34.0	282.2
2010	17.9	37.3	309.3
2019	18.9	39.8	329.3
	Average annual percent increase (decrease)		
1990-2000	1.2%	1.3%	1.2%
2000-2010	0.9%	0.9%	0.9%
2010-2019	0.6%	0.7%	0.7%

Figure 4

POPULATION RATE OF GROWTH

Los Angeles CSA, State of California, and United States

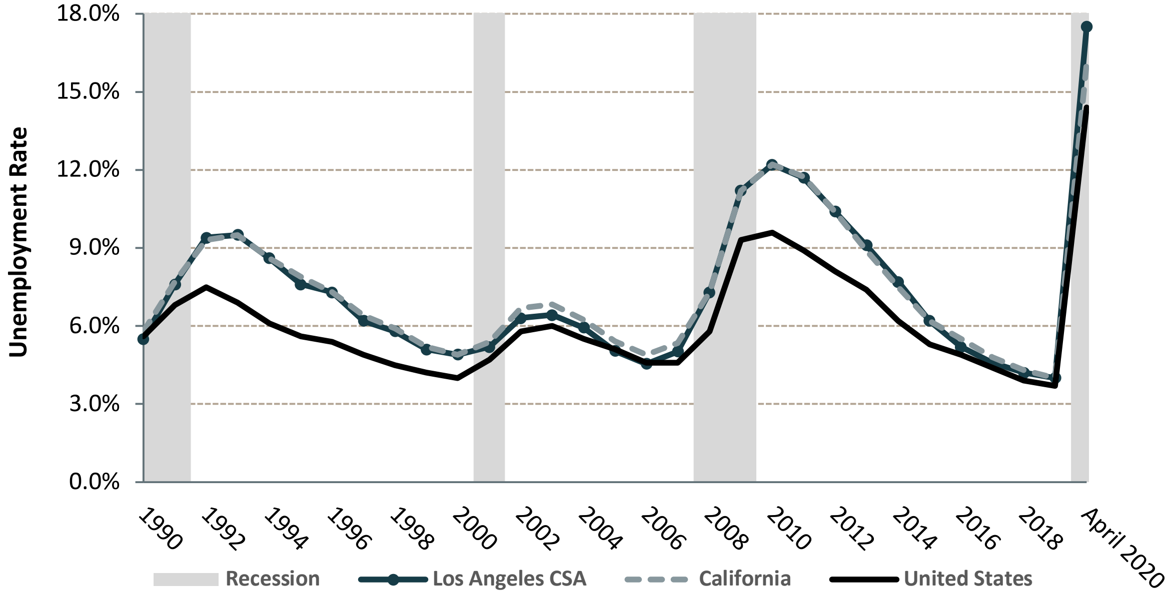


Note: The Los Angeles CSA consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.
Source: Woods & Poole Economics, Inc., May 2020.

Unemployment Rate. The annual unemployment rate in the Los Angeles CSA exceeded that in the United States as a whole in each of the past 27 years, except 1990, 2005, 2006, when the two unemployment rates were generally equal, as shown on Figure 5.

In June 2020, the unemployment rate in the Los Angeles CSA increased to 17.5% (non-seasonally adjusted), higher than the non-seasonally adjusted rate in California (16.1%) and higher than the non-seasonally adjusted United States rate (14.4%). The substantial increase in the unemployment rate in April 2020 is related to COVID-19 and the economic shutdown that occurred across the United States.

Figure 5
UNEMPLOYMENT RATES
Los Angeles CSA, State of California, and United States



Sources: U.S. Department of Labor, Bureau of Labor Statistics, June 2020.

Although the Los Angeles CSA unemployment rate has been higher than that in the United States since 2007, it fell by 8.0 percentage points, from 12.2% at its peak in 2010 to 4.2% in June 2019. In contrast, the United States unemployment rate fell only 5.8 percentage points since its peak of 9.6% in 2010 to 3.8% in June 2019. The Los Angeles CSA's higher unemployment rate since 2007 is partly explained by lower job growth rates compared to the United States in the utilities, manufacturing, professional and technical services, finance, insurance, government, retail trade, and real estate industries.[7]

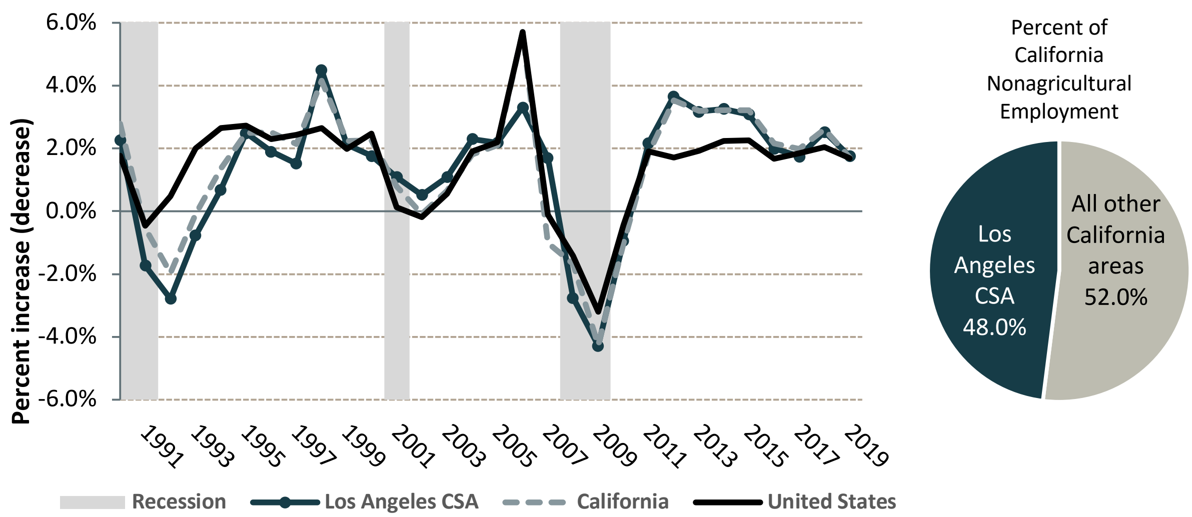
Nonagricultural Employment. As shown on the following table and on Figure 6, the annual rate of change for nonagricultural employment in the Los Angeles CSA has historically been comparable to the nonagricultural employment rates of change in California and the United States.

Nonagricultural employment in the Los Angeles CSA increased an average of 0.9% per year from 8.1 million in 1990 to 8.9 million in 2000. From 2000 to 2010, nonagricultural employment in the Los Angeles CSA increased from 8.9 million to 9.2 million, resulting in an average annual increase of 0.4% per year. From 2010 to 2019 (the latest available data), nonagricultural employment in the Los Angeles CSA increased from 9.2 million to 11.6 million, resulting in an average annual increase of 2.6% per year.

[7] Source: Woods & Poole Economics, Inc., May 2019.

	Nonagricultural civilian employment (in millions)		
	Los Angeles CSA	California	United States
1990	8.1	16.2	132.5
2000	8.9	18.7	160.2
2010	9.2	19.2	168.2
2019	11.6	24.2	199.6
	Average annual percent increase (decrease)		
1990-2000	0.9%	1.4%	1.9%
2000-2010	0.4%	0.3%	0.5%
2010-2019	2.6%	2.6%	1.9%

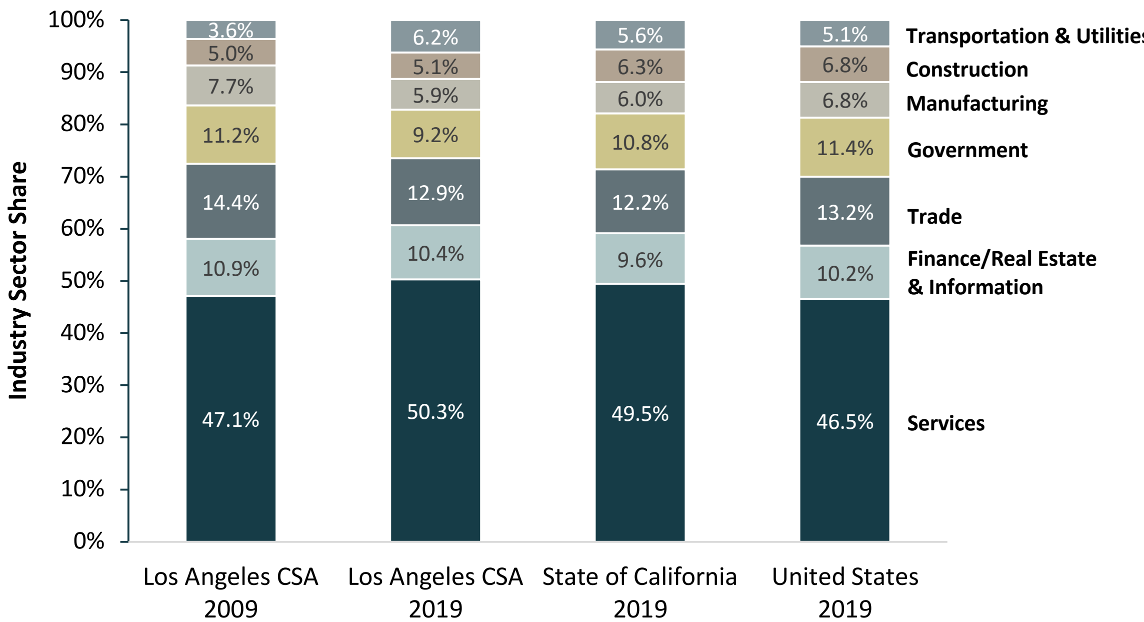
Figure 6
NONAGRICULTURAL EMPLOYMENT ANNUAL RATES OF CHANGE
Los Angeles CSA, State of California, and United States



Note: The Los Angeles CSA consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.
Source: Woods & Poole Economics, Inc., May 2020.

Figure 7 shows the comparative distribution of nonagricultural employment by industry sector in the Los Angeles CSA in 2009 and 2019, and in California and the United States in 2019. Employment in services (50.3%) which includes health, education, professional, business, and other services, finance, real estate, and information (10.4%) accounted for a combined 60.7% of total nonagricultural employment in the Los Angeles CSA in 2019.

Figure 7
COMPARATIVE DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Los Angeles CSA, State of California, and United States



Notes: Construction employment includes mining and forestry. Totals may not add to 100% because of rounding.
Source: Woods & Poole Economics, Inc., May 2020.

Major Employers. Table 6 lists the 25 largest private employers in the Los Angeles CSA in 2018 (the latest available data).

The table reflects the diversity of the companies and industries in the area. The Los Angeles CSA is the location of headquarters for 37 Fortune 1000 firms[8]. These companies operate globally and their activities extend to a network of approximately 2,070 overseas offices, manufacturing plants and other facilities.[9]

As shown previously on Figure 5, the unemployment rate in the Los Angeles CSA increased substantially in April 2020 as a result of COVID-19 and the economic shutdown that occurred in the Los Angeles CSA and across the United States. Although comprehensive updated private employer data for Table 6 is not available as of the date of this 2020B Letter Report, it is likely that the number of local employees for some or many of the companies listed on Table 6 would be lower.

[8] Source: Fortune 500, www.fortune.com, accessed September 2018.
[9] Source: Uniworld Online, www.uniworldonline.com, accessed September 2018.

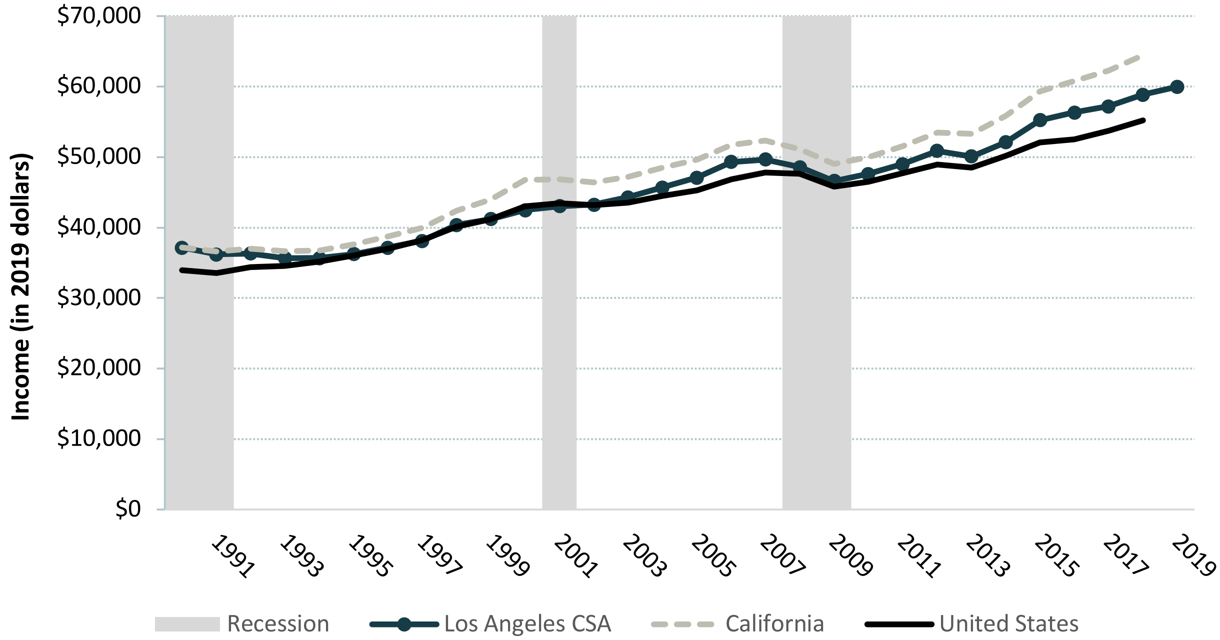
Table 6
25 LARGEST PRIVATE EMPLOYERS
Los Angeles CSA

Rank	Company	Industry	Location	Local Employees
1	Walt Disney (53) (a)	Entertainment	Anaheim/Burbank	43,000
2	Northrop Grumman	Aerospace	Redondo Beach	18,000
3	Amazon Fulfillment Centers	Online Retail Distribution	Ontario/Redlands/Riverside/San	18,000
4	Allied Universal	Security Services	Santa Ana	16,700
5	Boeing	Aerospace	El Segundo/Seal Beach	15,000
6	AT&T	Telecommunications	Los Angeles/Tustin	12,600
7	Bank of America	Finance	Irvine/Los Angeles	12,300
8	NBCUniversal	Entertainment	Burbank	12,000
9	Wells Fargo Bank	Finance	Irvine/Los Angeles	11,700
10	United Parcel Service	Transportation	Anaheim/Los Angeles/Ontario	10,900
11	ABM Industries	Facility Services	Commerce	8,000
12	FedEx	Transportation	Irvine/Los Angeles/Ontario	8,000
13	Raytheon	Aerospace	El Segundo	7,400
14	JP Morgan Chase	Finance	Irvine/Los Angeles	5,800
15	Warner Bros. Entertainment	Entertainment	Burbank	5,000
16	Paramount Pictures	Entertainment	Hollywood	5,000
17	Amgen (129) (a)	Pharmaceuticals	Thousand Oaks	4,900
18	Pechanga Resort & Casino	Casino/Resort	Temecula	4,800
19	Edwards Lifesciences (653) (a)	Medical Equipment	Irvine	4,700
20	Irvine Company	Real Estate Development	Newport Beach	4,200
21	Cedar Fair	Amusement Parks/Resorts	Buena Park	4,000
22	Charter Communications Inc.	Telecommunications	El Segundo	3,700
23	Six Flags Magic Mountain	Theme Park	Valencia	3,200
24	Aerospace Corp.	Aerospace	El Segundo	3,100
25	Sony Pictures Entertainment	Entertainment	Culver City	3,000

Note: Excludes retail companies, hospitals, utilities, nonprofits, and government organizations.
(a) Companies with headquarters in the Los Angeles CSA that have a Fortune 1000 company ranking.
Sources: "Employers," Orange County Business Journal, 19 November 2018; "Private-Sector Employers," Los Angeles Business Journal, 26 August 2019; "Amazon Grows Its Inland Empire Stake With New Center Coming to Beaumont," The Press-Enterprise, 2 November 2018; County of Ventura FY2018 Comprehensive Annual Financial Report, https://www.ventura.org/auditor-controllers-office/financial-reports; Riverside County FY2018 Comprehensive Annual Financial Report, https://www.auditorcontroller.org/ReportsPublications.aspx; Fortune 500, https://fortune.com/fortune500/2019, accessed September 2019.

Per Capita Personal Income. Historically, per capita personal income (in 2019 dollars) has been consistently lower in the Los Angeles CSA than in California, as shown on Figure 8. However, per capita income in the Los Angeles CSA has been slightly higher than that in the United States as a whole from 1990 through 2019. Real wage and salary income decreased in the Los Angeles CSA during the 2008-2009 recession, falling 1.4% between 2007 and 2008, and 4.3% between 2008 and 2009. In contrast, population in the Los Angeles CSA increased nearly 1.0% per year during the 2008-2009 recession. Certain factors, including decreasing wage and salary income and increasing population, contributed to the decline in per capita personal income growth in the Los Angeles CSA between 2007 and 2010.

Figure 8
PER CAPITA PERSONAL INCOME (IN 2019 DOLLARS)
Los Angeles CSA, State of California, and United States



Note: The Los Angeles CSA consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.
Source: Woods & Poole Economics, Inc., May 2020.

Household Income above $100,000. The percentage of households with annual income of $100,000 or more is an indicator of potential demand for air travel. Table 7 shows that in 2019, the Los Angeles CSA ranked second in the United States with more than 2.0 million or 34.8% of households with income of $100,000 or more. According to Consumer Expenditure Survey data from the United States Bureau of Labor Statistics, 55% of airline fare expenditures are made by households with annual income of $100,000 or more[10].

[10] Source: Who's Buying for Travel 12th edition, New Strategist Publications, 2018. Data in Who's Buying for Travel are based on the U.S. Department of Labor, Bureau of Labor Statistics' "Consumer Expenditure Survey," an ongoing nationwide survey of household spending.

Table 7
2019 HOUSEHOLDS WITH INCOME OF $100,000 AND ABOVE BY METROPOLITAN REGION

Rank	Combined Statistical Area	Households with Income of $100,000 and Above	Percent of Households in the CSA with Income of $100,000 or above
1	New York-Newark CSA	3,358,720	40.0%
2	Los Angeles CSA	2,127,239	34.8%
3	San Jose-San Francisco-Oakland CSA	1,649,626	48.6%
4	Washington-Baltimore-Arlington CSA	1,614,641	47.6%
5	Boston Worcester Providence CSA	1,268,867	40.5%

Source: 2019 Esri Market Profiles, accessed May 2020.

Visitor Activity

Table 8 summarizes visitor data for Los Angeles County in 2017 and 2018 (the latest available data), as published by the Los Angeles Tourism & Convention Board.

In 2018, there were 50.0 million day and overnight visitors to Los Angeles County, 1.5 million more than the record tourism in 2017 of 48.5 million visitors. Approximately 65.6% of visitors to Los Angeles County in 2017 and 2018 were overnight visitors.

Data in Table 8 show that Los Angeles County's approximately 25.3 million domestic overnight visitors in 2018 represented a 2.4% increase over 2017. The 7.5 million international overnight visitors in 2018 exceeded the level in 2017 by 4.2%.

The Los Angeles CSA offers both leisure and business travelers numerous entertainment attractions, cultural institutions, shopping districts, dining selections, recreational options, professional sporting events, and scenic parks and vistas. World famous attractions in the Los Angeles CSA include Disneyland, Universal Studios, the Hollywood Walk of Fame, the Getty Center, and many others. Some or all of these attractions have been or continue to be closed as a result of COVID-19.

Table 8

2017 AND 2018 VISITOR ACTIVITY

Los Angeles County

	2017	Percent of total	2018	Percent of total	Percent increase/ (decrease) 2017-2018
Overnight visitors	31,900,000	65.8%	32,800,000	65.6%	2.6%
Day visitors	16,600,000	34.2	17,200,000	34.4	2.5
Total visitors	48,500,000	100.0%	50,000,000	100.0%	2.5%
Overnight visitors					
Domestic	24,700,000	77.4%	25,300,000	77.1%	2.4%
International	7,200,000	22.6	7,500,000	22.9	4.2
Total overnight visitors	31,900,000	100.0%	32,800,000	100.0%	2.8%
International visitors					
Mexico	1,708,000	23.7%	1,776,000	23.7%	4.0%
China (excludes Hong Kong)	1,123,000	15.6	1,200,000	16.0	6.9
Canada	746,000	10.4	780,000	10.4	4.6
Australia	418,000	5.8	426,000	5.7	1.9
United Kingdom (a)	371,000	5.2	382,000	5.1	3.0
Japan	340,000	4.7	349,000	4.7	2.6
South Korea	341,000	4.7	335,000	4.5	(1.8)
France	295,000	4.1	307,000	4.1	4.1
Germany	254,000	3.5	237,000	3.2	(6.7)
Brazil	102,000	1.4	117,000	1.6	14.7
Other overseas	1,502,000	20.9	1,591,000	21.2	5.9
Total international visitors	7,200,000	100.0%	7,500,000	100.0%	4.2%

Note: Columns may not add to totals shown because of rounding.
(a) Includes England, Wales, Scotland, and Northern Ireland.
Source: Los Angeles 2018 Tourism Quick Facts, Los Angeles Tourism & Convention Board, https://www.discoverlosangeles.com/sites/default/files/2019-05/2018 QUICK FACTS.pdf, accessed August 2019.

Convention Business. Many business travelers visit the Los Angeles CSA in order to attend conventions and other events. The Los Angeles Convention Center (LACC) is located in downtown Los Angeles and hosts an average of 300 events annually[11] with approximately 2.5 million visitors[12].

[11] Source: Why the LACC?, Los Angeles Convention Center, https://www.lacclink.com/events/why-the-lacc, accessed August, 2019.
[12] Source: "Five Years of AEG Facilities Successful Management of the Los Angeles Convention Center Being Celebrated," 11 December 2018, Los Angeles Convention Center, https://www.lacclink.com/news/detail/five-years-of-aeg-facilities-successful-management-of-the-los-angeles-convention-center-being-celebrated, accessed August 2019.

The LACC has 720,000 square feet of exhibit hall space, 147,000 square feet of meeting room space, a 300-seat theater, and parking for over 5,600 vehicles.[13] Since taking over management of LACC in 2013, AEG Facilities, a subsidiary of The Anschutz Corporation, has increased event bookings each year by working closely with the Los Angeles Convention & Tourism Bureau.

On March 25, 2020, large public gatherings in Los Angeles County were suspended due to COVID-19 and events at the LACC were postponed. In April 2020, the California National Guard transformed the LACC into a COVID-19 field hospital. The California Health and Human Services Agency and the Governor's Office of Emergency Services announced reductions in medical surge sites on May 20, 2020. The LACC field hospital has been placed into "warm shutdown" status, meaning that it will continue to be maintained as the State of California monitors the need to redeploy it in case of a surge in COVID-19 cases.

Prior to COVID-19, the Los Angeles City Council approved a $500 million expansion plan to build additional exhibit, meeting room, multi-purpose space, and parking at LACC[14]. If completed, the LACC will have a total of 1,180,000 square feet of useable space. The JW Marriott convention center headquarters hotel would also expand, adding a new tower with 850 rooms as well as additional ballroom and meeting space. As of the date of this 2020B Letter Report, it is unknown if the expansion of the LACC would continue and if it does continue, when the expansion would be completed.

International Travel. In 2018 (the latest available data), Los Angeles County attracted more than 7.5 million overnight international visitors. Of these, 34.0% were from Mexico and Canada, while the majority of international visitors (66.0%) were from overseas. China was home to the second highest number of visitors (1.2 million) from a single country. In 2016, Los Angeles became the first United States city to host over one million visitors from China, a milestone that was repeated in 2017 (1.1 million) and 2018 (1.2 million). Viewed on a regional basis, visitors from Australia, Japan, and South Korea—the top three countries in the Asia-Pacific region (excluding China)—accounted for a total of 1,110,000 visitors to Los Angeles County. Similarly, Europe was the second largest regional market, with the top three countries (United Kingdom, France, and Germany) generating 926,000 visitors to Los Angeles County in 2018. The Los Angeles CSA's international links are further underscored by the fact that, according to the United States Census Bureau, 30.0% of the population is foreign born compared with 13.4% of the United States population as a whole[15].

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[13] Source: Multi-Functional Space, Los Angeles Convention Center, https://www.lacclink.com/events/multi-functional-space, accessed August 2019.

[14] Source: "Los Angeles to Expand Conventions Center," 10 January 2019, North Star Meetings Group, https://www.north starmeetingsgroup.com/News/Event-Venues/Los-Angeles-convention-center-expansion-moves-forward; "AEG Convention Center Development Greenlit," 4 January 2019, Los Angeles Business Journal, http://labusiness journal.com/news/2019/jan/04/aeg-convention-center-development-greenlit; "LA Approves Nearly $98 million for AEG's Convention Center Hotel Project," 12 December 2018, https://www.daily news.com/2018/12/12/should-la-give-aeg-97-7-million-for-convention-center-hotel-project, accessed August 2019.

[15] Source: 2013-2017 American Community Survey 5-Year Estimates, U.S. Census Bureau, https://factfinder.census.gov/ faces/nav/jsf/pages/download_center.xhtml, ACS_17_5YR_B05002_with_ann.csv, Table B05002 Place of Birth by Nativity and Citizenship Status, accessed August 2019.

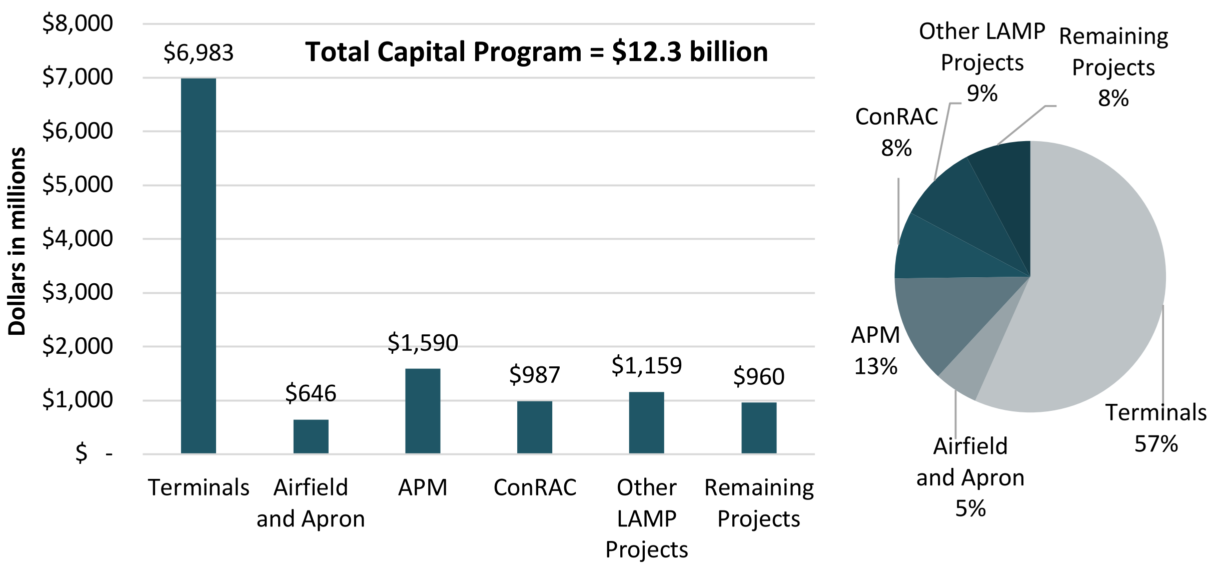
SECTION 2

AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES

AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES

Department management periodically develops and updates its Airport Capital Program for the redevelopment, improvement, and expansion of Airport facilities. The Airport Capital Program is developed based on anticipated facility needs, current and projected airline traffic, available funding sources, project priorities, and other relevant information that is available to the Department when the Airport Capital Program is developed. Figure 12 presented later in this section of the 2020B Letter Report presents all anticipated funding sources for the approximate $12.3 billion Airport Capital Program, including approximately $3.8 billion expected to be funded with the net proceeds from the sale of Future Bonds, including the 2020 New Money Portion. The Airport Capital Program is expected to be completed by the end of FY 2025.

Figure 9
AIRPORT CAPITAL PROGRAM BY AREA
Los Angeles International Airport



Note: Pie chart may not total 100% because of rounding.
Source: Department records.

According to the Department, approximately $1.4 billion of the Airport Capital Program was completed through the end of FY 2020. Of the $12.3 billion in Airport Capital Program project costs, approximately $10.9 billion is ongoing or is expected to be started and completed by the end of FY 2025.

The costs of the Airport Capital Program projects presented on Figure 9 and described below are expected to be allocated to the applicable direct Airport cost centers, such as the North Terminal Improvement Program allocated to the Terminals cost center.

Certain projects are expected to be undertaken and initially funded by the airlines, and the completed facilities would then be acquired by the Department and the airlines would be reimbursed. All other Airport Capital Program project costs are to be funded by the Department.

Terminals

- **Midfield Satellite Concourse – North Project.** This project consists of the development of a new 15-gate, 1.0 million square-foot concourse west of the Tom Bradley International Terminal (TBIT)/Bradley West terminal complex that would serve domestic and international airline operations, and associated apron improvements. This project is estimated to cost $1.7 billion ($1.5 billion for terminal improvements and $0.2 billion for the apron improvements). This project is expected to be completed by FY 2021.
- **North Terminal Improvement Program.** This project includes the complete renovation of Terminal 3, renovations to Terminal 2, a secure connector to the north side of TBIT, infrastructure improvements supporting the planned APM System, and various enabling projects. Delta Air Lines is providing construction funding and undertaking these improvements, which are to be purchased by the Department in phases when the portions of the project are complete and have been included in the annual calculation of the Terminal Buildings Rate. This project is estimated to cost $1.8 billion and is expected to be completed by FY 2023.
- **Terminals 6/7/8 Improvement Project**. This project consisted of the phased redevelopment of portions of these terminals, including a new checked baggage screening system, a new baggage sortation system, renovated baggage claim areas, renovated passenger security screening checkpoints, airline office areas, the replacement of passenger boarding bridges, and the construction of a new club room for use by United Airlines premium passengers. United Airlines provided construction funding and undertook these improvements, which were purchased by the Department in phases when portions of the project were completed and have been included in the annual calculation of the Terminal Buildings Rate. This project cost $544.0 million and was completed in FY 2019.
- **Terminal 1 Improvement Project.** This project consisted of the phased reconstruction of substantially all of Terminal 1, including the development of a new centralized 12-lane passenger security screening checkpoint, a new checked baggage inspection system, and redeveloped public areas, holdrooms and gate areas, airline operations space, and adjacent apron areas. Southwest Airlines provided construction funding and undertook these improvements, which were purchased by the Department in phases when portions of the project were completed and have been included in the annual calculation of the Terminal Buildings Rate. This project cost $520.9 million and was completed in FY 2019.
- **Terminal 4 Improvement Project – American Airlines.** This project includes the construction of a connector between Terminal 4 and Terminal 5 that would connect to the new APM System. This project is estimated to cost approximately $760.8 million and is expected to be completed by FY 2025.

The Department currently expects that an additional $625 million in improvements to Terminal 4 may be required to complete the renovation of that terminal, but that the $625 million of additional improvements would be completed after the Projection Period in this Report. Additional Pledged Revenues, LAX M&O Expenses, annual debt service payments, and other costs associated with the $625 million of future Terminal 4 project costs are not included in the financial projections in this Report.

- **Terminal 6 Project – Alaska Airlines.** This project includes the modernization of Terminal 6 by increasing the amount of holdroom space, enhancing the security screening checkpoint, installing new passenger loading bridges, and certain other operational improvements. Under a letter of intent with the Department, Alaska Airlines would be providing construction funding and undertaking these improvements, which would be purchased by the Department in phases when portions of the project are complete and have been included in the annual calculation of the Terminal Buildings Rate. This project is estimated to cost approximately $198.4 million and is expected to be completed by FY 2025.
- **Terminal 1.5.** This project consists of the development of a new terminal building between Terminal 1 and Terminal 2 that will link the two terminals directly, resulting in a single unified facility. Southwest Airlines is providing construction funding and undertaking these improvements, which are to be acquired by the Department in phases when portions of the project are complete and are included in the annual calculation of the Terminal Buildings Rate. This project is estimated to cost $496.5 million and is expected to be completed by FY 2021.
- **Baggage System Enhancements.** This project includes construction of outbound baggage systems supporting the combined operations of both the TBIT and the Midfield Satellite Concourse – North Project. The project includes construction of baggage conveyance systems, explosives trace detection workstations, an on-screen resolution control room, and installation/integration of explosives detection system machines to be provided by the TSA. This project is currently estimated to cost $263.8 million and is expected to be completed by FY 2021.
- **TBIT Core and APM Interface.** This project will provide vertical circulation elements in TBIT to accommodate passenger circulation and connections to the APM System. While associated with the APM System, this project will be allocated to the Airport's Terminal cost center. This project is estimated to cost $268.6 million and is expected to be completed by FY 2022.
- **Terminal 5 Core and APM Interface.** This project will provide vertical circulation elements in Terminal 5 to accommodate passenger circulation and connections to the APM System. While associated with the APM System, this project will be allocated to the Airport's Terminal cost center. This project is estimated to cost $219.1 million and is expected to be completed by FY 2022.
- **Acquisition of Terminal 4 Improvements.** This project consists of the acquisition by the Department of the Terminal 4 improvements undertaken by American Airlines. This project cost $189.5 million and the improvements were acquired in December 2018.

- **Other Terminal Projects.** This project consists of central terminal area (CTA) departure and arrival level security bollards, closed circuit television improvements, TBIT automated security lanes, and other miscellaneous terminal improvements. These projects are estimated to cost $156.9 million and are expected to be completed by FY 2025.

Airfield and Apron

- **Runway Safety Area (RSA) Improvements.** This project consisted of improvements to the west end of Runway 7L-25R to bring the RSA into compliance with FAA standards. This project cost $123.3 million and was completed in FY 2019.
- **Taxiway C14 Construction.** This project includes the construction of a new 3,600-foot long by 82-foot wide north-south crossfield taxiway that will provide unimpeded access between the north and south airfields. This project is estimated to cost $119.2 million and is expected to be completed by FY 2021.
- **Runway 7L-25R Reconstruction.** This project included the extension of Runway 7L-25R and Taxiway C. This project cost $48.5 million and was completed in FY 2019.
- **Other Airfield and Apron Projects.** This project consists of Taxilane T improvements, Runway 7R-25L reconstruction, storm water improvements, a new fire drill training facility, and other miscellaneous airfield improvements. These improvements are estimated to cost $160.3 million and are expected to be completed during the Projection Period.

Landside Access Modernization Program (LAMP) projects include the APM System project, the ConRAC, the LAMP Enabling Project, the Intermodal Transportation Facility (ITF-West), and the LAMP Acquisitions and Right of Way Project. The APM System project, the LAMP Enabling Project, and the LAMP Acquisitions and Right of Way Project are Access cost center projects. The Rate Agreement defines the types of projects that are Access projects as well as the basis for allocating related capital and operating costs to direct Airport cost centers, including, but not limited to, the Terminals, Airfield, and Apron areas.

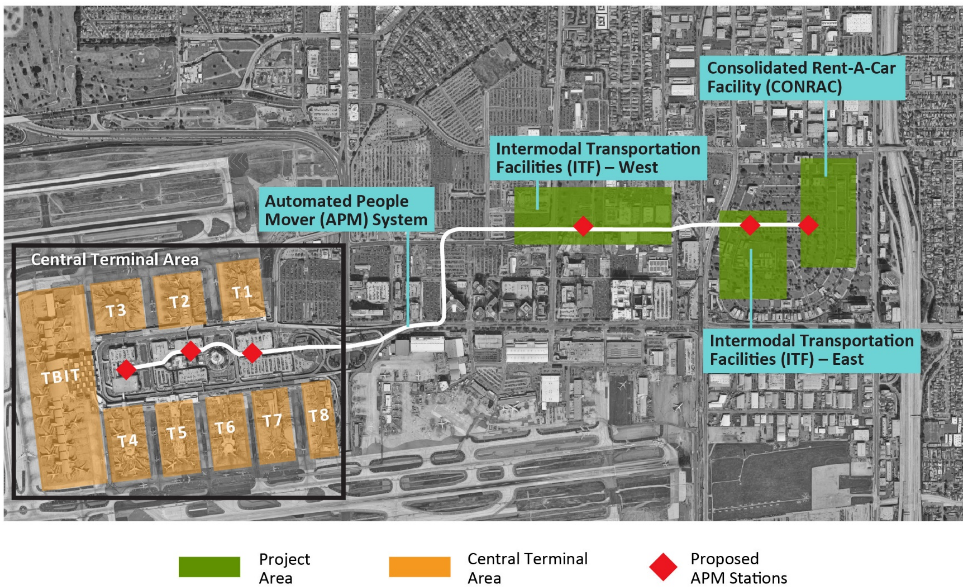
APM System

APM System Project Description. The APM System will provide fast, convenient, and reliable access to the CTA 24 hours a day for passengers, employees, rental car customers, and other users of the Airport. The APM System, as depicted on Figure 10, will be built above grade and will transport passengers between the CTA and other Airport facilities, including a new ConRAC, a light rail station, new public parking facilities, and multiple locations for passenger pick up and drop off. The APM System project includes three APM stations within the CTA: (1) a West Station located between Terminals 3 and 4, east of TBIT, (2) a North Center Station located between Terminals 2 and 6, north of the existing Airport Traffic Control Tower and Center Way, and (3) an East Station located between Terminals 1 and 7.

The APM System project also includes three proposed stations outside of the CTA: (1) at the multi-modal/transit facility (ITF-East) located at 96th Street/Aviation Boulevard planned by the

Los Angeles County Metropolitan Transportation Authority (Metro), (2) the ITF-West, and (3) the new ConRAC. The Metro project at 96th Street/Aviation Boulevard is expected to be a separate and independent project (to be completed by Metro) to provide the opportunity for Airport passengers to access the Metro regional rail system.

Figure 10
APM SYSTEM AND OTHER PROJECTS
Los Angeles International Airport



Project Delivery Method and Funding. The APM System project is being designed, built, financed, operated, and maintained under a 30-year contract between LAX Integrated Express Solutions (APM Developer) and the Department. Through a series of milestone payments to the APM Developer during construction of the APM System and just after APM date of beneficial occupancy (DBO), plus certain other APM System costs paid by the Department, the Department is currently expected to fund approximately $1.6 billion of the estimated APM System project costs.

Department Financial Obligations. The Department is obligated to make APM APs to the APM Developer starting after APM DBO through the last year of the APM Contract. The annual APM AP compensates the APM Developer for expenses associated with operating the APM System (APM M&O APs) and the APM Capital APs. In FY 2024, the first full Fiscal Year after APM DBO, APM M&O APs are estimated to be $32.3 million and APM Capital APs are estimated to be $68.6 million. These amounts do not include debt service on Future Bonds the Department is expected to issue to fund the Department's portion of APM System project costs.

The APM M&O APs are LAX M&O Expenses under the Senior Revenue Bond Indenture. LAWA M&O Expenses allocated to the APM System and APM M&O APs are collectively referred to as the APM System M&O Costs.

The APM Capital APs are an unsecured obligation of the Department paid from available funds of the Department, after the payment and deposit of all amounts required under the flow of funds[16] set forth in the Senior Revenue Bond Indenture.

The term "APM System Capital Costs" includes the following: (1) APM Capital APs, (2) debt service on the Series 2018E Subordinate Bonds, the Series 2019E Subordinate Bonds, and Future Bonds issued by the Department to fund the allocable portion of APM System project costs, and (3) amortization of Department Funds (if any) used to fund the Department's portion of APM System project costs.

Allocation of APM System Costs to Airport Cost Centers. The APM System project is an Access cost center project under the Rate Agreement.

Pursuant to the Rate Agreement, the percentage of site acreage by Airport cost center would be used to allocate annual APM System M&O Costs and APM System Capital Costs to direct Airport cost centers.

Use of PFC Revenues to Pay APM System Capital Costs. The Department currently expects to seek approval from the FAA to impose a $4.50 PFC and use some of the revenues from the PFC to pay a portion of APM System Capital Costs that are PFC-eligible.

Sources of Revenue to Pay APM System M&O Costs and Capital Costs. Annual APM System M&O Costs and APM System Capital Costs allocated to the Terminals, Airfield, and Apron are included in airline rates and charges. The costs allocated to the remaining Airport cost centers are expected by the Department to be paid from non-airline sources of revenue, including, but not limited to, public parking revenues, annual rental car concessionaire contributions, and CFC revenues remaining after the payment of certain ConRAC capital costs. Rental car concessionaire contributions, the use of remaining CFC revenues, and ConRAC capital costs are discussed below.

Consolidated Rent-a-Car Facility

The ConRAC would be located east of the CTA (see Figure 10) and is expected to open at the end of FY 2023 (ConRAC DBO). The ConRAC will include, among other things, a customer service building, a ready/return area, a vehicle storage area, quick turnaround facilities, and an APM System station for rental car and other customers to use the APM System to travel between the ConRAC, the CTA and other Airport facilities. When ConRAC DBO and APM DBO are reached, the rental car companies will not be allowed to operate brand-specific shuttle buses to and from the CTA but will be required to use the APM System.

The ConRAC will serve the second largest rental car market in the United States and is expected to enhance the customer experience and safety with an easy-to-find consolidated location

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[16] Includes (a) the payment of LAX M&O Expenses, (b) the payment of Senior Bonds and deposits to the Senior Reserve Fund(s), (c) the payment of Subordinate Obligations and deposits to the Subordinate Reserve Fund(s), (d) the payment of Third Lien Obligations and deposits to any reserve funds established for Third Lien Obligations, and (e) deposits to the LAX M&O Reserve Account.

conveniently linked to the CTA by the APM System, improve traffic flow on the CTA and surrounding neighborhood roadways, free up CTA curb space, and create operational efficiencies.

The Department executed a concession lease and agreement (CLA) in 2018 with all of the Airport rental car concessionaires (Concessionaires) that will provide, among other things, for the use and occupancy of the ConRAC when ConRAC DBO is reached, as well as to make the following payments to the Department starting at ConRAC DBO: concession fees, Land Rent, M&O Fees, common transportation system (CTS)[17] Contributions, and other payments.

Two of the Concessionaires that executed the CLA recently filed for Chapter 11 bankruptcy (Hertz, including its brands Dollar/Thrifty) and Advantage, including its brand EZ Rent A Car). Collectively, Hertz and Advantage (including each company's brands) represented approximately 34.7% of the rental car gross revenue market share at the Airport for the 12-month period ending February 2020 (the month prior to disruptions caused by COVID-19). There is no assurance that either Concessionaire will assume or reject the CLA during the bankruptcy process. For purposes of this 2020B Letter Report, it was assumed that both companies would assume their respective CLAs and would use and lease space starting at ConRAC DBO.

The CLA's initial term expires on the 20-year anniversary of the ConRAC DBO. The term of the CLA can be extended by 5-years, either at the election of the Department or automatically under certain conditions.

Provided below is an overview of how the ConRAC will be delivered, funding sources, payment obligations of the Department, the CLA, and the use of annual CFC revenues prior to and after ConRAC DBO.

Project Delivery Method and Funding. The ConRAC project will be designed, built, financed, operated, and maintained under a 28-year contract (ConRAC Contract) that was executed between the Department and LA Gateway Partners (ConRAC Developer) in 2018. According to the Department, the following sources of funds are currently expected to be used to pay for the cost of the ConRAC project:

- **ConRAC Developer Capital.** Beginning at ConRAC DBO, the Department will make ConRAC APs to the ConRAC Developer, including a ConRAC Capital AP and a ConRAC M&O AP. The ConRAC Capital AP compensates the ConRAC Developer for designing, building, and financing (equity and debt) the Developer's portion of the ConRAC project. The ConRAC M&O AP compensates the ConRAC Developer for the cost of operating and maintaining the ConRAC. The ConRAC AP would increase each year from ConRAC DBO through the remaining term of the ConRAC Contract based on structured payment increases and defined inflation indexes.

  ConRAC Capital APs are an unsecured obligation of the Department and paid from available funds of the Department, similar to the treatment of APM Capital APs described above. ConRAC Capital APs are not included in estimates of Debt Service, but

[17] In the CLA, the CTS is that portion of the APM System that is expected to be used by rental car customers, which is approximately 41% of total ridership on the APM System.

instead are used to calculate a combined debt service and AP coverage rate to demonstrate the ability of the Department to meet all of its obligations (secured and unsecured, including the APM Capital APs and the ConRAC Capital APs).

ConRAC M&O APs are currently expected to be treated as LAX M&O Expenses under the Senior Revenue Bond Indenture. LAWA M&O Expenses allocated to the ConRAC, ConRAC M&O APs, and other ConRAC Developer M&O Expenses[18] are collectively referred to as the ConRAC M&O Costs.

- **ConRAC Special Facility Obligations.** The net proceeds of ConRAC Special Facility Obligations are currently expected to be used by the Department to make milestone payments to the ConRAC Developer. The ConRAC Special Facility Obligations are currently expected to be issued prior to ConRAC DBO, but not under the Revenue Bond Indentures.
- **CFC Revenues.** CFC revenues include the amounts collected by the Department through the end of FY 2020 and are expected to be collected by the Department from FY 2021 through ConRAC DBO. The Department intends to use a majority of all CFC revenues collected prior to ConRAC DBO to make some or all of the milestone payments to the ConRAC Developer.

  The Department currently collects revenue from a $9.00 CFC per rental car transaction day (up to a 5-day maximum).
- **Department Funds.** A small portion of the cost of the ConRAC will funded from Department Funds.

In this Report, the term "ConRAC Capital Costs" includes the following: (1) ConRAC Capital APs, (2) debt service on ConRAC Special Facility Obligations, and (3) amortization of Department Funds used to fund the Department's portion of ConRAC project costs.

Department Financial Obligations to ConRAC Developer. The Department is expected to make ConRAC APs to the ConRAC Developer starting after ConRAC DBO through the last year of the ConRAC Contract. Total ConRAC M&O AP and ConRAC Capital AP in FY 2024, the first full year after ConRAC DBO, are estimated to be equal to $44.9 million.

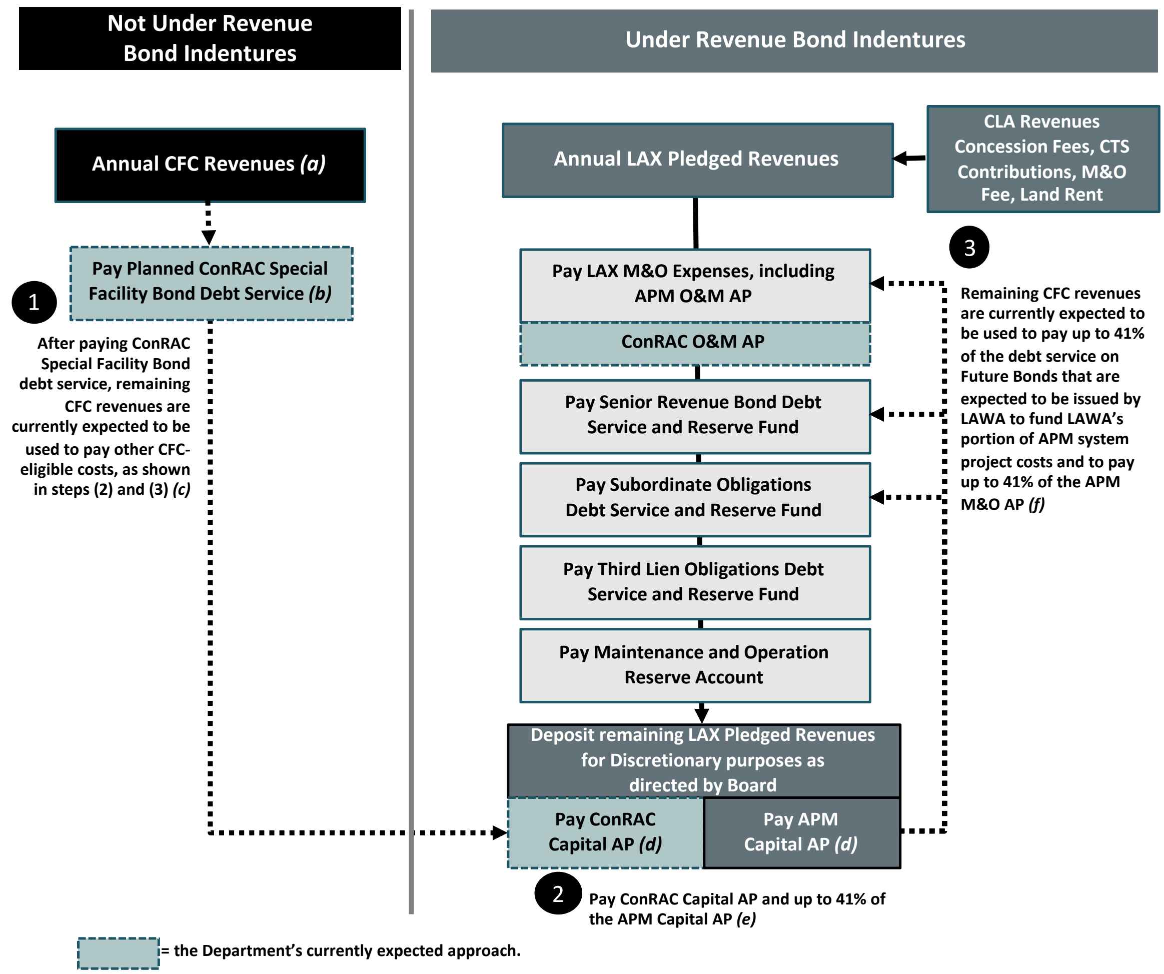
[18] Includes M&O Expenses in addition to those already included in the ConRAC M&O AP, which expenses have not been estimated by the Department, but are expected to be recovered from the M&O Fees paid by ConRAC Concessionaires to the Department.

Figure 11

EXPECTED USE OF ANNUAL CFC REVENUES AND INCLUSION OF REVENUES AND CERTAIN COSTS RELATED TO THE CLA IN PLEDGED REVENUES

Effective ConRAC DBO

Los Angeles International Airport



(a) CFC revenues are not currently defined as Pledged Revenues under the Revenue Bond Indentures.
(b) The ConRAC Special Facility Obligations are not currently expected by the Department to be issued under the Revenue Bond Indentures.
(c) Reflects Department management's current expectation.
(d) Unsecured obligations of the Department that may also be paid from any available funds of the Department after the payment and deposit of amounts required under the flow of funds pursuant to the Revenue Bond Indentures. See the Report for additional information.
(e) Pursuant to the CLA, up to 41% of annual APM System Capital Costs and APM System M&O Costs can be paid from remaining annual CFC revenues plus annual Concessionaire CTS Contributions.

In addition to the net proceeds of the issuance of the Series 2018D-E and Series 2019E Subordinate Bonds, the Department currently expects that Future Bonds will be issued to fund the remaining portion of the Department's share of APM System project costs.

Use of CFC Revenues. Figure 11 shows the currently expected use of projected CFC revenue starting on ConRAC DBO. Annual CFC revenues remaining after paying annual ConRAC Capital Costs plus annual Concessionaire common transportation system (CTS) Contributions under the CLA would be used to pay up to 41% of the following total annual costs: APM System Capital Costs and APM System M&O Costs. APM System Capital Costs include the unsecured APM Capital APs and the portion of debt service on the Series 2018E Subordinate Bonds, the Series 2019E Subordinate Bonds, and Future Bonds to be issued by the Department to fund APM System project costs. The 41% share represents the estimated rental car customer use of the APM System, which amount is included in the CLA.

While Concessionaire CTS Contributions pursuant to the CLA are a known and escalating payment by the Concessionaires to the Department, a decline in rental car transaction days (up to the 5-day maximum) may cause a reduction in the CFC revenues that would otherwise have been used to pay up to 41% of annual APM System Capital Costs and APM System M&O Costs. If that were to occur, it is currently expected by the Department that revenues from public parking and other sources at the Airport would be used to pay those costs.

Pursuant to the CLA, if CFC revenues remaining after annual ConRAC Capital Costs plus Concessionaire CTS Contributions are greater than the 41% share of APM System Capital Costs and APM System M&O Costs, a portion of the excess amount is to be distributed as an abatement of Concessionaire CTS Contributions and a portion is distributed to the Department to pay other CFC-eligible costs.

Figure 11 also shows the sources of revenue under the CLA, including revenue from the Concession Fee, Land Rent, the M&O Fee, and the Concessionaire CTS Contribution.

If the ConRAC is not built, but the APM DBO has been reached and the APM System is operational, the Department would likely seek to (1) impose and collect a transportation fee in an amount that is based on the annual total cost of the APM System as well as the proportional use of the APM System by rental car company customers, if permitted by law, and/or (2) identify new sources of nonairline revenues to pay the same costs.

At the request of the Department, the ConRAC Developer may undertake certain other projects, including, but not limited to, the construction of a new Airport employee parking lot, the cost of which is currently expected to be paid from Department Funds and not from CFC or other revenues pursuant to the CLA.

Other LAMP Projects

Certain other projects related to the LAMP are described below:

- **Intermodal Transportation Facility-West (ITF-West Phase 1):** The ITF-West Phase 1 is expected to be used by passengers currently accessing the CTA because it would provide a convenient location east of the CTA for passengers, well–wishers, and Airport employees to drop off or pick-up passengers, or park and then ride the APM System into the CTA. The fully completed ITF-West (Phase 1 and Phase 2) is expected to include an above-grade, four to five level parking garage. Phase 1, which is included in the Airport Capital Program, includes space for up to 4,700 vehicles and is anticipated to be completed by the end of FY 2021. Phase 2, which is expected to include space for up to 3,000 additional vehicles, may be constructed after the Projection Period and is not included in the Airport Capital Program at this time. Pedestrian walkways would connect the new ITF-West to the APM.

The ITF-West Phase 1 is estimated to cost approximately $292.4 million. The Department will also build an ITF-East in the future (after the Projection Period), but the cost of that project is not included in the Airport Capital Program.

- **LAMP Enabling Project:** This project includes a range of utility and infrastructure improvements to ensure that the APM System can be delivered on schedule. The project is estimated to cost $693.0 million and is expected to be completed by FY 2024.
- **LAMP Right of Way Acquisitions and Relocations:** This project includes the acquisition and relocation of certain properties to allow for the construction of the APM System and Other Projects (discussed below). The project is estimated to cost $174.1 million and is expected to be completed by FY 2023.

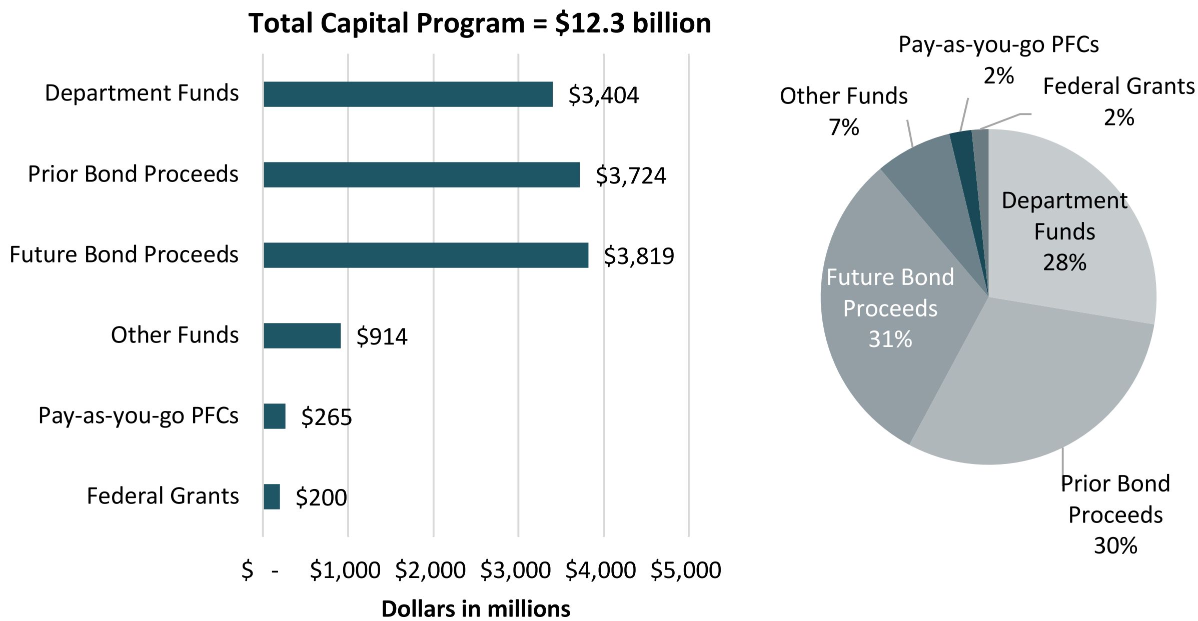
Remaining Projects

- **Noise Mitigation and Soundproofing:** This project consists of the soundproofing of residences located near the Airport that are significantly affected by aircraft noise. Also, the Department is currently implementing a voluntary program of acquisition of residences located in the Manchester Square and Belford areas that are affected by aircraft noise. This project is estimated to cost $285.3 million and is expected to be completed during the Projection Period.
- **Police Station and Facilities:** This project includes the construction of a central Airport police facility just north of the Airfield Area, allowing the Airport police department to consolidate certain functions that are now distributed across multiple facilities. This project is estimated to cost approximately $232.3 million and to be completed by FY 2021.
- **Power Distribution Facility:** This project replaces existing facilities and provides more reliable power transmission and greater capacity to support planned Airport growth. This project is estimated to cost approximately $150.0 million and to be completed by FY 2023.
- **Other:** These projects include a range of infrastructure, utility, information technology, and other projects estimated to cost $287.0 million and are expected to be completed during the Projection Period.

FUNDING THE AIRPORT CAPITAL PROGRAM

The Department expects to pay the estimated costs of the Airport Capital Program using the funding sources shown in Figure 12, below, which were determined based on the 5-year hypothetical recovery in the number of enplaned passengers using the Airport. To the extent that the Department does not receive the funding reflected below, the Department would (1) defer projects or reduce project scopes, as appropriate, (2) issue additional Airport revenue bonds, or (3) use additional Department funds.

Figure 12
FUNDING THE AIRPORT CAPITAL PROGRAM
Los Angeles International Airport



Note: Funding sources based on the 5-year hypothetical recovery in the number of enplaned passengers at the Airport.
Source: Department records.

Airport Revenue Bonds

Future Bond proceeds and prior bond proceeds are expected to fund $7.5 billion or 61.2% of Airport Capital Program project costs. Future Bond proceeds includes the 2020 New Money Portion but excludes any ConRAC Special Facility Obligations that may be issued for the ConRAC project, as discussed earlier.

Future Bond Proceeds. Approximately $3.2 billion of future Senior Bond proceeds, including the 2020 New Money Portion, and approximately $631 million of future Subordinate Obligation proceeds (for a total of approximately $3.8 billion) are expected to be used to fund a portion of Airport Capital Program project costs.

Future Bonds issued to fund projects in the airfield or apron, and the Department's share of APM System project costs are assumed to be Subordinate Obligations, and Future Bonds issued for all other projects in the Airport Capital Program are assumed to be Senior Bonds. The Department may use any combination of Senior Bonds and Subordinate Obligations to fund these or other projects in the Airport Capital Program.

The net proceeds of Future Bonds, including the 2020 New Money Portion, are assumed to be used to (1) pay certain Airport Capital Program costs, (2) pay capitalized interest, (3) make deposits to the Senior Debt or Subordinate Debt Service Reserve Funds, and/or (4) pay the issuance costs of Future Bonds.

Prior Bond Proceeds. Approximately $3.7 billion of prior revenue bond proceeds are expected to fund a portion of Airport Capital Program project costs.

Department Funds

Department Funds are expected to fund approximately $3.4 billion or 27.6% of Airport Capital Program project costs.

The Department generates cash each year from the operation of the Airport, after all obligations under the Senior Revenue Bond Indenture and the Subordinate Revenue Bond Indenture have been met. Department funds also include Terminal Renewal and Improvement Fund (TRIF) amounts estimated to be used for future terminal projects (generated pursuant to the Rate Agreements described in the “Financial Performance” section of this Report—under “Airline Revenues”). Amounts in the TRIF can only be used to fund terminal or terminal-related projects. All other Department funds can be used for any lawful purpose.

The estimated use of Department funds is based on an internal Department policy that unrestricted cash plus the balance in the Maintenance and Operation Reserve Fund must be greater than or equal to annual LAX M&O Expenses.

Other Funds

Approximately $914 million of other funding (including pay-as-you-go CFC revenues, special facility bond proceeds, and Department of Water and Power funds) is expected to be used to fund the Airport Capital Program.

Passenger Facility Charge Revenues

PFC revenues on a pay-as-you-go basis are expected to fund approximately $265 million or 2.1% of Airport Capital Program project costs.

The Department also expects to use PFC revenues in each Fiscal Year of the Projection Period to pay a portion of the debt service on certain outstanding Bonds that were issued to finance all or a portion of the costs of PFC-eligible projects. PFC revenues are not included in the definition of Pledged Revenues under the Senior Revenue Bond Indenture. For purposes of meeting the Rate Covenants, the portion of principal and interest on Senior Bonds or Subordinate Obligations paid with PFC revenues are excluded from the calculation of Senior Bond Aggregate Annual Debt Service and Subordinate Obligations Aggregate Annual Debt Service.

To date, the FAA has authorized the Department to collect $6.0 billion in PFC revenues at the Airport at the $4.50 PFC level for approved projects. As previously discussed, the Department expects to seek FAA approval for additional PFC authorization in order to pay a portion of PFC-eligible annual APM System Capital Costs. As of June 30, 2020, the Department had collected a total of $3.0 billion in PFC revenues (including interest income) and expended approximately $2.6 billion on FAA-approved PFC-eligible projects.

The overall Airport Capital Program funding plan, projected airline revenues, and other key financial results reflected in this Report assume that the current $4.50 PFC level at the Airport will remain in effect throughout the Projection Period and that the Department will submit and receive approval for future PFC applications for eligible costs of certain projects in the Airport Capital Program.

Federal Grants (Excluding CARES Act Grants)

The Department receives varying amounts of FAA grants-in-aid under the federal Airport Improvement Program (AIP) for the costs of eligible projects. In addition to AIP grants, the Department expects to receive funding from the TSA. The Department expects to receive approximately $200.0 million in TSA and FAA grant funds which is expected to fund approximately 1.6% of Airport Capital Program project costs.

PROJECTS NOT INCLUDED IN THE CAPITAL PROGRAM

The Department is considering future projects at the Airport that are not included in the Airport Capital Program (referred to as Other Projects) and is expected to incur costs related to the Other Projects during the Projection Period. While these projects have proceeded through various stages of definition, each project remains subject to certain changes that may be identified in the environmental permitting and preliminary design process. Funding sources for the Other Projects are currently being developed and will likely change as agreements to implement the Other Projects are finalized. Several different approvals, including approval by the Board of Airport Commissioners, are required prior to the Department proceeding with the Other Projects. Other Project scopes, costs and funding plans remain subject to substantial revision.

The largest components of the Other Projects consist of, but are not limited to, new terminals (as discussed below), ITF-East, roadway improvements, Airfield and aircraft parking improvements, and potential additional APM System stations.

In April 2019, the Department initiated an environmental review process on the Airfield and Terminal Modernization Project, which includes potential Airfield, Terminal, and landside roadway improvements at the Airport. The Airfield improvements would increase efficiency and safety on the north side of the Airfield; the Terminal improvements would include construction of extension of Terminal 1 toward Sepulveda Boulevard, referred to as Terminal 1 East; construction of Terminal 9 south of Century Boulevard and east of Sepulveda Boulevard; new arrival and departures roadways; and a new APM System station. New Terminals also include a south Midfield Satellite Concourse. According to the Department, these new projects would preliminarily be completed in or around 2028.

According to the Department, and prior to the date when the Other Projects become part of the Airport Capital Program, the cost to implement these projects will continue to be refined as better information becomes available related to construction costs, inflation, project scope, project phasing, or assumed method of project delivery. As discussed below, a portion of those costs may be paid by private developers (or reimbursed by the Department to the private developers) and may be phased in over several years. Other approvals as well as Board award of agreements are required prior to initiating construction.

It is possible that the following changes in the future financial results of the Airport could occur if and when the Other Projects are ready and available for their intended use:

- Pledged Revenues may increase as a result of new revenue from one or more Other Projects.
- LAX M&O Expenses may increase as a result of additional M&O Expenses associated with certain Other Projects.
- Capital costs paid from Pledged Revenues may increase as a result of additional annual debt service on Airport Revenue Bonds[19] that the Department may issue in the future to fund a portion of the Other Projects.

The Department expects that the specific funding sources for the Other Projects and the sources of repayment for the financing of the Other Projects will be determined when the final scopes are determined. Some of the determinations to be made by the Department include, but are not limited to, whether or not certain operating expenses associated with the Other Projects will constitute LAX M&O Expenses under the Revenue Bond Indentures, and if certain capital costs related to the Other Projects will be funded with the net proceeds from the sale of Senior Bonds and/or Subordinate Obligations under the Revenue Bond Indentures.

The use of any capital or combination of capital from the sources described above to finance Other Projects will be determined by the Department, in consideration of any number of factors, including, but not limited to:

- The availability of moneys from, but not limited to, the funding sources described above.
- Capital and bond market conditions at the time any such additional bonds are issued.
- Projected airline costs per enplaned passenger and debt service coverage requirements for the Airport.

[19] These bonds would be in addition to the Future Bonds assumed in this 2020B Letter Report.

SECTION 3

AIRPORT FINANCIAL PERFORMANCE

AIRPORT FINANCIAL PERFORMANCE

FINANCIAL FRAMEWORK

The Department accounts for Airport financial operations and results according to generally accepted accounting principles for governmental entities and the requirements of the Senior Revenue Bond Indenture and the Subordinate Revenue Bond Indenture. Other key documents that influence Airport financial operations are the agreements with the airlines for their use and lease of Airport facilities.

Under the Senior Rate Covenant, the Department has covenanted to establish, fix, prescribe, and collect rates, tolls, fees, rentals, and charges for the use of the Airport so that, in each Fiscal Year:

- Pledged Revenues are at least equal to the amount of required deposits to various funds and accounts during such Fiscal Year, and
- Net Pledged Revenues, together with any Transfer, are equal to at least 125% of the Senior Bond Aggregate Annual Debt Service on outstanding Senior Bonds.

The Subordinate Obligations Rate Covenant of the Subordinate Revenue Bond Indenture requires the Department, in each Fiscal Year, to generate Subordinate Pledged Revenues to:

- Meet the payment requirements of funds and accounts under the Subordinate Revenue Bond Indenture, and
- Together with any Transfer, be at least equal to 115% of Subordinate Aggregate Annual Debt Service on outstanding Subordinate Obligations.

Any "Transfer" from the LAX Revenue Account to the Debt Service Fund for purposes of meeting the Senior Bond Rate Covenant shall not exceed 25% of Senior Bond Aggregate Annual Debt Service on outstanding Senior Bonds and shall not exceed 15% of Subordinate Aggregate Annual Debt Service on outstanding Subordinate Obligations. No Transfers were assumed in this Report for the purposes of calculating debt service coverage requirements.

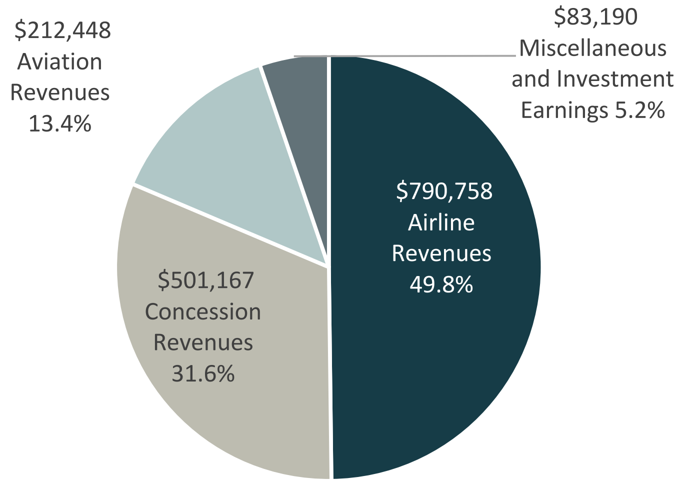
An overview of recent historical Airport financial results is provided in this section and debt service on Senior Bonds and Subordinate Obligations, and deposits to funds and accounts established under the Senior and Subordinate Revenue Bond Indentures are discussed.

PLEDGED REVENUES

In FY 2019, total Pledged Revenues were $1.59 billion, with airline revenues and concession revenues accounting for 81.4% of Pledged Revenues. Airline revenues include terminal building rentals, landing fees, and apron fees. Concession revenues include, but are not limited to, public parking fees, rental car concession fees, and terminal building concession revenues.

Figure 13 presents the major sources of Pledged Revenues for the Airport for actual FY 2019. The major sources of Pledged Revenues are discussed below.

Figure 13
ACTUAL FY 2019 PLEDGED REVENUES
Los Angeles International Airport
(in thousands, except percentages)



Notes: Percentages reflect shares of total Pledged Revenues. Percentages for investment earnings and miscellaneous revenues are not shown, but they accounted for 3.9% and 1.3% of Pledged Revenues, respectively, in FY 2019. Pie chart may not total 100% because of rounding.

Airline Revenues

Overview. Airline revenues (including airline lounge payments) totaled approximately $790.8 million in FY 2019 (accounting for 49.8% of Pledged Revenues).

Airline terminal building rentals, landing fees, and apron fees are calculated pursuant to the methodologies in the Tariff, Rate Agreement, prior terminal leases, and the Air Carrier Operating Permits.

LAX Passenger Terminal Tariff. Airlines occupy and use terminal space at the Airport under the terms of the Tariff that became effective on January 1, 2013. The Tariff has no term or expiration date but is subject to change from time to time by the Board of Airport Commissioners. The Tariff applies to all terminals at the Airport.

Terminal rates under the Tariff are designed to recover all costs, including administrative and access costs, allocable to terminal space. The fees and charges established under the Tariff are as follows:

- **Terminal Buildings Charge** – A charge based on an equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to the passenger terminals at the Airport by the total rentable areas in the Terminals.

- **Federal Inspection Services (FIS) Fee** – A fee based on an equalized rate calculated by the Department by dividing the total of all capital and maintenance and operation costs allocated by the Department to FIS areas at the Airport by the number of international passengers passing through the FIS facilities.
- **Common Use Area Fees and Charges** – Fees and charges based on rates calculated by the Department based on the airlines' use of common areas in the terminals, such as holdrooms, baggage claim systems, and ticket counters.
- **Terminal Special Charges** – Fees based on rates calculated by the Department for use by the aeronautical users of certain equipment and services at the Airport that are not otherwise billed to aeronautical users through the rates and charges described above, such as, certain custodial services, outbound baggage system maintenance, terminal airline support systems and loading bridge capital and maintenance.

Rate Agreement. All airlines currently serving the Airport have entered into the Rate Agreement with the Department, as discussed more fully below. Airlines that do not enter into a Rate Agreement will not participate in the credits for concession revenues described below.

Pursuant to the Rate Agreement, the airlines consent to and waive rights to challenge the application of the Tariff rate-setting methodology.

Under the Rate Agreement during the Projection Period:

- The Department calculates an equalized Terminal Buildings Rate.
- The Department provides a credit to the airlines for a portion of the concession revenues generated in the LAX terminals (known as Tier One Revenue Sharing) in the calculation of the Terminal Buildings Rate and the FIS Fee.
- The Department established the Terminal Renewal and Improvement Fund (TRIF), which is funded with annual net revenues from the application of the Airport Terminal Tariff. Amounts deposited in the TRIF are required to be used by the Department to fund, together with debt and grant funding, terminal related capital improvements. Deposits into the TRIF may not exceed $125 million annually or a maximum unused fund balance of $500 million. These limits are subject to annual consumer price index increases.
- The Department can include the amortization of TRIF funded capital projects in the cost base for the calculation of the Terminal Buildings Charge five years after any such TRIF funded project is put in service.
- 50% of the amount in the TRIF, which is not otherwise committed to projects, in excess of the TRIF limits described above, are required to be deposited in a Revenue Sharing Fund. Amounts deposited in the Revenue Sharing Fund are required to be distributed to airlines executing the Rate Agreement as a credit against any amount due in the following priority: first, against Terminal Buildings Charges and second, against landing fees.

The Department has concluded negotiations with the airlines serving the Airport to amend the Rate Agreement in order to extend the term and adjust certain provisions to reflect the scope of the Airport Capital Program and Other Projects. For purposes of this analysis, the projection of airline revenues is based on the current Rate Agreement methodology.

Air Carrier Operating Permit. Airlines operating at the Airport use landing and apron facilities pursuant to a 10-year Air Carrier Operating Permit scheduled to expire June 30, 2022, with an option to extend for another 10 years. The Air Carrier Operating Permit can be terminated with a 30-day notice from the airlines or the Department. The Air Carrier Operating Permit sets forth (1) how landing and apron fees are to be calculated each year and (2) various terms and conditions related to the use of landing and apron facilities, including, but not limited to, insurance requirements and indemnification provisions. It was assumed that the option to extend the Air Carrier Permit for another 10 years will be executed.

Airline Revenues. Airline revenues are based on:

- The rate-setting principles in the Rate Agreement and the Air Carrier Operating Permit.
- The projection of LAX M&O Expenses, debt service on Senior Bonds and Subordinate Obligations, and other costs that are allocable to airline cost centers and included in the annual calculation of airline rates and charges. Starting in FY 2024 (the first full Fiscal Year after APM DBO), a portion of the annual APM M&O AP and APM Capital AP are included in the projection of airline Terminal Building rentals and landing and apron fees (along with the estimated future impacts of Terminal and Airfield and Apron projects).
- Assumptions regarding the amount of new terminal space associated with the completion of certain projects in the Airport Capital Program during the Projection Period.

Terminal Building costs are recovered according to the commercial compensatory rate-setting methodology (with certain credits) prescribed in the Rate Agreement. The net cost requirement of the Terminals cost center is divided by total rentable space in the Terminals to determine the average rental rate (Terminal Buildings Rate) per square foot. Airlines that lease space from the Department are charged this average rate per square foot. For those airlines that do not lease space, but operate on a common-use basis, the Terminal Buildings Rate is used to calculate the net requirement of all common-use space, which is then recovered based on a common-use methodology.

Landing and apron fees are calculated according to a cost center compensatory (cost-based) rate-setting methodology prescribed in the Air Carrier Operating Permit, under which (1) the cost requirements of the Airfield Area cost center are recovered through landing fees assessed per 1,000-pound unit of total aircraft landed weight and (2) the cost requirements of the Apron Area cost center are recovered through apron fees assessed per 1,000-pound unit of passenger airline aircraft landed weight.

Aviation and Other Revenues

Aviation Revenues at the Airport (other than airline revenues discussed above) include building rent, land rentals, aircraft parking fees, fuel fees, and other aviation revenues. In FY 2019, Aviation Revenues accounted for 13.4% of Pledged Revenues.

Land Rentals. The Department leases land to multiple aviation users of the Airport. Uses of the land include aircraft maintenance, cargo facilities, and the ConRAC, starting at ConRAC DBO. In FY 2019, land rentals accounted for 7.4% of Pledged Revenues.

Building Rentals. The Department leases buildings, other than the Terminals, to multiple aviation users, including the passenger and cargo airlines. Uses of the space include aircraft maintenance, cargo facilities, and administrative offices. Building rentals also include terminal building rents from entities other than airlines. In FY 2019, building rentals accounted for 5.5% of Pledged Revenues.

Other Aviation Revenues. This category includes other miscellaneous revenues generated from aviation users of the Airport, including revenues from aircraft parking, fuel flowage fees, and the TSA. In FY 2019, other aviation revenues accounted for 0.5% of Pledged Revenues.

Concession Revenues

Concession revenues totaled $501.2 million in FY 2019 (accounting for 31.6% of Pledged Revenues). As described below, the Department has entered into multiple agreements with concessionaries for the provision of non-airline services at the Airport.

Automobile Parking Revenues. Automobile parking is provided in the CTA garages, a surface lot adjacent to the CTA, and remote parking surface lots. In FY 2019, automobile parking revenues accounted for 6.6% of Pledged Revenues.

Parking facilities in the CTA are operated for the Department by ABM Onsite Services-West under a 5-year management contract that became effective June 1, 2016 and has five one-year extension options. Under this contract, the Department receives 100% of the gross parking revenues from these facilities and compensates ABM Onsite Services-West for certain expenses it incurs in operating the facilities. The Department has also entered into a 6-year contract with LAZ Parking for the operation of the surface Lot E, which became effective June 1, 2016 and has four one-year extension options.

Multiple facilities near the Airport also provide parking for Airport patrons. The Department does not impose a privilege fee on these off-Airport parking facilities operated by private companies but does impose a trip fee for the shuttle bus operations of off-Airport parking companies.

It was assumed that as the Department's existing parking management contracts with ABM Onsite Services-West and LAZ Parking expire during the Projection Period, new parking management contracts would be executed with similar terms and conditions and financial performance.

Rental Car Revenues. The Department has executed rental car concession agreements (Existing Rental Car Agreements) with 11 rental car companies serving the Airport (Existing Rental Car Concessionaires). The Department has extended the Existing Rental Car Agreements through ConRAC DBO.

The Existing Rental Car Agreements require each Existing Rental Car Concessionaire to pay the Department a concession fee equal to 10% of its annual gross revenues or a MAG, whichever is greater. In FY 2019, rental car concession revenues accounted for 5.2% of Pledged Revenues, which was based on a concession fee equal to 10% of annual gross revenues.

The following companies and their brands have Existing Rental Car Agreements with the Department: Alamo, Avis, Budget[20], Dollar, Enterprise, Fox, Hertz, National, Sixt, and Thrifty. These companies operate rental car facilities located off-Airport property and transport their passengers to and from the CTA on their own branded shuttle buses. Figure 14 presents the Existing Rental Car Concessionaires' market shares of gross revenues for the 12-month period ending February 2020 (the last month prior to COVID-19).

Certain other rental car companies provide rental car services to Airport passengers, but do not have Existing Rental Car Agreements with the Department. These off-Airport companies are required to have a license agreement with the Department and pay a fixed fee per month (these other companies do not pay a percentage of gross revenues, unlike rental car companies with Existing Rental Car Agreements). Advantage Rent a Car, which also operates the rental car brand EZ Rent A Car, is the busiest of the off-Airport companies as measured by gross revenues and had an Existing Rental Car Agreement through January 31, 2020, but now operates at the Airport under a license agreement with the Department. All off-Airport rental car companies with license agreements with the Department use Airport shuttle buses to access their rental car company's courtesy shuttle at the Airport's remote rental car depot.

Two rental car companies serving the Airport recently filed Chapter 11 bankruptcy protection: Hertz (including its brands Dollar/Thrifty) on May 22, 2020 and Advantage on May 26, 2020 (including EZ Rent A Car). Collectively, both companies represented approximately 34.7% of total on-Airport rental car gross revenue market share for the 12-month period ending February 2020[21]. Both companies continue to operate and provide rental car services at the Airport while operating under Chapter 11 bankruptcy protection. In this 2020B Letter Report, it was assumed that both companies would continue to provide rental car services at the Airport during the Projection Period and would continue to operate under their Existing Rental Car Agreement (Hertz) or license agreement (Advantage) with the Department. There is no assurance that either company would emerge from Chapter 11 bankruptcy protection or continue to serve the Airport.

In 2018, the Department executed the CLA with the Concessionaires that would start at ConRAC DBO, including Hertz and Advantage. In this 2020B Letter Report, it was assumed that both companies would continue to provide rental car services at the Airport during the Projection Period and would operate under their respective CLA when ConRAC DBO is reached. There is no assurance that either company would emerge from Chapter 11 bankruptcy protection, assume their CLA, or continue to serve the Airport.

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[20] Avis also operates the brand Zipcar.

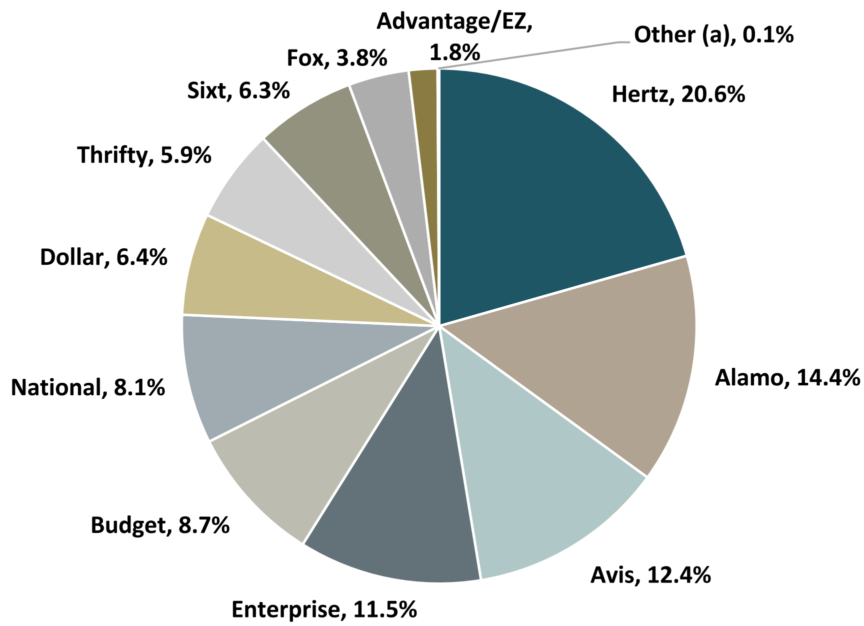
[21] The gross revenue data for Advantage/EZ is through January 31, 2020, the date when both companies operated at the Airport under an Existing Rental Car Agreement.

The CLA's initial term expires on the 20-year anniversary of the ConRAC DBO, with one option to extend the CLA for 5-years by the Department through written notice to the Concessionaires, or automatically if certain Concessionaire transaction day targets are achieved pursuant to the CLA.

Figure 14

ON-AIRPORT RENTAL CAR COMPANY SHARES GROSS REVENUES FOR 12-MONTH PERIOD ENDING FEBRUARY 2020

Los Angeles International Airport



Notes: The sector shares may not total 100% because of rounding. Gross revenue data for Advantage/EZ is through January 31, 2020, when Advantage/EZ transitioned from being an on-Airport company to an off-Airport company.

(a) Other includes Payless, and Zipcar.

Source: Department records.

Certain business arrangements in the CLA start on ConRAC DBO and include, but are not limited to, the following:

1. The payment by the Concessionaires to the Department of the greater of a MAG or a 10% Concession Fee of rental car gross revenues.
2. The payment of ConRAC site Land Rent by Concessionaires to the Department.
3. The payment of an M&O Fee by Concessionaires to the Department for ConRAC M&O Costs.
4. The payment of an annual Concessionaire CTS Contribution to the Department to pay up to 41.0% of the annual APM System M&O Costs and APM System Capital Costs.

In addition to the payments described above, the Existing Rental Car Concessionaires (and the Concessionaires effective ConRAC DBO) are required to collect a CFC that is approved by the Board and remit the revenues to the Department. The Department currently imposes a $9.00 CFC on rental car customers per rental car transaction day (up to a 5-day maximum). See the section of this 2020B Letter Report titled "Consolidated Rent-a-Car Facility" regarding the use of CFC revenues prior to and after ConRAC DBO.

For companies choosing not to sign the CLA, the Department would (subject to Board approval) (1) require the customers of those off-Airport companies to pick up and drop off their customers at the ConRAC and use the APM System and (2) pay a transportation fee to the Department, that would be established to cover their customers' prorated use of the APM System. Transportation fee revenue from off-Airport companies would be included in Pledged Revenues and used to pay annual APM operating and capital costs.

Duty Free Revenues. The Department has entered into a duty-free merchandise concession agreement with DFS Group L.P. (DFS) for the design, construction, development and operation of duty-free merchandise concessions at all Airport Terminals. The agreement with DFS is scheduled to expire in September 2024. Under the agreement with DFS, the Department receives a certain percentage of the concessionaire's gross sales at the Airport, subject to a MAG, plus 10% of any gross sales in excess of $175 million. In FY 2019, duty free revenues accounted for 5.4% of Pledged Revenues.

Terminal Concession Revenues. In FY 2019, terminal concession revenues accounted for 5.8% of Pledged Revenues. Terminal concession revenues include fees paid by retail and food and beverage concessionaires in the Airport terminals. The Department has entered into multiple agreements for the provision of terminal concessions. These agreements are organized into two groups:

- **Retail and Food and Beverage Concessions**–The Department directly manages the concession programs in Terminals 4, 5, 7, and 8. The Department has entered into several agreements with companies to provide retail and food and beverage concessions in these terminals. The agreements for retail concessions and food and beverage Concessions are scheduled to expire in June 2023. These concessionaires pay the Department the greater of either a percentage of gross receipts or a MAG.
- **Terminal Commercial Manager Concessions**–These concessions are operated under two separate concession agreements that the Department has entered into with Westfield Airports, LLC (Westfield). One agreement is for Terminal 2 and the TBIT. The second agreement is for Terminals 1, 3, and 6. Westfield serves as the master developer and manager of the concessions in these terminals. Westfield was sold to Unibail-Rodamco SE (Unibail-Rodamco) in 2018. As a result of the merger, the Department was notified by Unibail-Rodamco that the corporate name for Westfield was changed to URW Airports, LLC (URW). Both Terminal Commercial Manager agreements with URW are scheduled to expire in 2029. Under the Department's agreements with URW, the Department receives the greater of a MAG or rent (consisting of a base percentage of

URW's revenues plus a contingent percentage additional rent if gross sales exceed certain benchmarks).

Terminal Advertising. The Department has entered into a Terminal Media Operator concession agreement with JCDecaux Airport, Inc. (JCDecaux) for advertising sponsorship and other media throughout the Terminal. In FY 2019, Terminals advertising revenue accounted for 2.0% of Pledged Revenues. The agreement with JCDecaux is scheduled to expire in December 2020, at which time the Department has the right to extend the agreement for one 3-year period.

Commercial Vehicle Revenues. The Department generates revenues from a per trip fee on all bus, limousine, and taxicab operators, as well as TNCs such as Uber and Lyft. In FY 2019, commercial vehicle revenues accounted for 5.4% of Pledged Revenues.

The Department entered into agreements with Lyft, Inc. (December 2015) and Raiser-CA, LLC (doing business as Uber) (January 2016) to allow each company access to the Airport. Under those agreements, the Department receives a $4.00 fee for each drop-off or pick-up at the Airport. Revenues from this fee resulted in a 372.2% total increase in commercial vehicle revenues between FY 2015 and FY 2019 (from $23.0 million in FY 2015 to $85.6 million in FY 2019).

Other Concession Revenue. Revenues in this category primarily include fees generated from foreign exchange, telecommunications, luggage carts, and automated teller machine transactions. In FY 2019, other concession revenue accounted for 1.3% of Pledged Revenues.

Miscellaneous Revenues

Miscellaneous Revenues include (1) federal subsidies associated with the Series 2009C and Series 2010C Subordinate Build America Bonds (BABs), (2) certain Airport sales and services, and (3) starting with ConRAC DBO, Concessionaire CTS Contributions and the M&O Fee described above in the Rental Car Revenues section of this 2020B Letter Report. In FY 2019, miscellaneous revenues accounted for 1.3% of Pledged Revenues. The M&O Fee is assumed to be equal to annual ConRAC M&O Costs, which for purposes of this 2020B Letter Report is equal to the annual ConRAC O&M AP. All other miscellaneous revenues projections are based on assumed rates of inflation.

Investment Earnings

Investment earnings on moneys held in the LAX Revenue Fund, Reserve Fund, and M&O Reserve Fund (funds defined under the Senior Revenue Bond Indenture) are defined as Pledged Revenues under the Senior Revenue Bond Indenture. In FY 2019, investment earnings accounted for 3.9% of Pledged Revenues.

LAX M&O EXPENSES

As defined in the Senior Revenue Bond Indenture, LAX M&O Expenses are substantially all maintenance and operating expenses of the Airport, excluding (1) depreciation, (2) administrative costs allocated to other airports operated and maintained by the Department, and (3) any expenses of the Airport paid from sources other than Pledged Revenues.

LAX M&O Expenses totaled approximately $786.9 million in FY 2019, after deducting the administrative costs allocated to other airports operated by the Department and certain M&O Expenses paid with grants.

Approximately 91.3% of FY 2019 LAX M&O Expenses were for salaries and benefits, contractual services, and materials and supplies. The remaining 8.7% of LAX M&O Expenses in FY 2019 were for utilities, advertising and public relations, administrative services, and other operating expenses.

The projection of LAX M&O Expenses includes the APM M&O APs to the APM Developer and the ConRAC M&O APs to the ConRAC Developer.

DEBT SERVICE

Principal of and interest on Senior Bonds or Subordinate Obligations paid with PFC revenues and CFC revenues are excluded from Senior Bond Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service for purposes of meeting the Senior Bond and Subordinate Obligations Rate Covenants. The actual amount of PFC revenues and CFC revenues that the Department will use to pay debt service may vary from year to year.

In FY 2019, Senior Bond Aggregate Annual Debt Service was approximately $101.4 million and Subordinate Aggregate Annual Debt Service was approximately $132.8 million.

The Department uses a commercial paper program to assist with short-term borrowing needs pursuant to the Subordinate Revenue Bond Indenture. The Department is currently authorized to issue up to $500 million of commercial paper. As of July 1, 2020, the Department's current outstanding Commercial Paper Notes balance is approximately $25.7 million of the Series A Subordinate Commercial Paper Notes, $4.6 million of the Series B Subordinate Commercial Paper Notes and $32.9 million of the Series C Subordinate Commercial Paper Notes.

FLOW OF FUNDS AND DEBT SERVICE COVERAGE UNDER THE REVENUE BOND INDENTURES

Pledged Revenues are applied to the various funds and accounts under the Senior Revenue Bond Indenture and the Subordinate Revenue Bond Indenture and the calculation of debt service coverage according to the Senior Rate Covenant and the Subordinate Obligations Rate Covenant.

Pledged Revenues remaining after the payment of LAX M&O Expenses, Senior Bond debt service, Subordinate Obligations debt service, and other fund deposit requirements are available for any lawful Airport purpose.

APPENDIX B

ANNUAL FINANCIAL REPORT OF
LOS ANGELES WORLD AIRPORTS
(DEPARTMENT OF AIRPORTS OF
THE CITY OF LOS ANGELES, CALIFORNIA)
LOS ANGELES INTERNATIONAL AIRPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

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Los Angeles International Airport

Annual Financial Report

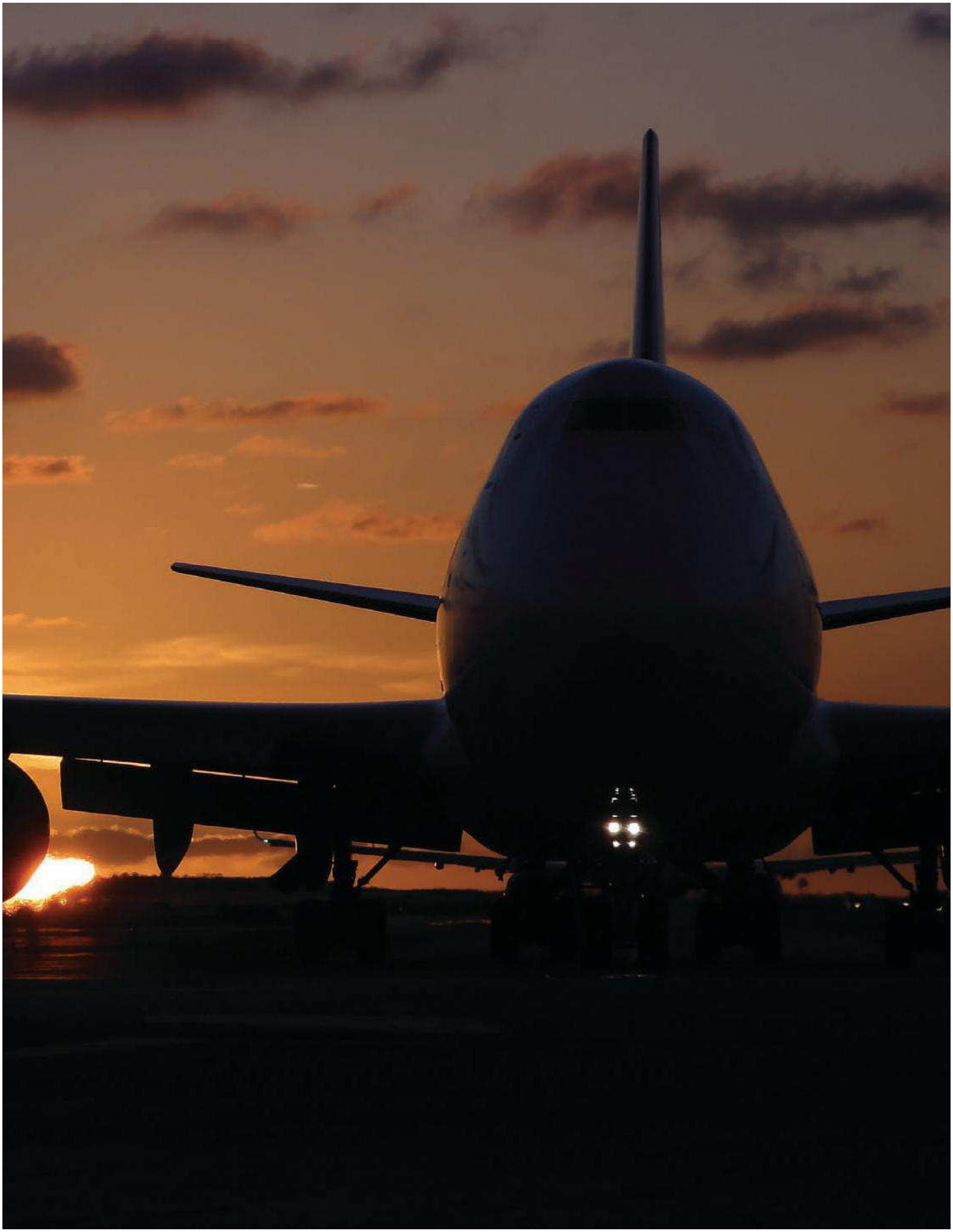
Fiscal Years Ended June 30, 2019 and 2018

Department of Airports
Los Angeles, California

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

Los Angeles
International Airport

Annual Financial Report
Fiscal years ended
June 30, 2019 and 2018



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[1] *Mr. Yakubik will leave LAX effective November 2019.*

Message from the Chief Executive Officer

I am pleased to present the Annual Financial Report of the Los Angeles International Airport (LAX) for the fiscal year ended June 30, 2019.

Moss Adams LLP, Certified Public Accountants (Moss Adams), audited LAX's financial statements. Based upon its audit, Moss Adams rendered an unmodified opinion that LAX's financial statements, as of and for the fiscal years ended June 30, 2019 and 2018, were fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). Moss Adams' report is on pages 1 and 2.

Moss Adams conducted an additional audit to determine LAX's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAX complied in all material respects with the requirements that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2019. Moss Adams' report is on pages 117 and 118.

Moss Adams also conducted a third audit to determine LAX's compliance with the requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill 2051*, and concluded that LAX complied in all material respects with the requirements that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2019. Moss Adams' report is on pages 123 and 124. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is on pages 5 through 34.

The financial condition of LAX depends largely upon the demand for air transportation within the geographical area (the Air Trade Area) served by LAX and management decisions regarding operations and capital investment as they relate to market demand for travel. The Air Trade Area comprises the following five counties: Los Angeles, Orange, Riverside, San Bernardino, and Ventura. LAX is the largest airport in the Air Trade Area. Passenger and cargo traffic at LAX depend on the demographic characteristics and economic activity of the Air Trade Area. LAX is part of a system of Southern California airports - along with Van Nuys Airport and property retained for future aeronautical uses in the City of Palmdale - that are owned and operated by Los Angeles World Airports.

LAX has an important role in the international, national, State of California, regional, and local air transportation system. According to Airport Council International (ACI) statistics, in calendar year 2018, LAX ranked as the fourth busiest airport in the world, second busiest airport in the U.S. in terms of passenger traffic, and ranked tenth in the world and fourth in the U.S. in air cargo tonnage processed. LAX was named in Skytrax's 2017 top 10 world's most improved airports. Based on W J Advisors LLC's report, LAX is the busiest passenger origin and destination (O&D) airport in the world. In fiscal year 2019, approximately 44.2 million passengers enplaned at LAX, including an estimated 36.1 million originating passengers (81.6%) and 8.1 million connecting passengers (18.4%).

From fiscal year 2018 to 2019, the number of enplaned passengers at LAX increased approximately 1.5%, which includes a 1.8% increase in domestic enplaned passengers and a 0.7% increase in international enplaned passengers. The number of international enplaned passengers increased 2.3% during the first six months of fiscal year 2019 compared to the same period in fiscal year 2018 but decreased by 1.0% during the last six months of fiscal year 2019, potentially as the result of concerns regarding trade tensions, slowing economic growth, and declining business confidence. Passenger and other traffic activity highlights during the last three fiscal years are discussed in the MD&A.

Deborah Flint
Chief Executive Officer
October 28, 2019

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(Department of Airports of the City of Los Angeles, California)
Los Angeles International Airport

Annual Financial Report
Fiscal Years Ended June 30, 2019 and 2018

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MOSSADAMS

Report of Independent Auditors

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles International Airport ("LAX"), a department of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) ("LAWA"), an Enterprise Fund of the City of Los Angeles ("City"), which comprise the statement of net position as of June 30, 2019 and 2018, and the related statements of revenue, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of LAX as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Basis of Presentation

As discussed in Note 1, the financial statements of LAX are intended to present the net position, the changes in net position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAX. They do not purport to, and do not, present fairly the net position of LAWA or the City as of June 30, 2019 and 2018, the changes in their net position, or, where applicable, their cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 34, the schedule of LAX's proportionate share of the net pension liability on page 109, the schedule of contributions – pension on pages 110 to 111, the schedule of LAX's proportionate share of the net other postemployment benefit (OPEB) liability on page 112, and the schedule of contributions – OPEB on pages 113 to 114 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of LAX. The accompanying compliance section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of LAX's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LAX's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAX's internal control over financial reporting and compliance.

Moss Adams LLP

Los Angeles, California
October 28, 2019

Management's Discussion and Analysis
(Unaudited)

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Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018

Los Angeles World Airports (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles, California (City). LAWA is an enterprise fund that owns and operates Los Angeles International Airport (LAX) and Van Nuys Airport (VNY). LAWA also owns approximately 17,750 acres of land located east of United States Air Force (USAF) Plant 42 in the City of Palmdale, and retains the rights for future development of the Palmdale property. The management of LAWA presents the following narrative overview of LAX's financial activities for the fiscal years ended June 30, 2019 and 2018. This discussion and analysis should be read in conjunction with LAX's financial statements that begin on page 37.

Using This Financial Report

LAX's financial report consists of this management's discussion and analysis (MD&A), and the financial statements that follow after the MD&A. The financial statements include:

The *Statements of Net Position* present information on all of LAX's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2019 and 2018. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAX's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAX's operations and information showing the changes in net position for the fiscal years ended June 30, 2019 and 2018. These statements can, among other things, be useful indicators of how LAX recovered its costs through rates and charges. All changes in net position were reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses were recorded and reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. Consequently, only transactions that affect LAX's cash and cash equivalents accounts were recorded in these statements. At the end of the statements, a reconciliation is provided to assist in understanding the difference between operating income and cash flows from operating activities.

The *Notes to the Financial Statements* present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of LAX's financial activities.

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018
(continued)

Passenger and Other Traffic Activity Highlights

The following table presents a summary of passenger and other traffic for the last three fiscal years:

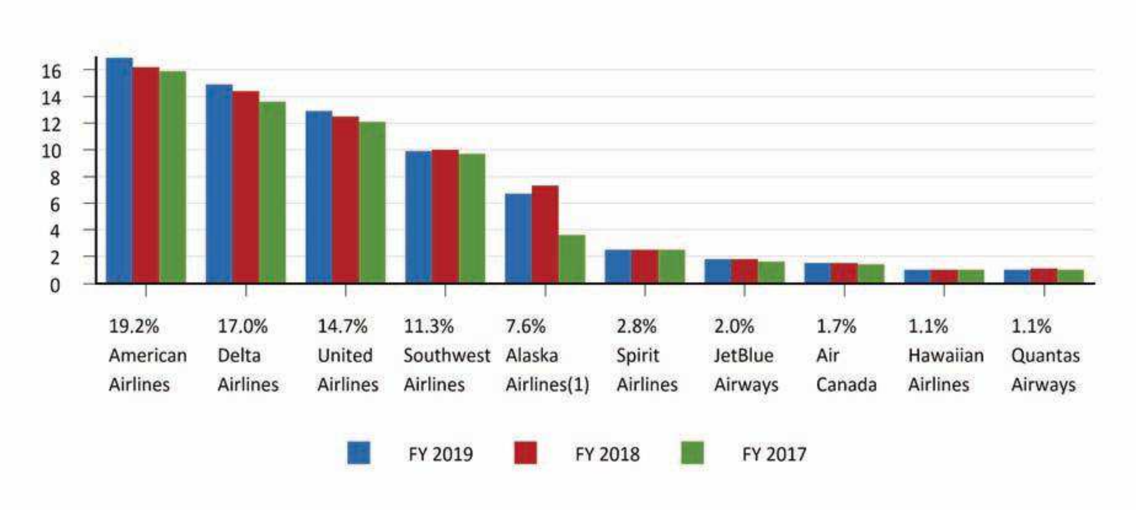
				% Change	
	FY 2019	FY 2018	FY 2017	FY 2019	FY 2018
Total passengers	87,905,468	86,633,058	82,923,839	1.5%	4.5%
Domestic passengers	61,983,392	60,903,699	58,934,016	1.8%	3.3%
International passengers	25,922,076	25,729,359	23,989,823	0.7%	7.3%
Departing passengers	44,207,464	43,553,015	41,602,124	1.5%	4.7%
Arriving passengers	43,698,004	43,080,043	41,321,715	1.4%	4.3%
Passenger flight operations					
Departures	316,179	319,677	316,704	-1.1%	0.9%
Arrivals	315,939	319,359	316,309	-1.1%	1.0%
Landing weight					
(thousand lbs)	64,746,783	64,226,608	62,635,426	0.8%	2.5%
Air cargo (tons)					
Mail	117,094	112,391	107,150	4.2%	4.9%
Freight	2,284,337	2,303,477	2,209,063	-0.8%	4.3%

Note: Prior years' data may change because of updated available information, however, in order to remain comparable and consistent with the published data, the passenger and other traffic numbers for prior fiscal years are not changed.

Passenger Traffic

The following chart presents the top ten airlines, by number of passengers, for fiscal year 2019 and the comparative passengers for fiscal years 2018 and 2017.

FY 2019 Top Ten Carriers and FY 2019 Percentage of Market Share
(passengers in millions)



(1) Alaska Airlines merged with Virgin America and combined data was reported starting FY 2018.

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018
(continued)

Passenger Traffic, Fiscal Year 2019

Passenger traffic at LAX increased by 1.5% in fiscal year 2019 as compared to fiscal year 2018. Of the 87.9 million passengers that moved in and out of LAX, domestic passengers accounted for 70.5%, while international passengers accounted for 29.5%. American Airlines ferried the largest number of passengers at 16.9 million with a 4.3% increase in passenger traffic. Delta Airlines, ranked second with 14.9 million passengers posted a 3.5% increase in passenger traffic. United Airlines, ranked third with 12.9 million passengers posted a 3.2% increase in passenger traffic. Southwest Airlines (9.9 million) and Alaska Airlines (6.7 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.5 million passengers and was ranked eighth overall.

Passenger Traffic, Fiscal Year 2018

Passenger traffic at LAX increased by 4.5% in fiscal year 2018 as compared to fiscal year 2017. Of the 86.6 million passengers that moved in and out of LAX, domestic passengers accounted for 70.3%, while international passengers accounted for 29.7%. American Airlines ferried the largest number of passengers at 16.2 million with a 1.9% increase in passenger traffic. Delta Airlines, ranked second with 14.4 million passengers posted a 5.9% increase in passenger traffic. United Airlines, ranked third with 12.5 million passengers posted a 3.3% increase in passenger traffic. Southwest Airlines (10.0 million) and Alaska Airlines (7.3 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.5 million passengers and was ranked eighth overall.

Passenger Flight Operations, Fiscal Year 2019

Departures and arrivals at LAX decreased by 6,918 flights or 1.1% during fiscal year 2019 when compared to fiscal year 2018. Revenue landing pounds were up 0.8%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines, and United Airlines. In total, these three airlines contributed 40.9% of the total revenue pounds at LAX.

Passenger Flight Operations, Fiscal Year 2018

Departures and arrivals at LAX increased by 6,023 flights or 1.0% during fiscal year 2018 when compared to fiscal year 2017. Revenue landing pounds were up 2.5%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines, and United Airlines. In total, these three airlines contributed 40.2% of the total revenue pounds at LAX.

Air Cargo (tons), Fiscal Year 2019

Freight and mail cargo at LAX decreased by 0.6% in fiscal year 2019 as compared to fiscal year 2018. Freight was down by 19,140 tons, and mail was up by 4,703 tons. Domestic cargo was up by 7,921 tons or 0.9% and international cargo was down by 22,358 tons or 1.5%. Federal Express was the top air freight carrier accounting for 16.8% of total freight cargo, followed by China Southern Airlines with 4.3%. American Airlines was the top mail carrier accounting for 19.8% of total mail cargo.

Air Cargo (tons), Fiscal Year 2018

Freight and mail cargo at LAX increased by 4.3% in fiscal year 2018 as compared to fiscal year 2017. Freight and mail were up by 94,414 tons and 5,241 tons, respectively. Domestic cargo was up by 1,875 tons or 0.2% and international cargo was up by 97,780 tons or 6.9%. Federal Express was the top air freight carrier accounting for 16.2% of total freight cargo, followed by American Airlines with 4.3%. Delta Airlines was the top mail carrier accounting for 22.4% of total mail cargo.

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018
(continued)

Overview of LAX's Financial Statements

Financial Highlights, Fiscal Year 2019

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.7 billion.
- Bonded debt had a net increase of $1.8 billion.
- Operating revenue totaled $1.5 billion.
- Operating expenses (including depreciation and amortization of $402.6 million) totaled $1.2 billion.
- Net nonoperating revenue was $85.2 million.
- Federal and other government capital grants totaled $29.9 million.
- Net position increased by $428.4 million.

Financial Highlights, Fiscal Year 2018

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.3 billion.
- Bonded debt had a net increase of $757.6 million.
- Operating revenue totaled $1.4 billion.
- Operating expenses (including depreciation and amortization of $360.6 million) totaled $1.2 billion.
- Net nonoperating revenue was $73.2 million.
- Federal and other government capital grants totaled $54.3 million.
- Net position increased by $318.1 million.

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018
(continued)

Net Position Summary

A condensed net position summary for fiscal years 2019, 2018, and 2017 is presented below:

Condensed Net Position
(amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Assets					
Unrestricted current assets	$ 1,067,124	$ 1,003,517	$ 917,431	$ 63,607	$ 86,086
Restricted current assets	2,997,978	1,951,519	1,920,872	1,046,459	30,647
Capital assets, net	10,799,574	9,650,510	8,588,837	1,149,064	1,061,673
Other noncurrent assets	28,179	35,984	67,630	(7,805)	(31,646)
Total assets	14,892,855	12,641,530	11,494,770	2,251,325	1,146,760
Deferred outflows of resources					
Loss on debt refundings	37,806	40,308	38,550	(2,502)	1,758
Pension and OPEB	211,160	159,620	203,352	51,540	(43,732)
Total deferred outflows of resources	248,966	199,928	241,902	49,038	(41,974)
Liabilities					
Current liabilities payable from unrestricted assets	441,547	396,871	385,024	44,676	11,847
Current liabilities payable from restricted assets	212,876	188,665	212,628	24,211	(23,963)
Noncurrent liabilities	7,828,006	6,091,457	5,335,668	1,736,549	755,789
Net pension liability	773,419	710,724	761,187	62,695	(50,463)
Net OPEB liability	77,769	76,310	—	1,459	76,310
Total liabilities	9,333,617	7,464,027	6,694,507	1,869,590	769,520
Deferred inflows of resources					
Gain on debt refundings	3,681	—	—	3,681	—
Pension and OPEB	88,810	90,101	72,915	(1,291)	17,186
Total deferred inflows of resources	92,491	90,101	72,915	2,390	17,186
Net Position					
Net investment in capital assets	4,782,855	4,551,404	4,165,479	231,451	385,925
Restricted for capital projects	814,098	672,951	782,153	141,147	(109,202)
Restricted for operations and maintenance reserve	221,137	210,207	185,897	10,930	24,310
Restricted for federally forfeited property & protested funds	1,526	1,336	1,463	190	(127)
Unrestricted	(103,903)	(148,568)	(165,742)	44,665	17,174
Total net position	$ 5,715,713	$ 5,287,330	$ 4,969,250	$ 428,383	$ 318,080

Net Position, Fiscal Year 2019

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2019 and 2018, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.7 billion and $5.3 billion, respectively, representing an increase of 8.1% or $428.4 million.

The largest portion of LAX's net position ($4.8 billion or 83.7%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($1.0 billion or 18.1%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by $44.7 million from $(148.6) million in fiscal year 2018 to $(103.9) million in fiscal year 2019.

Unrestricted current assets increased by $63.6 million or 6.3%, from $1.0 billion at June 30, 2018 to $1.1 billion at June 30, 2019. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2019) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2019) held in the City Treasury for future capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred and for bond principal and interest payments. Restricted current assets increased by $1.0 billion or 53.6%, from $2.0 billion at June 30, 2018 to $3.0 billion at June 30, 2019. The increase in year-end investment portfolio held by fiscal agents of $891.8 million, or 85.5% from $1.0 billion in fiscal year 2018 to $1.9 billion in fiscal year 2019 was mainly due to unspent bond proceeds as of June 30, 2019.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by $1.1 billion, or 11.9%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

Other noncurrent assets decreased by $7.8 million or 21.7% primarily due to the shift of the long-term receivable from Ontario International Airport Authority (OIAA) to current assets. Based on the Ontario International Airport (ONT) Settlement Agreement in 2016, LAX is to receive $70.0 million (before discount for early repayment) from ONT, over a period of approximately 10 years. The total outstanding OIAA receivable balance was approximately $37.6 million and $45.6 million as of June 30, 2019 and 2018, respectively.

Current liabilities payable from unrestricted assets increased by $44.7 million or 11.3%. This was mainly due to an increase of $3.5 million or 1.3% in contracts and accounts payable, an increase of $39.0 million or 64.0% in commercial paper, and an increase of $3.7 million or 25.7% in other current liabilities; offset by a decrease of $6.1 million or 38.4% in obligations under securities lending transactions. The increase in contracts and accounts payable was due to the year-end accruals of capital expenditures for the on-going construction projects. The increase in commercial paper was a result of interim construction financing for capital projects. The increase in other current liabilities was primarily a result of an increase in customers' advance payments of $13.4 million, offset by a decrease in LAX's share of the City Treasury's year-end pending investment trade of $4.8 million in fiscal year 2019.

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018
(continued)

Current liabilities payable from restricted assets increased by $24.2 million or 12.8%. This was mainly due to an increase of $8.6 million or 113.8% in contracts and accounts payable, an increase of $22.4 million in current maturities of bonded debt, and an increase of $2.4 million in accrued interest payable, offset by a decrease of $5.2 million or 33.5% in obligations under securities lending transactions and a decrease in LAX's share of the City Treasury's year-end pending investment trade of $4.6 million in fiscal year 2019.

The increase in noncurrent liabilities was $1.8 billion or 26.2%. This was primarily a result of bond issuances of $1.9 billion with net change in premium of $257.2 million, offset by refunding of $247.6 million LAX senior revenue bonds Series 2009A, and the recognition of $143.2 million as current bonded debt in fiscal year 2019. The increase was also attributable to the recognition of additional proportionate share of net pension liability (NPL) and net OPEB liability (NOL) for $65.2 million in fiscal year 2019.

Net Position, Fiscal Year 2018

As noted earlier, net position may serve as a useful indicator of LAX's financial position. At the close of fiscal years 2018 and 2017, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.3 billion and $5.0 billion, respectively, representing an increase of 6.4% or $318.1 million.

The largest portion of LAX's net position ($4.6 billion or 86.1%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($884.5 million or 16.7%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by $17.2 million from $(165.7) million in fiscal year 2017 to $(148.6) million in fiscal year 2018. LAX recognized $76.3 million net OPEB liability (NOL) as a result of the implementation of GASB Statements No. 75 and 85 in fiscal year 2018. Net pension liability (NPL) reduced by $50.5 million to $710.7 million in fiscal year 2018.

Unrestricted current assets increased by $86.1 million or 9.4%, from $917.4 million at June 30, 2017 to $1.0 billion at June 30, 2018. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2018) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions, and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2018) held in the City Treasury for future capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred and for bond principal and interest payments. Restricted current assets increased by $30.6 million or 1.6%, from $1.9 billion at June 30, 2017 to $2.0 billion at June 30, 2018. The increase in year-end investment portfolio held by fiscal agents of $118.0 million or 12.8% from $924.5 million in fiscal year 2017 to $1.0 billion in fiscal year 2018 was mainly due to unspent proceeds of newly issued 2017 and 2018 series bonds as of June 30, 2018.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue, and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by $1.1 billion or 12.4%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

Other noncurrent assets decreased by $31.6 million or 46.8%. The decrease was primarily due to the transfer of $17.6 million long-term investments with fiscal agent over one-year in fiscal year 2017 to current investments in fiscal year 2018; and the shift of $9.6 million long-term receivable from OIAA and $2.9 million long-term receivable from the City General Fund to current assets in fiscal year 2018.

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(continued)

Current liabilities payable from unrestricted assets increased by $11.8 million or 3.1%. This was mainly due to increase of $47.1 million or 20.9% in contracts and accounts payable, increase of $2.2 million or 27.2% in estimated claims payable, increase of $12.1 million or 24.8% in commercial paper, increase of $10.3 million or 181.3% in obligations under securities lending transactions; offset by decrease of $59.3 million or 80.5% in other current liabilities, and decrease of $1.3 million or 23.7% in accrued employee benefits. The increase in contracts and accounts payable was due to the year-end accruals of capital expenditures for the on-going construction projects including the Midfield Satellite Concourse (MSC) and Apron - North Project, Runway Safety Area (RSA) Improvements, and the Landside Access Modernization Program (LAMP) enabling project. The decrease in other current liabilities was primarily a result of a net decrease in customers' advance payments and unapplied credits issued to the airlines of $19.7 million, and a decrease in LAX's share of the City Treasury's year-end pending investment trade of $40.0 million in fiscal year 2018.

Current liabilities payable from restricted assets decreased by $24.0 million or 11.3%. This was mainly due to decrease in LAX's share of the City Treasury's year-end pending investment trade of $53.1 million in fiscal year 2018, offset by an increase of $13.0 million in current maturities of bonded debt, an increase of $8.4 million in accrued interest payable, and increase of $8.2 million or 112.3% in obligations under securities lending transactions.

The net increase in noncurrent liabilities was $781.6 million or 12.8%. The increase was primarily a result of bond issuances of $1.0 billion with net change in premium of $128.2 million, offset by refunding of $265.0 million LAX senior revenue bonds Series 2008A, and the shift of $120.8 million to current bonded debt in fiscal year 2018. The net increase was also attributable to the recognition of the proportionate share of NOL for $76.3 million as a result of implementation of GASB Statements No. 75 and 85 in fiscal year 2018, offset by a decrease in the proportionate share of NPL for $50.5 million in accordance with GASB Statements No. 68 and 71.

Changes in Net Position Summary

A condensed summary of LAX's changes in net position for fiscal years ended 2019, 2018, and 2017 is presented below:

Condensed Changes in Net Position
(amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Operating revenue	$ 1,514,367	$ 1,422,404	$ 1,328,689	$ 91,963	$ 93,715
Less- Operating expenses	798,374	794,721	742,500	3,653	52,221
Operating income before depreciation and amortization	715,993	627,683	586,189	88,310	41,494
Less- Depreciation and amortization	402,646	360,638	298,176	42,008	62,462
Operating income	313,347	267,045	288,013	46,302	(20,968)
Other nonoperating revenue, net	85,172	73,234	18,784	11,938	54,450
Federal and other government grants	29,864	54,297	87,762	(24,433)	(33,465)
Inter-agency transfers	—	—	1,856	—	(1,856)
Transfer of residual operation from ONT	—	—	104,125	—	(104,125)
Changes in net position	428,383	394,576	500,540	33,807	(105,964)
Net position, beginning of year, as previously reported	5,287,330	4,969,250	4,468,710	318,080	500,540
Change in accounting principle	—	(76,496)	—	76,496	(76,496)
Net position, beginning of year, as adjusted	5,287,330	4,892,754	4,468,710	394,576	424,044
Net position, end of year	$ 5,715,713	$ 5,287,330	$ 4,969,250	$ 428,383	$ 318,080

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(continued)

Operating Revenue

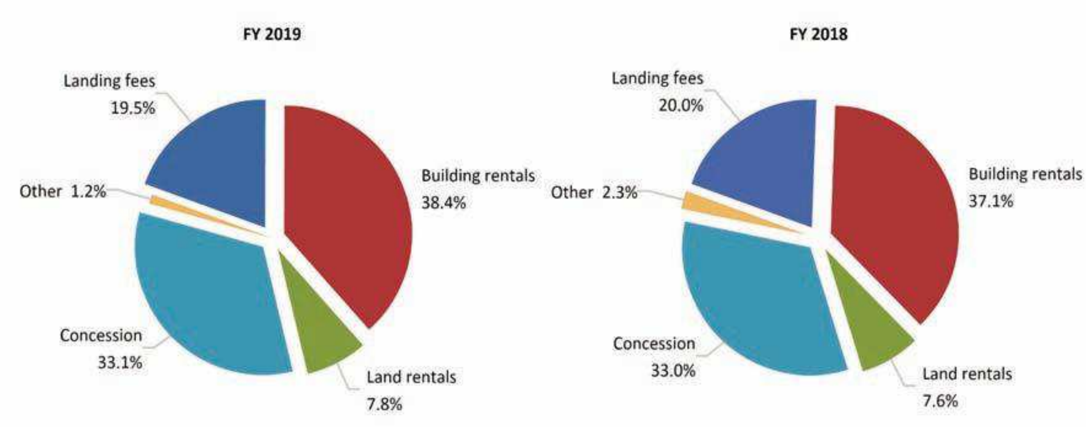
LAX derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2019, 2018, and 2017:

Summary of Operating Revenue
(amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Aviation revenue					
Landing fees	$ 295,724	$ 284,686	$ 261,639	$ 11,038	$ 23,047
Building rentals	581,946	527,476	493,382	54,470	34,094
Land rentals	118,145	107,943	98,563	10,202	9,380
Other aviation revenue	7,390	6,431	7,036	959	(605)
Total aviation revenue	1,003,205	926,536	860,620	76,669	65,916
Concession revenue	501,167	469,187	441,623	31,980	27,564
Other operating revenue	9,995	27,353	27,114	(17,358)	239
Total operating revenue before reliever fee	1,514,367	1,423,076	1,329,357	91,291	93,719
Reliever airport fee (landing fees offset)	—	(672)	(668)	672	(4)
Total operating revenue	$ 1,514,367	$ 1,422,404	$ 1,328,689	$ 91,963	$ 93,715

Operating Revenue, Fiscal Year 2019

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fee, for fiscal years ended June 30, 2019 and 2018. Other aviation and other operating revenue were added and labeled "Other."



For the fiscal year ended June 30, 2019, total operating revenue before reliever airport fees was $1.5 billion, a $91.3 million or 6.4% increase from the prior fiscal year. The growth in aviation related revenue was $76.7 million. Non-aviation revenue had a net increase of $14.6 million, with a $32.0 million increase in concessions, offset by a decrease in other operating revenue of $17.4 million.

As described in Note 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees for the fiscal year ended June 30, 2019 were up by $11.0 million, or 3.9%. The increase in landing fees was primarily due to the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX.

Total building rental revenue posted a growth of $54.5 million, or 10.3%. The increase was primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement.

Land rental revenue increased by $10.2 million or 9.5%. The increase in land rental revenue was mainly due to an overall increase in leased areas at LAX.

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(continued)

Total revenue from concessions was $501.2 million in fiscal year 2019, a 6.8% growth from $469.2 million in fiscal year 2018. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental, and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, transportation network companies (TNC)[2] and other commercial ground transportation operations.

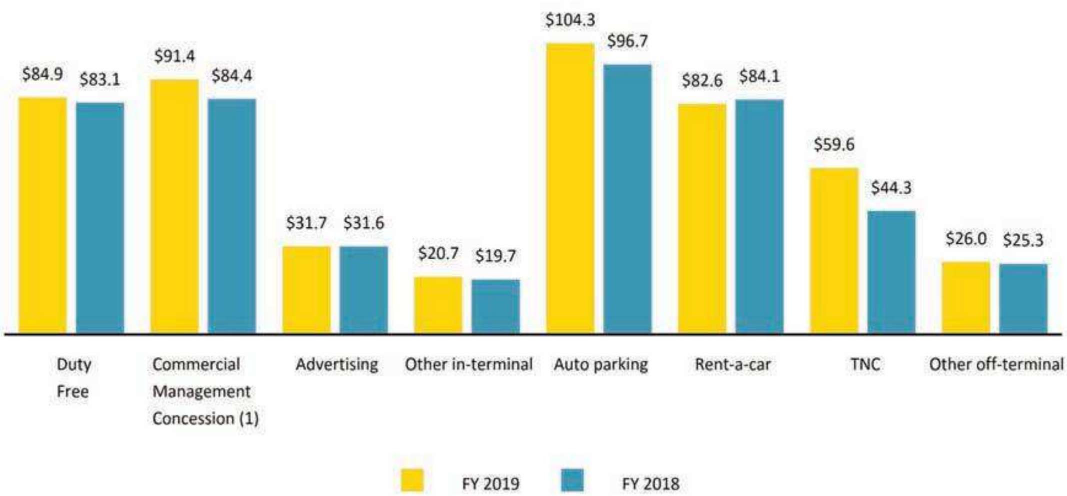
In-terminal concession revenue in fiscal year 2019 had a net increase of $9.9 million or 4.5% as compared to fiscal year 2018. Duty free revenues increased by $1.8 million, or 2.2%; commercial management concession revenue[3] increased by $7.0 million, or 8.3%; other in-terminal revenue increased by $1.0 million, or 5.1%; and advertising revenue remained flat at approximately $31.7 million. The increase in concession revenue was primarily driven by the increase in passenger traffic as well as the increase in spending per passenger in fiscal year 2019.

Off-terminal concession revenue in fiscal year 2019 was $272.5 million as compared to $250.4 million in fiscal year 2018, an increase of $22.1 million, or 8.8%. The net increase was mainly driven by the increase in TNC revenue of $15.3 million, or 34.5% from fiscal year 2018, an increase in auto parking of $7.6 million, or 7.9% from fiscal year 2018, and offset by a decrease in rent-a-car revenue of $1.5 million, or 1.8%. The increase in TNC revenue was a result of a one-time penalty fees of $4.7 million in addition to the increase in ridership driven by popularity of TNC in fiscal year 2019. The increase in auto parking revenue was primarily attributed to parking rates increase in the Central Terminal Area parking structures. The charge for first hour or fraction thereof increased from $3.00 to $5.00; with a maximum fee per each 24 hours increased from $30.00 to $40.00 starting from January 2019.

[2] Transportation network companies currently permitted to operate at LAX include Uber, Lyft and Opoli.

[3] Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Comparative concession revenue by type for fiscal years 2019 and 2018 are presented in the following chart (amounts in millions).



1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

The decrease in other operating revenue was due to the recognition of ONT salary reimbursement of $16.7 million in fiscal year 2018. LAX no longer provided staff augmentation services to OIAA since April 2018.

Management's Discussion and Analysis (Unaudited)
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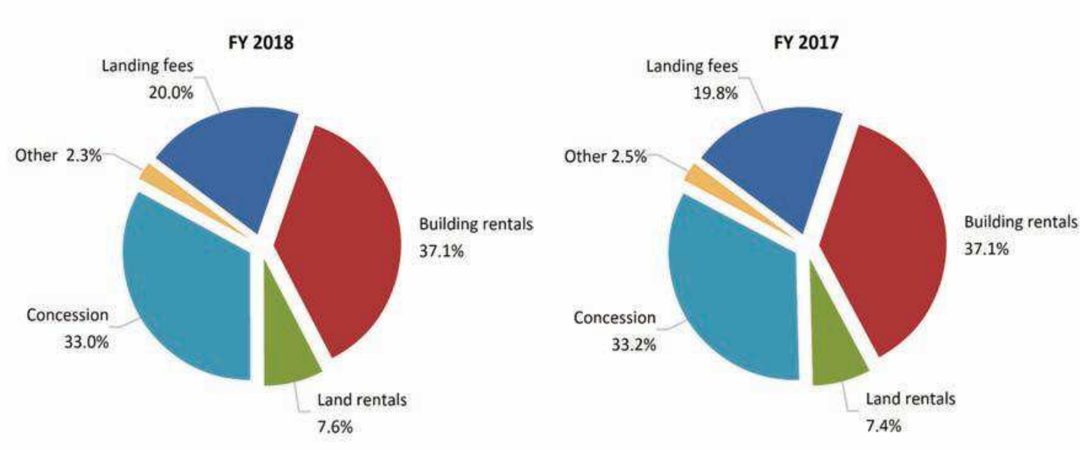
(continued)

Operating Revenue, Fiscal Year 2018

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fees, for fiscal years ended June 30, 2018 and 2017. Other aviation and other operating revenue were added and labeled "Other."



For the fiscal year ended June 30, 2018, total operating revenue before reliever airport fees was $1.4 billion, a $93.7 million or 7.0% increase from the prior fiscal year. The growth in aviation related revenue was $65.9 million. Non-aviation revenue had an increase of $27.8 million, with a $27.6 million increase in concessions.

As described in Notes 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees for the fiscal year ended June 30, 2018 were up by $23.0 million or 8.8%. The increase in landing fees was primarily due to the increase in actual capital and operating expenses allocable to the landing fee cost centers.

Total building rental revenue posted a growth of $34.1 million or 6.9%. The increase was primarily attributable to the improvements and refurbishments in the terminals, scheduled rate increases associated with the Terminal Rate Agreement, as well as the new and renegotiated leases signed with the airlines and other tenants.

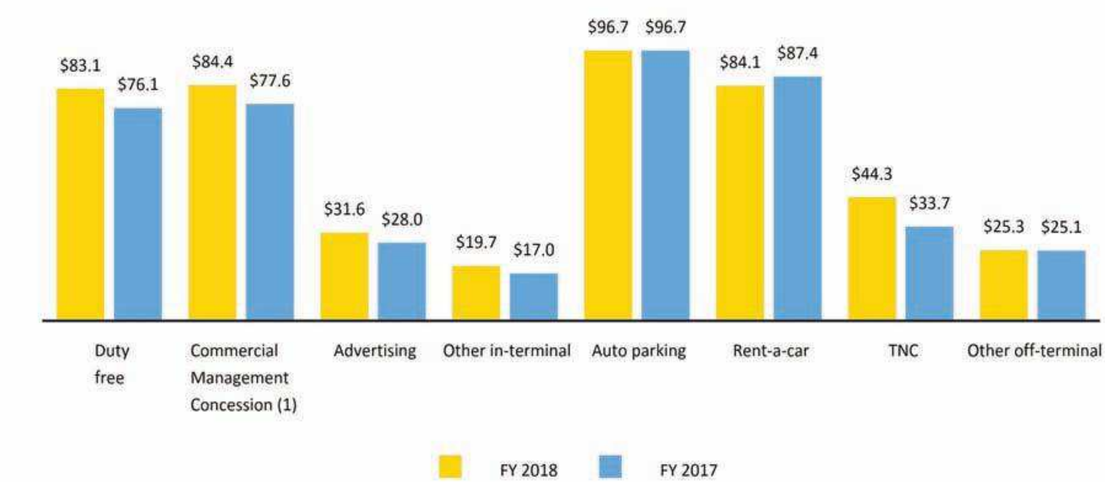
Land rental revenue increased by $9.4 million or 9.5%. The increase in land rental revenue at LAX was mainly due to an overall increase in leased areas.

Total revenue from concessions was $469.2 million in fiscal year 2018, a 6.2% growth from $441.6 million in fiscal year 2017. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, TNC and other commercial ground transportation operations.

In-terminal concession revenue during fiscal year 2018 had a net increase of $20.1 million or 10.1% as compared to fiscal year 2017. Boosted by the increase in passenger level, duty free revenues increased by $7.0 million, or 9.2%, commercial management concession revenue increased by $6.8 million or 8.8%, other in-terminal revenue increased by $2.7 million or 15.9%, and advertising revenue increased by $3.6 million or 12.9%. The increase in other in-terminal revenue was primarily a result of the increase in foreign exchange revenue due to increased MAG; and the increase in advertising revenue was mainly due to the increased billboard revenue and recognition of amounts over MAG in fiscal year 2018.

Off-terminal concession revenue at LAX in fiscal year 2018 was $250.4 million as compared to $242.9 million in fiscal year 2017, an increase of $7.5 million, or 3.1%. The increase was mainly driven by the increase of TNC revenue of $10.6 million, or 31.5% from fiscal year 2017, offset by the decrease of rent-a-car revenue of $3.3 million, or 3.8%. The increase in TNC revenue was a result of the increase in ridership driven by the popularity of TNC in addition to the increase in passenger traffic during fiscal year 2018.

Comparative concession revenue by type for fiscal years 2018 and 2017 are presented in the following chart (amounts in millions).



1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Management's Discussion and Analysis (Unaudited)
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(continued)

Operating Expenses

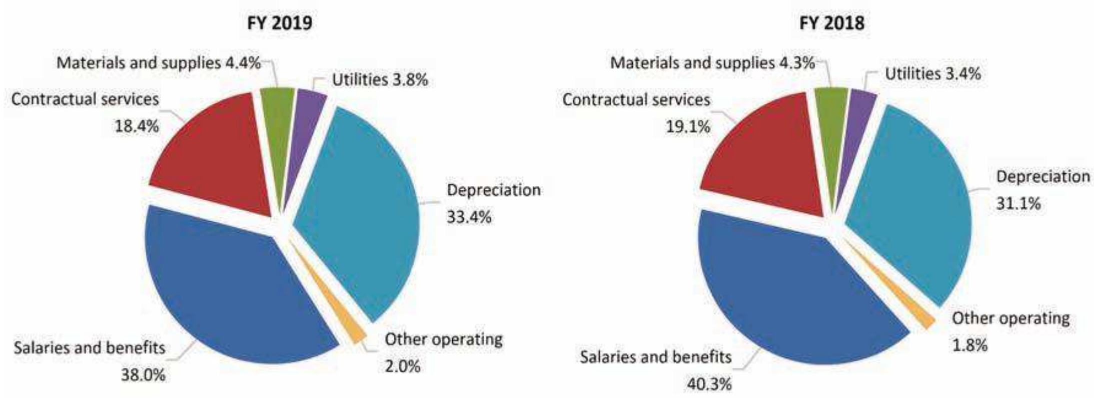
The following table presents a summary of LAX's operating expenses for the fiscal years ended June 30, 2019, 2018, and 2017. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

Summary of Operating Expenses
(amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Salaries and benefits	$ 456,948	$ 466,263	$ 438,153	$ (9,315)	$ 28,110
Contractual services	220,990	221,421	203,277	(431)	18,144
Materials and supplies	53,414	49,703	43,830	3,711	5,873
Utilities	46,191	39,433	36,043	6,758	3,390
Other operating expenses	23,559	20,825	25,782	2,734	(4,957)
Operating expenses before depreciation	801,102	797,645	747,085	3,457	50,560
Depreciation	402,646	360,638	298,176	42,008	62,462
Total operating expenses	1,203,748	1,158,283	1,045,261	45,465	113,022
Less- allocation to ONT, VNY and PMD	2,728	2,924	4,585	(196)	(1,661)
Net operating expenses	$ 1,201,020	$ 1,155,359	$ 1,040,676	$ 45,661	$ 114,683

Operating Expenses, Fiscal Year 2019

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2019 and 2018.



For the fiscal year ended June 30, 2019, operating expenses before allocation to other airports were $1.2 billion, a $45.5 million or 3.9% increase from the prior fiscal year. Expense categories that experienced notable changes were decrease in salaries and benefits of $9.3 million, increase in materials and supplies of $3.7 million, increase in utilities of $6.8 million, increase in other operating expenses of $2.7 million and increase in depreciation of $42.0 million.

Salaries and benefits expense decreased by $9.3 million or 2.0%. Within this category, salaries and overtime before capitalized charges had an increase of $4.7 million or 1.4%. This increase was mainly due to the terms of bargaining agreements with employee unions. The combined increase in retirement contributions and healthcare subsidy was $7.1 million or 5.5%. Workers' compensation decreased by $20.8 million or 79.0% in fiscal year 2019 as additional projected year-end liability was recognized in fiscal year 2018 based on the actuarial report. Non-cash pension and OPEB expenses increased by $1.1 million to $11.3 million in fiscal year 2019.

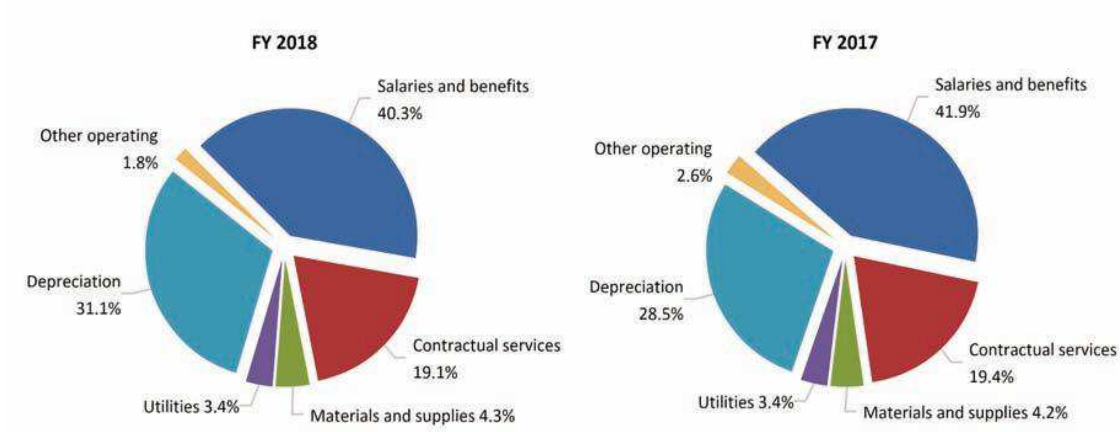
LAX's materials and supplies expense were $53.4 million and $49.7 million in fiscal year 2019 and 2018, respectively. The $3.7 million increase in materials and supplies was mainly due to increased purchases of computer equipments, asphalt for paving, and air-conditioning repair and materials. Utilities expense was $46.2 million and $39.4 million in fiscal year 2019 and 2018, respectively. The increase in utilities expense was mainly caused by an increase in the cost of electricity and additional load demands from terminal renovation projects. Other operating expenses increased by $2.7 million to $23.6 million in fiscal year 2019. The increase was mainly due to higher insurance premium and advertising expenses. Depreciation charges increased from $360.6 million to $402.6 million in fiscal year 2019. The $42.0 million increase was mainly due to the $190.0 million Terminal 4 Project acquisition and completion of the associated projects related to Terminals 1, 2 and 7.

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018
(continued)

Operating Expenses, Fiscal Year 2018

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2018 and 2017.



For the fiscal year ended June 30, 2018, operating expenses before allocation to other airports were $1.2 billion, a $113.0 million or 10.8% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by $28.1 million, contractual services, up by $18.1 million, materials and supplies, up by $5.9 million, utilities up by of $3.4 million and depreciation, up by $62.5 million, offset by the decrease in other operating expenses of $5.0 million.

Salaries and benefits expense increased by $28.1 million or 6.4%. Within this category, salaries and overtime before capitalized charges had an increase of $13.9 million or 4.5%. This increase was mainly due to the increase in additional staffing to provide operational support and engagement needed to effectively manage the delivery of multiple large capital projects impacting terminals and passenger access at LAX in addition to the terms of bargaining agreements with employee unions. The combined increase in retirement contributions and healthcare subsidy was $5.2 million or 4.2%. Workers' compensation increased by $16.6 million from $9.7 million to $26.3 million in fiscal year 2018 as a result of the increase in projected year-end liability in accordance with the actuarial report. Non-cash pension and OPEB expenses decreased by $6.9 million from $17.2 million to $10.3 million in fiscal year 2018.

Contractual services expense was $221.4 million and $203.3 million for LAX in fiscal year 2018 and 2017, respectively. The increase in contractual service expense was mainly due to increased city services charges of $6.7 million, increased escalator and elevator preventive maintenance of $3.5 million, and increased custom and border protection charges of $2.7 million. The higher City services were mainly due to the increase in the City's cost allocation as a result of higher salaries and general overhead costs especially in the costs of Fire Department and Police Department, two of the largest providers of services to LAX.

LAX's materials and supplies expense was $49.7 million and $43.8 million in fiscal year 2018 and 2017, respectively. The increase in materials and supplies was mainly due to increased field paints and computer licenses and support fees. Utilities expense was $39.4 million and $36.0 million in fiscal year 2018 and 2017, respectively. Other operating expenses were $20.8 million and $25.8 million in fiscal year 2018 and 2017, respectively. The $5.0 million decrease was mainly caused by the recognition of $3.7 million property taxes in fiscal year 2017 for the Park One parking lot pursuant to the lease covering fiscal years 2014 to 2017 compared to $0.9 million in fiscal year 2018.

The increase in depreciation charges from $298.2 million to $360.6 million in fiscal year 2018 was a result of the completion of the associated projects related to Bradley West core renovation, Terminal 7 renovation, and Terminal 1 renovation.

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services or producing and delivering goods in connection with LAX's ongoing operations. The following table presents a summary of these activities during fiscal years 2019, 2018, and 2017.

Summary of Nonoperating Transactions (amounts in thousands)

	FY 2019	FY 2018	FY 2017	FY 2019 increase (decrease)	FY 2018 increase (decrease)
Nonoperating revenue					
Passenger facility charges	$ 173,100	$ 171,431	$ 163,869	$ 1,669	$ 7,562
Customer facility charges	80,248	55,759	32,545	24,489	23,214
Interest and investment income	109,323	9,848	2,589	99,475	7,259
Other nonoperating revenue	23,996	43,421	15,743	(19,425)	27,678
	$ 386,667	$ 280,459	$ 214,746	$ 106,208	$ 65,713
Nonoperating expenses					
Interest expense	$ 294,767	$ 205,308	$ 193,469	$ 89,459	$ 11,839
Other nonoperating expenses	6,728	1,917	2,493	4,811	(576)
	$ 301,495	$ 207,225	$ 195,962	$ 94,270	$ 11,263
Federal and other government grants	$ 29,864	$ 54,297	$ 87,762	$ (24,433)	$ (33,465)
Inter-agency transfers	$ —	$ —	$ 1,856	$ —	$ (1,856)
Transfer of residual operation from ONT	$ —	$ —	$ 104,125	—	$ (104,125)

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Nonoperating Transactions, Fiscal Year 2019

PFCs increased by $1.7 million, or 1.0% from $171.4 million to $173.1 million as a result of the increase of 1.5% passenger traffic in fiscal year 2019. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, increased by $24.5 million, or 43.9% from $55.7 million to $80.2 million in fiscal year 2019. The increase was primarily due to the change in CFCs rate from $10.00 per transaction to $7.50 per day for the first five days of each car rental contract beginning January 1, 2018.

Interest and investment income increased by $99.5 million, or 1,010.1% from $9.8 million to $109.3 million in fiscal year 2019. This was mainly due to the higher interest rate and average balance of cash and pooled investments held in City Treasury, as well as the increase driven by the upward year-end net adjustment to the fair value of investment securities. Interest expenses increased by $89.5 million, or 43.6% from $205.3 million to $294.8 million in fiscal year 2019 mainly due to the net additional issuances of $1.6 billion revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by $19.4 million, or 44.7% from $43.4 million to $24.0 million in fiscal year 2019 primarily due to $13.1 million noise mitigation funds returned to LAX in fiscal year 2019, offset by the litigation settlement of $35.1 million pertaining to the Runway 25L Relocation and Center Taxiway Improvement Project at LAX in fiscal year 2018.

Other nonoperating expenses increased by $4.8 million, or 251.0% from $1.9 million to $6.7 million in fiscal year 2019. The increase was mainly due to increase of $2.3 million in bond issuance expenses in fiscal year 2019 in addition to the credit of $2.5 million excessive environmental cleanup expenses related to the final settlement of the Palmdale Reclamation Plant contamination in fiscal year 2018.

Federal and other government grants decreased by $24.4 million, or 45.0% from $54.3 million to $29.9 million mainly due to construction project re-sequencing. Construction activities on certain grant-funded projects were re-sequenced to align with future anticipated airfield and runway closures, which resulted in a decrease in grant-eligible costs incurred in fiscal year 2019.

Nonoperating Transactions, Fiscal Year 2018

PFCs increased by $7.5 million, or 4.6% from $163.9 million to $171.4 million as a result of the increase of 4.5% passenger traffic in fiscal year 2018. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, increased by $23.2 million, or 71.3% in from $32.5 million to $55.7 million in fiscal year 2018. The increase was due to the change in CFCs rate from $10.00 per transaction to $7.50 per day for the first five days of each car rental contract beginning January 1, 2018.

Interest and investment income increased by $7.2 million, or 280.4% from $2.6 million to $9.8 million in fiscal year 2018 mainly due to higher average balance of cash and pooled investments held in City Treasury. Interest expenses increased by $11.8 million, or 6.1% from $193.5 million to $205.3 million in fiscal year 2018 mainly due to the net additional issuances of $737.3 million revenue bonds (after refunding) to finance capital improvement projects.

Other nonoperating revenue increased by $27.7 million, or 175.8% from $15.7 million to $43.4 million in fiscal year 2018. The increase was mainly a result of the litigation settlement of $35.1 million pertaining to the Runway 25L Relocation and Center Taxiway Improvement Project at LAX.

Other nonoperating expenses decreased by $0.6 million, or 23.1% from $2.5 million to $1.9 million in fiscal year 2018. The decrease was mainly due to the credit of $2.5 million excessive environmental cleanup expenses as a result of the final settlement of the Palmdale Reclamation Plant contamination issue as described in Note 16c; offset by the increase of $1.9 million in bond issuance expenses in fiscal year 2018.

Federal and other government grants decreased by $33.5 million, or 38.1% from $87.8 million to $54.3 million mainly due to the decrease of $25.6 million TSA in-line baggage reimbursements grants from $38.1 million in fiscal year 2017 to $12.5 million in fiscal year 2018.

LAWA transferred the assets and liabilities of ONT to OIAA as contemplated by the ONT Settlement Agreement on November 1, 2016. As a result of the transfer, LAX recognized a transfer of residual operation from ONT of $104.1 million in fiscal year 2017 and none in fiscal year 2018.

Long-Term Debt

As of June 30, 2019, LAX's outstanding long-term debt before unamortized premium and discount was $7.1 billion. Issuances during the year amounted to $1.9 billion, redemption and refunding totaled $253.5 million, and payments for scheduled maturities were $116.9 million. Together with the unamortized premium and discount, bonded debt of LAX increased by $1.8 billion to a total of $7.8 billion.

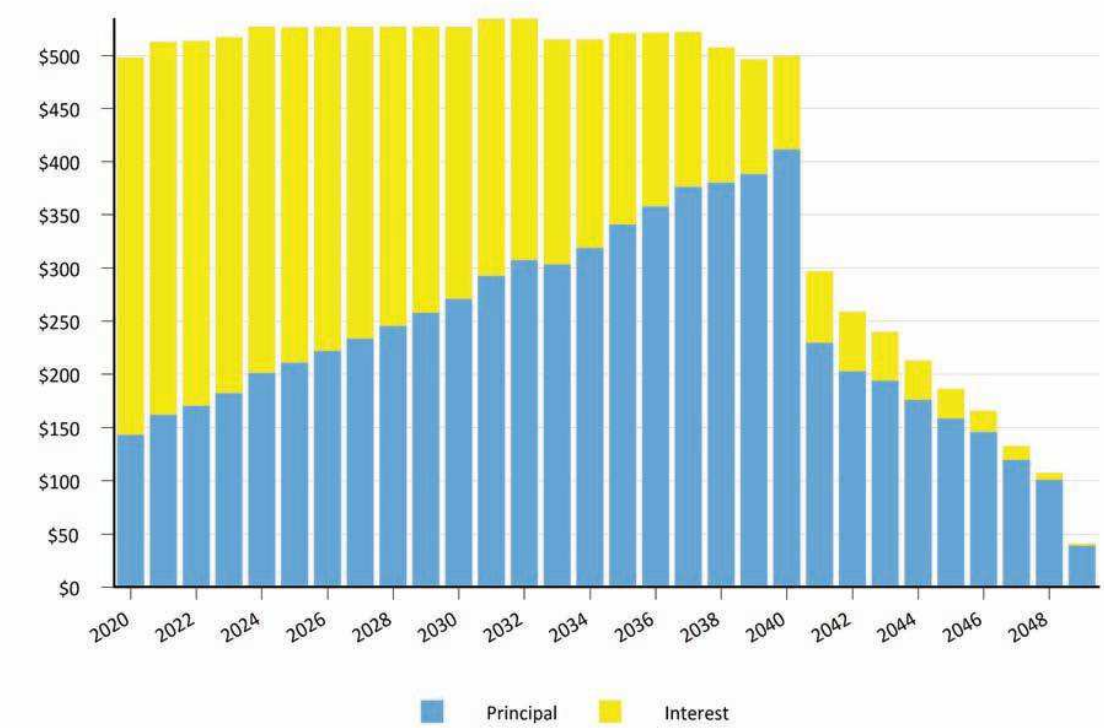
As of June 30, 2018, LAX's outstanding long-term debt before unamortized premium and discount was $5.6 billion. Issuances during the year amounted to $1.0 billion, refunding totaled $265.0 million, and payments for scheduled maturities were $107.9 million. Together with the unamortized premium and discount, bonded debt of LAX increased by $757.6 million to a total of $6.1 billion.

As of June 30, 2019 and 2018, LAX had $672.4 million and $521.1 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

LAX continues to maintain credit ratings of AA, Aa2 and AA on its senior revenue bonds and credit ratings of AA-, Aa3 and AA- on its subordinate revenue bonds from Fitch Ratings, Moody's Investor Service and Standard & Poor's Rating Services, respectively.

Additional information regarding LAX's bonded debt can be found in Note 6 of the notes to the financial statements.

Outstanding principal, plus scheduled interest as of June 30, 2019, is scheduled to mature as shown in the following chart (amounts in millions).



Capital Assets

LAX's investment in capital assets, net of accumulated depreciation, as of June 30, 2019 and 2018 were $10.8 billion and $9.7 billion, respectively. This investment, which accounts for 72.5% and 76.3% of LAX's total assets as of June 30, 2019 and 2018, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress. LAX's policy affecting capital assets can be found in Note 1f of the notes to the financial statements. Additional information can be found in Note 4 of the notes to the financial statements.

Capital Assets, Fiscal Year 2019

Major capital expenditure activities during fiscal year 2019 included:

- $470.1 million construction of Midfield Satellite Concourse (MSC)
- $407.4 million project costs related to Landside Access Modernization Program (LAMP)[4]
- $356.6 million renovations at Terminals 1 to 8
- $29.4 million interior improvements and security upgrades at Tom Bradley International Terminal (TBIT) and Bradley West
- $27.7 million construction of runways and taxiways
- $14.5 million Central Terminal Area (CTA) curbside development project

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.

[4] *This amount included APM Milestone Payment of $174.7 million made in March 2019.*

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Capital Assets, Fiscal Year 2018

Major capital expenditure activities during fiscal year 2018 included:

- $478.9 million renovations at Terminals 1 to 8
- $385.8 million construction of MSC
- $167.9 million project costs related to LAMP
- $100.4 million residential acquisition, soundproofing and noise mitigation
- $79.8 million construction of runways and taxiways
- $31.4 million interior improvements and security upgrades at TBIT and Bradley West
- $15.0 million construction of TBIT baggage handling system
- $14.2 million CTA curbside development project and Second Level Roadway Joint and Deck replacement
- $11.4 million various IT network and system projects
- $9.4 million in costs related to construction of west maintenance facility

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.

Management's Discussion and Analysis (Unaudited)
June 30, 2019 and 2018
(continued)

Landing Fees

The airline landing fees for fiscal year 2020, which became effective as of July 1, 2019 are as follows:

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	$66.00	$83.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	127.00	159.00
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds	3.93	4.91
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds	5.08	6.35

The airline landing fees for fiscal year 2019, which became effective as of July 1, 2018 are as follows:

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	$62.00	$78.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	119.00	149.00
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds	3.72	4.65
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds	4.75	5.94

Landing fee rates were based on budgeted operating expenses and revenues. Reconciliation between actual revenues and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

Request for Information

This report is designed to provide a general overview of the Los Angeles International Airport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.

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Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Net Position

June 30, 2019 and 2018

(amounts in thousands)

	2019	2018
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	$ 920,496	$ 901,543
Investments with fiscal agents	2,565	1,933
Accounts receivable, net of allowance for uncollectible accounts: 2019 - $82 ; 2018 - $0	3,782	—
Unbilled receivables	49,795	21,831
Accrued interest receivable	8,038	6,129
Grants receivable	16,959	6,465
Receivable from OIAA	9,464	9,569
Receivable from City General Fund	—	2,935
Due from other agencies	47,252	47,256
Prepaid expenses	7,249	4,489
Inventories	1,524	1,367
Total unrestricted current assets	1,067,124	1,003,517
Restricted current assets		
Cash and pooled investments held in City Treasury	1,027,956	874,262
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2019 - $1,682,117; 2018 - $931,074	1,934,293	1,042,477
Accrued interest receivable	1,642	1,363
Passenger facility charges receivable	26,926	24,900
Customer facility charges receivable	7,161	8,517
Total restricted current assets	2,997,978	1,951,519
Total current assets	4,065,102	2,955,036
Noncurrent Assets		
Capital assets		
Not depreciated	3,428,867	2,709,296
Depreciated, net	7,370,707	6,941,214
Total capital assets	10,799,574	9,650,510
Other noncurrent assets		
Receivable from OIAA, net of current portion	28,179	35,984
Total other noncurrent assets	28,179	35,984
Total noncurrent assets	10,827,753	9,686,494
TOTAL ASSETS	14,892,855	12,641,530
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	37,806	40,308
Pension and OPEB	211,160	159,620
TOTAL DEFERRED OUTFLOWS OF RESOURCES	248,966	199,928

Statements of Net Position (continued)
June 30, 2019 and 2018
(amounts in thousands)

	2019	2018
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	$ 276,145	$ 272,632
Accrued salaries	23,201	18,505
Accrued employee benefits	5,349	4,258
Estimated claims payable	9,170	10,349
Commercial paper	99,791	60,832
Obligations under securities lending transactions	9,810	15,914
Other current liabilities	18,081	14,381
Total current liabilities payable from unrestricted assets	441,547	396,871
Current liabilities payable from restricted assets		
Contracts and accounts payable	16,169	7,564
Current maturities of bonded debt	143,240	120,830
Accrued interest payable	42,304	39,887
Obligations under securities lending transactions	10,305	15,487
Other current liabilities	858	4,897
Total current liabilities payable from restricted assets	212,876	188,665
Total current liabilities	654,423	585,536
Noncurrent Liabilities		
Bonded debt, net of current portion	7,699,537	5,960,266
Accrued employee benefits, net of current portion	43,282	43,580
Estimated claims payable, net of current portion	84,301	86,726
Net pension liability	773,419	710,724
Net OPEB liability	77,769	76,310
Other long-term liabilities	886	885
Total noncurrent liabilities	8,679,194	6,878,491
TOTAL LIABILITIES	9,333,617	7,464,027
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	3,681	—
Pension and OPEB	88,810	90,101
TOTAL DEFERRED INFLOWS OF RESOURCES	92,491	90,101
NET POSITION		
Net investment in capital assets	4,782,855	4,551,404
Restricted for:		
Passenger facility charges eligible projects	381,032	332,874
Customer facility charges eligible projects	433,066	340,077
Operations and maintenance reserve	221,137	210,207
Federally forfeited property and protested funds	1,526	1,336
Unrestricted	(103,903)	(148,568)
TOTAL NET POSITION	$ 5,715,713	$ 5,287,330

See accompanying notes to the financial statements.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018

(amounts in thousands)

	2019	2018
OPERATING REVENUE		
Aviation revenue		
Landing fees	$ 295,724	$ 284,686
Reliever airport fee	—	(672)
Building rentals	581,946	527,476
Land rentals	118,145	107,943
Other aviation revenue	7,390	6,431
Total aviation revenue	1,003,205	925,864
Concession revenue	501,167	469,187
Other operating revenue	9,995	27,353
Total operating revenue	1,514,367	1,422,404
OPERATING EXPENSES		
Salaries and benefits	456,948	466,263
Contractual services	220,990	221,421
Materials and supplies	53,414	49,703
Utilities	46,191	39,433
Other operating expenses	23,559	20,825
Allocated administrative charges	(2,728)	(2,924)
Total operating expenses before depreciation and amortization	798,374	794,721
Operating income before depreciation and amortization	715,993	627,683
Depreciation and amortization	402,646	360,638
OPERATING INCOME	313,347	267,045
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	173,100	171,431
Customer facility charges	80,248	55,759
Interest and investment income	109,323	9,848
Interest expense	(294,767)	(205,308)
Other nonoperating revenue	23,996	43,421
Other nonoperating expenses	(6,728)	(1,917)
Total nonoperating revenue, net	85,172	73,234
INCOME BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS	398,519	340,279
Federal and other government grants	29,864	54,297
CHANGE IN NET POSITION	428,383	394,576
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	5,287,330	4,969,250
Change in accounting principle as a result of GASB 75 & 85	—	(76,496)
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	5,287,330	4,892,754
NET POSITION, END OF YEAR	$ 5,715,713	$ 5,287,330

See accompanying notes to the financial statements.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2019 and 2018

(amounts in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,512,989	$ 1,465,880
Payments to suppliers	(242,350)	(178,244)
Payments for employee salaries and benefits	(446,578)	(436,277)
Payments for City services	(108,944)	(103,093)
Inter-agency receipts for services, net	2,728	2,924
Net cash provided by operating activities	717,845	751,190
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	11,153	11,761
Inter-agency transfers in	4	764
Net cash provided by noncapital financing activities	11,157	12,525
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	1,769,324	896,748
Principal paid on revenue bonds and commercial paper notes	(127,477)	(112,745)
Interest paid on revenue bonds and commercial paper notes	(321,056)	(265,918)
Revenue bonds issuance costs	(2,368)	(1,679)
Acquisition and construction of capital assets	(1,340,261)	(1,378,641)
Proceeds from passenger facility charges	171,074	170,412
Proceeds from customer facility charges	81,604	50,522
Capital contributed by federal agencies	19,370	60,154
Net cash provided by (used for) capital and related financing activities	250,210	(581,147)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	65,141	36,121
Net change in fair value of investments	41,423	(25,232)
Cash collateral received (paid) under securities lending transactions	(11,286)	18,448
(Purchases) of investments	(9,395)	(93,185)
(Purchases) of investments held by fiscal agents	(140,773)	(93,818)
Net cash used in investing activities	(54,890)	(157,666)
NET INCREASE IN CASH AND CASH EQUIVALENTS	924,322	24,902
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,708,812	2,683,910
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,633,134	$ 2,708,812

	2019	2018
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	$ 920,496	$ 901,543
Investments with fiscal agents- unrestricted	2,565	1,933
Cash and pooled investments held in City Treasury- restricted	1,027,956	874,262
Investments with fiscal agents- restricted	1,682,117	931,074
Total cash and cash equivalents	$ 3,633,134	$ 2,708,812
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 313,347	$ 267,045
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	402,646	360,638
Change in provision for uncollectible accounts	(82)	—
Other nonoperating revenues, net	14,354	39,291
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	(3,700)	—
Unbilled receivables	(27,964)	22,414
Prepaid expenses and inventories	(3,002)	(399)
Notes receivable	7,910	11,231
Contracts and accounts payable	(7,336)	47,158
Accrued salaries	4,696	715
Accrued employee benefits	793	949
Other liabilities	4,860	(8,121)
Net pension and OPEB liability and related changes in deferred outflows and inflows of resources	11,323	10,269
Total adjustments	404,498	484,145
Net cash provided by operating activities	$ 717,845	$ 751,190
SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Acquisition of capital assets included in contracts and accounts payable	$ 177,562	$ 148,912
Revenue bonds proceeds received in escrow trust fund	248,663	262,851
Debt defeased and related costs paid through escrow trust fund with revenue bonds	(248,663)	(262,851)
Contributions of capital assets	(10,494)	5,857
Revenue bonds proceeds received in escrow trust fund	190,000	—
Acquisition of capital assets with proceeds from sale of revenue bonds	(190,000)	—

See accompanying notes to the financial statements.

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Index to the Notes to the Financial Statements

The notes to the financial statements include disclosures that are necessary for a better understanding of the accompanying financial statements. An index to the notes follows:

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Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Notes to the Financial Statements
June 30, 2019 and 2018

1. Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Reporting Entity

Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles (the City) established pursuant to Article XXIV, Section 238 of the City Charter. LAWA operates and maintains Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) general aviation airport. In addition LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property.

LAWA is under the management and control of a seven-member Board of Airport Commissioners (the Board) appointed by the City Mayor and approved by the City Council. Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop, and operate all property, plant, and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated, or controlled by the City; and (c) fix, regulate, and collect rates and charges for the use of the Airport System. An Executive Director administers LAWA and reports to the Board.

The accompanying financial statements present the net position and changes in net position and cash flows of LAX. These financial statements are not intended to present the financial position and changes in financial position of LAWA or the City, or cash flows of LAWA or the City's enterprise funds.

b. Basis of Accounting

LAX is reported as an enterprise fund and maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. Separate funds are used to account for each of the two airports referred to above, and the Palmdale property.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

c. Cash, Cash Equivalents, and Investments

LAX's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAX's portion of the pool is presented on the statements of net position as 'Cash and Pooled Investments Held in City Treasury'. Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period. LAX considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAX has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

As permitted by the California Government Code, the City engages in securities lending activities. LAX's share of assets and liabilities arising from the reinvested cash collateral has been recognized in the statements of net position.

d. Accounts Receivables and Unbilled Receivables

LAX recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAWA's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAWA policy. This policy requires that 2% of outstanding receivables plus 80% of all bankruptcy accounts and all referrals to City Attorney be reserved as uncollectible through a provisional month-end charge to operating expense.

Unbilled receivables balances are the result of revenue accrued for services that exceed $5,000 each, but not yet billed as of year-end. This accrual activity occurs primarily at year-end when services provided in the current fiscal year period might not get processed through the billing system for up to sixty days into the next fiscal year.

e. Inventories

LAX's inventories consist primarily of general custodial supplies and are recorded at cost on a first-in, first-out basis.

f. Capital Assets

All capital assets are carried at cost, or at estimated fair value on the date received when properties are acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAX has a capitalization threshold of $5,000 for all capital assets other than internally generated computer software where the threshold is $500,000.

Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are recorded in construction work in progress. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

As described in Note 2 of the notes to the financial statements, in fiscal year 2019, LAX early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and recognized the interest costs incurred before the end of a construction period as an expense in the period in which the cost is incurred. Accordingly, there was no capitalized interest in fiscal year 2019. In fiscal year 2018, LAX capitalized interest costs of bond proceeds used during construction (net of interest earnings on the temporary investment of tax-exempt bond proceeds) in the amount of $45.2 million.

Depreciation and amortization are computed on a straight-line basis. The estimated useful lives of the major property classifications are as follows: buildings and facilities, 10 to 40 years; airfield and other improvements, 10 to 35 years; equipment, 5 to 20 years; and computer software, 5 to 10 years. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed in service. Also, no depreciation is taken on air easements and emission reduction credits because they are considered inexhaustible.

g. Contracts Payable, Accounts Payable, and Other Liabilities

All transactions for goods and services obtained by LAX from City-approved contractors and vendors are processed for payment via its automated payment system. This procedure results in the recognition of expense in the period that an invoice for payment is processed through the system, or when a vendor first provided the goods and/or services. If the goods and/or services were received or if the invoice was received but not yet processed in the system, an accrual is made manually by journal voucher into the general ledger to reflect the liability to the vendor. When LAX makes agreements that require customers to make cash deposits, these amounts are then reflected as other current liabilities.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

h. Operating and Nonoperating Revenues and Expenses

LAX distinguishes between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with LAX's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. LAX derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAX's major operating expenses include salaries and employee benefits, fees for contractual services including professional services, parking operations and shuttle services, and other expenses including depreciation and amortization, maintenance, insurance, and utilities.

i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX. Landing fees are calculated annually to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified using allocation methods of relevant costs attributable to those facilities. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following each fiscal year end.

j. Terminal Rates and Charges

On September 17, 2012, the Board approved a methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The rates, which will recover the costs of acquiring, constructing, operating and maintaining terminal facilities, are as follows: terminal building rate, federal inspection services area (FIS) rate, common use holdroom rate, common use baggage claim rate, common use outbound baggage system rate, common use ticket counter rate, and terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

The rates were effective January 1, 2013 to airlines and airline consortia (signatory airlines) agreeing to the methodology and executing a rate agreement with LAWA. Agreements with signatory airlines terminate on December 31, 2022. The rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period; this program expired in fiscal year 2018 for the calendar 2018 rate setting. Signatory airlines in good standing are also eligible to participate to rate agreement revenue sharing programs.

Prior to fiscal year 2019, airlines with existing leases that opted not to sign an agreement under the methodology (non-signatory tenant airlines) continued to pay rates and charges based on their legacy leases. During fiscal year 2019, all such remaining aeronautical leases were transitioned to the rate agreement methodology.

k. Concession Revenue

Concession revenues are generated through LAX terminal concessionaires, tenants or airport service providers who pay monthly fees or rents for using or accessing airport facilities to offer their goods and services to the general public and air transportation community. Payments to LAX are based on negotiated agreements with these parties to remit amounts based on either a Minimum Annual Guarantee (MAG) or on gross receipts. Amounts recorded to revenue are determined by the type of revenue category set up in the general ledger system and integrated with the monthly accounts receivable billing process. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The tenants' operations report and payment are due to LAX in the month following the activity. The timing of concessionaire reporting and when revenue earned is recorded, will determine when or if accruals are required for each tenant agreement.

l. Unearned Revenue

Unearned revenue consists of concessionaire rentals and payments received in advance and is recorded as other current liabilities.

m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leave. LAX employees accumulate annual vacation and sick leave in varying amounts based on length of service. Vacation and sick leave are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leave. Accrued employee benefits as of June 30, 2019 and 2018 are as follows (amounts in thousands):

Type of benefit	2019	2018
Accrued vacation leave	$ 25,163	$ 24,709
Accrued sick leave	23,468	23,129
Sub-total	48,631	47,838
Current portion	(5,349)	(4,258)
Noncurrent portion	$ 43,282	$ 43,580

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAX reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and won’t be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that won’t be recognized as an inflow of resources until then. LAX has deferred charges on debt refunding to account for gain/loss on bond refunding transactions, and deferred outflows/inflows of resources related to pensions and other postemployment benefit (OPEB).

For fiscal years ended June 30, 2019 and 2018, LAX reported total net pension liability, deferred outflows/inflows of resources related to pensions, and pension expenses for Los Angeles City Employees' Retirement System (LACERS) and City of Los Angeles Fire and Police Pensions (LAFPP) as follows (amounts in thousands):

	2019	2018
Net pension liability		
LACERS - proportionate shares	$ 771,926	$ 710,724
LAFPP - proportionate shares	1,493	—
Total net pension liability	$ 773,419	$ 710,724
Deferred outflows of resources related to pensions		
LACERS - proportionate shares	$ 177,672	$ 139,997
LAFPP - proportionate shares	2,990	—
Total deferred outflows of resources related to pensions	$ 180,662	$ 139,997
Deferred inflows of resources related to pensions		
LACERS - proportionate shares	$ 63,276	$ 71,194
LAFPP - proportionate shares	37	—
Total deferred inflows of resources related to pensions	$ 63,313	$ 71,194
Pension expenses		
LACERS - proportionate shares	$ 80,485	$ 72,026
LAFPP - proportionate shares	(288)	—
Total pension expenses	$ 80,197	$ 72,026

For fiscal years ended June 30, 2019 and 2018, LAX reported total net OPEB liability, deferred outflows/ inflows of resources related to OPEB, and OPEB expenses for LACERS and LAFPP as follows (amounts in thousands):

	2019	2018
Net OPEB liability		
LACERS - proportionate shares	$ 77,056	$ 76,310
LAFPP - proportionate shares	713	—
Total net OPEB liability	$ 77,769	$ 76,310
Deferred outflows of resources related to OPEB		
LACERS - proportionate shares	$ 29,407	$ 19,623
LAFPP - proportionate shares	1,091	—
Total deferred outflows of resources related to OPEB	$ 30,498	$ 19,623
Deferred inflows of resources related to OPEB		
LACERS - proportionate shares	$ 25,492	$ 18,907
LAFPP - proportionate shares	5	—
Total deferred inflows of resources related to OPEB	$ 25,497	$ 18,907
OPEB expenses		
LACERS - proportionate shares	$ 11,554	$ 12,684
LAFPP - proportionate shares	235	—
Total OPEB expenses	$ 11,789	$ 12,684

o. Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as nonoperating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.

p. Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds. At the time of bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable bond premium or discount.

LAX amortizes bond premiums or discounts using the effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond premiums or discounts is calculated using the effective market interest rate at the time of issuances versus the coupon rate used in straight-line method.

q. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* - This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* - This category represents net position of LAX that is not restricted for any project or other purpose.

r. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes of which both restricted and unrestricted resources are available, LAX's policy is to apply restricted resources first.

s. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

t. Adjustment of Net Position

The net position at July 1, 2017 was adjusted by $76.5 million to account for the change in accounting principle as a result of the implementation of GASB Statements No. 75 and No. 85 (amounts in thousands):

	2018
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	$ 4,969,250
Change in accounting principle as a result of implementation of GASB Statement No. 75 and 85	(76,496)
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	$ 4,892,754

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

2. New Accounting Standards

Implementation of the following GASB statements is effective fiscal year 2019.

Issued in November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. LAX implemented this statement without material impact.

Issued in March 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Additional disclosure information can be found in Note 6(f) of the notes to financial statements.

Issued in June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. LAX early implemented this statement in fiscal year 2019 and recognized net interest expense (after construction funds interest income) of $43.5 million in fiscal year 2019.

The GASB has issued several pronouncements that have effective dates that may impact future presentations. LAX is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in January 2017, GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Implementation of this statement is effective fiscal year 2020.

Issued in June 2017, GASB Statement No. 87, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2021.

Issued in August 2018, GASB Statement No. 90, *Majority Equity Interest* will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. This statement requires reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. Implementation of this statement is effective fiscal year 2020.

Issued in May 2019, GASB Statement No. 91, *Conduit Debt Obligations* clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Implementation of this statement is effective fiscal year 2022.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

3. Cash and Investments

a. Pooled Investments

Pursuant to the California Government Code and the Los Angeles City Council File No. 94-2160, the City Treasurer provides an Annual Statement of Investment Policy (the Policy) to the City Council. The Policy governs the City's pooled investment practices with the following objectives, in order of priority, safety of principal, liquidity, and rate of return. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted under California law.

Each investment transaction and the entire portfolio must comply with the California Government Code and the Policy. Examples of investments permitted by the Policy are obligations of the U.S. Treasury and government agencies, commercial paper notes, negotiable certificates of deposit, guaranteed investment contracts, bankers' acceptances, medium-term corporate notes, money market accounts, and the State of California Local Agency Investment Fund (LAIF).

LAX maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAX's share of $1.9 billion and $1.8 billion in the Pool represented approximately 18.3% and 19.5% as of June 30, 2019 and 2018, respectively. There are no specific investments belonging to LAX. Included in LAX's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAX's allocated shares for fiscal years 2019 and 2018 were $0.1 million and $9.5 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are: safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility of the Investment Advisory Committee.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the Pool is available for lending. The City receives cash, U.S. treasury securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 90 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

LAX participates in the City's securities lending program through the pooled investment fund. LAX recognizes its proportionate share of the cash collateral received for securities loaned and related obligation for the general investment pool. At June 30, 2019, LAX's portion of the cash collateral and the related obligation in the City's program was $20.1 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2019 was $20.1 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2019 was $85.5 million. At June 30, 2018, LAX's portion of the cash collateral and the related obligation in the City's program was $31.4 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2018 was $31.4 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2018 was $54.2 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102.0% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2019 and 2018 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

c. Investments with Fiscal Agents

The investment practices of the fiscal agents that relate to LAX's portfolio are similar as those of the City Treasurer, and have similar objectives. LAX's investments held by fiscal agents are for the following purposes as of June 30 (amounts in thousands):

	2019	2018
Unrestricted, current		
Commercial paper and cash at bank	$ 2,565	$ 1,933
Restricted, current and noncurrent		
Bond security funds	672,423	521,122
Construction funds	1,261,870	521,355
Subtotal	1,934,293	1,042,477
Total	$ 1,936,858	$ 1,044,410

The bond security funds are pledged for the payment or security of certain bonds. These investments are generally short-term securities and have maturities designed to coincide with required bond retirement payments. The construction funds are bond proceeds on deposit with the fiscal agents. They are used to reimburse LAX for capital expenditures incurred or to be incurred.

At June 30, 2019, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 1,483,254	$ 1,483,254	$ —
State of California LAIF	98,427	—	98,427
U.S. Treasury securities	352,612	100,436	252,176
Subtotal	1,934,293	$ 1,583,690	$ 350,603
Bank deposit accounts	2,565		
Total	$ 1,936,858		

At June 30, 2018, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 428,576	$ 428,576	$ —
State of California LAIF	222,479	—	222,479
U.S. Treasury securities	391,422	280,019	111,403
Subtotal	1,042,477	$ 708,595	$ 333,882
Bank deposit accounts	1,933		
Total	$ 1,044,410		

Fair Value Measurements

The investments are categorized into its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

At June 30, 2019, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds	$ 1,483,254	$ 1,483,254
U.S. Treasury securities	352,612	352,612
Total investments by fair value level	1,835,866	$ 1,835,866
Investments not subject to fair value hierarchy		
State of California LAIF	98,427	
Bank deposit accounts	2,565	
Total	$ 1,936,858	

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

At June 30, 2018, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds by fair value level	$ 428,576	$ 428,576
U.S. Treasury securities	391,422	391,422
Total investments by fair value level	819,998	$ 819,998
Investments not subject to fair value hierarchy		
State of California LAIF	222,479	
Bank deposit accounts	1,933	
Total	$ 1,044,410	

Interest Rate Risk. LAX adopts the City's policy that limits the maturity of investments to five years for U.S. Treasury and government agency securities. The policy allows funds with longer term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2019 and 2018, the money market mutual funds were rated AAAm by Standard and Poor's, and Aaa by Moody's.

Concentration of Credit Risk. The City's policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds or mortgage passthrough securities. The policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies.

As of June 30, 2019, LAX's investments in the LAIF held by fiscal agents totaled $98.4 million. The total amount invested by all public agencies in LAIF at that date was $24.6 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2019, the investments in the PMIA totaled $106.0 billion, of which 98.2% is invested in non-derivative financial products and 1.8% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 173 days as of June 30, 2019. LAIF is not rated. As of June 30, 2018, LAX's investments in the LAIF held by fiscal agents totaled $222.5 million. The total amount invested by all public agencies in LAIF at that date was $22.5 billion. The LAIF is part of the State's PMIA. As of June 30, 2018, the investments in the PMIA totaled $88.9 billion, of which 97.3% is invested in non-derivative financial products and 2.7% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 193 days as of June 30, 2018.

The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State statute. The Pooled Money Investment Board whose members are the State Treasurer, Director of Finance, and State Controller, has oversight responsibility for PMIA. The value of the pool shares in LAIF, which may be withdrawn anytime, is determined on a historical basis, which is different than the fair value of LAX's position in the pool. The bank deposit accounts are covered by Federal depository insurance up to a certain amount. Financial institutions are required under California law to collateralize the uninsured portion of the deposits by pledging government securities or first trust deed mortgage notes. The collateral is held by the pledging institution's trust department and is considered held in LAX's name.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

4. Capital Assets

LAX had the following activities in capital assets during fiscal year 2019 (amounts in thousands):

	Balance at July 1, 2018	Additions	Retirements & disposals	Transfers	Balance at June 30, 2019
Capital assets not depreciated					
Land and land clearance	$ 1,121,296	$ —	$ —	$ 46,543	$ 1,167,839
Air easements	44,346	—	—	—	44,346
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	1,540,882	1,343,899	(643)	(670,228)	2,213,910
Total capital assets not depreciated	2,709,296	1,343,899	(643)	(623,685)	3,428,867
Capital assets depreciated					
Buildings	3,570,754	—	—	1,059	3,571,813
Improvements	5,633,775	192,912	—	533,173	6,359,860
Equipment and vehicles	201,667	15,905	(6,340)	89,453	300,685
Others	38,087	—	—	—	38,087
Total capital assets depreciated	9,444,283	208,817	(6,340)	623,685	10,270,445
Accumulated depreciation					
Buildings	(714,288)	(112,861)	—	—	(827,149)
Improvements	(1,610,603)	(275,330)	—	—	(1,885,933)
Equipment and vehicles	(178,178)	(14,455)	5,977	—	(186,656)
Total accumulated depreciation	(2,503,069)	(402,646)	5,977	—	(2,899,738)
Capital assets depreciated, net	6,941,214	(193,829)	(363)	623,685	7,370,707
Total	$ 9,650,510	$ 1,150,070	$ (1,006)	$ —	$ 10,799,574

LAX had the following activities in capital assets during fiscal year 2018 (amounts in thousands):

	Balance at July 1, 2017	Additions	Retirements & disposals	Transfers	Balance at June 30, 2018
Capital assets not depreciated					
Land and land clearance	$ 909,577	$ —	$ —	$ 211,719	$ 1,121,296
Air easements	44,346	—	—	—	44,346
Emission reduction credits	3,070	—	—	(298)	2,772
Construction work in progress	1,207,215	1,415,338	(22)	(1,081,649)	1,540,882
Total capital assets not depreciated	2,164,208	1,415,338	(22)	(870,228)	2,709,296
Capital assets depreciated					
Buildings	3,565,932	—	—	4,822	3,570,754
Improvements	4,800,904	2,465	—	830,406	5,633,775
Equipment and vehicles	253,220	8,797	(57,263)	(3,087)	201,667
Others	—	—	—	38,087	38,087
Total capital assets depreciated	8,620,056	11,262	(57,263)	870,228	9,444,283
Accumulated depreciation					
Buildings	(601,284)	(113,004)	—	—	(714,288)
Improvements	(1,409,186)	(234,457)	—	33,040	(1,610,603)
Equipment and vehicles	(184,957)	(13,177)	52,996	(33,040)	(178,178)
Total accumulated depreciation	(2,195,427)	(360,638)	52,996	—	(2,503,069)
Capital assets depreciated, net	6,424,629	(349,376)	(4,267)	870,228	6,941,214
Total	$ 8,588,837	$ 1,065,962	$ (4,289)	$ —	$ 9,650,510

5. Commercial Paper

As of June 30, 2019 and 2018, LAX had outstanding commercial paper (CP) notes of $99.8 million and $60.8 million, respectively. The respective average interest rates in effect as of June 30, 2019 and 2018 were 1.98% and 1.96%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAX entered into a letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Barclays Bank PLC (Barclays) for $109.0 million to expire on September 11, 2020; Sumitomo Mitsui Banking Corporation (Sumitomo); acting through its New York Branch for $218.0 million to expire on September 11, 2020; and Wells Fargo Bank (Wells Fargo) for $218.0 million to expire on September 11, 2020. As of June 30, 2019, LAX had undrawn LOC balances of $109.0 million from Barclays, $218.0 million from Sumitomo, and $118.2 million from Wells Fargo. As of June 30, 2018, LAWA had undrawn LOC balances of $109.0 million from Barclays, $218.0 million from Sumitomo, and $157.2 million from Wells Fargo. LAX paid the LOC banks an annual commitment fee ranging from 0.30% and 0.32% on the stated amount of the LOC. LOC fees of $1.7 million and $1.8 million were paid for fiscal years 2019 and 2018, respectively.

LAX had the following CP activity during fiscal year 2019 (amounts in thousands):

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019
Series A	$ —	$ 4,345	$ —	$ 4,345
Series B	19,380	38,767	—	58,147
Series C	41,452	564	(4,717)	37,299
Total	$ 60,832	$ 43,676	$ (4,717)	$ 99,791

LAX had the following CP activity during fiscal year 2018 (amounts in thousands):

	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018
Series B	$ 3,081	$ 16,299	$ —	$ 19,380
Series C	45,655	692	(4,895)	41,452
Total	$ 48,736	$ 16,991	$ (4,895)	$ 60,832

6. Bonded Debt

Bonds issued by LAX are payable solely from revenues of LAX and are not general obligations of the City.

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2019 and 2018 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled maturity	Original principal	Outstanding principal 2019	Outstanding principal 2018
Issue of 2008, Series C	8/6/08	3.000% - 5.250%	2038	$ 243,350	$ —	$ 5,905
Issue of 2009, Series A	12/3/09	2.000% - 5.250%	2039	310,410	—	263,775
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	307,350	272,370	281,570
Issue of 2009, Series E	12/3/09	2.000% - 5.000%	2020	39,750	4,565	8,915
Issue of 2010, Series A	4/8/10	3.000% - 5.000%	2040	930,155	835,265	851,545
Issue of 2010, Series B	11/4/10	5.000%	2040	134,680	134,680	134,680
Issue of 2010, Series C	11/4/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	817,535	827,665
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	64,875	72,510
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	127,310	130,455
Issue of 2012, Series C	12/18/12	3.000% - 5.000%	2019	27,870	—	9,660
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	63,765	65,755
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	253,385	258,120
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	45,295	46,200
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2038	181,805	178,400	179,300
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	278,545	284,815
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	25,245	26,145
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	274,605	281,265
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	447,015	450,990
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	215,415	223,885
Issue of 2017, Series A	7/26/17	5.000%	2047	260,610	259,055	260,610
Issue of 2017, Series B	7/26/17	5.000%	2042	88,730	86,735	88,730
Issue of 2018, Series A	3/15/18	4.000% - 5.250%	2048	426,475	426,475	426,475
Issue of 2018, Series B	4/12/18	5.000%	2034	226,500	226,500	226,500
Issue of 2018, Series C	8/8/18	5.000% - 5.750%	2044	425,000	423,070	—
Issue of 2018, Series D	11/14/18	5.000%	2048	418,390	418,390	—
Issue of 2018, Series E	11/14/18	5.000%	2048	159,980	159,980	—
Issue of 2019, Series A	3/12/19	4.000% - 5.000%	2049	199,830	199,830	—
Issue of 2019, Series B	3/12/19	4.000% - 5.000%	2049	49,410	49,410	—
Issue of 2019, Series C	3/12/19	5.000%	2039	189,095	189,095	—
Issue of 2019, Series D	6/27/19	4.000% - 5.000%	2049	167,955	167,955	—
Issue of 2019, Series E	6/27/19	4.000% - 5.000%	2049	265,190	265,190	—
Total principal amount				$ 8,087,365	7,140,000	5,635,515
Unamortized premium					702,777	445,581
Net revenue bonds					7,842,777	6,081,096
Current portion of debt					(143,240)	(120,830)
Net noncurrent debt					$ 7,699,537	$ 5,960,266

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAX has agreed to certain covenants with respect to bonded indebtedness. The bonds are secured by a pledge of and lien on net pledged revenues as defined in the master senior and subordinate indentures, which pledge and lien remains in place until the bonds are no longer outstanding. Under the bond indentures, pledged revenues include substantially the total operating revenue with the Build America Bonds (BABs) subsidy, nonoperating Transportation Security Administration (TSA) revenue, interest income net of PFC, CFC and construction funds, but do not include PFC revenues, CFC revenues, and certain other nonoperating revenues.

LAX has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of $147.7 million and $136.0 million were used for debt service in fiscal years 2019 and 2018, respectively.

The total principal and interest remaining to be paid on the bonds is $12.5 billion. Principal and interest paid during fiscal year 2019 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the $147.7 million PFCs funds discussed in the preceding paragraph), were $442.5 million and $948.3 million, respectively. Principal and interest paid during fiscal year 2018 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the $136.0 million PFCs funds discussed in the preceding paragraph), were $372.9 million and $793.9 million, respectively.

c. Bond Issuances

Fiscal Year 2019

On August 8, 2018, LAX issued $425.0 million of subordinate revenue bonds Series 2018C with a premium of $62.9 million. The bonds were issued to fund certain capital projects at LAX.

On November 14, 2018, LAX issued $418.4 million of subordinate revenue bonds Series 2018D with a premium of $47.8 million, and $160.0 million of subordinate revenue bonds Series 2018E with a premium of $22.1 million. The bonds were issued to fund certain capital projects at LAX, and to fund an escrow for the purpose of defeasing the outstanding Regional Airports Improvement Corporation Facilities Sublease Revenue Bonds (Terminal 4 Project) issued by American Airlines.

On March 12, 2019, LAX issued $199.8 million of subordinate revenue bonds Series 2019A with a premium of $26.0 million, $49.4 million of subordinate revenue bonds Series 2019B with a premium of $8.9 million, and $189.1 million of subordinate revenue bonds Series 2019C with a premium of $35.6 million. The bonds were issued to fund certain capital projects at LAX, and to refund and defease the Series 2009A senior revenue bonds in the amount of $247.6 million. This transaction resulted in a cash flow savings of $61.3 million and an economic gain of $48.6 million.

On June 27, 2019, LAX issued $168.0 million of subordinate revenue bonds Series 2019D with a premium of $30.2 million, and $265.2 million of LAX subordinate revenue bonds Series 2019E with a premium of $59.8 million. The bonds were issued to fund certain capital projects at LAX.

Fiscal Year 2018

On July 26, 2017, LAX issued $260.6 million of subordinate revenue bonds Series 2017A with a premium of $38.8 million, and $88.7 million subordinate revenue bonds Series 2017B with a premium of $15.9 million. On March 15, 2018, LAX issued $426.5 million subordinate revenue bonds Series 2018A with a premium of $54.1 million. On April 12, 2018, LAX issued $226.5 million senior refunding revenue bonds Series 2018B with a premium of $37.3 million. The Series 2017A, 2017B, and 2018A bonds were issued to fund certain capital projects at LAX. The Series 2018B bonds were issued to refund and defease a portion of the Series 2008A senior revenue bonds in an amount of $265.0 million. This transaction resulted in a cash flow savings of $72.7 million and an economic gain of $52.7 million.

On December 6, 2016, LAX issued $226.4 million of senior refunding revenue bonds Series 2016C, and on January 19, 2017, $451.2 million of subordinate revenue bonds Series 2016B. The Series 2016C bonds were issued at par, and the Series 2016B bonds were sold with premium of $51.1 million. The 2016C bonds were issued to advance refund and defease a portion of the Series 2008A senior revenue bonds in the amount of $214.1 million. These transactions resulted in a cash flow savings of $39.7 million and economic gain of $24.8 million. The 2016B bonds were issued to fund certain capital projects at LAX.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

d. Principal Maturities and Interest

Scheduled annual principal maturities and interest are as follows (amounts in thousands):

Fiscal year(s) ending	Principal	Interest	Total
2020	$ 143,240	$ 354,720	$ 497,960
2021	162,110	350,718	512,828
2022	170,690	342,924	513,614
2023	182,485	334,723	517,208
2024	200,995	325,903	526,898
2025 - 2029	1,168,215	1,465,632	2,633,847
2030 - 2034	1,492,205	1,134,028	2,626,233
2035 - 2039	1,843,045	725,036	2,568,081
2040 - 2044	1,212,790	294,270	1,507,060
2045 - 2049	564,225	69,721	633,946
Total	$ 7,140,000	$ 5,397,675	$ 12,537,675

e. Build America Bonds (BABs)

LAX subordinate revenue bonds 2009 Series C and 2010 Series C with par amounts of $307.4 million and $59.4 million, respectively, were issued as federally taxable BABs under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as "sequestration") for the federal fiscal years ending September 30, 2019 and September 30, 2018 reduced the subsidy. The interest subsidy on the BABs was $7.3 million in fiscal year 2019 and $7.5 million in fiscal year 2018. The BABs rates were 6.2% and 6.6% for fiscal years 2019 and 2018, respectively. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

f. Other Significant Obligations

Aside from LAX's debt obligations incurred under the Master Senior and Subordinate Indentures, LAX's other significant obligations include:

Commercial Paper Reimbursement Agreements

The commercial paper reimbursement agreements contain a provision that upon the occurrence of an event of default by LAX, the applicable letter of credit (LOC) bank can, at its option, declare all obligations of LAX under the LOC to be immediately due and payable.

APM Agreement

The APM Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the APM Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement.

ConRAC Agreement

The ConRAC Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the ConRAC Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

7. Changes in Long-Term Liabilities

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2019 (amounts in thousands):

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Current Portion
Revenue bonds	$ 5,635,515	$ 1,874,850	$ (370,365)	$ 7,140,000	$ 143,240
Unamortized premium	445,581	293,227	(36,031)	702,777	—
Net revenue bonds	6,081,096	2,168,077	(406,396)	7,842,777	143,240
Accrued employee benefits	47,838	5,051	(4,258)	48,631	5,349
Estimated claims payable	97,075	6,745	(10,349)	93,471	9,170
Net pension liability	710,724	62,695	—	773,419	—
Net OPEB liability	76,310	1,459	—	77,769	—
Other long-term liabilities	885	1	—	886	—
Total	$ 7,013,928	$ 2,244,028	$ (421,003)	$ 8,836,953	$ 157,759

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2018 (amounts in thousands):

	Balance at July 1, 2017	Additions	Reduction	Balance at June 30, 2018	Current Portion
Revenue bonds	$ 5,006,095	$ 1,002,315	$ (372,895)	$ 5,635,515	$ 120,830
Add unamortized premium	320,461	146,064	(20,944)	445,581	—
Less unamortized discount	(3,080)	—	3,080	—	—
Net revenue bonds	5,323,476	1,148,379	(390,759)	6,081,096	120,830
Accrued employee benefits	46,889	6,529	(5,580)	47,838	4,258
Estimated claims payable	78,484	26,728	(8,137)	97,075	10,349
Liability for environmental/ hazardous materials cleanup	7,500	—	(7,500)	—	—
Net pension liability	761,187	—	(50,463)	710,724	—
Net OPEB liability	—	89,614	(13,304)	76,310	—
Other long-term liabilities	886	—	(1)	885	—
Total	$ 6,218,422	$ 1,271,250	$ (475,744)	$ 7,013,928	$ 135,437

8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

LAX has entered into numerous rental agreements with concessionaires for food and beverage, gift and news, duty-free, rental car facilities, and advertisements. In general, the agreements provide for cancellation on a 30-day notice by either party; however, they are intended to be long-term in nature with renewal options. Accordingly, these agreements are considered operating leases for purposes of financial reporting.

The agreements provide for a concession fee equal to the greater of a minimum annual guarantee (MAG) or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2019 and 2018, revenues from such agreements were approximately $380.2 million and $356.9 million, respectively. The respective amounts over MAG were $110.7 million and $96.9 million.

Minimum future rents or payments under these agreements over the next five years, assuming no material changes from concessionaires' current levels of gross sales, and that current agreements are carried to contractual termination, are as follows (amounts in thousands):

Fiscal year ending	Amount
2020	$ 194,329
2021	151,021
2022	138,581
2023	132,214
2024	95,586
Total	$ 711,731

On March 1, 2012, LAWA and URW, LLC (URW) (formerly Westfield Airports, LLC.) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date the same as the TBIT portion, which is no later than January 31, 2032. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than $81.9 million in initial improvements and $16.4 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 3-1-12 Agreement, the MAG will be adjusted each year by the greater of (a) $210 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA beginning January 1, 2014. For any year in which the number of enplaned passengers in TBIT and Terminal 2 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.

On June 22, 2012, LAWA and URW entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Under this agreement, the expiration dates of Terminal 1, 3, and 6 are June 30, 2032, June 30, 2029, and September 30, 2030, respectively. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than $78.6 million in initial improvements and $15.7 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 6-22-12 Agreement, the MAG will be adjusted each year by the greater of (a) $240 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis beginning January 1, 2014.

On November 13, 2017, LAWA and URW entered into an amendment related to TBIT and Terminal 2 for additional concession space of up to 30,000 square feet in the Midfield Satellite Concourse (MSC). The construction of the new concourse started in February 2017 and is expected to be completed by 2021.

Minimum future rents under these two agreements with URW over the next five years assuming no material changes from concessionaires' current levels of gross sales are estimated as follows (amounts in thousands):

Fiscal year ending		Amount
2020	$	29,898
2021		30,646
2022		31,412
2023		32,197
2024		33,409
Total	$	157,562

Notes to the Financial Statements
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(continued)

LAX also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2019 and 2024. Certain airlines and consortium of airlines also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2019 and 2018, revenues from these leases were $700.0 million and $635.4 million, respectively.

Future rents under these land and terminal lease agreements over the next five years were based on the assumption that current agreements are carried to contractual termination. The estimated future rents are as follows (amounts in thousands):

Fiscal year ending	Amount
2020	$ 514,574
2021	493,907
2022	423,135
2023	375,457
2024	339,084
Total	$ 2,146,157

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2019 and 2018 are as follows (amounts in thousands):

	2019	2018
Buildings and facilities	$ 6,186,984	$ 5,582,528
Accumulated depreciation	(1,266,044)	(1,038,013)
Net	4,920,940	4,544,515
Land	522,328	522,328
Total	$ 5,443,268	$ 5,066,843

b. Lease Obligations

LAX leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2019 and 2018 were $7.5 million and $7.1 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

Fiscal year(s) ending		Amount
2020	$	5,654
2021		3,560
2022		3,560
2023		3,560
2024		3,560
2025-2029		13,869
2030-2034		5,704
Total	$	39,467

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

9. Passenger Facility Charges

Passenger Facility Charges (PFCs) are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the Federal Aviation Administration (FAA). Airlines operating at LAX have been collecting PFCs on behalf of LAX. PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA are $4.3 billion and $4.2 billion as of June 30, 2019 and 2018, respectively. LAX has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of $147.7 million and $136.0 million were used for debt service in fiscal years 2019 and 2018, respectively.

The following is a summary of projects approved by FAA as of June 30, 2019 and 2018 (amounts in thousands):

	2019	2018
Terminal development	$ 3,141,679	$ 3,141,679
Noise mitigation	1,042,079	953,745
Airfield development and equipment	83,620	83,620
Total	$ 4,267,378	$ 4,179,044

PFCs collected and the related interest earnings through June 30, 2019 and 2018 were as follows (amounts in thousands):

	2019	2018
Amount collected	$ 2,626,905	$ 2,453,805
Interest earnings	220,660	214,429
Total	$ 2,847,565	$ 2,668,234

Cumulative expenditures on approved PFCs projects totaled $2.5 billion and $2.3 billion for fiscal years 2019 and 2018, respectively.

10. Customer Facility Charges

California CFC Legislation permits LAWA to require the collection by rental car companies of CFCs at a rate charged on a per-day basis up to $9.00 per day (for up to 5 days), and CFCs collected by the rental car companies on behalf of LAWA are permitted under the California CFC Legislation to finance, design and construct the ConRAC; to finance, design, construct and operate the APM System, as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system.

In November 2001, in anticipation of constructing a consolidated rental car facility (ConRAC) identified in LAX's master plan, the Board approved collection of CFCs of $10.00 per rental contract and began collections in August 2007. On October 5, 2017, the Board authorized collection of an updated CFC pursuant to the California CFC Legislation to fund costs of a ConRAC and its share of a common-use transportation system (CTS) at LAX. The Board authorized collection of CFCs of $7.50 per day for the first five days of each car rental contract, effective January 1, 2018, by rental car companies serving LAX. On June 20, 2019, the Board authorized collection of $9.00 per day for the first five days of each car rental contract, effective September 1, 2019, by rental car companies serving LAX.

CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected and the related interest earnings through June 30, 2019 and 2018 were as follows (amounts in thousands):

	2019	2018
Amount collected	$ 402,676	$ 322,428
Interest earnings	27,689	21,348
Total	$ 430,365	$ 343,776

Cumulative expenditures on approved CFCs projects totaled $3.0 million for fiscal years 2019 and 2018.

11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled $29.9 million and $54.3 million in fiscal years 2019 and 2018, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

12. Related Party Transactions

The City provides services to LAX such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2019 and 2018 were $119.9 million and $116.1 million.

LAX collects parking taxes on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2019 and 2018 were $11.5 million and $10.8 million, respectively.

LAX shares certain administrative functions with VNY and PMD including, but not limited to, legal, human services, and financial services. Also, beginning fiscal year 2011, LAX pays VNY annual rent for the use of the land where the Flyaway Terminal resides. The rent is adjusted every July 1 of each year based on the consumer price index. The adjusted rent was $1.2 million and $1.1 million for fiscal years 2019 and 2018, respectively. The details are as follows (amounts in thousands):

	2019	2018
Allocated administrative costs		
VNY	2,333	2,478
PMD	395	446
Total	2,728	2,924
Land rental	(1,203)	(1,157)
Net	$ 1,525	$ 1,767

In December 2009, two cases were settled that related to FAA's audit findings of improper payments by LAX to the City General Fund. The cases involved compliance review by FAA of the transfer of LAX revenue funds to the City General Fund for the implementation of a joint strategic international marketing alliance, and the legality of the transfer of $43.0 million out of approximately $58.0 million representing condemnation proceeds received for certain City-owned property taken by the State for use in the construction of the Century Freeway. The settlement calls for a series of semi-annual payments over ten years through June 30, 2019 by the City General Fund to LAX totaling $17.7 million plus 3.0% interest for a total of $21.3 million. The installment payments will be offset against billings for actual cost of services provided by the City General Fund to LAX. The balance of $2.9 million, reported as receivable within one year under unrestricted current assets as of June 30, 2018, was paid off in fiscal year 2019.

13. Pension Plan

I. *Los Angeles City Employees' Retirement System*

a. General Information

Plan Description

All full-time employees of LAX are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Pension Plan). LACERS serves as a common investment and administrative agent for City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by statutes in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Benefits and benefit changes are established by ordinance and approved by City Council and the Mayor.

All employees who became members of LACERS before July 1, 2013 are designated as Tier 1 members. On or after July 1, 2013, new employees became members of LACERS Tier 2. On July 9, 2015, Tier 2 was rescinded and a new tier of benefits was created. As a result, Ordinance No. 184134 was adopted on January 12, 2016, where all active Tier 2 members were transferred to Tier 1 as of February 21, 2016. Thereafter, new members became Tier 3 members of LACERS. Membership to Tier 1 is now closed to new entrants.[5]

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http://lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related defined benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the Pension Plan's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided

LACERS provides for service and disability retirement benefits, as well as death benefits. Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member who has five or more years of continuous City service terminates employment, the member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

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[5] *During fiscal year 2018, LACERS became closed to Airport Peace Officers (APO) and all new APO hired after January 6, 2018 would be enrolled in City of Los Angeles Fire and Police Pensions (LAFPP) Tier 6, rather than in LACERS. Please refer to Note 13.II for more information.*

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

LACERS Tier 1 members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the member's average monthly pensionable salary during the member's last 12 months of service, or during any other 12 consecutive months of service designated by the member, multiplied by the member's years of service credit. Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater.

Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary will be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a $2,500 funeral allowance is paid, and modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

LACERS Tier 3 members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provide that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Members also are eligible to retire with an age-based reduced benefits before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, LACERS also provides Tier 3 members an enhanced retirement benefits with a 2.0% retirement factor if the member retires at age 63 with at least 10 years of service; or a retirement factor of 2.1% if the member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the member's retirement factor (1.5% - 2.1%), with the member's last 36 months of final average compensation or any other 36 consecutive months designated by the member, and by the member's years of service credit.

Tier 3 members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater. Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Retirement allowances are indexed annually for inflation. The LACERS Board of Administration has authority to determine the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a cost-of-living adjustment (COLA) to the benefits of eligible members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 members or 2.0% for Tier 3 members. The excess over the maximum will be banked for Tier 1 members only.

Membership

The components of LACERS membership in both tiers (Tier 1 and Tier 3) for the measurement dates as of June 30, 2018 and June 30, 2017, respectively, were as follows: (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

	2018	2017
Active		
Vested	18,460	19,188
Non-vested	7,582	6,269
	26,042	25,457
Inactive		
Non-vested	5,158	5,078
Terminated entitled to benefits, not yet receiving benefits	2,870	2,350
Retired	19,379	18,805
Total	53,449	51,690

Member Contributions

The current contribution rate for most of the Tier 1 members is 11% of their pensionable salary including a 1% increase in the member contribution rate pursuant to the 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP cost obligation is fully recovered, whichever comes first); and 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance. As of June 30, 2019 and June 30, 2018, all active Tier 1 members are now paying additional contributions, and are not subject to the retiree medical subsidy cap. The contribution rate for Tier 3 members is 11% of their pensionable salary including 4% of additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 members do not pay the ERIP contribution; therefore, Tier 3 members' contribution rate will not drop down when Tier 1 members cease to pay the 1% ERIP contribution.

Employer Contributions

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS actuary after the completion of the annual actuarial valuation. The average employer contribution rates were 22.21% and 22.88% of compensation as of June 30, 2018 (based on the June 30, 2016 valuation) and June 30, 2017 (based on the June 30, 2015 valuation), respectively. (Note: information for fiscal year 2019 is not yet available as of this report issue date).

The total City contributions to LACERS of $719.2 million and $686.6 million for the years ended June 30, 2019 and June 30, 2018, respectively, consisted of the following (amounts in thousands):

	2019	2018
Required contributions - Retirement Plan	$ 478,717	$ 450,195
Family death benefit Plan	110	143
Total City contributions	478,827	450,338
Member contributions - Retirement Plan	240,357	236,222
Total	$ 719,184	$ 686,560

The required City contribution of $478.7 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $240.4 million were made toward the retirement and voluntary family death benefits for fiscal year 2018.

The required City contribution of $450.2 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $236.2 million were made toward the retirement and voluntary family death benefits for fiscal year 2017.

LAX's Contributions to the Pension Plan

LAX's contributions to the Pension Plan for the year ended June 30 (amounts in thousands):

	2019	2018
LAX's required contributions to the Pension Plan	$ 64,737	$ 60,918

The LAX contributions made to the Pension Plan under the required contribution category in the amounts of $64.7 million and $60.9 million for fiscal years 2019 and 2018, respectively, were equal to 100% of the actuarially determined contribution of the employer.

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the Pension Plan

LACERS' Net Pension Liability (NPL) for fiscal year 2019 was measured as of June 30, 2018 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2018.

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan and the plans basis of accounting, including policies with respect to benefit payments and valuation of investments. Detailed information about LACERS net position is available in the separately issued LACERS financial reports, which can be found on the LACERS website.

As of the reporting date June 30, 2019 (measurement date of June 30, 2018), LAX reported its proportionate shares of TPL, FNP and NPL[6] as follows (amounts in thousands):

	Reporting date 6/30/19 Measurement date 6/30/18
LAX's proportionate share:	
Total Pension Liability	$ 2,696,584
Plan Fiduciary Net Position	(1,924,658)
Net Pension Liability	$ 771,926
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.37%

LAX's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAX during fiscal year 2018. The NPL was measured as of June 30, 2018 and determined based upon the Pension Plan's FNP (plan assets) and TPL from actuarial valuations as of June 30, 2018.

[6] *On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer to Tier 6 of LAFPP Plan or to remain in LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. The Governmental Accounting Standards(GAS) 68 Actuarial Valuation Report based on June 30, 2017 Measurement Date for Employer Reporting as of June 30, 2018 did not include any additional liabilities associated with the enhanced benefits for the APO who would elect to remain in LACERS since the elections had not yet been completed at the time the actuary prepared the GAS 68 Actuarial Valuation Report. Similarly, the actuary did not include any decrease in liabilities associated with APO members transferring to LAFPP in the GAS 67 Actuarial Valuation Report, for the same reason. Based on discussions with LACERS, the actuary have been directed to continue excluding any increases or decreases in liabilities associated with any APO benefit enhancements at LACERS and APO transfers to LAFPP for the June 30, 2017 (measurement date) GAS 68 Valuation Report. For more information on the transfer to LAFPP, please refer to Note 13, Part II, City of Los Angeles Fire and Police Pensions, of the notes to the financial statements.*

Notes to the Financial Statements
June 30, 2019 and 2018
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Change in LAX's proportionate share of the NPL as of June 30, 2019 (measurement date June 30, 2018) and 2018 (measurement date June 30, 2017) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2019 (measurement date June 30, 2018)	$ 771,926	13.52%
Proportion - Reporting date June 30, 2018 (measurement date June 30, 2017)	$ 710,724	13.47%
Change - Increase	$ 61,202	0.05%

For the year ended June 30, 2019, LAX recognized pension expense of $80.5 million. At June 30, 2019, LAX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 64,737	$ —
Differences between expected and actual experience	—	36,779
Changes of assumptions	92,821	—
Net difference between projected and actual earnings on pension plan investments	15,791	17,427
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,348	9,070
Total	$ 177,697	$ 63,276

$64.7 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

Fiscal year ending	Amount
2020	$ 31,514
2021	9,975
2022	(5,733)
2023	9,900
2024	4,028

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Projected Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Marital Status	76% of male and 50% of female are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Notes to the Financial Statements
June 30, 2019 and 2018
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Discount Rate

The discount rates used to measure the total pension liability was 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.61%
U.S. Small Cap Equity	5.00	6.10
Developed International Large Cap Equity	17.00	6.70
Developed International Small Cap Equity	3.00	7.10
Emerging Market Equity	7.00	8.90
Core Bonds	13.75	1.00
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.00
Emerging Market Debt	4.50	3.40
Private Debt	3.75	5.50
Private Real Estate	7.00	4.70
Real Estate Investment Trust	0.50	5.90
Treasury Inflation Protected Securities	3.50	1.00
Commodities	1.00	3.40
Public Real Assets	1.00	4.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

Sensitivity of LAX's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAX's proportionate share of the NPL as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what LAX's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate (amounts in thousands):

	June 30, 2019
1% decrease	6.25%
Net Pension Liability	$1,142,456
Current discount rate	7.25%
Net Pension Liability	$771,926
1% increase	8.25%
Net Pension Liability	$466,589

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June 30, 2019 and 2018
(continued)

II. *City of Los Angeles Fire and Police Pensions*

a. General Information

In November 2016, voters approved a ballot measure that allowed for approximately 500 sworn Airport Peace Officers (APO) to opt-out of the LACERS Plan and transfer to the City of Los Angeles Fire and Police Pensions (LAFPP) as Tier 6 members. On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn APO at LACERS an option to transfer to Tier 6 of LAFPP Plan or to remain in the LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. Under the ordinance, APO members who elect to remain in LACERS would be Tier 1 members, and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.3% (versus 2.16% for all other Tier 1 members), contingent upon a mandatory additional contribution payment of $5,700 per remaining member to LACERS. The enhanced benefits was effective from January 7, 2018.

LACERS transferred $3.0 million of allocated discounted APO assets to LAFPP in January 2018 for fiscal year 2018. Out of the $3.0 million allocated discounted APO assets, $2.5 million relates to LACERS pension assets, and $0.5 million relates to LACERS health assets.

Plan Description

LAFPP operates under the City of Los Angeles Charter and Administrative Code provisions as a single-employer defined benefit pension plan covering all full-time active sworn firefighters, police officers, certain LAWA APO and Harbor Port Police officers of the City of Los Angeles. LAFPP is composed of six tiers.

Tier 6 is the current tier for all LAWA APO hired on or after January 7, 2018. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension System, 360 E. Second Street, Suite 400, Los Angeles, CA 90012, (213) 978-4545 or LAFPP's website https://www.lafpp.com/about/financial-reports. As of the completion date of LAWA's financial statements, the LAFPP's financial statements and the plan's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided by the LAFPP Plan

Information about benefits for Tiers 1 through 5 members is available in the separately issued LAFPP financial report. Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus LAFPP Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Member Contributions to the LAFPP Plan

The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP regardless of tier in which they are included. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6. The average member contribution rates for fiscal year 2018 (based on the June 30, 2016 valuation) was 9.99% of compensation paid biweekly. The average member contribution rates for fiscal year 2017 (based on the June 30, 2015 valuation) was 9.23% of compensation paid biweekly.

LAX's Contributions to the LAFPP Plan

In fiscal year 2019, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 27.54% of covered payroll. Based on LAX's reported covered payroll of $4.9 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $1.3 million. In fiscal year 2018, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 23.54% of covered payroll. Based on LAX's reported covered payroll of $1.9 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $0.4 million for the period between January and June 2018.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2019, LAX recognized its proportionate shares of NPL of $1.5 million, and a pension credit (negative pension expense) of $0.3 million for the LAFPP plan due to timing differences between recognizing liability versus contributions. LAX also reported deferred outflows of resources and deferred inflows of resources related to pensions for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 880	$ —
Differences between expected and actual experience	2,110	—
Net difference between projected and actual earnings on pension plan investments	—	37
Total	$ 2,990	$ 37

$0.9 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2020.

14. Other Postemployment Benefit Plan (OPEB)

I. *Los Angeles City Employees' Retirement System*

a. General Information

Plan Description

Los Angeles City Employees' Retirement System (LACERS) provides other postemployment health care benefits under a Postemployment Health Care Plan to eligible retirees and their eligible spouses/domestic partners who participate in the Pension Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. These benefits may also extend to the coverage of other eligible dependent(s). To be eligible for health care benefits, member must: 1) be at least age 55; 2) had at least 10 whole years of service with LACERS; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http://lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related OPEB benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided

The maximum subsidies are set annually by the LACERS Board of Administration. Both Tier 1 and Tier 3 members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and the eligible members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Pension Plan members are entitled to LACERS' postemployment health care benefits after the retired member's death. During fiscal year 2011, the City adopted an ordinance (Subsidy Cap Ordinance) to limit the maximum medical subsidy at $1,190 for those members who retire on or after July 1, 2011; however, members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2018, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

Notes to the Financial Statements
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(continued)

Membership

As of the measurement dates June 30, 2018 and June 30, 2017, the components of membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows: (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

	2018	2017
Retirement members/Surviving spouses (1)	15,144	14,652
Vested terminated members entitled to, but not yet receiving benefits (2)	1,401	1,280
Active members	26,042	25,457
Total	42,587	41,389

(1) Total participants including married dependents and dependent children receiving benefits were 20,288 and 19,539 as of June 30, 2018 and 2017, respectively.
(2) Including terminated members due a refund of employee contributions.

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2018, was 4.92% of covered payroll, determined by the June 30, 2016 actuarial valuation. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2017, was 4.74% of covered payroll, determined by the June 30, 2015 actuarial valuation. (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Postemployment Health Plan. The required annual contribution amount is composed of two components: normal cost which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the unfunded actuarial accrued liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are closed as each layer of the UAAL is systematically amortized over a fixed period.

The total OPEB contributions to LACERS for the years ended June 30, 2018 and 2017 was $100.9 million and $97.5 million, representing 100% of the Actuarially Determined Contribution (ADC) of the employer as defined by GASB Statement No. 74[7]. (Note: information for fiscal year 2019 is not yet available as of this report issue date.)

LAX's Contributions to the Postemployment Health Care Plan

LAX's contributions to the Postemployment Health Care Plan for the years ended June 30 (amounts in thousands):

	2019	2018
LAX's required contributions to the Postemployment Health Care Plan	$ 14,212	$ 13,586

LAX's contributions made for the Postemployment Health Care Plan, in the amounts of $14.2 million and $13.6 million for fiscal years 2019 and 2018, respectively, represent 100% of the ADC as defined by GASB Statement No. 74. The Postemployment Health Care Plan is administered through a trust that meets the criteria of GASB Statement No. 75[8].

[7] *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in June 2015*
[8] *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued in June 2015*

Notes to the Financial Statements
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(continued)

b. **Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the OPEB Plan**

LACERS' Net OPEB Liability (NOL) for fiscal year 2019 was measured as of June 30, 2018 and determined based upon the Plan Fiduciary Net Position (FNP) and Total OPEB Liability (TOL) from actuarial valuation as of June 30, 2018.

As of the reporting date June 30, 2019 (measurement date of June 30, 2018), LAX reported its proportionate shares of TOL, FNP and NOL[9] as follows (amounts in thousands):

		Reporting date 6/30/19 Measurement date 6/30/18
LAWA's proportionate share:		
Total OPEB Liability	$	432,346
Plan Fiduciary Net Position		(355,290)
Plan's Net OPEB Liability	$	77,056
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		82.18%

LAX's NOL was measured as the proportionate share of the NOL based on the employer contributions made by LAWA during fiscal year 2018. The NOL was measured as of June 30, 2018 and determined based upon the Postemployment Health Care Plan's FNP (plan assets) and TOL from actuarial valuations as of June 30, 2018.

Change in LAX's proportionate share of the NOL as of June 30, 2019 (measurement date June 30, 2018) and 2018 (measurement date June 30, 2017) was as follows (amounts in thousands):

		NOL	Proportion
Proportion - Reporting date June 30, 2019 (measurement date June 30, 2018)	$	77,056	13.28%
Proportion - Reporting date June 30, 2018 (measurement date June 30, 2017)	$	76,310	13.46%
Change - Increase (Decrease)	$	746	(0.18)%

[9] *On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer to Tier 6 of LAFPP Plan or to remain in LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. The Governmental Accounting Standards (GAS) 68 Actuarial Valuation Report based on June 30, 2017 Measurement Date for Employer Reporting as of June 30, 2018 did not include any additional liabilities associated with the enhanced benefits for the APO who would elect to remain in LACERS since the elections had not yet been completed at the time the actuary prepared the GAS 75 Actuarial Valuation Report. Similarly, the actuary did not include any decrease in liabilities associated with APO members transferring to LAFPP in the GAS 74 Actuarial Valuation Report, for the same reason. Based on discussions with LACERS, the actuary have been directed to continue excluding any increases or decreases in liabilities associated with any APO benefit enhancements at LACERS and APO transfers to LAFPP for the June 30, 2017 (measurement date) GAS 75 Valuation Report. For more information on the transfer to LAFPP, please refer to Note 13, Part II, City of Los Angeles Fire and Police Pensions, of the notes to the financial statements.*

For the year ended June 30, 2019, LAX recognized the Postemployment Health Care Plan's OPEB expense of $11.6 million. At June 30, 2019, LAX reported deferred outflows of resources and deferred inflows of resources related to the Postemployment Health Care Plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	$ 14,212	$ —
Differences between expected and actual experience	1,794	—
Changes of assumptions	13,416	823
Net difference between projected and actual earnings on OPEB plan investments	—	22,997
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	1,672
Total	$ 29,422	$ 25,492

$14.2 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to net OPEB liability will be recognized as OPEB expense as follows (amounts in thousands):

Fiscal year ending	Amount
2020	$ (4,367)
2021	(4,367)
2022	(4,367)
2023	100
2024	1,915
2025	804

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Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3%
Projected Salary Increases	Range from 3.90% to 10.00% based on years of service, including inflation
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2017.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Health Care Cost Trend Rates	Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to fiscal year 2019 are:

First Fiscal Year (July 1, 2018 through June 30, 2019)

Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	3.5%	4.29%
Anthem Blue Cross HMO	(1.75)%	N/A
Anthem Blue Cross PPO	3.5%	3.25%
UHC Medicare HMO	N/A	3.25%

Dental Premium Trend to be applied is 4.00% for all years.

Medicare Part B Premium Trend for the 2018-19 fiscal year will be calculated based on the actual increase in premium from 2018 to 2019. 4.00% for years following the 2019 calendar year.

Discount Rate

The discount rates used to measure the total OPEB liability, 7.25% as of June 30, 2018, was the long-term expected rate of return on the LACER Plan's investments.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.61%
U.S. Small Cap Equity	5.00	6.10
Developed International Large Cap Equity	17.00	6.70
Developed International Small Cap Equity	3.00	7.10
Emerging Market Equity	7.00	8.90
Core Bonds	13.75	1.00
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.00
Emerging Market Debt	4.50	3.40
Private Debt	3.75	5.50
Private Real Estate	7.00	4.70
Real Estate Investment Trust	0.50	5.90
Treasury Inflation Protected Securities	3.50	1.00
Commodities	1.00	3.40
Public Real Assets	1.00	4.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, employer contributions are intended only to fund the benefits of current plan members and their beneficiaries.

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(continued)

Based on those assumptions, LACERS fiduciary net position was projected to be available to make all projected future benefit payments for current plan Members and their beneficiaries. Therefore, in accordance with the GASB Statement No. 74, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of LAX's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (dollar in thousands):

	June 30, 2019
1% decrease	6.25%
Net OPEB Liability	$139,174
Current discount rate	7.25%
Net OPEB Liability	$77,056
1% increase	8.25%
Net OPEB Liability	$26,289

Sensitivity of LAX's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2019, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current trend rate[10] (dollar in thousands):

	June 30, 2019
1% decrease	
Net OPEB Liability	$19,238
Current Healthcare Cost Trend Rates	
Net OPEB Liability	$77,056
1% increase	
Net OPEB Liability	$152,854

[10] *Current trend rates: 6.87% graded down to 4.50% over 10 years for Non-Medicare medical plan costs; 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs; and 4.50% for all years for Dental and Medicare Part B cost.*

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June 30, 2019 and 2018
(continued)

II. *City of Los Angeles Fire and Police Pensions*

a. Benefits Provided by the LAFPP Plan - OPEB

LAFPP provides other postemployment healthcare benefits to eligible members. Detailed information about the LAFPP OPEB plan is available in the separately issued LAFPP financial report.

b. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2019, LAX recognized its proportionate shares of NOL of $0.7 million, and OPEB expense of $0.2 million for the LAFPP plan. LAX also reported deferred outflows of resources and deferred inflows of resources related to OPEB for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	$ 457	$ —
Differences between expected and actual experience	609	—
Changes of assumptions	25	—
Net difference between projected and actual earnings on OPEB plan investments	—	5
Total	$ 1,091	$ 5

$0.5 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2020.

15. Risk Management

The Risk Management Division administers LAWA's risk and claims management program by implementing a comprehensive risk identification, assessment, regulation and insurance program. The program addresses key risks that may adversely affect LAWA's ability to meet its business goals and objectives and effectively insures against losses, transfers risk or otherwise mitigates risk losses.

LAWA maintains insurance coverage of $1.3 billion for general aviation liability perils and $1.0 billion for war and allied perils (Terrorism). Additional insurance coverage is carried for general all risk property insurance for $2.5 billion, that includes $250.0 million sub-limits for boiler and machinery, and $25.0 million for earthquake. Deductibles for these policies are $10,000 per claim with a $500,000 annual aggregate for general liability losses, and $100,000 per occurrence and no aggregate for general property. Historically, no liability or property claims have reached or exceeded the stated policy limits stated above.

Additionally, LAX maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. LAWA also monitors contractual transfer of risk by and through insurance review and requirements of contractors, tenants, airlines. For fiscal years 2019, 2018, and 2017, no claims were in excess of LAX's insurance coverage or approached a substantial portion of the overall coverage capacities.

A number of claims/lawsuits were pending against LAX that arose in the normal course of its operations. LAX recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Outside counsel provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The probability weighted liability for litigation and other claims for the fiscal years ended June 30, 2019 and 2018 was $10.1 million.

LAX is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by LAWA under the City's workers compensation program. Liability and risk are retained by LAX. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAX's accrued workers' compensation liabilities at June 30, 2019 and 2018 were $83.4 million and $87.0 million, respectively.

Notes to the Financial Statements
June 30, 2019 and 2018
(continued)

The changes in LAX's estimated claims payable are as follows (amounts in thousands):

	June 30		
	2019	2018	2017
Balance at beginning of year	$ 97,075	$ 78,484	$ 74,376
Provision for current year's events and changes in provision for prior years' events	6,745	26,728	12,503
Claims payments	(10,349)	(8,137)	(8,395)
Balance at end of year	$ 93,471	$ 97,075	$ 78,484
Current portion	(9,170)	(10,349)	(8,137)
Noncurrent portion	$ 84,301	$ 86,726	$ 70,347

16. Commitments, Litigations, and Contingencies

a. Commitments

LAX has commitments for open purchase orders of approximately $138.6 million and $114.2 million as of June 30, 2019 and 2018, respectively.

LAX has commitments to make a series of Milestone Payments according to the terms of contract for Automated People Mover (APM) totaling approximately $1.0 billion during the construction, based upon the value of work performed and/or its completion of certain design and construction milestones. Subject to certain conditions, additional five APM Milestone Payments[11] are to be made between December 31, 2019 and 60 days after final completion of the APM Project. Additional commitments related to further Availability Payments are subject to project completion.

LAX has commitments to make a series of Consolidated Rental Car Facility (ConRAC) Milestone/Progress Payments of approximately $725.0 million during the construction based upon the value of work performed and/or its completion of certain design and construction milestones. Additional commitments related to further Availability Payments are subject to project completion.

LAX has the following commitments on major construction contracts[12]:

Project	Amount (in millions)
MSC North Terminals	$ 318.1
TBIT Core and APM Interface	293.9
LAWA Utilities and LAMP Enabling Project	167.0
ITF West	213.4
Airport Police Facility	156.9
Total	$ 1,149.3

LAX has the following commitments on major tenant based acquisitions[12:]

Project	Amount (in millions)
Terminals 1/1.5 Improvement	$ 443.9
Terminals 2/3 Improvement	1,602.5
Terminals 4/5 Improvement	233.6
TBIT/MSC Baggage System	260.2
Total	$ 2,540.2

[11] *The first APM Milestone Payment of $174.7 million was made in March 2019.*
[12] *Unpaid portion of total commitments.*

b. Aviation Security

Concerns about the safety and security of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in the light of existing international hostilities, potential terrorist attacks, and world health concerns, including epidemics and pandemics. As a result of terrorist activities, certain international hostilities and risk of violent crime, LAWA has implemented enhanced security measures mandated by the FAA, the Transportation Security Administration (TSA), the Department of Homeland Security and Airport management. Current and future security measures may create significantly increased inconvenience, costs and delays at LAX which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect LAWA's operations, expenses and revenues. LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. LAWA cannot predict whether LAX or any of LAWA's other airports will be actual targets of terrorists or other violent acts in the future.

c. Environmental Issues

LAX bears full responsibility for the cleanup of environmental contamination on property it owns. However, if the contamination originated based on contractual arrangements, the tenants are held responsible even if they declare bankruptcy. As property owner, LAX assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAX may become liable for cleaning up soil and groundwater contamination on a property in the event that the previous owner does not perform its remediation obligations. LAX accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays. The California Regional Water Quality Control Board, Lahontan Region (Water Board) issued a Notice of Revised Proposed Cleanup and Abatement Order (Order) to Los Angeles County Sanitation District No. 20 (District) and the City of Los Angeles (City), as Dischargers, with respect to discharges to underground water from the Palmdale Reclamation Plant (Reclamation Plant) owned by the District. The Order states that the discharges have resulted in violations of waste discharge requirements for the Reclamation Plant and prohibitions contained in the Water Quality Control Plan for the Lahontan Region, and that discharges from the Reclamation Plant to unlined ponds and to the Effluent Management Site (owned by the City and now known as the Agricultural Site) have adversely affected and polluted groundwater in the area of the discharges. The Water Board issued an order to the District and LAWA to submit technical reports that include feasibility and costs to remove nitrate from groundwater to certain acceptable levels. The LAWA Board and City Council approved a settlement in April and May 2018 which is documented in an Amended & Restated Lease with the following key terms: (i) LAWA to make a $5.0 million lump sum payment to the District, (ii) LAWA to provide a 10-year lease extension with two 5-year options, (iii) District to release the City, including LAWA's past and current tenants, (iv) District to indemnify LAWA, in perpetuity, covering all past and future cleanup orders and regulatory requirements relating to Site Contamination (as defined in the Amended & Restated Lease), with two limited and reasonable exceptions, (v) LAWA to provide reasonable access over its Palmdale Landholdings for Compliance Requirements, subject to its Tenant Improvement Approval Process and obligations under tenant leases, and (vi) Groundwater pumped as part of the extraction well network shall be charged to the District's allocation under the Antelope Valley Groundwater Adjudication Final Judgment, and not to LAWA's allocation. The $5.0 million lump sum payment was made in June 2018 in full settlement of the liability which was accrued as of June 30, 2017.

17. Subsequent Events

On July 18, 2019, the Board approved a Guaranteed Maximum Price (GMP) in the amount of $218.7 million and approved the third amendment in the amount of $10.0 million to the contract with Swinerton Builders for the Landside Access Modernization Program Intermodal Transportation Facility West (ITF-West) Project at LAX. The ITF-West Project will provide public parking for approximately 4,530 vehicles, create flexible space for commercial and passenger amenities, and provide a new facility to relocate the LAWA Security Badging Office.

On July 18, 2019, the Board appropriated funds of $88.5 million to continue project management/ construction management (PM/CM) services and project control (PC) services supporting the Capital Improvement Program (CIP) and enterprise-level initiatives of LAWA. These services augment LAWA staff supporting both LAWA and tenant managed improvements. The Board approved contracts totaling $120.0 million for PM/CM services and $100.0 million for PC services with the intent that staff would return periodically to appropriate funds based on projected CIP workload. This appropriation will fully fund the combined contract amounts established in 2016 and will support the CIP estimated through December 2020.

On August 1, 2019, the Board approved award of a three-year contract to LAZ Parking California, LLC for taxi and ride-app pickup lot and shuttle operations, management, and related services for a not-to-exceed amount of $65.0 million and appropriate funds in the amount of $12.5 million for the purchase of the remaining trolleys to be used at this lot.

On August 1, 2019, the Board approved the First Amendment to Amended and Restated Lease with PNF-LAX, Inc. with a corresponding reduction in the monthly scheduled minimum rent, resulting in projected annual revenue of $6.4 million for 2019 and a guaranteed minimum revenue of $55.4 million over the remaining term of the lease, exclusive of CPI, periodic rent adjustments. The purpose of this action is to address LAWA's need for immediate temporary access to PNF's leased premises and use a portion of the premises for an auxiliary curb. This is an effort to address the anticipated traffic congestion in the Central Terminal Area caused by passenger growth as well as current and pending airport improvement projects, and to improve the guest experience.

On August 1, 2019, the Board approved the First Amendment with Hensel Phelps in the amount of $11.8 million, a GMP in the amount of $177.6 million for the Airport Police Facility Project at LAX, and a not-to-exceed amount of $172.4 million to complete the project. This project is part of LAWA's CIP and includes design and construction of a new facility to co-locate the majority of functions of the Airport Police Division onto one site.

On September 10, 2019, the Board awarded a three-year contract in a not-to-exceed amount of $84.1 million to Sully-Miller Contracting Company for construction of Taxiway P Project at LAX; and appropriate capital funds in the amount of $96.9 million for this project.

On September 10, 2019, the Board approved first amendment with Austin Commercial, LP for the Terminal Cores and APM Interface Project in the amount of $61.9 million; approved the GMP in the amount of $398.4 million in capital funds for Base Buildings and three additional scopes of work for the Terminal Cores and APM Interface Project; and appropriate funds in the amount of $384.3 million for this project.

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Required Supplementary Information

(Unaudited)

2019

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Required Supplementary Information

(Unaudited)

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Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)
Los Angeles International Airport

Required Supplementary Information (Unaudited)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Pension Plan

The schedules included in the Required Supplementary Information for the Pension Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, LAX presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

Schedule of LAX's Proportionate Share of the Net Pension Liability (1) (2)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate share of the Net Pension Liability	Covered Payroll (3)	Proportionate share of the Net Pension Liability as a percentage of its Covered Payroll	Proportionate share of Pension Plan's Fiduciary Net Position	Proportionate share of Pension Plan's Total Pension Liability	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2015	12.71%	$ 566,613	$ 229,535	246.85%	$ 1,498,734	$ 2,065,347	72.57%
2016	12.87%	$ 642,431	$ 235,176	273.17%	$ 1,534,875	$ 2,177,306	70.49%
2017	13.55%	$ 761,187	$ 256,833	296.37%	$ 1,599,900	$ 2,361,087	67.77%
2018	13.47%	$ 710,724	$ 266,780	266.41%	$ 1,774,969	$ 2,485,693	71.41%
2019	13.52%	$ 771,926	$ 274,167	281.55%	$ 1,924,658	$ 2,696,584	71.37%

Notes to schedule:

1. Changes of assumptions

   The June 30, 2014 calculations reflected various assumptions changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of the Pension Plan's Total Pension Liability is primarily due to the lowered assumed investment rate of return, from 7.75% in fiscal year 2013 to 7.50% in fiscal year 2014, and longer assumed life expectancies for members and beneficiaries, while the June 30, 2017 increase is primarily due to the lowered assumed investment rate of return from 7.50% in fiscal year 2016 to 7.25% in fiscal year 2017.

2. In calculating the Pension Plan's Net Pension Liability, the Total Pension Liability and the Plan Fiduciary Net Position exclude amounts associated with Family Death, and Larger Annuity Benefits.

3. Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers and is reported based on measurement period.

Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Schedule of Contributions - Pension

Los Angeles City Employees' Retirement System (LACERS)

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 64,737	$ 60,948	$ 61,197	$ 55,972	$ 49,043
Contributions in relation to the actuarially determined	64,737	60,948	61,197	55,972	49,043
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 276,050	$ 274,167	$ 266,780	$ 256,833	$ 235,176
LAX's contributions as a percentage of covered payroll	23.45%	22.23%	22.94%	21.79%	20.85%

Notes to schedule - Pension

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age method
Amortization Method	Level percent of payroll
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Project Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation

Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Other Postemployment Benefit Plan (OPEB)

The schedules included in the Required Supplementary Information for the Postemployment Health Care Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, LAX presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

Schedule of LAX's Proportionate Share of the Net OPEB Liability (1)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Postemployment Health Care (OPEB) Liability	Proportionate share of the Net OPEB Liability	Covered Payroll (2)	Proportionate share of the Net OPEB Liability as a percentage of its Covered Payroll	Proportionate share of Postemployment Health Care Plan's Fiduciary Net Position	Proportionate share of Postemployment Health Care Plan's Total OPEB Liability	Postemployment Health Care Plan's Fiduciary Net Position as a percentage of the Total OPEB Liability
2018	13.46%	$ 76,310	$ 266,780	28.60%	$ 328,269	$ 404,579	81.14%
2019	13.28%	$ 77,056	$ 274,167	28.11%	$ 355,290	$ 432,346	82.18%

Notes to schedule:

1. Changes of assumptions:

   The June 30, 2017 measurement date OPEB liability from the changes of assumptions is primarily due to the lowered assumed investment rate of return from 7.50% in fiscal year 2016 to 7.25% in fiscal year 2017.

2. Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers and is reported based on measurement period.

Schedule of Contributions - OPEB

Los Angeles City Employees' Retirement System (LACERS)

	2019	2018
Contractually required contribution (actuarially determined)	$ 14,212	$ 13,586
Contributions in relation to the actuarially determined contributions	14,212	13,586
Contribution deficiency (excess)	$ —	$ —
LAX's covered payroll	$ 276,050	$ 274,167
LAX's contributions as a percentage of covered payroll	5.15%	4.96%

Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Notes to schedule - OPEB

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age method
Amortization Method	Level percent of payroll
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Project Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation

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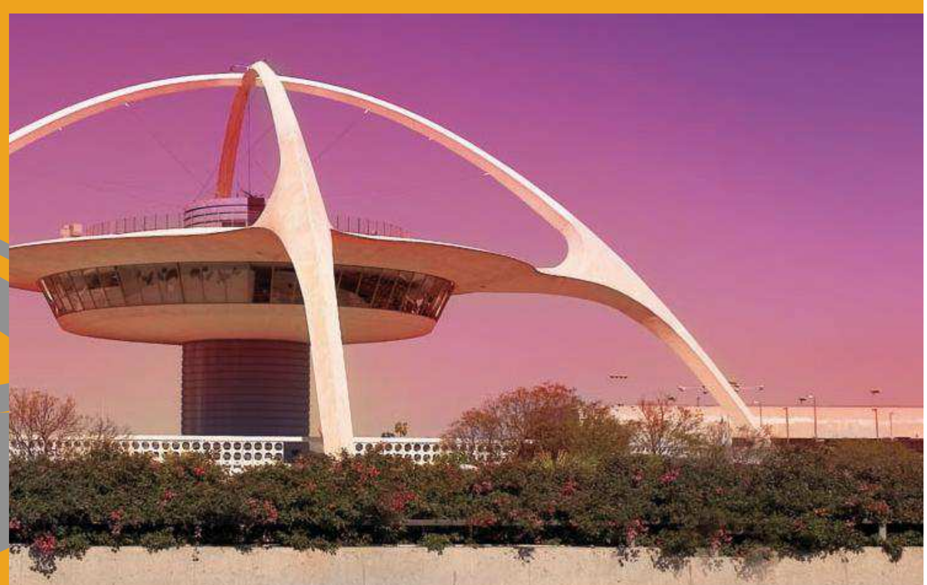

Compliance Section

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MOSSADAMS

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Passenger Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the *Passenger Facility Charge Program Audit Guide for Public Agencies*, and Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Report on Compliance for the Passenger Facility Charge Program

We have audited Los Angeles International Airport's ("LAX"), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *Passenger Facility Charge Program Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), that could have a direct and material effect on its Passenger Facility Charge ("PFC") program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to the PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program occurred. An audit includes examining, on a test basis, evidence about LAX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program. However, our audit does not provide a legal determination of LAX's compliance.

Opinion on PFC Program

In our opinion, LAX complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of LAX is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise LAX's basic financial statements. We have issued our report thereon dated October 28, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
October 28, 2019

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2019 and 2018

(amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of July 1, 2017	$ 2,282,374	$ 209,050	$ 2,491,424	$ 2,038,132	$ 453,292
Fiscal year 2017-18 transactions					
Quarter ended September 30, 2017 Quarter	40,884	1,683	42,567	166,741	(124,174)
ended December 31, 2017 Quarter ended	38,238	1,026	39,264	(26,614)	65,878
March 31, 2018	49,057	1,240	50,297	118,908	(68,611)
Quarter ended June 30, 2018	43,252	1,430	44,682	34,659	10,023
Program to date as of June 30, 2018	2,453,805	214,429	2,668,234	2,331,826	336,408
Fiscal year 2018-19 transactions					
Quarter ended September 30, 2018 Quarter	42,438	1,423	43,861	37,212	6,649
ended December 31, 2018 Quarter ended	38,956	1,400	40,356	34,756	5,600
March 31, 2019	48,440	1,556	49,996	37,178	12,818
Quarter ended June 30, 2019	43,266	1,852	45,118	27,856	17,262
Unexpended passenger facility charge revenues and interest earned June 30, 2019	$ 2,626,905	$ 220,660	$ 2,847,565	$ 2,468,828	$ 378,737

See accompanying notes to the schedule of passenger facility charge revenues and expenditures.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles)
Los Angeles International Airport

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2019 and 2018

1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. The current PFC rate is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA are $4.3 billion and $4.2 billion as of June 30, 2019 and 2018, respectively.

The details are as follows (amounts in thousands):

Application number	Charge effective date*	2019 Amount approved for use	2018 Amount approved for use
96-02-U-00-LAX, closed 6/2/03	6/1/1993	$ 116,371	$ 116,371
96-03-C-00-LAX, closed 10/1/08	7/1/1993	50,223	50,223
97-04-C-02-LAX	2/1/1998	90,000	90,000
97-04-C-03-LAX	2/1/1998	700,000	700,000
97-04-C-04-LAX	2/1/1998	88,334	—
05-05-C-00-LAX	12/1/2005	229,750	229,750
05-05-C-01-LAX	12/1/2005	468,030	468,030
07-06-C-00-LAX	10/1/2009	85,000	85,000
10-07-C-01-LAX	6/1/2012	1,848,284	1,848,284
11-08-C-00-LAX	3/1/2019	27,801	27,801
13-09-C-00-LAX	6/1/2019	44,379	44,379
14-10-C-00-LAX	10/1/2019	516,091	516,091
15-11-U-00-LAX	3/1/2019	3,115	3,115
Total		$ 4,267,378	$ 4,179,044

* *Based on FAA's Final Agency Decision and subject to change with actual collections and future collection authorities approved by FAA.*

Note:

a. In February 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-03-LAX by $90.0 million for the land acquisition component of the Noise Mitigation Project.

b. In August 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-04-LAX by $88.3 million for updated cost of the Residential Soundproofing Project.

The general description of the approved projects and the expenditures to date are as follows (amounts in thousands):

Approved projects	Amount approved for collection	Expenditures to date June 30 2019	Expenditures to date June 30 2018
ONT Terminal Development Program	$ 116,371	$ 116,371	$ 116,371
Taxiway C Easterly Extension, Phase II	13,440	13,440	13,440
Remote Aircraft Boarding Gates	9,355	9,355	9,355
Interline Baggage Remodel - TBIT	2,004	2,004	2,004
Southside Taxiways Extension S & Q	9,350	9,350	9,350
TBIT Improvements	4,455	4,455	4,455
ONT Airport Drive West End	3,462	3,462	3,462
ONT Access Control Monitoring System	808	808	808
ONT Taxiway North Westerly Extension	7,349	7,349	7,349
Noise Mitigation - Land Acquisitions	575,000	562,743	570,908
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	178,334	87,487	90,000
Apron Lighting Upgrade	1,873	1,412	1,412
South Airfield Improvement Program (SAIP) and NLA Integrated Study	1,381	1,381	1,381
Century Cargo Complex - Demolition of AF3	1,000	880	880
Taxilane C-10 Reconstruction	780	2	2
LAX Master Plan	122,168	75,183	75,183
Aircraft Rescue and Firefighting Vehicles	975	444	444
PMD Master Plan	1,050	—	—
Aircraft Noise Monitoring and Management System	3,450	3,652	3,652
SAIP - Airfield Intersection Improvement	28,000	8,987	8,987
SAIP - Remote Boarding	12,500	8,218	8,218
TBIT Interior Improvements and Baggage Screening System	468,030	414,336	371,214
Implementation of IT Security Master Plan	56,573	32,807	32,807
Residential Soundproofing Phase II	35,000	34,141	34,141
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	51,086	51,086
Bradley West	1,848,284	488,034	398,983
Lennox Schools Soundproofing Program	27,801	21,214	21,214
Inglewood USD Soundproofing Program	44,379	10,000	10,000
Terminal 6 Improvements	210,131	69,267	53,760
Elevators/Escalators/Moving Walkways Replacement	110,000	110,000	110,000
Midfield Satellite Concourse North Project	5,960	5,960	5,960
Central Utility Plant Replacement	190,000	190,000	190,000
Lennox Schools Soundproofing Program - Future Sites	3,115	—	—
Total	$ 4,267,378	$ 2,468,828	$ 2,331,826

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2019 and 2018
(continued)

2. Basis of Accounting - Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) represents amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports. The Schedule was prepared using the accrual basis of accounting.

3. Excess Project Expenditures

The expenditures for the Aircraft Noise Monitoring and Management System and the Noise Mitigation - Other Local Jurisdictions Phase II were in excess of authorized amounts. However, in accordance with FAA guidelines, if actual allowable project costs exceed the estimate contained in the PFCs application in which the authority was approved, the public agency may elect to increase the total approved PFCs revenue in that application by 15% or less.

MOSSADAMS

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Customer Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051,* and Report on the Schedule of Customer Facility Charge Revenues and Expenditures

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Report on Compliance for the Customer Facility Charge Program

We have audited Los Angeles International Airport's ("LAX"), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051* (the "Code"), that could have a direct and material effect on its Customer Facility Charge ("CFC") program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions applicable to the CFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the CFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Code. Those standards and the Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the CFC program occurred. An audit includes examining, on a test basis, evidence about LAX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the CFC program. However, our audit does not provide a legal determination of LAX's compliance.

Opinion on CFC Program

In our opinion, LAX complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its CFC program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of LAX is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the CFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Code. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LAX's basic financial statements. We have issued our report thereon dated October 28, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of customer facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Code and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of customer facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
October 28, 2019

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Schedule of Customer Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2019 and 2018
(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over revenues collected on approved projects
Program to date as of July 1, 2017	$ 266,669	$ 17,377	$ 284,046	$ 3,026	$ 281,020
Fiscal year 2017-18 transactions					
Quarter ended September 30, 2017	8,756	848	9,604	—	9,604
Quarter ended December 31, 2017	7,758	921	8,679	—	8,679
Quarter ended March 31, 2018	16,096	1,027	17,123	—	17,123
Quarter ended June 30, 2018	23,149	1,175	24,324	—	24,324
Program to date as of June 30, 2018	322,428	21,348	343,776	3,026	340,750
Fiscal year 2018-19 transactions					
Quarter ended September 30, 2018	23,028	1,352	24,380	—	24,380
Quarter ended December 31, 2018	18,695	1,504	20,199	—	20,199
Quarter ended March 31, 2019	17,136	1,652	18,788	—	18,788
Quarter ended June 30, 2019	21,389	1,833	23,222	—	23,222
Unexpended customer facility charge revenues and interest earned June 30, 2019	$ 402,676	$ 27,689	$ 430,365	$ 3,026	$ 427,339

See accompanying notes to the schedule of customer facility charge revenues and expenditures.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2019 and 2018

1. General

California law (California Government Code Sections 50474.3, 50474.21 and 50474.22, collectively, CFC Legislation), which authority was previously contained in California Civil Code Section 1936 et seq., allows airport operators to require rental car companies to collect a fee from rental car customers on behalf of the airport operator to pay for certain costs incurred by an airport operator for a consolidated rental car facility (ConRAC) and a common-use transportation system (CTS) that moves passengers between airport terminals and the ConRAC. The fee is referred to as Customer Facility Charges (CFCs). Revenue from the CFCs may not exceed the reasonable costs to finance, design, construct, operate, maintain or otherwise improve, as applicable, those facilities, systems and modifications.California CFC Legislation permits LAWA to require the collection by rental car companies of a CFC at a rate charged on a per-day basis up to $9.00 per day (for up to 5 days), and CFCs collected by the rental car companies on behalf of LAWA are permitted under the California CFC Legislation to finance, design and construct the ConRAC; to finance, design, construct and operate the APM System, as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system.

LAWA is modernizing LAX to improve passenger quality-of-service and provide world class facilities for its customers. To further transform LAX and to address increasing levels of traffic congestion at and around LAX, LAWA is working on the Landside Access Modernization Program (LAMP) to implement a ground access system to LAX, which would include a seamless connection to the regional rail and transit system.

The LAMP program includes the following major project components:

- An Automated People Mover System (APM), including the acquisition of vehicles for the use in such System, with six APM stations connecting the Central Terminal Area (CTA) via an above-grade fixed guideway to new proposed ground transportation facilities (serving as the CTS for the ConRAC)
- A ConRAC designed to meet the needs of rental car companies serving LAX with access to the CTA via the APM
- Two Intermodal Transportation Facilities (ITFs) providing airport parking and pick-up and drop-off areas outside the CTA for private vehicles and commercial shuttles
- Roadway improvements designed to improve access to the proposed ConRAC, ITFs, the CTA, and other facilities and reduce traffic congestion in neighboring communities

In November 2001, in anticipation of constructing a ConRAC identified in LAX's master plan, the Board approved collection of CFCs of $10.00 per rental contract and began collections in August 2007. On October 5, 2017, the Board authorized collection of an updated CFC pursuant to the California CFC Legislation to fund costs of a ConRAC and its share of a common-use transportation system (CTS) at LAX. The Board authorized collection of CFCs of $7.50 per day for the first five days of each car rental contract, effective January 1, 2018, by rental car companies serving LAX. On June 20, 2019, the Board authorized collection of $9.00 per day for the first five days of each car rental contract, effective September 1, 2019, by rental car companies serving LAX.

CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2019	2018
Amount collected	$ 402,676	$ 322,428
Interest earnings	27,689	21,348
Subtotal	430,365	343,776
Expenditures		
ConRAC planning and development costs	3,026	3,026
Unexpended CFCs revenue and interest earnings	$ 427,339	$ 340,750

2. Basis of Accounting - Schedule of Customer Facility Charge Revenues and Expenditures

The accompanying Schedule of Customer Facility Charge Revenues and Expenditures was prepared using the accrual basis of accounting.

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Los Angeles, CA 90009-2216
Telephone: (310) 646-5252
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Los Angeles International Airport
1 World Way
Los Angeles, CA 90045-5803
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Van Nuys Airport
16461 Sherman Way, Suite 300
Van Nuys, CA 91406
Telephone: (818) 442-6500

APPENDIX C-1

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Senior Indenture, the Twenty-First Supplemental Senior Indenture and the Master Subordinate Indenture can be found in Appendices C-2, C-3 and C-4.

"*Accreted Value*" means

(a) with respect to any Capital Appreciation Senior Bonds or Capital Appreciation Subordinate Obligations, as the case may be, as of any date of calculation, the sum of the amount set forth in a Supplemental Senior Indenture or a Supplemental Subordinate Indenture, as the case may be, as the amount representing the initial principal amount of such Capital Appreciation Senior Bonds or Capital Appreciation Subordinate Obligations, as the case may be, plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or

(b) with respect to Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, authorizing the issuance of such Capital Appreciation Senior Bond or Original Issue Discount Senior Bond or Capital Appreciation Subordinate Obligation or Original Issue Discount Subordinate Obligation, as the case may be.

"*Aggregate Required Deposits*" means, for any month, the sum of the Required Deposits under all Supplemental Subordinate Indentures becoming due in such month.

"*Airport Revenue Fund*" means the fund established by and existing pursuant to Section 635(a) of the Charter or any successor provision and maintained separate and apart from all other funds and accounts of the City Treasury.

"*Airport System*" means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce belonging to or pertaining to the City and under the jurisdiction and control of the Department, including Los Angeles International Airport, Van Nuys Airport and LA/Palmdale Regional Airport and any successor entities thereto; and including or excluding, as the case may be, such property as the Board may either acquire or which will be placed under its control, or divest or have removed from its control.

"*Authorized Representative*" means the President of the Board, the Executive Director, the Chief Operating Officer or the Chief Financial Officer or such other officer or employee of the Board or the Department or other person which other officer, employee or person has been designated by the Board or the Department as an Authorized Representative by written notice delivered by the President of the Board, the Executive Director, the Chief Operating Officer or the Chief Financial Officer to the Senior Trustee or the Subordinate Trustee, as the case may be.

"*Balloon Indebtedness*" means, with respect to any Series of Senior Bonds or Subordinate Obligations, as the case may be, twenty five percent (25%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Senior Bonds or Subordinate Obligations, as the case may be, of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any preceding Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Senior Bonds or Subordinate Obligations, as the case may be, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Senior Commercial Paper Program and the Commercial Paper constituting part of such Senior Program will not be Balloon Indebtedness. A Subordinate Commercial Paper Program and the Commercial Paper constituting part of such Subordinate Program will not be Balloon Indebtedness.

"*Board*" means the Board of Airport Commissioners of the City of Los Angeles, California, created under the provisions of the Charter, and any successor to its function.

"*Bond Counsel*" means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Senior Indenture and the Subordinate Indenture, as the case may be, and which are acceptable to the Department.

"*Bondholder,*" "*holder*," "*owner*" or "*registered owner*" means

(a) for purposes of the Senior Indenture, the person in whose name any Senior Bond or Senior Bonds are registered on the books maintained by the Senior Registrar and will include any Credit Provider or Liquidity Provider to which a Senior Repayment Obligation is then owed, to the extent that such Senior Repayment Obligation is deemed to be a Senior Bond under the provisions of the Senior Indenture; and

(b) for purposes of the Subordinate Indenture, the person in whose name any Subordinate Obligation or Subordinate Obligations are registered on the books maintained by the Subordinate Registrar and will include any Credit Provider or Liquidity Provider to which a Subordinate Repayment Obligation is then owed, to the extent that such Subordinate Repayment Obligation is deemed to be a Subordinate Obligation under the provisions of the Subordinate Indenture.

"*Business Day*" means a day on which banks located in New York, New York, in Los Angeles, California and in the city in which the principal corporate trust office of the Senior Trustee or the Subordinate Trustee, as the case may be, is located are open, provided that such term may have a different meaning for any specified Series of Senior Bonds if so provided by Supplemental Senior Indenture or any specified Series of Subordinate Obligations if so provided by Supplemental Subordinate Indenture.

"*Capital Appreciation Senior Bonds*" means Senior Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Senior Indenture and is payable only upon redemption or on the maturity date of such Senior Bonds. Senior Bonds which are issued as Capital Appreciation Senior Bonds, but later convert to Senior Bonds on which interest is paid periodically will be Capital Appreciation Senior Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Senior Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

"*Capital Appreciation Subordinate Obligations*" means Subordinate Obligations all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Subordinate Indenture and is payable only upon redemption or on the maturity date of such Subordinate Obligations. Subordinate Obligations which are issued as Capital Appreciation Subordinate Obligations, but later convert to Subordinate Obligations on which interest is paid periodically will be Capital Appreciation Subordinate Obligations until the conversion date and from and after such conversion date will no longer be Capital Appreciation Subordinate Obligations, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

"*Charter*" means the Charter of the City of Los Angeles, as amended from time to time, and any other article or section of the Charter of the City of Los Angeles, as amended from time to time, in which the provisions relating to the Board and the Department are set forth or may hereafter be set forth, and any predecessor provisions thereof which will be deemed to continue in force.

"*Chief Financial Officer*" means the person at a given time who is the chief financial officer of the Department or such other title as the Department may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Senior Trustee and the Subordinate Trustee by the Department.

"*Chief Operating Officer*" means the person at a given time who is the chief operating officer of the Department or such other title as the Department may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Senior Trustee and the Subordinate Trustee by the Department.

"*City*" means The City of Los Angeles, California.

"*City Attorney*" means legal counsel to the Board and staff of the Department who otherwise acts as provided for in the Charter.

"*City Treasury*" means the official depository of the City established pursuant to the Charter which is under the control of the Treasurer.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"*Commercial Paper*" means notes of the Department with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Senior Program or a Subordinate Program, as the case may be, adopted by the Board.

"*Consultant*" means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, or other expert recognized to be well-qualified for work of the character required and retained by the Department to perform acts and carry out the duties provided for such consultant in the Senior Indenture or the Subordinate Indenture, as the case may be.

"*Costs*" or "*Costs of a Project*" means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (1) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (2) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (3) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the City or the Department or Consultant; (4) costs of the Department properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (5) financing expenses, including costs related to issuance of and securing of Senior Bonds and Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Senior Capitalized Interest, Subordinate Capitalized Interest, the Senior Reserve Fund, any Senior Debt Service Reserve Fund (other than the Senior Reserve Fund), any Subordinate Debt Service Reserve Fund, Senior Trustee's fees and expenses, and Subordinate Trustee's fees and expenses; (6) any Senior Swap Termination Payments due in connection with a Series of Senior Bonds or the failure to issue such Series of Senior Bonds, or any Subordinate Swap Termination Payments due in connection with a Series of Subordinate Obligations or the failure to issue such Series of Subordinate Obligations, and (7) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Department. Costs of a Project will also include (i) the acquisition or refunding of outstanding revenue bonds and obligations of the Department, RAIC bonds and California Statewide Communities Development Authority bonds, including any financing costs with respect thereto, and (ii) the financing and/or refinancing of any other lawful purpose relating to the Department.

"*Credit Facility*" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Senior Reserve Fund Surety Policy, a Senior Debt Service Reserve Fund Surety Policy (other than a Senior Reserve Fund Surety Policy), a Subordinate Debt Service Reserve Fund Surety Policy, or other financial instrument which obligates a third party to make payment of or provide funds to the Senior Trustee or the Subordinate Trustee, as the case may be, for the payment of the principal of and/or interest on Senior Bonds or Subordinate Obligations, as the case may be, whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Department fails to do so.

"*Credit Provider*" means the party obligated to make payment of principal of and interest on the Senior Bonds or the Subordinate Obligations, as the case may be, under a Credit Facility.

"*Customer Facility Charges*" means all amounts received by the Department from the payment of any customer facility fees or charges by customers of automobile rental companies pursuant to the authority granted by Section 1936 of the California Civil Code, as amended from time to time, or any other applicable State law, including all interest, profits or other income derived from the deposit or investment therefor.

"*Department*" means the Department of Airports of the City of Los Angeles, or any successor thereto performing the activities and functions of the department under the Charter.

"*Executive Director*" means the person at a given time who is the executive director of the Department or such other title as the Department may from time to time assign for such position, and the officer or officers succeeding to such position as certified to the Senior Trustee and the Subordinate Trustee by the Department.

"*Facilities Construction Credit*" and "*Facilities Construction Credits*" means the amounts further described in the Master Senior Indenture and the Master Subordinate Indenture resulting from an arrangement embodied in a written agreement of the Department and another person or entity pursuant to which the Department permits such person or entity to make a payment or payments to the Department which is reduced by the amount owed by the Department to such person or entity under such agreement, resulting in a net payment to the Department by such person or entity. The "Facilities Construction Credit" will be deemed to be the amount owed by the Department under such agreement which is "netted" against the payment of such person or entity to the Department. "Facilities Construction Credits" will include any credits extended to airlines or other users of LAX Airport Facilities related to RAIC projects.

"*Fiscal Year*" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Department designates as its fiscal year.

"*Fitch*" means Fitch, Inc. and its successors and its assigns, and, if Fitch for any reason no longer performs the functions of a Nationally Recognized Rating Agency, "Fitch" will be deemed to refer to any Nationally Recognized Rating Agency designated by the Department (other than Moody's or S&P).

"*Fourth Supplemental Subordinate Indenture*" means the Fourth Supplemental Subordinate Trust Indenture, dated as of August 1, 2008, by and between the Department and the Subordinate Trustee.

"*Government Obligations*" means

(A) with respect to the Senior Bonds and the Senior Indenture (1) United States Obligations (including obligations issued or held in book-entry form), (2) prefunded municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated in their highest Rating Category by two or more Rating Agencies, and (3) any other type of security or obligation that the Rating Agencies that then maintain ratings on any of the Senior Bonds have determined to be permitted defeasance securities; and

(B) with respect to the Subordinate Obligations and the Subordinate Indenture, (a) United States Obligations (including obligations issued or held in book-entry form); (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest Rating Category by one or more of the Rating Agencies; and (c) any other type of security or obligation which the Rating Agencies that then maintain ratings on the Subordinate Obligations to be defeased have determined to be permitted defeasance securities.

"*Implemented*" means,

(a) when used with respect to a Senior Program, a Senior Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Senior Program, the provisions of the Master Senior Indenture have been complied with; and

(b) when used with respect to a Subordinate Program, a Subordinate Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Subordinate Program, the provisions of the Master Subordinate Indenture have been complied with.

"*Independent*" means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Department or the City, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Department, the City or the Board as an official, officer or employee.

"*LAX Airport Facilities*" or "*LAX Airport Facility*" means a facility or group of facilities or category of facilities which constitute or are part of Los Angeles International Airport (excluding privately owned or leased property, except for any portion thereof which is governmentally owned or leased and which is a source of Pledged Revenues).

"*LAX Maintenance and Operation Expenses*" means, for any given period, the total operation and maintenance expenses of Los Angeles International Airport as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of Los Angeles International Airport payable from moneys other than Pledged Revenues.

"*LAX Maintenance and Operation Reserve Account*" means the Los Angeles International Airport Maintenance and Operation Reserve Account authorized to be created by Ordinance No. 173,232 and established pursuant to Section 23.10(d)(2) of the Los Angeles Administrative Code.

"*LAX Revenue Account*" means the account established pursuant to the Master Senior Indenture and Section 23.10(a) of the Los Angeles Administrative Code.

"*LAX Revenues*" means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Department from the Los Angeles International Airport, for any given period, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (1) rates, tolls, fees, rentals, charges and other payments made to or owed to the Department for the use or availability of property or facilities at Los Angeles International Airport, (2) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Department at Los Angeles International Airport, including Facilities Construction Credits, and rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Department or any successor thereto from the possession, management, charge, superintendence and control of Los Angeles International Airport (or any LAX Airport Facilities or activities and undertakings related thereto) or from any other facilities wherever located with respect to which the Department receives payments which are attributable to LAX Airport Facilities or activities or undertakings related thereto, all of which is required to be deposited in the Airport Revenue Fund pursuant to the Charter and the LAX Revenue Account pursuant to the Master Senior Indenture. "LAX Revenues" include all income, receipts and earnings from the investment amounts held in the LAX Revenue Account, any Senior Construction Fund or Subordinate Construction Fund allowed to be pledged by the terms of a Supplemental Senior Indenture, the Senior Reserve Fund, any Senior Debt Service Reserve Fund, the Subordinate Reserve Fund, any other Subordinate Debt Service Reserve Fund and allocated earnings on the Maintenance and Operation Reserve Fund.

"*LAX Special Facilities*" or "*LAX Special Facility*" means, with respect to Los Angeles International Airport, a facility or group of facilities or improvements or category of facilities or improvements which are designated as an LAX Special Facility or LAX Special Facilities pursuant to the provisions of the Master Senior Indenture. LAX Special Facilities do not include facilities financed by the RAIC.

"*LAX Special Facilities Revenue*" means the contractual payments and all other revenues derived by or available to or receivable by the Department from an LAX Special Facility, which are pledged to secure LAX Special Facility Obligations.

"*LAX Special Facility Obligations*" means bonds or other debt instruments issued pursuant to an indenture other than the Senior Indenture or the Subordinate Indenture to finance LAX Special Facilities and which, except as otherwise provided in the Master Senior Indenture, are not secured by nor payable from a lien on and pledge of the Pledged Revenues but which are secured by revenues derived from LAX Special Facilities located at Los Angeles International Airport.

"*Liquidity Facility*" means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Senior Bonds or Subordinate Obligations, as the case may be.

"*Liquidity Provider*" means the entity, including the Credit Provider, which is obligated to provide funds to purchase Senior Bonds or Subordinate Obligations, as the case may be, under the terms of a Liquidity Facility.

"*Los Angeles International Airport*" and "*LAX*" means that portion of the Airport System commonly known by such name which is located in the City of Los Angeles and generally bounded by Westchester Parkway on the north, the San Diego (405) Freeway on the east, Imperial Highway on the south and the Pacific Ocean on the west; including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Department at such location or in which the Department has other rights or from which the Department derives revenues at such location.

"*Mail*" means by first-class United States mail, postage prepaid.

"*Maintenance and Operation Expenses of the Airport System*" means, for any given period, the total operation and maintenance expenses, exclusive of depreciation expense, of the Airport System as determined in accordance with generally accepted accounting principles as modified from time to time.

"*Maintenance and Operation Reserve Fund*" means the fund established by and existing pursuant to Section 635(a) of the Charter or any successor provision and the provisions of the Master Senior Indenture.

"*Master Senior Indenture*" means the Master Trust Indenture, dated as of April 1, 1995, by and between the Department, acting through the Board, and the Senior Trustee, as amended.

"*Master Subordinate Indenture*" means the Master Subordinate Trust Indenture, dated as of December 1, 2002, by and between the Department and the Subordinate Trustee, as amended.

"*Moody's*" means Moody's Investors Service, and its successors and its assigns, and, if Moody's for any reason no longer performs the functions of a Nationally Recognized Rating Agency, "Moody's" will be deemed to refer to any other Nationally Recognized Rating Agency designated by the Department (other than Fitch or S&P).

"*Nationally Recognized Rating Agency*" means a nationally recognized statistical rating organization identified by the United States Securities and Exchange Commission.

"*Net Pledged Revenues*" means, for any given period, the Pledged Revenues for such period less, for such period, the LAX Maintenance and Operation Expenses.

"*Net Proceeds*" means insurance proceeds received as a result of damage to or destruction of LAX Airport Facilities or any condemnation award or amounts received by the Department from the sale of LAX Airport Facilities under the threat of condemnation less expenses (including attorneys' fees and expenses and any fees and expenses of the Senior Trustee or the Subordinate Trustee, as the case may be) incurred in the collection of such proceeds or award.

"*Non-Qualified Swap*" means any Swap which is not a Senior Qualified Swap or a Subordinate Qualified Swap.

"*Ordinance No. 173,232*" means the City of Los Angeles Ordinance No. 173,232 which became effective on June 19, 2000.

"*Original Issue Discount Senior Bonds*" means Senior Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Senior Bonds by the Supplemental Senior Indenture under which such Senior Bonds are issued.

"*Original Issue Discount Subordinate Obligations*" means Subordinate Obligations which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Subordinate Obligations by the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued.

"*Outstanding*" means:

(1) when used with respect to Senior Bonds, all Senior Bonds which have been authenticated and delivered under the Senior Indenture, except:

(a) Senior Bonds cancelled or purchased by the Senior Trustee for cancellation or delivered to or acquired by the Senior Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Senior Bonds deemed to be paid in accordance with the Master Senior Indenture;

(c) Senior Bonds in lieu of which other Senior Bonds have been authenticated under the provisions of the Senior Master Indenture;

(d) Senior Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Senior Trustee or a Senior Paying Agent;

(e) Senior Bonds which, under the terms of the Supplemental Senior Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Senior Repayment Obligations deemed to be Senior Bonds under the Master Senior Indenture to the extent such Senior Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Senior Bonds acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Senior Bonds under the Master Senior Indenture, Senior Bonds held by or for the account of the Department or by any person controlling, controlled by or under common control with the Department, unless such Senior Bonds are pledged to secure a debt to an unrelated party;

(2) when used with respect to Subordinate Obligations, all Subordinate Obligations which have been authenticated and delivered under the Subordinate Indenture, except:

(a) Subordinate Obligations cancelled or purchased by the Subordinate Trustee for cancellation or delivered to or acquired by the Subordinate Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Subordinate Obligations deemed to be paid in accordance with the Master Subordinate Indenture;

(c) Subordinate Obligations in lieu of which other Subordinate Obligations have been authenticated under the provisions of the Master Subordinate Indenture;

(d) Subordinate Obligations that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Subordinate Trustee or a Subordinate Paying Agent;

(e) Subordinate Obligations which, under the terms of the Supplemental Subordinate Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Subordinate Repayment Obligations deemed to be Subordinate Obligations under the Master Subordinate Indenture to the extent such Subordinate Repayment Obligations arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Subordinate Obligations acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Subordinate Obligations under the Master Subordinate Indenture, Subordinate Obligations held by or for the account of the Department or by any person controlling, controlled by or under common control with the Department, unless such Subordinate Obligations are pledged to secure a debt to an unrelated party.

"*Passenger Facility Charges*" or "*PFCs*" means all or a designated portion of charges collected by the Department pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) and 14 CFR Part 158, all as amended from time to time, or any other applicable federal law, in respect of any component of LAX 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.

"*Payment Date*" means, with respect to any Senior Bonds or Subordinate Obligations, as the case may be, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

"*Pledged Revenues*" means, except to the extent specifically excluded herein or under the terms of any Supplemental Senior Indenture (only with respect to the Series of Senior Bonds issued pursuant to such Supplemental Senior Indenture), LAX Revenues. "Pledged Revenues" will also include such additional revenues, if any, as are designated as "Pledged Revenues" under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Pledged Revenues: (i) any amounts received by the Department from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in the definition of "LAX Revenues" which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Bonds, (iv) any Transfer and (v) LAX Special Facilities Revenue. In addition, the following, including any investment earnings thereon, are specifically excluded from "Pledged Revenues," unless designated as "Pledged Revenues" under the terms of a Supplemental Senior Indenture: (a) any Senior Swap Termination Payments paid to the Department pursuant to a Senior Qualified Swap or any Subordinate Swap Termination Payments paid to the Department pursuant to a Subordinate Qualified Swap, (b) Facilities Construction Credits, (c) Passenger Facility Charges unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (d) Customer Facility Charges unless otherwise so pledged under the terms of any Supplemental Senior Indenture (provided that only Customer Facility Charges in respect of LAX may be so pledged), (e) unless otherwise so pledged, all revenues of the Airport System not related to Los Angeles International Airport and (f) Released LAX Revenues. Further, interest earnings or other investment earnings on any Senior or Subordinate Construction Fund established by any Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, are specifically excluded from "Pledged Revenues," unless otherwise provided for in such Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be.

"*President*" or "*President of the Board*" means the president of the Board or such other title as the Board may from time to time assign for such position.

"*Project*" means any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Senior Bonds or Subordinate Obligations.

"*RAIC*" means the Regional Airports Improvement Corporation, a California nonprofit corporation.

"*Rating Agency*" and "*Rating Agencies*" means Fitch, Moody's or S&P, or any other Nationally Recognized Rating Agency.

"*Rating Category*" and "*Rating Categories*" means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"*Rebate Fund*" means any fund created by the Department pursuant to a Supplemental Senior Indenture or a Supplemental Subordinate Indenture, as the case may be, in connection with the issuance of the Senior Bonds or any Series of Senior Bonds or the Subordinate Obligations or any Series of Subordinate Obligations, as the case may be, for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

"*Record Date*" means, with respect to any Series of Senior Bonds or Subordinate Obligations, as the case may be, the record date as specified in the Supplemental Senior Indenture which provides for the issuance of such Series of Senior Bonds or the Supplemental Subordinate Indenture which provides for the issuance of such Series of Subordinate Obligations, as the case may be. With respect to the Series 2020BCD Senior Bonds, "Record Date" means for a May 15 Interest Payment Date the preceding May 1 and for a November 15 Interest Payment Date the preceding November 1.

"*Refunding Senior Bonds*" means any Senior Bonds issued pursuant to the Master Senior Indenture to refund or defease all or a portion of any series of Outstanding Senior Bonds, any Subordinated Obligation or any Third Lien Obligation.

"*Refunding Subordinate Obligations*" means any Subordinate Obligations issued pursuant to the Master Subordinate Indenture to refund or defease all or a portion of any Series of Outstanding Subordinate Obligations, any Senior Bonds or any Third Lien Obligations.

"*Regularly Scheduled Swap Payments*" means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"*Released LAX Revenues*" means LAX Revenues in respect of which the following have been filed with the Trustee:

(a) a resolution of the Board describing a specific identifiable portion of LAX Revenues and approving that such LAX Revenues be excluded from the term Pledged Revenues;

(b) either (i) a certificate prepared by an Authorized Representative showing that Net Pledged Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of LAX Revenues covered by the Board's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments pursuant to paragraphs SECOND through EIGHTH described under the caption APPENDIX C-2—"SUMMARY OF THE MASTER SENIOR INDENTURE—Withdrawals from LAX Revenue Account," or (B) an amount not less than 150% of average Senior Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of LAX Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Pledged Revenues (excluding the specific identifiable portion of LAX Revenues covered in the resolution adopted by the Board described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Board, will not be less than the larger of (A) the amounts needed for making the required deposits and payments pursuant to paragraphs SECOND through EIGHTH described under the caption APPENDIX C-2—"SUMMARY OF THE MASTER SENIOR INDENTURE—Withdrawals from LAX Revenue Account," or (B) an amount not less than 150% of the average Senior Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of LAX Revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of LAX Revenues and from the pledge and lien of the Master Senior Indenture will not, in and of itself, cause the interest on any Outstanding Senior Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of Fitch and Moody's (provided such Rating Agencies have been requested by the Department to maintain a rating on the Senior Bonds and such Rating Agencies are then maintaining a rating on any of the Senior Bonds) to the effect that the exclusion of such specific identifiable portion of revenues from the pledge and lien of the Master Senior Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Senior Bonds.

For purposes of subparagraph (b) above, no Transfer will be taken into account in the computation of Net Pledged Revenues.

Additionally, the Department will give written notice to S&P (provided S&P has been requested by the Department to maintain a rating on the Senior Bonds and S&P is then maintaining a rating on any of the Senior Bonds) at least 15 days prior to any specific identifiable portion of LAX Revenues being excluded from the pledge and lien of the Master Senior Indenture as proved in this definition of "*Released LAX Revenues*."

Upon filing of such documents, the specific identifiable portion of LAX Revenues described in the resolution of the Board will no longer be included in Pledged Revenues and will be excluded from the pledge and lien of the Master Senior Indenture, unless otherwise included in Pledged Revenues and in the pledge and lien of the Master Senior Indenture pursuant to a Supplemental Senior Indenture.

"*Required Deposits*" means, with respect to any Series of Subordinate Obligations, the amount determined in accordance with the terms of the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued and/or incurred, required to be deposited into funds and accounts created under such Supplemental Subordinate Indenture for the purpose of paying principal and interest on Subordinate Obligations or accumulating funds from which to make such payments and to pay other obligations specifically secured by the Subordinate Pledged Revenues under such Supplemental Subordinate Indenture. On or before the Payment Date, if any, in each month, the Subordinate Trustee will determine the aggregate Required Deposits from the Required Deposits described under each Supplemental Subordinate Indenture.

"*Responsible Officer*" means an officer or assistant officer of the Senior Trustee assigned by the Senior Trustee to administer the Senior Indenture, or an officer or assistant officer of the Subordinate Trustee assigned by the Subordinate Trustee to administer the Subordinate Indenture.

"*S&P*" means S&P Global Ratings, and its successors and assigns, and if S&P for any reason no longer performs the functions of a Nationally Recognized Rating Agency, "S&P" will be deemed to refer to any other Nationally Recognized Rating Agency designated by the Department (other than Fitch or Moody's).

"*Senior Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Senior Annual Debt Service on all Outstanding Senior Bonds and Unissued Senior Program Bonds. For purposes of calculating Senior Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(i) in determining the principal due in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Senior Bonds, and Unissued Senior Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Senior Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Senior Bonds or Original Issue Discount Senior Bonds maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate will (except to the extent subsection (ii), (iii) or (iv) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates; provided, however, that interest payable on the Senior Bonds will be excluded to the extent such payments are to be paid from Senior Capitalized Interest for such Fiscal Year;

(ii) if all or any portion or portions of an Outstanding Series of Senior Bonds, or Unissued Senior Program Bonds constitute Balloon Indebtedness (excluding Senior Program Bonds or Unissued Senior Program Bonds to which subsection (vi) applies), then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Senior Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (iii) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Senior Bonds, Unissued Senior Program Bonds or Senior Program Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (i) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Senior Program Bonds or Senior Program Bonds or that portion of a Series thereof which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (i) above or such other provision of this definition as will be applicable;

(iii) any maturity of Senior Bonds which constitutes Balloon Indebtedness as described in provision (ii) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation is made, will be assumed to become due and payable on the stated maturity date and provision (ii) above will not apply thereto unless there is delivered to the entity making the calculation a certificate of an Authorized Representative stating that the Department intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Department is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Senior Aggregate Annual Debt Service, provided that such assumption will not result in an amortization period longer than or an interest rate lower than that which would be assumed under provision (ii) above;

(iv) if any Outstanding Senior Bonds (including Senior Program Bonds then issued and Outstanding) or any Senior Bonds which are then proposed to be issued constitute Senior Tender Indebtedness, then, for purposes of determining Senior Aggregate Annual Debt Service, Senior Tender Indebtedness will be treated as if (a) the principal amount of such Senior Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Senior Annual Debt Service payments and extending not later than 30 years from the date such Senior Tender Indebtedness was originally issued, provided, however, notwithstanding the previous provisions of this clause (a), any principal amortization schedule set forth in a Supplemental Senior Indenture (including, but not limited to, any mandatory sinking fund redemption schedule) will be applied to determine the principal amortization of such Senior Bonds; (b) the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and (c) with respect to all principal and interest payments becoming due prior to the year in which such Senior Tender Indebtedness is first subject to tender, such payments will be treated as described in (i) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (v) or (vi) below, as appropriate;

(v) if any Outstanding Senior Bonds constitute Variable Rate Senior Indebtedness, including obligations described in subsection (viii)(b) to the extent it applies (except to the extent subsection (ii) or (iii) relating to Balloon Indebtedness or (iv) relating to Senior Tender Indebtedness or subsection (viii)(a) relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation will be the rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(vi) with respect to any Senior Program Bonds or Unissued Senior Program Bonds (other than a Senior Commercial Paper Program) (a) debt service on Senior Program Bonds then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (b) with respect to Unissued Senior Program Bonds, it will be assumed that the full principal amount of such Unissued Senior Program Bonds will be amortized over a term certified by an Authorized

Representative at the time the initial Senior Program Bonds of such Senior Program are issued to be the expected duration of such Senior Program or, if such expectations have changed, over a term certified by an Authorized Representative to be the expected duration of such Senior Program at the time of such calculation, but not to exceed 30 years from the date the initial Senior Program Bonds of such Senior Program are issued and it will be assumed that debt service will be paid in substantially level Senior Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(vii) debt service on Senior Repayment Obligations, to the extent such obligations constitute Senior Bonds under the Master Senior Indenture, will be calculated as provided in Master Senior Indenture;

(viii) (a) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Board elects, be that rate payable by the Board as provided for by the terms of the Swap or the net interest rate payable by the Board pursuant to offsetting indices, as applicable, or if the Board does not elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(b) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds with respect to which a Swap has been entered into whereby the Board has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Senior Bonds to which such Swap pertains will be included in the calculation of Senior Aggregate Annual Debt Service, and the interest rate with respect to such Senior Bonds will be the sum of that rate as determined in accordance with subsection (v) relating to Variable Rate Senior Indebtedness plus the difference between the interest rate on the Senior Designated Debt and the rate received from the Swap Provider;

(c) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds with respect to which a Swap in the form of an "interest rate cap" (or a similarly structured financial arrangement) has been entered into by the Board, the interest payable thereon will be the lower of (y) the effective capped rate provided by the terms of the Swap and (z) the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(ix) if moneys, Senior Permitted Investments or any other amounts not included in Pledged Revenues have been used to pay or have been irrevocably deposited with and are held by the Senior Trustee or another fiduciary to pay or Senior Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, then the principal and/or interest to be paid from such moneys, Senior Permitted Investments, other amounts not include in Pledged Revenues or Senior Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Senior Aggregate Annual Debt Service;

(x) with respect to any Senior Commercial Paper Program which has been Implemented and not then terminated or with respect to any Senior Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Senior Authorized Amount of such Senior Commercial Paper Program were to be amortized over a term of 30 years commencing in the year in which such Senior Commercial Paper Program is Implemented and with substantially level Senior Annual Debt Service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Senior Bonds of a corresponding term issued under the Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and

(xi) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys not included in Pledged Revenues have been irrevocably committed or are held by the Senior Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys not included in Pledged Revenues or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys are included in the definition of Pledged Revenues) and not included in calculating Senior Aggregate Annual Debt Service.

"*Senior Aggregate Annual Debt Service For Reserve Requirement*" means the computation of Senior Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds participating in the Senior Reserve Fund or all Outstanding Senior Bonds participating in a separately created Senior Debt Service Reserve Fund, as the case may be, in the then current or any future Fiscal Year with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Senior Aggregate Annual Debt Service For Reserve Requirement, the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series, be calculated on the basis of the assumptions set forth in subsection (v) of the definition of Senior Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Senior Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Senior Bonds containing Balloon Indebtedness or Senior Tender Indebtedness will not, with respect to such Series, require subsequent increases.

"*Senior Annual Debt Service*" means, with respect to any Senior Bond, the aggregate amount of principal and interest becoming due and payable during any Fiscal Year, and if a Senior Qualified Swap is in effect for such Senior Bond, plus the amount payable by the Department (or the Senior Trustee) under the Senior Qualified Swap in accordance with the terms thereof, less any amount to be received by the Department from the Senior Qualified Swap Provider pursuant to the Senior Qualified Swap, calculated using the principles and assumptions set forth in the definition of Senior Aggregate Annual Debt Service. Principal of and/or interest on Senior Bonds paid during any Fiscal Year with Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Senior Capitalized Interest or other moneys not included in Pledged Revenues, or from earnings thereon, will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Senior Capitalized Interest or other moneys are included in Pledged Revenues) and not included in calculating Senior Annual Debt Service.

"*Senior Authorized Amount*" means, when used with respect to Senior Bonds, including Senior Program Bonds, the maximum Senior Principal Amount of Senior Bonds which is then authorized by a resolution or Supplemental Senior Indenture adopted by the Board pursuant to the Master Senior Indenture to be Outstanding at any one time under the terms of such Senior Program or Supplemental Senior Indenture. If the maximum Senior Principal Amount of Senior Bonds or Senior Program Bonds authorized by a preliminary resolution or form of Supplemental Senior Indenture approved by the Board pursuant to the Master Senior Indenture exceeds the maximum Senior Principal Amount of Senior Bonds set forth in the final resolution of sale adopted by the Board or in the definitive Supplemental Senior Indenture executed and delivered by the Board pursuant to which such Bonds are issued or such Senior Program is established, the Senior Principal Amount of such Senior Bonds or Senior Program Bonds as is set forth in said final resolution of sale or in the definitive Supplemental Senior Indenture as executed and delivered by the Department will be deemed to be the "*Senior Authorized Amount*." Notwithstanding the provisions of this definition of "Senior Authorized Amount," in connection with clauses (a) and (b) under the section entitled "—Additional Senior Bonds" in APPENDIX C-2—"SUMMARY OF THE MASTER SENIOR INDENTURE" below and the calculation of Senior Maximum Aggregate Annual Debt Service and Senior Aggregate Annual Debt Service with respect to a Senior Commercial Paper Program, "Senior Authorized Amount" will mean the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Senior Commercial Paper Program and the total amount of Senior Commercial Paper Notes that may be issued pursuant to an Unenhanced Senior Commercial Paper Program.

"*Senior Bond*" or "*Senior Bonds*" means any debt obligation of the Department issued under and in accordance with the provisions of the Master Senior Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Department, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Senior Repayment Obligations to the extent provided in the Master Senior Indenture. The term "*Senior Bond*" or "*Senior Bonds*" does not include any Subordinated Obligation or Third Lien Obligation; provided, however, that the Board may provide in a Supplemental Senior Indenture that Subordinated Obligations or Third Lien Obligations may be issued thenceforth pursuant to the Master Senior Indenture having the terms applicable to the Senior Bonds, except that such Subordinated Obligations or Third Lien Obligations will be junior and subordinate in payment of such Subordinated Obligations or Third Lien Obligations from the Net Pledged Revenues. The term "*Senior Bond*" and "*Senior Bonds*" includes Senior Program Bonds. The Series 2020BCD Senior Bonds are Senior Bonds.

"*Senior Capitalized Interest*" means proceeds of Senior Bonds or other moneys not included in Pledged Revenues that are deposited with the Senior Trustee in a Senior Debt Service Fund as described in a Supplemental Senior Indenture upon issuance of such Senior Bonds that are to be used to pay interest on Senior Bonds.

"*Senior Commercial Paper Program*" means a Senior Program authorized by the Board pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Authorized Amount of such Senior Program.

"*Senior Construction Fund*" means any of the Senior Construction Funds authorized to be created pursuant to the Master Senior Indenture.

"*Senior Debt Service Fund*" or "*Senior Debt Service Funds*" means a Senior Debt Service Fund or any of the Senior Debt Service Funds required to be created by the Master Senior Indenture.

"*Senior Debt Service Reserve Fund*" means any Senior Debt Service Reserve Fund (other than the Senior Reserve Fund) created by the Department pursuant to a Supplemental Senior Indenture in connection with the issuance of any Series of Senior Bonds and that is required to be funded for the purpose of providing additional security for such Series of Senior Bonds and under certain circumstances to provide additional security for such other designated Series of Senior Bonds issued pursuant to the terms of the Master Senior Indenture and as specified in any Supplemental Senior Indenture.

"*Senior Debt Service Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit (other than a Senior Reserve Fund Surety Policy) deposited with the Senior Trustee for the credit of a Senior Debt Service Reserve Fund created for one or more series of Outstanding Senior Bonds in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Senior Indenture, the entity providing such Senior Debt Service Reserve Fund Surety Policy will be rated, at the time such instrument is provided, in one of the two highest long-term Rating Categories by both Moody's if Moody's is then maintaining a rating on the Senior Bonds and S&P if S&P is then maintaining a rating on the Senior Bonds.

"*Senior Designated Debt*" means a specific indebtedness designated by the Department with the intent that the risks associated with such debt be offset with a Swap, such specific indebtedness to include all or any part of a Series of Senior Bonds.

"*Senior Event of Default*" means any occurrence or event specified as a "Senior Event of Default" in the Senior Indenture. See APPENDIX C-2—"SUMMARY OF THE MASTER SENIOR INDENTURE—Senior Events of Default and Remedies" below.

"*Senior Indenture*" means the Master Senior Indenture, together with all Supplemental Senior Indentures.

"*Senior Investment Agreement*" means an investment agreement or guaranteed investment contract (i) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term Rating Category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by two or more Rating Agencies or (ii) which investment agreement or guaranteed investment contract is fully secured by obligations described in item (1) or (2) of the definition of Senior Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (B) held by the Senior Trustee (who may not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (C) subject to a perfected first lien on behalf of the Senior Trustee, and (D) free and clear from all third party liens.

"*Senior Maximum Aggregate Annual Debt Service*" means the maximum amount of Senior Aggregate Annual Debt Service with respect to all Senior Bonds, Unissued Senior Program Bonds, the Senior Authorized Amount of all Senior Bonds then proposed to be issued in the then current or any future Fiscal Year.

"*Senior Maximum Aggregate Annual Debt Service For Reserve Requirement*" means the computation of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds participating in the Senior Reserve Fund or all Outstanding Senior Bonds participating in a separately created Senior Debt Service Reserve Fund, as the case may be, in the then current or any future Fiscal Year with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Senior Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series, be calculated on the basis of the assumptions set forth in subsection (v) of the definition of Senior Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Senior Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Senior Bonds containing Balloon Indebtedness or Senior Tender Indebtedness will not, with respect to such Series, require subsequent increases.

"*Senior Notes*" means Senior Bonds issued under the provisions of the Master Senior Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Senior Commercial Paper Program.

"*Senior Paying Agent*" or "*Senior Paying Agents*" means, with respect to the Senior Bonds or any Series of Senior Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Senior Indenture or a resolution of the Department as the place where such Senior Bonds will be payable. The Senior Trustee will act as the Senior Paying Agent with respect to the Series 2020BCD Senior Bonds.

"*Senior Permitted Investments*" means, to the extent permitted to be invested by the Department by applicable law, the Charter and investment policy of the City, any of the following:

(1) Government Obligations,

(2) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(3) Direct and general long term obligations of any state, which obligations are rated in either of the two highest Rating Categories by two or more Rating Agencies;

(4) Direct and general short term obligations of any state, which obligations are rated in the highest Rating Category by two or more Rating Agencies;

(5) Interest bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (a) continuously and fully insured by FDIC and with banks that are rated in (y) the highest short-term Rating Category by two or more Rating Agencies or (z) either of the two highest long-term Rating Categories by two or more Rating Agencies or (b) fully secured by obligations described in items (1) or (2) of this definition of Senior Permitted Investments, which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (ii) held by the Senior Trustee (who may not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien in favor of the Senior Trustee, and (iv) free and clear from all third party liens;

(6) Long term or medium term corporate debt guaranteed by any corporation that is rated by two or more Rating Agencies in either of the two highest Rating Categories;

(7) Repurchase agreements which are (a) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from two or more of the Rating Agencies, and (b) fully secured by investments specified in items (1) or (2) of this definition of Senior Permitted Investments, which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (ii) held by the Senior Trustee (who may not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien in favor of the Senior Trustee and (iv) free and clear from all third party liens;

(8) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category by two or more Rating Agencies;

(9) Shares of a diversified open end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (a) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies, or (b) a money market fund or account of the Senior Trustee or any state or federal bank that is rated in (i) the highest short-term Rating Category by two or more Rating Agencies or (ii) either of the two highest long-term Rating Categories by two or more Rating Agencies, or whose own bank holding company parent is rated in (y) the highest short-term Rating Category by two or more Rating Agencies or (z) either of the two highest long-term Rating Categories by two or more Rating Agencies or that has a combined capital and surplus of not less than $50,000,000;

(10) Investment Agreements; and

(11) Any other type of investment consistent with City policy in which the Department directs the Senior Trustee to invest provided that there is delivered to the Senior Trustee a certificate of an Authorized Representative stating that each of the Rating Agencies then maintaining a rating on the Senior Bonds has been informed of the proposal to invest in such investment.

"*Senior Principal Amount*" or "*Senior principal amount*" means, as of any date of calculation, (i) with respect to any Capital Appreciation Senior Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (ii) with respect to any Original Issue Discount Senior Bond, the Accreted Value thereof, unless the Supplemental Senior Indenture under which such Senior Bond was issued will specify a different amount, in which case, the terms of the Supplemental Senior Indenture will control, and (iii) with respect to any other Senior Bonds, the principal amount of such Senior Bond payable at maturity.

"*Senior Program*" means a financing program, including but not limited to a Senior Commercial Paper Program, (i) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items required under the Master Senior Indenture have been filed with the Senior Trustee, (ii) wherein the Board has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Senior Authorized Amount, and (iii) the Senior Authorized Amount of which has met the additional bonds test set forth in Master Senior Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Senior Authorized Amount.

"*Senior Program Bonds*" means Senior Bonds issued and Outstanding pursuant to a Senior Program, other than Unissued Senior Program Bonds.

"*Senior Qualified Swap*" means any Swap (a) whose Senior Designated Debt is all or part of a particular Series of Senior Bonds; (b) whose Swap Provider is a Senior Qualified Swap Provider or has been a Senior Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Senior Annual Debt Service or Senior Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Senior Designated Debt or to a specified mandatory tender or redemption of such Senior Designated Debt; (d) which has been designated in writing to the Senior Trustee by the Department as a Senior Qualified Swap with respect to such Senior Bonds; and (e) which has been approved by S&P, if S&P has an outstanding rating on any Senior Bonds, and Moody's, if Moody's has an outstanding rating on the Senior Bonds.

"*Senior Qualified Swap Provider*" means a financial institution (a) whose senior long-term debt obligations, or whose obligations under any Senior Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "Aa," in the case of Moody's and "AA," in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) whose obligations under any Senior Qualified Swap are fully secured by obligations described in items (1) or (2) of the definition of Senior Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third-party liens..

"*Senior Registrar*" means, with respect to the Senior Bonds or any Series of Senior Bonds, the bank, trust company or other entity designated in a Supplemental Senior Indenture or a resolution of the Board to perform the function of Senior Registrar under the Master Senior Indenture or any Supplemental Senior Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Senior Indenture. The Senior Trustee will act as the Senior Registrar with respect to the Series 2020BCD Senior Bonds.

"*Senior Repayment Obligations*" means an obligation arising under a written agreement of the Department and a Credit Provider pursuant to which the Department agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Senior Bonds or an obligation arising under a written agreement of the Department and a Liquidity Provider pursuant to which the Department agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Senior Bonds.

"*Senior Reserve Fund*" means the trust fund created pursuant to the Master Senior Indenture and that is required to be funded for the purpose of providing additional security for the Outstanding Senior Bonds issued pursuant to the terms of the Senior Indenture and as specified in any Supplemental Senior Indenture as participating in the Senior Reserve Fund. As of the date of this Official Statement, all of the Outstanding Existing Senior Bonds participate in the Senior Reserve Fund. The Department will specify in the Twenty-First Supplemental Senior Indenture that the Series 2020BCD Senior Bonds will participate in the Senior Reserve Fund.

"*Senior Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit, deposited with the Senior Trustee for the credit of the Senior Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Senior Reserve Fund Surety Policy will be rated, at the time such instrument is provided, in one of the two highest Rating Categories by both Moody's if Moody's is then maintaining a rating on the Senior Bonds and S&P if S&P is then maintaining a rating on the Senior Bonds.

"*Senior Reserve Requirement*" means, except as otherwise provided in a Supplemental Senior Indenture, an amount equal to the least of (i) Senior Maximum Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund or for all Series of Senior Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, (ii) ten percent of the principal amount of the Senior Bonds that have been issued and are participating in the Senior Reserve Fund or the Senior Bonds that have been issued and are participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, less the amount of original issue discount with respect to any Senior Bond if such original issue discount exceeded 2% on such Senior Bond at the time of its original sale and (iii) 125% of the average Senior Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund or for all Series of Senior Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be.

"*Senior Swap Termination Payment*" means an amount payable by the Department or a Qualified Swap Provider, in accordance with a Senior Qualified Swap, to compensate the other party to the Senior Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Senior Qualified Swap.

"*Senior Tender Indebtedness*" means any Senior Bonds or portions of Senior Bonds a feature of which is an option and/or an obligation on the part of the Bondholders, under the terms of such Senior Bonds, to tender all or a portion of such Senior Bonds to the Department, the Senior Trustee, the Senior Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Senior Bonds or portions of Senior Bonds be purchased if properly presented.

"*Senior Trustee*" means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N.A., as trustee until a successor replaces it and, thereafter, means such successor.

"*Serial Senior Bonds*" means Senior Bonds for which no sinking installment payments are provided.

"*Serial Subordinate Obligations*" means Subordinate Obligations for which no sinking installment payments are provided.

"*Series*" or "*series*" means (a) with respect to Senior Bonds, Senior Bonds designated as a separate Series by a Supplemental Senior Indenture and, with respect to Senior Program Bonds or a Senior Commercial Paper Program, means the full Senior Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Senior Indenture, designated as separate Series; and (b) with respect to Subordinate Obligations, Subordinate Obligations designated as a separate Series by a Supplemental Subordinate Indenture and, with respect to Subordinate Program Obligations or a Subordinate Commercial Paper Program, means the full Subordinate Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Subordinate Indenture, designated as a separate Series.

"Series 2020B Senior Bonds" means the $558,500,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Twenty-First Supplemental Senior Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Refunding Revenue Bonds, 2020 Series B (Private Activity/Non-AMT)"

"Series 2020C Senior Bonds" means the $380,000,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Twenty-First Supplemental Senior Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2020 Series C (Private Activity/AMT)"

"Series 2020D Senior Bonds" means the $120,000,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Twenty-First Supplemental Senior Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2020 Series D (Governmental Purpose/Non-AMT)"

"*Significant Portion*" means, for purposes of the Master Senior Indenture, any LAX Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Department at the beginning of an annual period which includes the month of commencement of the 12-month period ending on the day of such disposition would have resulted in a reduction in Net Pledged Revenues for such annual period of more than 4% when the actual Net Pledged Revenues for such annual period are decreased by the Pledged Revenues directly attributable to such LAX Airport Facilities and increased by the expenses of the Department directly attributable to such LAX Airport Facilities. The Department will notify each of the Rating Agencies that have been requested by the Department to maintain a rating on the Senior Bonds or Subordinate Obligations, and that are then maintaining a rating on any of the Senior Bonds or Subordinate Obligations, prior to the selling or disposing of a Significant Portion of any LAX Airport Facilities or portions thereof.

"*Specified LAX Project*" means a Project at Los Angeles International Airport or a group of alternative Projects which are described in a certificate of an Authorized Representative delivered to the Consultant preparing the certificates described in the additional bonds tests under the Master Senior Indenture and the Master Subordinate Indenture, as the case may be, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing the certificate described in the additional bonds tests under the Master Senior Indenture and the Master Subordinate Indenture, as the case may be.

"*State*" means the State of California.

"*Subordinate Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Subordinate Annual Debt Service on all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations. For purposes of calculating Subordinate Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the principal due in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations in accordance with any amortization schedule established by the governing documents setting forth the terms of such Subordinate Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate will (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates; provided, however, that interest payable on the Subordinate Obligations will be excluded to the extent such payments are to be paid from Subordinate Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Subordinate Obligations or Unissued Subordinate Program Obligations constitute Balloon Indebtedness, then, for purposes of determining Subordinate Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Subordinate Obligations, Unissued Subordinate Program Obligations or Subordinate Program Obligations, only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Subordinate Program Obligations or Subordinate Program Obligations, or that portion of a Series thereof which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Subordinate Obligations which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Subordinate Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Subordinate Aggregate Annual Debt Service a certificate of an Authorized Representative stating that the Department intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Department is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Subordinate Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Subordinate Obligations (including Subordinate Program Obligations) or any Subordinate Obligations which are then proposed to be issued constitute Subordinate Tender Indebtedness, then, for purposes of determining Subordinate Aggregate Annual Debt Service, Subordinate Tender Indebtedness will be treated as if (i) the principal amount of such Subordinate Obligations were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Subordinate Annual Debt Service payments and extending not later than 30 years from the date such Subordinate Tender Indebtedness was originally issued, provided, however, notwithstanding the previous provisions of this clause (i), any principal amortization schedule set forth in a Supplemental Subordinate Indenture (including, but not limited to, any mandatory sinking fund redemption schedule) will be applied to determine the principal amortization of such Subordinate Obligations; (ii); the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; and (iii) with respect to all principal and interest payments becoming due prior to the year in which such Subordinate Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Subordinate Obligations constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Subordinate Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation will be the rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Subordinate Program Obligations or Unissued Subordinate Program Obligations (other than a Subordinate Commercial Paper Program) (i) debt service on such Subordinate Program Obligations then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Subordinate Program Obligations, it will be assumed that the full principal amount of such Unissued Subordinate Program Obligations will be amortized over a term certified by an Authorized Representative at the time the initial Subordinate Program Obligations of such Subordinate Program are issued to be the expected duration of such Subordinate Program or, if such expectations have changed, over a term certified by an Authorized Representative to the expected duration of such Subordinate Program at the time of such calculation, but not to exceed 30 years from the date of the initial issuance of such Subordinate Program Obligations and it will be assumed that debt service will be paid in substantially level Subordinate Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Subordinate Repayment Bonds, to the extent such obligations constitute Subordinate Obligations under the Master Subordinate Indenture, will be calculated as provided in the Master Subordinate Indenture;

(h) (i) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Department elects, be that rate payable by the Department as provided for by the terms of the Swap or the net interest rate payable by the Department pursuant to offsetting indices, as applicable, or if the Department does not elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(ii) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations with respect to which a Swap has been entered into whereby the Department has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Subordinate Obligations to which such Swap pertains will be included in the calculation of Subordinate Aggregate Annual Debt Service, and the interest rate with respect to such Subordinate Obligations will be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Subordinate Designated Debt and the rate received from the Swap Provider;

(iii) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations with respect to which a Swap in the form of an "interest rate cap" (or a similarly structured financial arrangement) has been entered into by the Department, the interest payable thereon will be the lower of (A) the effective capped rate provided by the terms of the Swap and (B) the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;"

(i) with respect to any Subordinate Commercial Paper Program which has been Implemented and not then terminated or with respect to any Subordinate Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Subordinate Authorized Amount of such Implemented Subordinate Commercial Paper Program were to be amortized over a term of 30 years commencing in the year in which such Subordinate Commercial Paper Program is Implemented and with substantially level annual debt service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Department, or if the Department fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys, Subordinate Permitted Investments or any other amounts not included in Subordinate Pledged Revenues have been used to pay or have been irrevocably deposited with and are held by the Subordinate Trustee or another fiduciary to pay or Subordinate Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such moneys, Subordinate Permitted Investments, other amounts not included in Subordinate Pledged Revenues or Subordinate Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Subordinate Aggregate Annual Debt Service; and;

(k) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys not included in Subordinate Pledged Revenues have been irrevocably committed or are held by the Subordinate Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys not included in Subordinate Pledged Revenues or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants or other moneys are included in Pledged Revenues) and not included in calculating Subordinate Aggregate Annual Debt Service.

"*Subordinate Aggregate Annual Debt Service For Reserve Requirement*" means the computation of Subordinate Aggregate Annual Debt Service for a Subordinate Debt Service Reserve Fund with respect to all Outstanding Subordinate Obligations participating in an identified Subordinate Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Subordinate Aggregate Annual Debt Service For Reserve Requirement for the respective Subordinate Debt Service Reserve Fund, for a Series of Subordinate Obligations, the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series participating in a Subordinate Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Subordinate Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Subordinate Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Subordinate Obligations containing Balloon Indebtedness or Subordinate Tender Indebtedness will not, with respect to such Series, require subsequent increases.

"*Subordinate Annual Debt Service*" means, with respect to any Subordinate Obligation, the aggregate amount of principal and interest becoming due and payable during any Fiscal Year, and if a Subordinate Qualified Swap is in effect for such Subordinate Obligation, plus the amount payable by the Department (or the Subordinate Trustee) under the Subordinate Qualified Swap in accordance with the terms thereof, less any amount to be received by the Department from the Subordinate Qualified Swap Provider pursuant to the Subordinate Qualified Swap, calculated using the principles and assumptions set forth in the definition of Subordinate Aggregate Annual Debt Service. Principal of and/or interest on Subordinate Obligations paid during any Fiscal Year with Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Subordinate Capitalized Interest or other moneys not included in Subordinate Pledged Revenues, or from earnings thereon, will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Subordinate Capitalized Interest or other moneys are included in Pledged Revenues) and not included in calculating Subordinate Annual Debt Service

"*Subordinate Authorized Amount*" means, when used with respect to Subordinate Obligations, including Subordinate Program Obligations, the maximum Subordinate Principal Amount of Subordinate Obligations which is then authorized by a resolution or Supplemental Subordinate Indenture adopted by the Board pursuant to the Master Subordinate Indenture to be Outstanding at any one time under the terms of such Subordinate Program or Supplemental Subordinate Indenture. If the maximum Subordinate Principal Amount of Subordinate Obligations or Subordinate Program Obligations authorized by a preliminary resolution or form of Supplemental Subordinate Indenture approved by the Board pursuant to the Master Subordinate Indenture exceeds the maximum Subordinate Principal Amount of Subordinate Obligations set forth in the final resolution of sale adopted by the Board or in the definitive Supplemental Subordinate Indenture executed and delivered by the Department pursuant to which such Subordinate Obligations are issued or such Subordinate Program is established, the Subordinate Principal Amount of such Subordinate Obligations or Subordinate Program Obligations as is set forth in said final resolution of sale or in the definitive Supplemental Subordinate Indenture as executed and delivered by the Department will be deemed to be the "Subordinate Authorized Amount." Notwithstanding the provisions of this definition of "Subordinate Authorized Amount," in connection with the issuance of additional Subordinate Obligations and the calculation of Subordinate Maximum Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service with respect to a Subordinate Commercial Paper Program, "Subordinate Authorized Amount" means the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Subordinate Commercial Paper Program and the total amount of Commercial Paper Notes that may be issued pursuant to an Unenhanced Subordinate Commercial Paper Program.

"*Subordinate Capitalized Interest*" means proceeds of Subordinate Obligations or other moneys not included in Subordinate Pledged Revenue that are deposited with the Subordinate Trustee in a Subordinate Debt Service Fund as will be described in a Supplemental Subordinate Indenture upon issuance of such Subordinate Obligations that are to be used to pay interest on Subordinate Obligations.

"*Subordinate Commercial Paper Notes*" means the commercial paper notes issued on parity with the other Subordinate Obligations from time to time under the terms of the Subordinate Indenture, designated the "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Revenue Commercial Paper Notes, Series A (Governmental – Non-AMT), Series B (Private Activity - AMT), Series C (Federally Taxable) and Series D (Private Activity – Non-AMT)," which may be issued from time to time pursuant to the Subordinate Indenture in an aggregate principal amount not to exceed $500,000,000 at any one time.

"*Subordinate Commercial Paper Program*" means a Subordinate Program authorized by the Board pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Authorized Amount of such Subordinate Program.

"*Subordinate Construction Fund*" means any of the Subordinate Construction Funds authorized to be created as provided by the Master Subordinate Indenture.

"*Subordinate Debt Service Fund*" or "*Subordinate Debt Service Funds*" means a Subordinate Debt Service Fund or any of the Subordinate Debt Service Funds required to be created as provided in the Master Subordinate Indenture.

"*Subordinate Debt Service Reserve Fund*" means any Subordinate Debt Service Reserve Fund created by the Department pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series of Subordinate Obligations and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Obligations and under certain circumstances to provide additional security for such other designated Series of Subordinate Obligations issued pursuant to the terms of the Master Subordinate Indenture and as specified in any Supplemental Subordinate Indenture.

"*Subordinate Debt Service Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit, deposited with the Subordinate Trustee for the credit of the Subordinate Debt Service Reserve Fund created for one or more Series of Outstanding Subordinate Obligations in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Subordinate Indenture, the entity providing such Subordinate Debt Service Reserve Fund Surety Policy will be rated, at the time such instrument is provided, in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"*Subordinate Designated Debt*" means a specific indebtedness designated by the Department in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series or multiple Series of Subordinate Obligations.

"*Subordinated Obligation*" means any bond, note or other debt instrument issued or otherwise entered into by the Department which ranks junior and subordinate to the Senior Bonds and which may be paid from moneys constituting Pledged Revenues only if all LAX Maintenance and Operation Expenses and amounts of principal and interest which have become due and payable on the Senior Bonds whether by maturity, redemption or acceleration have been paid in full and the Department is current on all payments, if any, required to be made to replenish the Senior Reserve Fund and any Senior Debt Service Reserve Fund. "*Subordinated Obligations*" are not Senior Bonds for purposes of the Master Senior Indenture; provided, however, that the Department may henceforth by Supplemental Senior Indenture elect to have the provisions of the Master Senior Indenture applicable to the Senior Bonds apply to the Subordinated Obligations issued thereunder, except that such Subordinated Obligations will be secured on a junior and subordinate basis to the Senior Bonds from the Net Pledged Revenues. No bond, note or other instrument of indebtedness will be deemed to be a "*Subordinated Obligation*" for purposes of the Master Senior Indenture and payable on a subordinated basis from Net Pledged Revenues unless specifically designated by the Department as a "*Subordinated Obligation*" in a Supplemental Senior Indenture or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or proposes to be in, the term "*Subordinated Obligation*" includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the Department under each such Swap, as the context requires. The term "*Subordinated Obligations*" also includes a Swap or the obligations of the Department under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. The term "*Subordinated Obligation*" includes any Senior Swap Termination Payment under a Senior Qualified Swap with respect to any Senior Bonds payable on parity with Subordinated Obligations.

"*Subordinate Event of Default*" means any occurrence or event specified as a "Subordinate Event of Default" in the Subordinate Indenture. See APPENDIX C-4—"SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Subordinate Events of Default and Remedies" below.

"*Subordinate Indenture*" means the Master Subordinate Indenture, together with all Supplemental Subordinate Indentures.

"*Subordinate Investment Agreement*" means an investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term Rating Category (if the term of the Subordinate Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Subordinate Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (a) and (b) of the definition of Subordinate Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

"*Subordinate Maximum Aggregate Annual Debt Service*" means the maximum amount of Subordinate Aggregate Annual Debt Service with respect to all Subordinate Obligations, Unissued Subordinate Program Obligations, and the Subordinate Authorized Amount of all Subordinate Obligations then proposed to be issued in the then current or any future Fiscal Year.

"*Subordinate Maximum Aggregate Annual Debt Service For Reserve Requirement*" means the computation of Subordinate Maximum Aggregate Annual Debt Service for a Subordinate Debt Service Reserve Fund with respect to all Outstanding Subordinate Obligations participating in an identified Subordinate Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Subordinate Maximum Aggregate Annual Debt Service For Reserve Requirement for the respective Subordinate Debt Service Reserve Fund, for a Series of Subordinate Obligations the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series participating in an identified Subordinate Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Subordinate Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Subordinate Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Subordinate Obligations containing Balloon Indebtedness or Subordinate Tender Indebtedness will not, with respect to such Series, require subsequent increases.

"*Subordinate Notes*" means Subordinate Obligations issued under the provisions of the Master Subordinate Indenture which have a maturity of one year or less from their original date of issue and which are not part of a Subordinate Commercial Paper Program.

"*Subordinate Obligation*" or "*Subordinate Obligations*" means any debt obligation of the Department issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Subordinate Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Department, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Subordinate Repayment Obligations to the extent provided in the Master Subordinate Indenture. The terms "Subordinate Obligation" and "Subordinate Obligations" do not include any Third Lien Obligation; provided, however, the Department may provide in a Supplemental Subordinate Indenture that Third Lien Obligations may be issued thenceforth pursuant to the Master Subordinate Indenture having the terms applicable to the Subordinate Obligations, except that such Third Lien Obligations will be junior and subordinate in payment of such Third Lien Obligations from the Subordinate Pledged Revenues. The terms "Subordinate Obligation" and "Subordinate Obligations" include Subordinate Program Obligations.

"*Subordinate Paying Agent*" or "*Subordinate Paying Agents*" means, with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Subordinate Indenture or a resolution of the Department as the place where such Subordinate Obligations will be payable.

"*Subordinate Permitted Investments*" means to the extent permitted to be invested by the Department by applicable law, the Charter and investment policy of the City, any of the following:

(a) Government Obligations;

(b) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(c) direct and general long-term obligations of any state, which obligations are rated in either of the two highest Rating Categories by two or more Rating Agencies;

(d) direct and general short-term obligations of any state, which obligations are rated in the highest Rating Category by two or more Rating Agencies;

(e) interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated in (y) the highest short-term Rating Category by two or more Rating Agencies or (z) either of the two highest long-term Rating Categories by two or more Rating Agencies or (ii) fully secured by obligations described in items (a) or (b) of this definition of Subordinate Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Subordinate Trustee (who may not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (C) subject to a perfected first lien in favor of the Subordinate Trustee, and (D) free and clear from all third party liens;

(f) long-term or medium-term corporate debt guaranteed by any corporation that is rated by two or more Rating Agencies in either of the two highest Rating Categories;

(g) repurchase agreements which are (i) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from two or more of the Rating Agencies; and (ii) fully secured by investments specified in items (a) or (b) of this definition of Subordinate Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements; (B) held by the Subordinate Trustee (who may not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee; (C) subject to a perfected first lien in favor of the Subordinate Trustee; and (D) free and clear from all third-party liens;

(h) prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category by two or more Rating Agencies;

(i) shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (i) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies, or (ii) a money market fund or account of the Subordinate Trustee or any state or federal bank that is rated in (A) the highest short-term Rating Category by two or more Rating Agencies or (B) either of the two highest long-term Rating Categories by two or more Rating Agencies, or whose own bank holding company parent is rated in (y) the highest short-term Rating Category by two or more Rating Agencies or (z) either of the two highest long-term Rating Categories by two or more Rating Agencies, or that has a combined capital and surplus of not less than $50,000,000;

(j) Investment Agreements; and

(k) any other type of investment consistent with City policy in which the Department directs the Subordinate Trustee to invest; provided that there is delivered to the Subordinate Trustee a certificate of an Authorized Representative stating that each of the Rating Agencies then maintaining a rating on the Subordinate Obligations has been informed of the proposal to invest in such investment.

"*Subordinate Pledged Revenues*" means for any given period, the Pledged Revenues for such period less, for such period, the LAX Maintenance and Operation Expenses, less, for such period, the Senior Aggregate Annual Debt Service or the Senior Annual Debt Service, as applicable, on the Outstanding Senior Bonds, less, for such period, deposits to any reserve fund or account required pursuant to Senior Indenture as described under the paragraph labeled THIRD under the caption APPENDIX C-2—"SUMMARY OF THE MASTER SENIOR INDENTURE—Withdrawals from LAX Revenue Account."

"*Subordinate Principal Amount*" or "*Subordinate principal amount*" means, as of any date of calculation, (a) with respect to any Capital Appreciation Subordinate Obligations, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Subordinate Obligations, the Accreted Value thereof, unless the Supplemental Subordinate Indenture under which such Subordinate Obligation was issued will specify a different amount, in which case, the terms of the Supplemental Subordinate Indenture will control, and (c) with respect to any other Subordinate Obligations, the principal amount of such Subordinate Obligation payable at maturity.

"*Subordinate Program*" means a financing program identified in a Supplemental Subordinate Indenture, including but not limited to a Subordinate Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items required under the Master Subordinate Indenture have been filed with the Subordinate Trustee, (b) wherein the Board has authorized the issuance, from time to time, of notes, bonds, commercial paper or other indebtedness in a Subordinate Authorized Amount, and (c) the Subordinate Authorized Amount of which has met the additional bonds test set forth in the Master Subordinate Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Subordinate Authorized Amount.

"*Subordinate Program Obligations*" means Subordinate Obligations issued and Outstanding pursuant to a Subordinate Program, other than Unissued Subordinate Program Obligations.

"*Subordinate Qualified Swap*" means any Swap (a) whose Subordinate Designated Debt is all or part of a particular Series of Subordinate Obligations; (b) whose Swap Provider is a Subordinate Qualified Swap Provider or has been a Subordinate Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Subordinate Annual Debt Service or Subordinate Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Subordinate Designated Debt or to a specified mandatory tender or redemption of such Subordinate Designated Debt; (d) which has been designated in writing to the Subordinate Trustee by the Department as a Subordinate Qualified Swap with respect to such Subordinate Obligations; and (e) which has been approved by S&P, if S&P has an outstanding rating on any Subordinate Obligations, and Moody's, if Moody's has an outstanding rating on the Subordinate Obligations.

"*Subordinate Qualified Swap Provider*" means a financial institution (a) whose senior long-term debt obligations, or whose obligations under any Subordinate Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "Aa," in the case of Moody's and "AA," in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) whose obligations under a Subordinate Qualified Swap are fully secured by obligations described in items (a) or (b) of the definition of Subordinate Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

"*Subordinate Registrar*" means, with respect to the Subordinate Obligation or any Series of Subordinate Obligations, the bank, trust company or other entity designated in a Supplemental Subordinate Indenture or a resolution of the Board to perform the function of Subordinate Registrar under the Master Subordinate Indenture or any Supplemental Subordinate Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Subordinate Indenture.

"*Subordinate Repayment Obligatio*ns" means an obligation arising under a written agreement of the Department and a Credit Provider pursuant to which the Department agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Subordinate Obligations and all other amounts due and owing to a Credit Provider under a Credit Facility, or an obligation arising under a written agreement of the Department and a Liquidity Provider pursuant to which the Department agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Subordinate Obligations and all other amounts due and owing to a Liquidity Provider under a Liquidity Facility.

"*Subordinate Reserve Fund*" means the Subordinate Debt Service Reserve Fund of such designation created under the Fourth Supplemental Subordinate Indenture as security for any Subordinate Obligations which may participate in the Subordinate Reserve Fund as provided in Fourth Supplemental Subordinate Indenture.

"*Subordinate Reserve Requirement*" means an amount equal to the least of (a) Subordinate Maximum Aggregate Annual Debt Service for Reserve Requirement for all Subordinate Obligations participating in the Subordinate Reserve Fund, (b) 10% of the principal amount of the Subordinate Obligations that have been issued and are participating in the Subordinate Reserve Fund, less the amount of original issue discount with respect to such Subordinate Obligations if such original issue discount exceeded 2% on such Subordinate Obligations at the time of their original sale, and (c) 125% of the average Subordinate Aggregate Annual Debt Service for Reserve Requirement for all Subordinate Obligations participating in the Subordinate Reserve Fund.

"*Subordinate Swap Termination Payment*" means an amount payable by the Department or a Qualified Swap Provider, in accordance with a Subordinate Qualified Swap, to compensate the other party to the Subordinate Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Subordinate Qualified Swap.

"*Subordinate Tender Indebtedness*" means any Subordinate Obligations or portions of Subordinate Obligations a feature of which is an option and/or an obligation on the part of the holders, under the terms of such Subordinate Obligations, to tender all or a portion of such Subordinate Obligations to the Department, the Subordinate Trustee, the Subordinate Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Subordinate Obligations or portions of Subordinate Obligations be purchased if properly presented.

"*Subordinate Trustee*" means U.S. Bank National Association, also known as U.S. Bank, N.A., until a successor replaces it and, thereafter, means such successor

"*Supplemental Senior Indenture*" means any document supplementing or amending the Master Subordinate Indenture or providing for the issuance of Senior Bonds and entered into as provided in the Master Senior Indenture.

"*Supplemental Subordinate Indenture*" means any document supplementing or amending the Master Subordinate Indenture or providing for the issuance of Subordinate Obligations and entered into as provided in the Master Subordinate Indenture.

"*Swap*" means any financial arrangement between the Department and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate or index) on a Senior Designated Debt or a Subordinate Designated Debt, as the case may be, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid *before* it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid *after* it is deemed to have accrued will reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement. Swap will include, but not be limited to, (i) caps, floors and collars, (ii) forward rate, future rate, swap (such swap may be based on an amount equal either to the principal amount of such Senior Bonds or Subordinate Obligations as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Senior Bonds or Subordinate Obligations, as applicable), asset, index, price or market-linked transactions or agreements, (iii) other exchange or rate protection transaction agreements, (iv) other similar transactions (however designated), or (v) any combination thereof, or any option with respect thereto, in each case executed by the Department for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Senior Bonds or fixed interest rate Subordinate Obligations, or Variable Rate Indebtedness on a synthetic basis or otherwise.

"*Swap Provider*" means a party to a Swap with the Department.

"*Synthetic Fixed Rate Debt*" means indebtedness issued by the Department which: (a) is combined, as Senior Designated Debt or Subordinate Designated Debt, as the case may be, with a Senior Qualified Swap or a Subordinate Qualified Swap, respectively, and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

"*Tax Compliance Certificate*" means the certificate of the Department prepared by Bond Counsel and delivered by the Department at the time of issuance and delivery of any Series or Senior Bonds or Subordinate Obligations, as the case may be, the interest on which is excluded from gross income for federal income tax purposes pursuant to a favorable opinion of such Bond Counsel, making certifications and representations of the Department as to the status of such Senior Bonds or Subordinate Obligations, as the case may be, under the Code.

"*Term Senior Bonds*" means Senior Bonds of a series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Senior Indenture for such series for that purpose and calculated to retire the Senior Bonds on or before their specified maturity dates.

"*Term Subordinate Obligations*" means Subordinate Obligations of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Subordinate Indenture for such Series for that purpose and calculated to retire the Subordinate Obligations on or before their specified maturity dates.

"*Third Lien Obligation*" means any bond, note or other debt instrument issued or otherwise entered into by the Board which ranks junior and subordinate to the Senior Bonds and the Subordinated Obligations and which may be paid from moneys constituting Pledged Revenues only if all LAX Maintenance and Operation Expenses and amounts of principal and interest which have become due and payable on the Senior Bonds and the Subordinated Obligations whether by maturity, redemption or acceleration have been paid in full and the Board is current on all payments, if any, required to be made to replenish the Senior Reserve Fund, any Senior Debt Service Reserve Fund and any debt service reserve fund(s) established for the Subordinated Obligations. "*Third Lien Obligations*" are not Senior Bonds for purposes of the Master Senior Indenture; provided, however, that the Board may henceforth by Supplemental Senior Indenture elect to have the provisions of the Master Senior Indenture applicable to the Senior Bonds apply to the Third Lien Obligations issued thereunder, except that such Third Lien Obligations will be secured on a junior and subordinate basis to the Senior Bonds and the Subordinated Obligations from the Net Pledged Revenues. No bond, note or other instrument of indebtedness will be deemed to be a "*Third Lien Obligation*" for purposes of the Master Senior Indenture and payable on a subordinated basis from Net Pledged Revenues unless specifically designated by the Board as a "*Third Lien Obligation*" in a Supplemental Senior Indenture or other written instrument. In connection with any Third Lien Obligation with respect to which a Swap is in effect or proposes to be in effect, the term "*Third Lien Obligation*" includes, collectively, both such Third Lien Obligation and either such Swap or the obligations of the Board under each such Swap, as the context requires. The term "*Third Lien Obligations*" also includes a Swap or the obligations of the Board under such Swap which has been entered into in connection with a Third Lien Obligation, as the context requires, although none of the Third Lien Obligations with respect to which such Swap was entered into remain outstanding. The term "*Third Lien*

Obligation" includes any Senior Swap Termination Payment under a Senior Qualified Swap with respect to any Senior Bonds or Subordinated Obligations payable on parity with Third Lien Obligations.

"*Transfer*" means for any Fiscal Year the amount of unencumbered funds on deposit or anticipated to be on deposit, as the case may be, on the first day of such Fiscal Year in the LAX Revenue Account (after all deposits and payments required by paragraphs FIRST through NINTH described under the caption APPENDIX C-2—"SUMMARY OF THE MASTER SENIOR INDENTURE—Withdrawals from LAX Revenue Account" have been made as of the last day of the immediately preceding Fiscal Year).

"*Treasurer*" means the Treasurer of the City as set forth in the Charter.

"*Twenty-First Supplemental Senior Indenture*" means the Twenty-First Supplemental Trust Indenture, to be dated as of August 1, 2020 by and between the Department, acting through the Board, and the Senior Trustee.

"*Unenhanced Senior Commercial Paper Program*" will be a Senior Commercial Paper Program that is authorized to be issued without the support of a Credit Facility, provided such Senior Commercial Paper Program has received at least an investment grade short-term rating from two or more of the Rating Agencies.

"*Unenhanced Subordinate Commercial Paper Program*" will be a Subordinate Commercial Paper Program that is authorized to be issued without the support of a Credit Facility, provided such Subordinate Commercial Paper Program has received at least an investment grade short-term rating from two or more of the Rating Agencies.

"*Unissued Senior Program Bonds*" means the bonds, notes or other indebtedness authorized to be issued pursuant to a Senior Program and payable from Net Pledged Revenues, issuable in an amount up to the Senior Authorized Amount relating to such Senior Program, which have been approved for issuance by the Department pursuant to a resolution adopted by the Board and with respect to which Senior Program the items required pursuant to the Master Senior Indenture have been filed with the Senior Trustee but which have not yet been authenticated and delivered pursuant to the Senior Program documents.

"*Unissued Subordinate Program Obligations*" means the bonds, notes or other indebtedness authorized to be issued pursuant to a Subordinate Program and payable from Subordinate Pledged Revenues, issuable in an amount up to the Subordinate Authorized Amount relating to such Subordinate Program, which have been approved for issuance by the Department pursuant to a resolution adopted by the Board and with respect to which Subordinate Program the items required pursuant to the Master Subordinate Indenture have been filed with the Subordinate Trustee but which have not yet been authenticated and delivered pursuant to the Subordinate Program documents.

"*United States Bankruptcy Code*" means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

"*United States Obligations*" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (1) a bank or trust company acts as custodian and holds the underlying United States Obligations; (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (3) the underlying United States Obligations are held in a special account separate from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. "*United States Obligations*" will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

"*Variable Rate Indebtedness*" means any Senior Bond, Senior Bonds, Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any commercial paper program.

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APPENDIX C-2

SUMMARY OF THE MASTER SENIOR INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2020BCD SENIOR BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Senior Indenture.

Grant to Secure Senior Bonds; Pledge of Net Pledged Revenues

To secure the payment of the interest, principal and premium, if any, on the Senior Bonds and the performance and observance by the Department of all the covenants, agreements and conditions expressed or implied in the Master Senior Indenture or contained in the Senior Bonds, the Department has pledged and assigned to the Senior Trustee and granted to the Senior Trustee a lien on and security interest in all right, title and interest of the Department in and to all of the following and provides that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Department in the following: (a) the Net Pledged Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Senior Trustee under the Master Senior Indenture, moneys and securities held in the Senior Reserve Fund or any Senior Debt Service Reserve Fund and any Senior Reserve Fund Surety Policy or Senior Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the Senior Reserve Requirement, and to the extent provided in any Supplemental Senior Indenture moneys and securities held in any Senior Construction Fund whether or not held by the Senior Trustee, (c) earnings on amounts included in provisions (a) and (b) above (except to the extent excluded from the definition of "Pledged Revenues"), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Senior Trustee as additional security hereunder, for the equal and proportionate benefit and security of all Senior Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this Granting Clause, be of equal rank without preference, priority or distinction as to any Senior Bond over any other Senior Bond or Senior Bonds, except as to the timing of payment of the Senior Bonds. Any security or Credit Facility provided for specific Senior Bonds or a specific Series of Senior Bonds may, as provided by Supplemental Senior Indenture, secure only such specific Senior Bonds or Series of Senior Bonds and, therefore, will not be included as security for all Senior Bonds under the Master Senior Indenture and moneys and securities held in trust as provided in the Master Senior Indenture exclusively for Senior Bonds which have become due and payable and moneys and securities which are held exclusively to pay Senior Bonds which are deemed to have been paid under the Master Senior Indenture will be held solely for the payment of such specific Senior Bonds.

Additional Senior Bonds

Additional Senior Bonds may be issued under the Master Senior Indenture on parity with the Outstanding Senior Bonds, provided, among other things, there is delivered to the Senior Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the proposed Additional Senior Bonds being issued and the date of delivery of such proposed Additional Senior Bonds (both dates inclusive), prepared by an Authorized Representative showing that the Net Pledged Revenues, together with any Transfer, for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Additional Senior Bonds or preceding the first issuance of the proposed Senior Program Bonds were at least equal to 125% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Additional Senior Bonds, calculated as if the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding; or

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

(i) the Net Pledged Revenues, together with any Transfer, for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Additional Senior Bonds or the establishment of a Senior Program, were at least equal to 125% of the sum of the Senior Annual Debt Service due and payable with respect to all Outstanding Senior Bonds (not including the proposed Additional Senior Bonds or the proposed Senior Program Bonds) for such Fiscal Year or other applicable period; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such proposed Additional Senior Bonds during which no interest on such Additional Senior Bonds is expected to be paid from the proceeds thereof through and including the later of (A) the fifth full Fiscal Year following the issuance of such Additional Senior Bonds, or (B) the third full Fiscal Year during which no interest on such Additional Senior Bonds is expected to be paid from the proceeds thereof, the estimated Net Pledged Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 125% of the Senior Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Additional Senior Bonds (calculated as if the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding).

For purposes of subparagraphs (a) and (b) above, the amount of any Transfer taken into account may not exceed 25% of the Senior Annual Debt Service or Senior Aggregate Annual Debt Service, as applicable, on the Outstanding Senior Bonds, Unissued Senior Program Bonds, the proposed Additional Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds, as applicable, for such applicable Fiscal Year or such other applicable period.

For purposes of subsection (b)(ii) above, in estimating Net Pledged Revenues, the Consultant may take into account (1) Pledged Revenues from Specified LAX Projects or LAX Airport Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Pledged Revenues which have been approved by the Department and will be in effect during the period for which the estimates are provided and (3) any other increases in Pledged Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to LAX Maintenance and Operation Expenses, the Consultant may use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical LAX Maintenance and Operation Expenses, (ii) LAX Maintenance and Operation Expenses associated with the Specified LAX Projects and any other new LAX Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the Department, as the Consultant believes to be appropriate. The Consultant may include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Pledged Revenues and may also set forth the calculations of Senior Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

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

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

(1) the Senior Bonds being issued are for the purpose of refunding then Outstanding Senior Bonds and there is delivered to the Senior Trustee, instead, a certificate of an Authorized Representative

showing that Senior Aggregate Annual Debt Service for each Fiscal Year after the issuance of the Refunding Senior Bonds will not exceed Senior Aggregate Annual Debt Service for each Fiscal Year prior to the issuance of such Refunding Senior Bonds;

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

(3) if the Senior Bonds being issued are to pay costs of completing a Specified LAX Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Senior Bonds originally issued for such Specified LAX Project and reasonably allocable to the Specified LAX Project to be completed as shown in a written certificate of an Authorized Representative and there is delivered to the Senior Trustee (i) a Consultant's certificate stating that the nature and purpose of such Specified LAX Project has not materially changed and (ii) a certificate of an Authorized Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Specified LAX Project) of the original Senior Bonds issued to finance such Specified LAX Project have been or will be used to pay Costs of the Specified LAX Project, (B) the then estimated Costs of the Specified LAX Project exceed the sum of the Costs of the Specified LAX Project already paid plus moneys available in the Construction Fund established for the Specified LAX Project (including unspent proceeds of the Senior Bonds previously issued for such purpose), and (C) the proceeds to be received from the issuance of such Senior Bonds plus moneys available in the Construction Fund established for the Specified LAX Project (including unspent proceeds of the Senior Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Specified LAX Project.

Senior Repayment Obligations Afforded Status of Senior Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of and/or interest on a Senior Bond or advances funds to purchase or provide for the purchase of Senior Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Department, but is not reimbursed, the Department's Senior Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Senior Bond issued under the Master Senior Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Senior Bondholder and such Senior Bond will be deemed to have been issued at the time of the original Senior Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the additional bonds test set forth in the Master Senior Indenture; provided, however, the payment terms of the Senior Bond held by the Credit Provider or Liquidity Provider will be as follows (unless otherwise provided in the Supplemental Senior Indenture pursuant to which the Senior Bonds are issued or in the agreement with the Credit Provider or Liquidity Provider): interest will be due and payable semiannually and principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, (ii)(a) if shorter, a term extending to the maturity date of the enhanced Senior Bonds or (b) if later, the final maturity of the Senior Repayment Obligation under the written agreement, and providing substantially level Senior Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Senior Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Senior Repayment Obligation. Any amount which comes due on the Senior Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Senior Bond will be payable from Net Pledged Revenues on a basis subordinate to the payment and/or funding of the Senior Bonds and any reserve funds established with respect to the Senior Bonds. This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Senior Indenture. The Senior

Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non reimbursement and that such Senior Repayment Obligation is to be afforded the status of a Senior Bond under the Master Senior Indenture.

Obligations Under Qualified Swap; Non-Qualified Swap

The obligation of the Department to make Regularly Scheduled Swap Payments under a Senior Qualified Swap with respect to a Series of Senior Bonds may be on a parity with the obligation of the Department to make payments with respect to such Series of Senior Bonds and other Senior Bonds under the Master Senior Indenture, except as otherwise provided by in the Master Senior Indenture or a Supplemental Senior Indenture with respect to any Senior Swap Termination Payments. The Department may provide in any Supplemental Senior Indenture that Regularly Scheduled Swap Payments under a Senior Qualified Swap will be secured by a pledge of or lien on the Net Pledged Revenues on a parity with the Senior Bonds of such Series and all other Senior Bonds, regardless of the principal amount, if any, of the Senior Bonds of such Series remaining Outstanding. The Senior Trustee will take all action consistent with the other provisions hereof as will be requested in writing by the Senior Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the Department with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence will require the Senior Trustee either to exercise the remedies granted in the Master Senior Indenture or to institute any action, suit or proceeding in its own name, the Senior Qualified Swap Provider will provide to the Senior Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

In the event that a Senior Swap Termination Payment or any other amounts other than as described in the previous paragraph are due and payable by the Department under a Senior Qualified Swap, such Senior Swap Termination Payment and any such other amounts will, unless otherwise provided in a Supplemental Senior Indenture, constitute an obligation of the Department payable from Pledged Revenues subordinate to its obligations to pay and/or fund LAX Maintenance and Operation Expenses, the Senior Bonds and any reserve funds established with respect to such Senior Bonds.

Obligations of the Department to make payments, including termination payments, under a Non-Qualified Swap will, unless otherwise provided in a Supplemental Senior Indenture, constitute an obligation of the Department payable from Pledged Revenues subordinate to its obligations to pay and/or fund LAX Maintenance and Operation Expenses, the Senior Bonds and any reserve funds established with respect to such Senior Bonds.

Withdrawals from LAX Revenue Account

(a) Subject to the provisions of the Master Senior Indenture, the Department will cause the Treasurer to separately account for all of the revenues and expenses of each airport under the jurisdiction of the Board and to deposit all the revenues for each individual airport within the Airport System which are received pursuant to the Charter, in its respective revenue account within the Airport Revenue Fund. The Department has covenanted and agreed that all LAX Revenues, when and as received by or on behalf of the Department, will be deposited by the Department in the LAX Revenue Account and will, immediately upon receipt thereof, become subject to the lien and pledge of the Master Senior Indenture. The Department has notified the Treasurer of the pledge of, lien on, and interest in LAX Revenues granted by the Master Senior Indenture and instructed the Treasurer that all such LAX Revenues, are to be accounted for separately and apart from all other revenues, funds, accounts or other resources of the Department or the City. If the Treasurer fails to comply with such instructions, the Department will separately account for all of the revenues and expenses of each airport under the jurisdiction of the Board.

Earnings on the various funds and accounts created under any Supplemental Senior Indenture will be deposited as provided in such Supplemental Senior Indenture, except that (i) during the continuation of a Senior Event of Default earnings on such funds and accounts will be deposited into the Senior Debt Service Funds created under the respective Supplemental Senior Indentures, (ii) earnings on the Senior Construction Funds may, if so provided by Supplemental Senior Indenture, be retained in such Senior Construction Fund, (iii) pursuant to the provisions of the Master Senior Indenture, earnings on the Senior Reserve Fund may be retained in such fund under the conditions therein described, and (iv) earnings on any Senior Debt Service Reserve Fund may, if so provided by Supplemental Senior Indenture, be retained in such fund.

The sums of Pledged Revenues required by the Master Senior Indenture to be so set aside out of the LAX Revenue Account into the specified accounts will be set aside out of said LAX Revenue Account and not out of any other funds or revenues of the Department or the City, except as expressly authorized or permitted by the Department or the City. An Authorized Representative will direct that such sums be set aside through transfers or payments made at such time and in such amounts as may be necessary to comply with the provisions of this section.

The provisions in the Master Senior Indenture regarding the use of the LAX Revenue Account and the establishment of certain accounts therein are made pursuant to Section 635 of the Charter and are intended to be in full compliance therewith and will be so construed.

(b) The amounts of Pledged Revenues credited to the LAX Revenue Account will first be applied as follows and in the order set forth:

FIRST To the payment of LAX Maintenance and Operation Expenses of the Airport System which are payable from LAX Revenues, which include payment to the City for services provided by it to LAX;

SECOND To the payment of amounts required to be deposited in the Senior Debt Service Funds as described in "—Deposits and Withdrawals from the Senior Debt Service Funds" below;

THIRD To the payment of amounts required to be deposited in the Senior Reserve Fund, pursuant to the Master Senior Indenture, or any Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture;

FOURTH To the payment of debt service on any indebtedness (other than Outstanding Senior Bonds or Third Lien Obligations), including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment debt service on such indebtedness;

FIFTH To the payment of any reserve requirement for debt service for any indebtedness (other than Outstanding Senior Bonds or Third Lien Obligations), including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of any such reserve requirement on such indebtedness (see APPENDIX C-4—"SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Deposits and Withdrawals from the Subordinate Debt Service Funds");

SIXTH To the payment of debt service on any indebtedness (other than Outstanding Senior Bonds or Subordinated Obligations), including Third Lien Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of debt service on such indebtedness;

SEVENTH To the payment of any reserve requirement for debt service for any indebtedness (other than Outstanding Senior Bonds or Subordinated Obligations), including Third Lien Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of any such reserve requirement on such indebtedness;

EIGHTH To the payment of the amounts required to be deposited in the LAX Maintenance and Operation Reserve Account which are payable from LAX Revenues as determined by the Department pursuant to the Master Senior Indenture;

NINTH To the payment of such amounts as are directed by the Department for discretionary purposes as authorized by the Charter which include capital projects, defraying the expenses of any pension or retirement system applicable to the employees of the Department, defraying the Maintenance and Operation Expenses of the Airport System, for reimbursement to another department or office of the City on account of services rendered, or materials, supplies or equipment furnished to support purposes of the Department and for any other lawful purpose of the Department, but only to the extent any such purposes relate to LAX.

With respect to the application of Pledged Revenues described in subparagraphs FIRST, EIGHTH and NINTH above, the Department need apply only such amount of Pledged Revenues pursuant to the provisions of such subparagraphs as is necessary, after taking into account all other moneys and revenues available to the Department for application for such purposes, to pay the amounts required by such subparagraphs.

Notwithstanding the provisions of the Master Senior Indenture, nothing in the Master Senior Indenture will preclude the Department from making the payments described in paragraphs FIRST through NINTH above from sources other than Pledged Revenues.

Deposits and Withdrawals from the Senior Debt Service Funds

Deposits into the Senior Debt Service Funds. The Senior Trustee will, at least fifteen Business Days prior to each Payment Date on any Senior Bond, give the Department notice by telephone, promptly confirmed in writing, of the amount after taking into account Senior Capitalized Interest, if any, on deposit in the Senior Debt Service Funds, required to be deposited with the Senior Trustee to make each required payment of principal and interest due on such Payment Date. With respect to any Series of Senior Bonds, the Supplemental Senior Indenture under which such Senior Bonds are issued may provide for different times and methods of notifying the Department of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Senior Indenture will control.

So long as any of the Senior Bonds are Outstanding, the Authorized Representative will deliver to the Treasurer, at least ten Business Days prior to each Payment Date, as to each Series of Senior Bonds Outstanding, a written demand authenticated by the signature of the Chief Financial Officer requesting that the Treasurer, not later than five Business Days prior to each Payment Date, transfer from the LAX Revenue Account to the Senior Trustee for deposit in the Senior Debt Service Funds established in respect of each Series of Outstanding Senior Bonds the full amount required to pay the principal of and/or interest on Senior Bonds of that Series due on such Payment Date.

On any day on which the Senior Trustee receives funds from the Treasurer to be used to pay principal of or interest on Senior Bonds, the Senior Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Senior Debt Service Funds for the Series of Senior Bonds for which such payments were made and any excess funds will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from the LAX Revenue Account or otherwise deposited into any Senior Debt Service Fund for any Series of Senior Bonds for the payment of principal or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal and/or interest, respectively, coming due on such Senior Bonds on the next succeeding Payment Date.

The Department may provide in any Supplemental Senior Indenture that, as to any Series of Senior Bonds Outstanding, any amounts required to be transferred to and paid into a Senior Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Senior Debt Service Fund, and in that event any subsequently scheduled transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Senior Indenture, the Department may provide that monies in the redemption account allocable to sinking fund installment payments of a Series may, at the discretion of the Department, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Senior Bonds so delivered or previously redeemed or purchased at the direction of the Department will be credited by the Senior Trustee at the principal amount thereof to the next scheduled sinking installment payments on Senior Bonds of such Series and any excess over the sinking installment payment deposit required on that date will be credited against future sinking installment deposits in such manner and order as the Department may determine in its discretion, and the scheduled principal amount of the Senior Bonds to be redeemed by operation of such sinking installment payments will be accordingly modified in such manner as the Department may determine and as specified to the Senior Trustee in writing.

Money set aside and placed in a Senior Debt Service Fund for any Series of Senior Bonds will remain therein until from time to time expended for the aforesaid purposes thereof and will not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Senior Debt Service Fund may be temporarily invested as provided in the Master Senior Indenture, but such investment will not affect the obligation of the Department to cause the full amount required by the terms of this section to be available in a Senior Debt Service Fund at the time required to meet payments of principal of and interest on Senior Bonds of the Series for which it is accumulated. Earnings on such investments upon written request of the Department may be transferred into the LAX Revenue Account, except that during the continuation of a Senior Event of Default, such earnings will remain in the Senior Debt Service Funds created under the respective Supplemental Senior Indentures.

Each Senior Debt Service Fund established to pay principal of and interest on any Series of Senior Bonds will be held by the Senior Trustee or any agent of the Senior Trustee, and amounts to be used to pay principal and interest on such Series, as received by the Senior Trustee or its agent, will be deposited therein and used for such purpose. Accounts and subaccounts will be created by the Senior Trustee or any agent of the Senior Trustee in the various Senior Debt Service Funds as requested in writing by the Authorized Representative and will be held by the Senior Trustee or such agents as will be provided by Supplemental Senior Indenture.

The moneys in each Senior Debt Service Fund established for any issue or Series will be held in trust and applied as provided herein and in the Supplemental Senior Indenture, and pending the application of such amounts in accordance herewith and with the provisions of such Supplemental Senior Indenture will be subject to a lien on and security interest in favor of the holders of the Outstanding Senior Bonds of such Series.

Withdrawals From Senior Debt Service Funds. On each Payment Date for any Outstanding Senior Bonds, the Senior Trustee will pay to the Owners of the Senior Bonds of a given Series from the appropriate Senior Debt Service Fund or Senior Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Senior Bonds.

On or before a mandatory redemption date from sinking installment payments for Term Senior Bonds of a Series of Senior Bonds, the Senior Trustee will transfer from the Senior Debt Service Fund to the redemption account for such Series an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to make the sinking installment payment due on such mandatory redemption date. On each date on which Term Senior Bonds of a Series are to be mandatorily redeemed from sinking installment payments, the Senior Trustee will pay to the Owners of Senior Bonds of such Series from the redemption account for such Series, an amount equal to the amount of interest and the principal amount of Term Senior Bonds of such Series to be mandatorily redeemed on such date.

On each date on which Senior Bonds of any Series will otherwise become subject to optional or mandatory redemption (other than from sinking installment payments) in accordance with the provisions of any Supplemental Senior Indenture, the Senior Trustee will pay to the Owners of such Senior Bonds from the redemption account, an amount of interest and principal, and premium, if any, on such Senior Bonds to be mandatorily or optionally redeemed on said date. On or before such redemption date, in accordance with the Supplemental Senior Indenture pursuant to which such Senior Bonds are issued, the Department will have or will have caused to be deposited in the redemption account for such Series, an amount which, together with amounts on deposits therein and available for such purpose, is sufficient to pay the redemption price of such Senior Bonds on such redemption date.

The payments made by the Senior Trustee in this section will be made solely to the extent that moneys are on deposit in the appropriate Senior Debt Service Fund.

All money remaining in a Senior Debt Service Fund on the final Payment Date, in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of the Senior Bonds of the Series for which that Senior Debt Service Fund was established or the payment of amounts required to be rebated, pursuant to the Code, to the United States of America with respect to Senior Bonds of that Series, will be returned to the Department and deposited by the Department in the LAX Revenue Account.

The Senior Trustee will, at least two Business Days prior to each Payment Date on any Senior Bond, or as otherwise directed in any Supplemental Senior Indenture, give the Chief Financial Officer notice by telephone, promptly confirmed in writing, of any additional amount required to be deposited with the Senior Trustee to pay the amount required to be paid on such Payment Date in respect of such Senior Bond, in the event the amount then on deposit in any Senior Debt Service Fund is insufficient to pay the amounts due on any Series of Senior Bonds on such Payment Date. With respect to any Series of Senior Bonds, the Supplemental Senior Indenture under which such Senior Bonds are issued may provide for different times and methods of notifying the Department of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Senior Indenture will control.

If, on any Payment Date, the Senior Trustee does not have sufficient amounts in the Senior Debt Service Funds (without regard to any amounts which may be available in the Senior Reserve Fund or any Senior Debt Service Reserve Fund) to pay in full with respect to Senior Bonds of all Series all amounts of principal and/or interest due on such date, the Senior Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the Senior Reserve Fund or any Senior Debt Service Reserve Fund) as follows: first to the payment of past due interest on Senior Bonds of any Series, in the order in which such interest came due, then to the payment of past due principal on Senior Bonds of any Series, in the order in which such principal came due, then to the payment of interest then due and payable on the Senior Bonds of each Series due on such Payment Date and, if the amount available will not be sufficient to pay in full all interest on the Senior Bonds then due, then pro rata among the Series according to the amount of interest then due and second to the payment of principal then due on the Senior Bonds and, if the amount available will not be sufficient to pay in full all principal on the Senior Bonds then due, then pro rata among the Series according to the Principal Amount then due on the Senior Bonds.

If the Senior Reserve Fund or any Senior Debt Service Reserve Fund (or a Credit Facility provided in lieu thereof) have been used to make payments on the Senior Bonds secured thereby, then the Department may be required by Supplemental Senior Indenture to replenish the Senior Reserve Fund or any Senior Debt Service Reserve Fund or reimburse the Credit Provider from Net Pledged Revenues provided that (a) no amount from Net Pledged Revenues may be used for such purpose until all payments of principal of and interest on all Senior Bonds which have become due and payable have been paid in full, (b) the required payments to replenish the Senior Reserve Fund and any Senior Debt Service Reserve Fund or reimburse the Credit Provider will be due in no more than twelve (12) substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Senior Reserve Fund or any Senior Debt Service Reserve Fund or reimburse the Credit Provider exceeds the amount available for such purposes, the payments made to the Senior Trustee for such purpose will be allocated among the Senior Reserve Fund and any Senior Debt Service Reserve Fund and the Credit Provider pro rata on the basis of the Outstanding Principal Amount of Senior Bonds secured thereby.

Notwithstanding the foregoing, the Department may, by Supplemental Senior Indenture, provide for different provisions and timing of deposits with the Senior Trustee and different methods of paying principal of or interest on Senior Bonds of any Series depending upon the terms of such Series of Senior Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Senior Debt Service Fund created for the Series of Senior Bonds for which such Credit Facility is provided.

If Net Pledged Revenues are at any time insufficient to make the deposits required to make payments on the Senior Bonds, the Department may, at its election, pay to the Senior Trustee funds from any available sources with the direction that such funds be deposited into the Senior Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Senior Reserve Fund

Pursuant to the terms of the Master Senior Indenture, the Department established with the Senior Trustee the "Senior Reserve Fund" for all of the Senior Bonds the Department elects to have participate in the Senior Reserve Fund. The Department has elected to have all of the Outstanding Senior Bonds participate in the Senior Reserve Fund.

Pursuant to the Master Senior Indenture, the Senior Reserve Fund is required to be funded at all times in an amount equal to the Senior Reserve Requirement. The "Senior Reserve Requirement" equals the least of (i) Senior

Maximum Aggregate Annual Debt Service for Reserve Requirement with respect to all Senior Bonds participating in the Senior Reserve Fund, (ii) 10% of the principal amount of all Senior Bonds participating in the Senior Reserve Fund, less the amount of original issue discount with respect to the Senior Bonds participating in the Senior Reserve Fund if such original issue discount exceeded 2% on such Senior Bonds at the time of original sale, and (iii) 125% of the average Senior Aggregate Annual Debt Service for Reserve Requirement with respect to all Senior Bonds participating in the Senior Reserve Fund. In the event the Department issues any Additional Senior Bonds pursuant to a Supplemental Senior Indenture under which the Department elects to have such Additional Senior Bonds participate in the Senior Reserve Fund, the Department will be required to deposit an amount, if any, in the Senior Reserve Fund sufficient to cause the amount on deposit in the Senior Reserve Fund to equal the Senior Reserve Requirement.

Moneys or investments held in the Senior Reserve Fund may be used only to pay the principal of and interest on the Senior Bonds participating in the Senior Reserve Fund. Moneys and investments held in the Senior Reserve Fund are not available to pay debt service on the Subordinate Obligations or any Third Lien Obligations. The Senior Reserve Fund may be drawn upon if the amounts in the respective Senior Debt Service Funds for the Senior Bonds participating in the Senior Reserve Fund are insufficient to pay in full any principal or interest then due on such Senior Bonds. In the event any amounts are required to be withdrawn from the Senior Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Senior Debt Service Funds for the Senior Bonds secured by the Senior Reserve Fund.

The Department may fund all or a portion of the Senior Reserve Requirement with a Senior Reserve Fund Surety Policy. Any such Senior Reserve Fund Surety Policy must either extend to the final maturity of the Series of Senior Bonds for which the Senior Reserve Fund Surety Policy was issued or the Department must agree, by Supplemental Senior Indenture, that the Department will replace such Senior Reserve Fund Surety Policy prior to its expiration with another Senior Reserve Fund Surety Policy, which will have no adverse effect on ratings, if any, then in effect, on the Senior Bonds, or with cash, and the face amount of the Senior Reserve Fund Surety Policy, together with amounts on deposit in the Senior Reserve Fund, including the face amount of any other Senior Reserve Fund Surety Policy, are at least equal to the Senior Reserve Requirement. As of the date of this Official Statement, there are no and there will be no Senior Reserve Fund Surety Policies on deposit in the Senior Reserve Fund.

LAX Maintenance and Operation Reserve Account

The Department has caused the LAX Maintenance and Operation Reserve Account to be maintained with the City Treasury. At the beginning of each Fiscal Year the Department will deposit in the LAX Maintenance and Operation Reserve Account amounts from the LAX Airport Account so that the balance in the LAX Maintenance and Operation Reserve Account as of the first day of such Fiscal Year, will be equal to not less than 25% nor more than 50% of the budgeted LAX Maintenance and Operation Expenses for the current Fiscal Year. Moneys on deposit in the LAX Maintenance and Operation Reserve Account will be used by the Department to pay LAX Maintenance and Operation Expenses in the event there are insufficient moneys in the LAX Revenue Account to make such payments.

Additional Security

The pledge of Net Pledged Revenues and the other security provided in the Granting Clauses of the Master Senior Indenture, secure all Senior Bonds issued under the terms of the Master Senior Indenture on an equal and ratable basis, except as to the timing of such payments. The Department may, however, in its discretion, provide additional security or credit enhancement for specified Senior Bonds or Series of Senior Bonds with no obligation to provide such additional security or credit enhancement to other Senior Bonds.

Payment of Principal and Interest

The Department has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Net Pledged Revenues and to the extent thereof the principal of, premium, if any, and interest on every Senior Bond at the place and on the dates and in the manner set forth the Master Senior Indenture, the Supplemental Senior Indentures and in the Senior Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Senior Indenture and in the Senior Bonds contained, provided that the Department's obligation to make payment of the principal of, premium, if any, and interest on the Senior Bonds will be limited to payment from the Net Pledged Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Senior Indenture and any other source which the Department may specifically provide for such purpose and no Bondholder will have any right to enforce payment from any other funds of the Department.

Senior Lien Obligations Prohibited

The Department has covenanted that so long as any Senior Bonds are Outstanding under the Senior Indenture, it (i) will not adopt a resolution determining that Pledged Revenues be used to pay general obligation bonds of the City on a senior lien basis, and (ii) will not issue any additional bonds or other obligations with a lien on or security interest granted in Net Pledged Revenues which is senior to the Senior Bonds. Notwithstanding the previous sentence, nothing in the Senior Indenture prohibits the Department from entering into agreements that provide for the granting of Facilities Construction Credits by the Department.

Senior Rate Covenant

The Department has covenanted that, while any of the Senior Bonds remain Outstanding (but subject to all prior existing contracts and legal obligations of the Department as of the date of execution of the Master Senior Indenture), the Department will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with LAX and for services rendered in connection therewith, so that Pledged Revenues in each Fiscal Year will be at least equal to the payments required in such Fiscal Year to be made pursuant to the paragraphs FIRST through EIGHTH described in subsection (b) under the caption "—Withdrawals from LAX Revenue Account" above. The Department has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with LAX and for services rendered in connection therewith, so that during each Fiscal Year the Net Pledged Revenues, together with any Transfer, will be equal to at least 125% of Senior Annual Debt Service on the Outstanding Senior Bonds for such Fiscal Year. Any amount of Transfer taken into account as described in the previous sentence cannot exceed 25% of Senior Annual Debt Service on the Outstanding Senior Bonds for such Fiscal Year.

If the Department violates the covenants described in the previous paragraph, such violation will not be a default under the Senior Indenture and will not give rise to a declaration of a Senior Event of Default if, within 180 days after the date such violation is discovered, the Department revises the schedule of rates, tolls, fees, rentals and charges insofar as practicable and revises any LAX Maintenance and Operation Expenses insofar as practicable and takes such other actions as are necessary so as to produce Pledged Revenues to cure such violation for future compliance; provided, however, that if the Department does not cure such violation by the end of the second subsequent Fiscal Year succeeding the date such violation is discovered, a Senior Event of Default may be declared under the Senior Indenture. The Department may obtain such recommendations from a Consultant as it deems necessary or appropriate to bring the Department into compliance with such covenants.

Subordinated Obligations and Third Lien Obligations

(a) The Department may, from time to time, incur indebtedness which is subordinate to the Senior Bonds and which indebtedness is, in the Master Senior Indenture, referred to as Subordinated Obligations. Such indebtedness will be incurred at such times and upon such terms as the Department determines, provided that:

(i) Any Supplemental Senior Indenture authorizing the issuance of any Subordinated Obligations will specifically state that such lien on or security interest granted in the Net Pledged Revenues is junior and subordinate to the lien on and security interest in such Net Pledged Revenues and other assets granted to secure the Senior Bonds; and

(ii) Payment of principal of and interest on such Subordinated Obligations will be permitted, provided that all deposits required to be made to pay LAX Maintenance and Operation Expenses and to the Senior Trustee to be used to pay debt service on the Senior Bonds or to replenish the Senior Reserve Fund or a Senior Debt Service Reserve Fund are then current in accordance with the Master Senior Indenture.

(b) The Department may, from time to time, incur indebtedness which is subordinate to the Senior Bonds and any Subordinated Obligations and which indebtedness is, in the Master Senior Indenture, referred to as Third Lien Obligations. Such indebtedness will be incurred at such times and upon such terms as the Department determines, provided that:

(i) Any Supplemental Senior Indenture authorizing the issuance of any Third Lien Obligations will specifically state that such lien on or security interest granted in the Net Pledged Revenues is junior and subordinate to the lien on and security interest in such Net Pledged Revenues and other assets granted to secure the Senior Bonds and the Subordinated Obligations; and

(ii) Payment of principal of and interest on such Third Lien Obligations will be permitted, provided that all deposits required to be made to pay LAX Maintenance and Operation Expenses, to the Senior Trustee to be used to pay debt service on the Senior Bonds and to replenish the Senior Reserve Fund or a Senior Debt Service Reserve Fund, and to pay debt service on the Subordinated Obligations and to replenish any debt service reserve fund established for the Subordinated Obligations are then current in accordance with the Master Senior Indenture.

LAX Special Facilities and LAX Special Facility Obligations

The Department is permitted to designate new or existing LAX Airport Facilities as LAX Special Facilities as permitted in this section. The Department may, from time to time, and subject to the terms and conditions set forth below, (i) designate a separately identifiable existing facility or improvement or planned facility or improvement as an "LAX Special Facility," (ii) pursuant to an indenture other than the Senior Indenture and without a pledge of any Pledged Revenues (except as otherwise provided in (iv) below), incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility or improvement, (iii) provide that the contractual payments derived from or related to such LAX Special Facility, together with other income and revenues available to the Department from such LAX Special Facility to the extent necessary to make the payments required by clause (1) of the second succeeding paragraph, be "LAX Special Facilities Revenue" and not included as Pledged Revenues unless otherwise provided in any supplemental indenture, and (iv) provide that the debt so incurred will be an "LAX Special Facility Obligation" and the principal of and interest thereon will be payable solely from the LAX Special Facilities Revenue and the proceeds of such LAX Special Facility Obligation set aside exclusively to pay debt service on such LAX Special Facility Obligation (except the Department may, in its sole discretion, determine to make Pledged Revenues or such other moneys not included in Pledged Revenues available (through a specific pledge or otherwise and subject to any covenants or other provisions of the Master Senior Indenture (including, but not limited to, the additional bonds test and the rate covenant set forth in the Master Senior Indenture) or such other indentures or agreements of the Department) to the payment of the principal of and interest on such LAX Special Facility Obligation in such amounts and at such times as may be agreed to by the Department). The Department may from time to time refinance any such LAX Special Facility Obligations with other LAX Special Facility Obligations.

LAX Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from (a) LAX Special Facilities Revenue, which will include contractual payments derived by the Department under and pursuant to a contract (which may be in the form of a lease) relating to an LAX Special Facility by and between the Department and another person, firm or corporation, either public or private, as will undertake the operation of an LAX Special Facility, (b) proceeds of such LAX Special Facility Obligations set aside exclusively to pay debt service on such LAX Special Facility Obligations, if any, and (c) such Pledged Revenues or other moneys not included in Pledged Revenues made available by the Department as provided in clause (iv) of the previous paragraph, if any.

No LAX Special Facility Obligations will be issued by the Department unless there has been filed with the Senior Trustee a certificate of an Authorized Representative stating that:

(1) The estimated LAX Special Facilities Revenue pledged to the payment of the LAX Special Facility Obligations, the proceeds of such LAX Special Facility Obligations set aside exclusively to pay debt service on such LAX Special Facility Obligations, if any, and such Pledged Revenues or other moneys made available by the Department pursuant to clause (iv) of the first paragraph of this section, if

any, will be at least sufficient, to pay the principal of and interest on such LAX Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such LAX Special Facility not paid for by the operator thereof or by a party other than the Department and all sinking fund, reserve or other payments required by the resolution or indenture authorizing the LAX Special Facility Obligations as the same become due; and

(2) With respect to the designation of any separately identifiable existing LAX Airport Facilities or LAX Airport Facility as an "LAX Special Facility" or "LAX Special Facilities," the estimated Pledged Revenues and Net Pledged Revenues, calculated without including the new LAX Special Facilities Revenue, the proceeds of any LAX Special Facility Obligations set aside exclusively to pay debt service on such LAX Special Facility Obligations or any Pledged Revenues or other moneys made available by the Board pursuant to clause (iv) of the first paragraph of this section, if any, and without including any operation and maintenance expenses of the LAX Special Facility as LAX Maintenance and Operation Expenses, will be sufficient so that the Department will be in compliance with the rate covenant set forth in the Master Senior Indenture during each of the first five complete Fiscal Years immediately following the anticipated closing date of such transaction or financing; and

(3) No Senior Event of Default then exists under Master Senior Indenture.

To the extent LAX Special Facilities Revenue received by the Department during any Fiscal Year will exceed the amounts required to be paid pursuant to clause (1) of the immediately preceding paragraph for such Fiscal Year, such excess LAX Special Facilities Revenue, to the extent not otherwise encumbered or restricted, may constitute Pledged Revenues as determined by the Department.

Notwithstanding any other provision of this section, at such time as the LAX Special Facility Obligations issued for an LAX Special Facility including LAX Special Facility Obligations issued to refinance LAX Special Facility Obligations are fully paid or otherwise discharged, all revenues of the Department from such facility will be included as Pledged Revenues.

Maintenance and Operation of LAX Airport Facilities

Subject to the transfer of any LAX Airport Facilities pursuant to the provisions of the Master Senior Indenture, the Department has covenanted that the LAX Airport Facilities will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Department will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any of the LAX Airport Facilities will be obtained and maintained and that all necessary repairs, improvements and replacements of the LAX Airport Facilities will be made, subject to sound business judgment. Subject to the transfer of any LAX Airport Facilities pursuant to the provisions of the Master Senior Indenture, the Department will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Department, all taxes (if any), assessments or other governmental charges lawfully imposed upon the LAX Airport Facilities or upon any part thereof, or upon the Pledged Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Pledged Revenues or LAX Airport Facilities or any part thereof constituting part of Los Angeles International Airport.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(1) the Department will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting Los Angeles International Airport and public liability insurance in the form of commercial insurance or

Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Department, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports;

(2) the Department will procure and maintain reasonable fidelity insurance or bonds on the position of Chief Financial Officer and on any other employees of the Department who handle or are responsible for funds of the Department; and

(3) the Department will place on file with the Senior Trustee annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to Los Angeles International Airport and the operations of the Department. The Senior Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required herein or obtained by the Department.

"*Qualified Self Insurance*" will mean insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Department may have a material interest and of which the Department may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Department determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Department a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he or she will make a recommendation as to the amount of reserves that should be established and maintained, and the Department will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Department.

If, as a result of any event, any part of an LAX Airport Facility or any LAX Airport Facilities is destroyed or severely damaged, the Department will create within the LAX Revenue Account a special subaccount and will credit the Net Proceeds received as a result of such event of damage or destruction to such subaccount and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (1) repair or replace the LAX Airport Facilities, or portion thereof, which were damaged or destroyed, (2) provide additional revenue producing LAX Airport Facilities, (3) redeem Senior Bonds, or (4) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture; provided, however, that the Department will first deliver to the Senior Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Senior Bonds, the rate covenant set forth in the Master Senior Indenture would, nevertheless, be met.

Transfer of LAX Airport Facility or LAX Airport Facilities.

The Department will not, except as permitted below transfer, sell or otherwise dispose of an LAX Airport Facility or LAX Airport Facilities. For purposes of this section, any transfer of an asset over which the Department retains substantial control in accordance with the terms of such transfer will not, for so long as the Department has such control, be deemed a disposition of an LAX Airport Facility or LAX Airport Facilities.

The Department may transfer, sell or otherwise dispose of LAX Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other LAX Airport Facilities disposed of during the 12 month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the

LAX Revenue Account to be used as described below and the Department believes that such disposal will not prevent it from fulfilling its obligations under the Senior Indenture; or

(c) Prior to the disposition of such property, there is delivered to the Senior Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Department as evidenced by a certificate of an Authorized Representative, the Consultant estimates that Department will be in compliance with the rate covenant set forth in the Master Senior Indenture during each of the five Fiscal Years immediately following such disposition.

LAX Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of provision (a) above, unless the Department has first received a written opinion of Bond Counsel to the effect that such disposition and the application of any disposition proceeds thereof will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition will be made which would cause the Department to be in default of any other covenant contained in the Master Senior Indenture.

Eminent Domain

If a Significant Portion of any Airport Facility or LAX Airport Facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Department will create within the LAX Revenue Account a special account and credit the Net Proceeds received as a result of such taking or conveyance to such account and will within a reasonable period of time, after the receipt of such amounts, use such proceeds to (1) replace the LAX Airport Facility or LAX Airport Facilities which were taken or conveyed, (2) provide an additional revenue producing LAX Airport Facility or LAX Airport Facilities, (3) redeem Senior Bonds, or (4) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Trust Indenture.

Investments

Moneys held by the Senior Trustee in the funds and accounts created herein and under any Supplemental Senior Indenture will be invested and reinvested as directed by the Department, in Senior Permitted Investments subject to the restrictions set forth in the Master Senior Indenture and such Supplemental Senior Indenture and subject to the investment restrictions imposed upon the Department by the Charter and the laws of the State. The Department will direct such investments by written certificate (upon which the Senior Trustee may conclusively rely) of an Authorized Representative or by telephone instruction followed by prompt written confirmation by an Authorized Representative; in the absence of any such instructions, the Senior Trustee will, to the extent practicable, invest in Senior Permitted Investments specified in clause (9) of the definition thereof. The Senior Trustee will not be liable for any loss resulting from following the written directions of the Department or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Senior Permitted Investment is held. The Senior Trustee may buy or sell any Senior Permitted Investment through its own (or any of its affiliates) investment department.

Defeasance

Senior Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Senior Indenture except for the purposes of payment from moneys or Government Obligations held by the Senior Trustee or a Senior Paying Agent for such purpose. When all Senior Bonds which have been issued under the Master Senior Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Senior Indenture by the Department, including all necessary and proper fees, compensation and expenses of the Senior Trustee, the Senior Registrar and the Senior Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Senior Trustee in and to the Net Pledged

Revenues and the other assets pledged to secure the Senior Bonds under the Master Senior Indenture will thereupon cease, terminate and become void, and thereupon the Senior Trustee will cancel, discharge and release the Master Senior Indenture, will execute, acknowledge and deliver to the Department such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Department any property and revenues at the time subject to the Master Senior Indenture which may then be in the Senior Trustee's possession, except funds or securities in which such funds are invested and are held by the Senior Trustee or the Senior Paying Agent for the payment of the principal of, premium, if any, and interest on the Senior Bonds.

A Senior Bond will be deemed to be paid within the meaning of the Master Senior Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Senior Bonds and the Master Senior Indenture or (b) will have been provided for by depositing with the Senior Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Senior Bonds will be deemed to be paid under the Master Senior Indenture, such Senior Bonds will no longer be secured by or entitled to the benefits of the Master Senior Indenture, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Senior Bonds. Once such deposit will have been made, the Senior Trustee will notify all holders of the affected Senior Bonds that the deposit required by (b) above has been made with the Senior Trustee and that such Senior Bonds are deemed to have been paid in accordance with the Master Senior Indenture. No notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Senior Indenture under which such Senior Bonds were issued. The Department may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Senior Indenture under which such Senior Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Senior Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Senior Bonds or the Master Senior Indenture subject to (a) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax exemption of any Senior Bond or Senior Bond then outstanding and (b) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Senior Bonds. Notwithstanding anything in this section to the contrary, monies from the trust or escrow established for the defeasance of Senior Bonds may be withdrawn and delivered to the Department so long as the requirements of subparagraphs (a) and (b) above are met prior to or concurrently with any such withdrawal.

Senior Events of Default and Remedies

Senior Events of Default. Each of the following events will constitute and be referred to as a "***Senior Event of Default***":

(a) a failure to pay the principal of or premium, if any, on any of the Senior Bonds when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Senior Bonds when such interest will become due and payable;

(c) a failure to pay the purchase price of any Senior Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in the Supplemental Senior Indenture;

(d) a failure by the Department to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the Department and which are contained in the Master Senior Indenture or a Supplemental Senior Indenture, which failure, except for a violation under the rate covenant set forth in the Master Senior Indenture which will be controlled by the provisions set forth therein, will continue for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the

Department by the Senior Trustee, which notice may be given at the discretion of the Senior Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Senior Bonds then Outstanding, unless the Senior Trustee, or the Senior Trustee and holders of Senior Bonds in a Principal Amount not less than the Principal Amount of Senior Bonds the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Senior Trustee or the Senior Trustee and the holders of such principal amount of Senior Bonds will be deemed to have agreed to an extension of such period if corrective action is initiated by the Department within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 or 11 of the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Department and, if instituted against the Department, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Senior Event of Default as is provided in a Supplemental Senior Indenture.

Remedies.

(a) Upon the occurrence and continuance of any Senior Event of Default, the Senior Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Senior Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Senior Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Senior Bondholders, and require the Department to carry out any agreements with or for the benefit of the Senior Bondholders and to perform its or their duties under the Charter or any other law to which it is subject and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Indenture;

(ii) bring suit upon the Senior Bonds;

(iii) commence an action or suit in equity to require the Department to account as if it were the trustee of an express trust for the Senior Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Senior Bondholders.

(b) The Senior Trustee will be under no obligation to take any action with respect to any Senior Event of Default unless the Senior Trustee has actual knowledge of the occurrence of such Senior Event of Default.

(c) Except with respect to a Credit Provider or a Liquidity Provider as provided in a Supplemental Senior Indenture or a written agreement between the Department and a Credit Provider or a Liquidity Provider, in no event, upon the occurrence and continuation of a Senior Event of Default, will the Senior Trustee, the Holders of the Senior Bonds, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Senior Bonds Outstanding.

Senior Bondholders' Right To Direct Proceedings. Anything in the Master Senior Indenture to the contrary notwithstanding, holders of not less than 51% in aggregate Principal Amount of the Senior Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Senior Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Senior Trustee under the Master Senior Indenture to be taken in connection with the enforcement of the terms of the Master Senior Indenture or exercising any trust or power conferred on the Senior Trustee by the Master Senior Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Senior` Indenture and that there has been provided to the Senior Trustee security and indemnity satisfactory to the Senior Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Senior Trustee.

Limitation on Right To Institute Proceedings. No Senior Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Senior Indenture, or any other remedy under the Master Senior Indenture or on such Senior Bonds, unless such Senior Bondholder or Senior Bondholders previously has given to the Senior Trustee written notice of a Senior Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the Senior Bonds then Outstanding will have made written request of the Senior Trustee to do so, after the right to institute such suit, action or proceeding under the Master Senior Indenture will have accrued, and will have afforded the Senior Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Senior Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Senior Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Senior Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Senior Bondholders will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Senior Indenture, or to enforce any right under the Master Senior Indenture or under the Senior Bonds, except in the manner provided in the Master Senior Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Senior Indenture and for the equal benefit of all Senior Bondholders.

Application of Moneys. If a Senior Event of Default has occurred and is continuing, all amounts then held or any moneys received by the Senior Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Master Senior Indenture (which will not include moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Senior Trustee (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Senior Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Senior Bonds which will have become due with interest on such Senior Bonds at such rate as provided in a Supplemental Senior Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Senior Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Senior Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Senior Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Senior Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Senior Bondholders and will not be required to make payment to any Senior Bondholder until such Senior Bonds will be presented to the Senior Trustee for appropriate endorsement or for cancellation if fully paid.

The Senior Trustee

Duties. If a Senior Event of Default has occurred and is continuing, the Senior Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Senior Trustee will perform the duties set forth in the Senior Indenture and no implied duties or obligations will be read into the Senior Indenture against the Senior Trustee. Except during the continuance of a Senior Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Senior Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Senior Trustee and conforming to the requirements of the Senior Indenture. However, the Senior Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Senior Indenture.

The Senior Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (a) the Senior Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Senior Trustee was negligent in ascertaining the pertinent facts; and (b) the Senior Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Senior Bondholders or the Department in the manner provided in the Senior Indenture.

The Senior Trustee will not, by any provision of the Senior Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Notice of Defaults. If (i) a Senior Event of Default has occurred or (ii) an event has occurred which with the giving of notice and/or the lapse of time would be a Senior Event of Default and, with respect to such events for which notice to the Department is required before such events will become Senior Events of Default, such notice has been given, then the Senior Trustee will promptly, after obtaining actual notice of such Senior Event of Default or event described in (ii) above, give notice thereof to each Senior Bondholder. Except in the case of a default in payment or purchase on any Senior Bonds, the Senior Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Senior Bondholders.

Eligibility of Senior Trustee. The Senior Indenture will always have a Senior Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Senior Trustee. The Senior Trustee may resign by notifying the Department in writing prior to the proposed effective date of the resignation. The holders of not less than 51% in aggregate Principal Amount of the Senior Bonds may remove the Senior Trustee by notifying the removed Senior Trustee and may appoint a successor Senior Trustee with the Department's consent. The Department may remove the Senior Trustee, by notice in writing delivered to the Senior Trustee at least 60 days prior to the proposed removal date; provided, however, that the Department will have no right to remove the Senior Trustee during any time when a Senior Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Senior Event of Default.

No resignation or removal of the Senior Trustee will be effective until a new Senior Trustee has taken office and delivered a written acceptance of its appointment to the retiring Senior Trustee and to the Department. Immediately thereafter, the retiring Senior Trustee will transfer all property held by it as Senior Trustee to the successor Senior Trustee, the resignation or removal of the retiring Senior Trustee will then (but only then) become effective and the successor Senior Trustee will have all the rights, powers and duties of the Senior Trustee under the Senior Indenture.

If the Senior Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Senior Indenture, the Department will promptly appoint a successor Senior Trustee.

If a Senior Trustee is not performing its duties under the Senior Indenture and a successor Senior Trustee does not take office within 60 days after the retiring Senior Trustee delivers notice of resignation or the Department delivers notice of removal, the retiring Senior Trustee, the Department or the holders of not less than 51% in aggregate Principal Amount of the Senior Bonds may petition any court of competent jurisdiction for the appointment of a successor Senior Trustee.

Amendments and Supplements

Supplemental Senior Indentures Not Requiring Consent of Senior Bondholders. The Department may, from time to time and at any time, without the consent of or notice to the Senior Bondholders, execute and deliver Supplemental Senior Indentures supplementing and/or amending the Master Senior Indenture or any Supplemental Senior Indenture, as follows:

(a) to provide for the issuance of a Series or multiple Series of Senior Bonds under the provisions of Master Senior Indenture and to set forth the terms of such Senior Bonds and the special provisions which will apply to such Senior Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Senior Indenture or any Supplemental Senior Indenture, provided such supplement or amendment is not materially adverse to the Senior Bondholders;

(c) to add to the covenants and agreements of the Department in the Master Senior Indenture or any Supplemental Senior Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Department, provided such supplement or amendment will not adversely affect the interests of the Senior Bondholders;

(d) to confirm, as further assurance, any interest of the Senior Trustee in and to the Net Pledged Revenues or in and to the funds and accounts held by the Senior Trustee or in and to any other moneys, securities or funds of the Department provided pursuant to the Master Senior Indenture or to otherwise add additional security for the Senior Bondholders;

(e) to evidence any change made in the terms of any Series of Senior Bonds if such changes are authorized by the Supplemental Senior Indenture at the time the Series of Senior Bonds is issued and such change is made in accordance with the terms of such Supplemental Senior Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, provided such supplement or amendment is not materially adverse to the Senior Bondholders;

(g) to provide for uncertificated Senior Bonds or for the issuance of coupons and bearer Senior Bonds or Senior Bonds registered only as to principal;

(h) to qualify the Senior Bonds or a Series of Senior Bonds for a rating or ratings by one or more of the Rating Agencies;

(i) to accommodate the technical, operational and structural features of Senior Bonds which are issued or are proposed to be issued or of a Senior Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds, swaps or other forms of indebtedness which the Department from time to time deems appropriate to incur;

(j) to accommodate the use of a Credit Facility or Liquidity Facility for specific Senior Bonds or a specific Series of Senior Bonds, provided such supplement or amendment is not materially adverse to the Senior Bondholders;

(k) to comply with the requirements of the Code as are necessary, in the opinion of Senior Bond Counsel, to prevent the federal income taxation of the interest on the Senior Bonds, including, without limitation, the segregation of Pledged Revenues and Net pledged Revenues into different funds; or

(l) to modify, alter, amend or supplement this Indenture or any Supplemental Senior Indenture in any other respect which is not materially adverse to the Senior Bondholders.

Before the Department executes, pursuant to this section, any Supplemental Senior Indenture, there will be delivered to the Department and Senior Trustee an opinion of Bond Counsel to the effect that such Supplemental Senior Indenture is authorized or permitted by the Master Senior Indenture, the Charter and, other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Department in accordance with its terms and will not cause interest on any of the Senior Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Supplemental Senior Indentures Requiring Consent of Senior Bondholders.

(a) Except for any Supplemental Senior Indenture entered into pursuant to the provisions described in "—Supplemental Senior Indentures Not Requiring Consent of Senior Bondholders" above and any Supplemental Senior Indenture entered into pursuant to (b) below, subject to the terms and provisions contained in this paragraph (a) and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Senior Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the Department of any Supplemental Senior Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Senior Indenture or in a Supplemental Senior Indenture; provided, however, that, unless approved in writing by the holders of all the Senior Bonds then Outstanding or unless such change affects less than all Series of Senior Bonds and the following subsection (b) is applicable, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds or the rate of interest thereon; and provided that nothing contained in the Master Senior Indenture, including the provisions of (b) below, will, unless approved in writing by the holders of all the Senior Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Senior Indenture) upon or pledge of the Pledged Revenues created by the Master Senior Indenture, ranking prior to or on a parity with the claim created by the Master Senior Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Senior Bonds, a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds with respect to the security granted therefor under the Granting Clauses of the Master Senior Indenture, or (v) a reduction in the aggregate Principal Amount of Senior Bonds the consent of the Senior Bondholders of which is required for any such Supplemental Senior Indenture. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Senior Bondholders of the execution of any Supplemental Senior Indenture as authorized in to "—Supplemental Senior Indentures Not Requiring Consent of Senior Bondholders" above, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Pledged Revenues.

(b) The Department may, from time to time and at any time, execute a Supplemental Senior Indenture which amends the provisions of an earlier Supplemental Senior Indenture under which a Series or multiple Series of Senior Bonds were issued. If such Supplemental Senior Indenture is executed for one of the purposes described under "—Supplemental Senior Indentures Not Requiring Consent of Senior Bondholders" above, no notice to or consent of the Senior Bondholders will be required. If such Supplemental Senior Indenture contains provisions which affect the rights and interests of less than all

Series of Senior Bonds Outstanding and the provisions described under "—Supplemental Senior Indentures Not Requiring Consent of Senior Bondholders" above are not applicable, then this subsection (b) rather than subsection (a) above will control and, subject to the terms and provisions contained in this subsection (b) and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Senior Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Senior Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Senior Indenture and affecting only the Senior Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Senior Bonds of all the affected Series then Outstanding, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Senior Bondholders of the adoption of any Supplemental Senior Indenture as authorized pursuant to the provisions as described under "—Supplemental Senior Indentures Not Requiring Consent of Senior Bondholders" above, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Pledged Revenues.

Rights of Credit Provider

The Master Senior Indenture provides that if a Credit Facility is provided for a Series of Senior Bonds or for specific Senior Bonds, the Department may in the Supplemental Senior Indenture under which such Senior Bonds are issued, provide any or all of the following rights to the Credit Provider as the Department will deem to be appropriate: (a) the right to make requests of, direct or consent to the actions of the Senior Trustee or to otherwise direct proceedings all as provided in the Master Senior Indenture to the same extent and in place of the owners of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Bondholder of such Senior Bonds; (b) the right to act in place of the owners of the Senior Bonds which are secured by the Credit Facility for purposes of removing a Senior Trustee or appointing a Senior Trustee under the Senior Indenture; and (c) the right to consent to Supplemental Senior Indentures, which would otherwise require the consent of the holders of not less than 51% of the aggregate Principal Amount of the Senior Bonds, entered into pursuant to the provisions described in "—Amendments and Supplements—Supplemental Senior Indentures Requiring Consent of Senior Bondholders" above, except with respect to any amendments described in clauses (a)(i) through (v) and clauses (b)(i) or (ii) described in "—Amendments and Supplements—Supplemental Senior Indentures Requiring Consent of Senior Bondholders" above, which consent of the actual Senior Bondholders will still be required, to the same extent and in place of the owners of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Bondholder of such Senior Bonds.

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APPENDIX C-3

SUMMARY OF THE TWENTY-FIRST SUPPLEMENTAL SENIOR INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2020BCD SENIOR BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the Twenty-First Supplemental Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Twenty-First Supplemental Senior Indenture.

Terms of the Bonds

The Twenty-First Supplemental Senior Indenture sets forth the terms of the Series 2020BCD Senior Bonds, most of which terms are described in the forepart of this Official Statement under "DESCRIPTION OF THE SERIES 2020BCD SENIOR BONDS."

Establishment of Funds and Accounts

Pursuant to the Twenty-First Supplemental Senior Indenture, the Senior Trustee will establish and maintain the following funds and accounts: the Series 2020B Senior Debt Service Fund (and within such Series 2020B Senior Debt Service Fund, an Interest Account, a Principal Account and a Redemption Account), the Series 2020C Senior Debt Service Fund (and within such Series 2020C Senior Debt Service Fund, an Interest Account, a Principal Account and a Redemption Account), the Series 2020D Senior Debt Service Fund (and within such Series 2020D Senior Debt Service Fund, an Interest Account, a Principal Account and a Redemption Account), the Series 2020C Senior Construction Fund, the Series 2020D Senior Construction Fund, the Series 2020BCD Senior Costs of Issuance Fund, the Series 2020BCD Senior Reserve Account to be established in the Senior Reserve Fund and the Series 2020BCD Senior Rebate Fund.

Series 2020B Senior Debt Service Fund. The Senior Trustee will deposit in the Interest Account of the Series 2020B Senior Debt Service Fund amounts received from the Department, as provided in the Master Senior Indenture, to be used to pay interest on the Series 2020B Senior Bonds. The Senior Trustee will also deposit into the Interest Account of the Series 2020B Senior Debt Service Fund any other amounts deposited with the Senior Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. Earnings on the Interest Account will be withdrawn and paid to the Department on the Business Day following an Interest Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Principal Account of the Series 2020B Senior Debt Service Fund amounts received from the Department to be used to pay principal of the Series 2020B Senior Bonds at. The Senior Trustee will also deposit into the Principal Account of the Series 2020B Senior Debt Service Fund any other amounts deposited with the Senior Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Account will be withdrawn and paid to the Department on the Business Day following a principal Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Redemption Account of the Series 2020B Senior Debt Service Fund amounts received from the Department or from other sources to be used to pay principal of and interest on the Series 2020B Senior Bonds which are to be redeemed in advance of their maturity. Earnings on the Redemption Account will be retained in such account or paid to the Department for deposit into the LAX Revenue Account in accordance with instructions given to the Senior Trustee by an Authorized Representative at the time of such deposit.

The Series 2020B Senior Debt Service Fund will be invested and reinvested in Senior Permitted Investments as directed by an Authorized Representative.

Series 2020C Senior Debt Service Fund. The Senior Trustee will deposit in the Interest Account of the Series 2020C Senior Debt Service Fund amounts received from the Department, as provided in the Master Senior Indenture, to be used to pay interest on the Series 2020C Senior Bonds. The Senior Trustee will also deposit into the Interest Account of the Series 2020C Senior Debt Service Fund any other amounts deposited with the Senior Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. Earnings on the Interest Account will be withdrawn and paid to the Department on the Business Day following an Interest Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Principal Account of the Series 2020C Senior Debt Service Fund amounts received from the Department to be used to pay principal of the Series 2020C Senior Bonds at. The Senior Trustee will also deposit into the Principal Account of the Series 2020C Senior Debt Service Fund any other amounts deposited with the Senior Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Account will be withdrawn and paid to the Department on the Business Day following a principal Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Redemption Account of the Series 2020C Senior Debt Service Fund amounts received from the Department or from other sources to be used to pay principal of and interest on the Series 2020C Senior Bonds which are to be redeemed in advance of their maturity. Earnings on the Redemption Account will be retained in such account or paid to the Department for deposit into the LAX Revenue Account in accordance with instructions given to the Senior Trustee by an Authorized Representative at the time of such deposit.

The Series 2020C Senior Debt Service Fund will be invested and reinvested in Senior Permitted Investments as directed by an Authorized Representative.

Series 2020D Senior Debt Service Fund. The Senior Trustee will deposit in the Interest Account of the Series 2020D Senior Debt Service Fund amounts received from the Department, as provided in the Master Senior Indenture, to be used to pay interest on the Series 2020D Senior Bonds. The Senior Trustee will also deposit into the Interest Account of the Series 2020D Senior Debt Service Fund any other amounts deposited with the Senior Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. Earnings on the Interest Account will be withdrawn and paid to the Department on the Business Day following an Interest Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Principal Account of the Series 2020D Senior Debt Service Fund amounts received from the Department to be used to pay principal of the Series 2020D Senior Bonds at. The Senior Trustee will also deposit into the Principal Account of the Series 2020D Senior Debt Service Fund any other amounts deposited with the Senior Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Account will be withdrawn and paid to the Department on the Business Day following a principal Payment Date for deposit into the LAX Revenue Account, unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Redemption Account of the Series 2020D Senior Debt Service Fund amounts received from the Department or from other sources to be used to pay principal of and interest on the Series 2020D Senior Bonds which are to be redeemed in advance of their maturity. Earnings on the Redemption Account will be retained in such account or paid to the Department for deposit into the LAX Revenue Account in accordance with instructions given to the Senior Trustee by an Authorized Representative at the time of such deposit.

The Series 2020D Senior Debt Service Fund will be invested and reinvested in Senior Permitted Investments as directed by an Authorized Representative.

Series 2020C Senior Construction Fund. Amounts in the Series 2020C Senior Construction Fund will be disbursed from time to time, upon requisition of the Department, to pay the costs or to reimburse the Department for costs incurred in connection with the portion of the projects for which the Series 2020C Senior Bonds were issued. While held by the Senior Trustee, amounts in the Series 2020C Senior Construction Fund will not secure the Outstanding Series 2020BCD Senior Bonds. Amounts in the Series 2020C Senior Construction Fund will be invested and reinvested in Senior Permitted Investments as directed by the Department and the earnings upon such fund will be credited to such fund.

Series 2020D Senior Construction Fund. Amounts in the Series 2020D Senior Construction Fund will be disbursed from time to time, upon requisition of the Department, to pay the costs or to reimburse the Department for costs incurred in connection with the portion of the projects for which the Series 2020D Senior Bonds were issued. While held by the Senior Trustee, amounts in the Series 2020D Senior Construction Fund will not secure the Outstanding Series 2020BCD Senior Bonds. Amounts in the Series 2020D Senior Construction Fund will be invested and reinvested in Senior Permitted Investments as directed by the Department and the earnings upon such fund will be credited to such fund.

Series 2020BCD Senior Costs of Issuance Fund. The proceeds of the Series 2020BCD Senior Bonds deposited into the Series 2020BCD Senior Costs of Issuance Fund will be disbursed by the Senior Trustee, from time to time, to pay costs of issuance of the Series 2020BCD Senior Bonds. Amounts in the Series 2020BCD Senior Costs of Issuance Fund will be invested and reinvested in Senior Permitted Investments as directed by the Department and the earnings upon such accounts will be credited to such fund.

Senior Reserve Fund and Series 2020BCD Senior Reserve Account. For a description of the Senior Reserve Fund, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS—Senior Reserve Fund" in the forepart of this Official Statement.

Series 2020BCD Senior Rebate Fund. The Twenty-First Supplemental Senior Indenture creates the Series 2020BCD Senior Rebate Fund for the Series 2020BCD Senior Bonds established for the purpose of complying with certain provisions of the Code which require that the Department pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Senior Trustee with respect to the Series 2020BCD Senior Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series 2020BCD Senior Bonds. Such excess is to be deposited into the Series 2020BCD Senior Rebate Fund and periodically paid to the United States of America. The Series 2020BCD Senior Rebate Fund while held by the Senior Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Series 2020BCD Senior Bonds.

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APPENDIX C-4

SUMMARY OF THE MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020BCD SENIOR BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Subordinate Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Subordinate Indenture.

Grant to Secure Subordinate Obligations; Pledge of Subordinate Pledged Revenues

To secure the payment of the interest, principal and premium, if any, on the Subordinate Obligations and the performance and observance by the Department of all the covenants, agreements and conditions expressed or implied in the Master Subordinate Indenture or contained in the Subordinate Obligations, the Department has pledged and assigned to the Subordinate Trustee and granted to the Subordinate Trustee a lien on and security interest in all right, title and interest of the Department in and to all of the following and provided that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Department in the following: (a) the Subordinate Pledged Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Subordinate Rebate Fund) held from time to time by the Subordinate Trustee under the Subordinate Indenture, and to the extent provided in any Supplemental Subordinate Indenture moneys and securities held in any Subordinate Construction Fund whether or not held by the Subordinate Trustee, (c) earnings on amounts included in provisions (a) and (b) of this Granting Clause, and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Subordinate Trustee as additional security under the Master Subordinate Indenture, for the equal and proportionate benefit and security of all Subordinate Obligations, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this Granting Clause, be of equal rank without preference, priority or distinction as to any Subordinate Obligation over any other Subordinate Obligation or Subordinate Obligations, except as to the timing of payment of the Subordinate Obligations. Any Subordinate Debt Service Reserve Fund and any Subordinate Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the Subordinate Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Subordinate Obligations, a specific Series of Subordinate Obligations or one or more Series of Subordinate Obligations may, as provided by a Supplemental Subordinate Indenture, secure only such specific Subordinate Obligations, Series of Subordinate Obligations or one or more Series of Subordinate Obligations and, therefore, will not be included as security for all Subordinate Obligations under the Master Subordinate Indenture unless otherwise provided by a Supplemental Subordinate Indenture and moneys and securities held in trust as provided in the Master Subordinate Indenture exclusively for Subordinate Obligations which have become due and payable and moneys and securities which are held exclusively to pay Subordinate Obligations which are deemed to have been paid under the Master Subordinate Indenture will be held solely for the payment of such specific Subordinate Obligations. All amounts held in the funds and accounts created under the Senior Indenture will not be included as security for any Subordinate Obligations under the Master Subordinate Indenture.

Subordinate Repayment Obligations Afforded Status of Subordinate Obligations

If a Credit Provider or Liquidity Provider makes payment of principal and/or interest on a Subordinate Obligation or advances funds to purchase or provide for the purchase of Subordinate Obligations and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Department, but is not reimbursed, the Department's Subordinate Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Subordinate Obligation issued under the Master Subordinate Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Holder of such Subordinate Obligation, and such Subordinate Obligation will be deemed to have been issued at the time of the original Subordinate Obligation for which the Credit Facility or Liquidity Facility was provided and will not be subject to the additional bonds test set forth in the Master Subordinate Indenture; provided, however, the payment terms of the Subordinate

Obligation held by the Credit Provider or Liquidity Provider hereunder will be as follows (unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which the Subordinate Obligations are issued or in the agreement with the Credit Provider or Liquidity Provider): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Subordinate Obligations or (B) if later, the final maturity of the Subordinate Repayment Obligation under the written agreement, and providing substantially level annual debt service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Subordinate Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Subordinate Repayment Obligation. Any amount which comes due on the Subordinate Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Subordinate Obligation will be payable from Pledged Revenues on a basis subordinate to the payment and/or funding of LAX Maintenance and Operation Expenses, Senior Bonds, any reserve funds established with respect to Senior Bonds, Subordinate Obligations and any reserve funds established with respect to Subordinate Obligations (including the Subordinate Reserve Fund and any other Subordinate Debt Service Reserve Fund). This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Subordinate Indenture. The Subordinate Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Subordinate Repayment Obligation is to be afforded the status of a Subordinate Obligation under the Master Subordinate Indenture.

Obligations Under Subordinate Qualified Swap; Non-Qualified Swap

The obligation of the Department to make Regularly Scheduled Swap Payments under a Subordinate Qualified Swap with respect to a Series of Subordinate Obligations may be on a parity with the obligation of the Department to make payments with respect to such Series of Subordinate Obligations and other Subordinate Obligations under the Master Subordinate Indenture, except as otherwise provided by Supplemental Subordinate Indenture and elsewhere in the Master Subordinate Indenture with respect to any Subordinate Swap Termination Payments. The Department may provide in any Supplemental Subordinate Indenture that Regularly Scheduled Swap Payments under a Subordinate Qualified Swap will be secured by a pledge of or lien on the Subordinate Pledged Revenues on a parity with the Subordinate Obligations of such Series and all other Subordinate Obligations, regardless of the principal amount, if any, of the Subordinate Obligations of such Series remaining Outstanding. The Subordinate Trustee will take all action consistent with the other provisions of the Master Subordinate Indenture as will be requested in writing by the Subordinate Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the Department with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence will require the Subordinate Trustee either to exercise the remedies granted in the Master Subordinate Indenture or to institute any action, suit or proceeding in its own name, the Subordinate Qualified Swap Provider will provide to the Subordinate Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

In the event that a Subordinate Swap Termination Payment or any other amounts other than as described in the previous paragraph are due and payable by the Department under a Subordinate Qualified Swap, such Subordinate Swap Termination Payment and any such other amounts will, unless otherwise provided in a Supplemental Subordinate Indenture, constitute an obligation of the Department payable from Pledged Revenues after its obligations to pay and/or fund LAX Maintenance and Operation Expenses, Senior Bonds, any reserve funds established with respect to Senior Bonds, Subordinate Obligations and any reserve funds established with respect to Subordinate Obligations (including the Subordinate Reserve Fund and any other Subordinate Debt Service Reserve Fund).

Obligations of the Department to make payments, including termination payments, under a Non-Qualified Swap will, unless otherwise provided in a Supplemental Subordinate Indenture, constitute an obligation of the Department payable from Pledged Revenues after its obligations to pay and/or fund LAX Maintenance and Operation Expenses, Senior Bonds, any reserve funds established with respect to Senior Bonds, Subordinate Obligations and any reserve funds established with respect to Subordinate Obligations (including the Subordinate Reserve Fund and any other Subordinate Debt Service Reserve Fund).

Deposits and Withdrawals from the Subordinate Debt Service Funds

Deposits into the Subordinate Debt Service Funds. The Subordinate Trustee will, at least fifteen Business Days prior to each Payment Date on any Subordinate Obligation, give the Department notice by telephone, promptly confirmed in writing, of the amount, after taking into account Subordinate Capitalized Interest, if any, on deposit in the Subordinate Debt Service Funds, required to be deposited with the Subordinate Trustee to make each required payment of principal and interest due on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the Department of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Subordinate Indenture will control.

So long as any of the Subordinate Obligations are Outstanding, the Authorized Representative will deliver to the Treasurer, at least ten Business Days prior to each Payment Date, as to each Series of Subordinate Obligations Outstanding, a written demand authenticated by the signature of the Chief Financial Officer requesting that the Treasurer, not later than five Business Days prior to each Payment Date, transfer from the LAX Revenue Account to the Subordinate Trustee for deposit in the Subordinate Debt Service Funds established in respect of each Series of Outstanding Subordinate Obligations the full amount required to pay the principal of and/or interest on Subordinate Obligations of that Series due on such Payment Date.

On any day on which the Subordinate Trustee receives funds from the Treasurer to be used to pay principal of or interest on Subordinate Obligations, the Subordinate Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Subordinate Debt Service Funds for the Series of Subordinate Obligations for which such payments were made and any excess funds will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from LAX Revenue Account or otherwise deposited into any Subordinate Debt Service Fund for any Series of Subordinate Obligations for the payment of principal or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal and/or interest, respectively, coming due on such Subordinate Obligations on the next succeeding Payment Date.

The Department may provide in any Supplemental Subordinate Indenture that, as to any Series of Subordinate Obligations Outstanding, any amounts required to be transferred to and paid into a Subordinate Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Subordinate Debt Service Fund, and in that event any subsequently scheduled transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Subordinate Indenture, the Department may provide that moneys in the redemption account allocable to sinking fund installment payments of a Series may, at the discretion of the Department, be applied to the purchase and cancellation of such Series (a price not greater than par) prior to notice of redemption of such Series. Such Subordinate Obligations so delivered or previously redeemed or purchased at the direction of the Department will be credited by the Subordinate Trustee at the principal amount thereof to the next scheduled sinking installment payments on Subordinate Obligations of such Series and any excess over the sinking installment payment deposit required on that date will be credited against future sinking installment deposits in such manner and order as the Department may determine in its discretion, and the scheduled principal amount of the Subordinate Obligations to be redeemed by operation of such sinking installment payments will be accordingly modified in such manner as the Department may determine and as specified to the Subordinate Trustee in writing.

Money set aside and placed in a Subordinate Debt Service Fund for any Series of Subordinate Obligations will remain therein from time to time expended for the aforesaid purposes thereof and will not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Subordinate Debt Service Fund may be temporarily invested as provided in the Master Subordinate Indenture, but such investment will not affect the obligation of the Department to cause the full amount required by the terms of this Section to be available in a Subordinate Debt Service Fund at the time required to meet payments of principal of and interest on Subordinate Obligations of the Series for which it is accumulated. Earnings on such investments upon written request of the Department may be transferred into the LAX Revenue Account, except that during the continuation of a Subordinate Event of Default, such earnings will remain in the Subordinate Debt Service Funds created under the respective Supplemental Subordinate Indentures.

Each Subordinate Debt Service Fund established to pay principal of and interest on any Series of Subordinate Obligations will be held by the Subordinate Trustee or any agent of the Subordinate Trustee, and amounts to be used to pay principal and interest on such Series, as received by the Subordinate Trustee or its agent, will be deposited therein and used for such purpose. Accounts and subaccounts will be created by the Subordinate Trustee or any agent of the Subordinate Trustee in the various Subordinate Debt Service Funds as requested in writing by the Authorized Representative and will be held by the Subordinate Trustee or such agents as will be provided by the Supplemental Subordinate Indenture.

The moneys in each Subordinate Debt Service Fund established for any issue, Series will be held in trust and applied as provided in the Master Subordinate Indenture and in the Supplemental Subordinate Indenture, and pending the application of such amounts in accordance with the Master Subordinate Indenture and with the provisions of such Supplemental Subordinate Indenture will be subject to a lien on and security interest in favor of the holders of the Outstanding Subordinate Obligations of such Series.

Withdrawals From Subordinate Debt Service Funds. On each Payment Date for any Outstanding Subordinate Obligations, the Subordinate Trustee will pay to the Owners of the Subordinate Obligations of a given Series from the appropriate Subordinate Debt Service Fund or Subordinate Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Subordinate Obligations.

On or before a mandatory redemption date from sinking installment payments for Term Subordinate Obligations of a Series of Subordinate Obligations, the Subordinate Trustee will transfer from the Subordinate Debt Service Fund to the redemption account for such Series an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to make the sinking installment payment due on such mandatory redemption date. On each date on which Term Subordinate Obligations of a Series are to be mandatorily redeemed from sinking installment payments, the Subordinate Trustee will pay to the Owners of Subordinate Obligations of such Series from the Redemption Account for such Series, an amount equal to the amount of interest and the principal amount of Term Subordinate Obligations of such Series to be mandatorily redeemed on such date.

On each date on which Subordinate Obligations of any Series will otherwise become subject to optional or mandatory redemption (other than from sinking installment payments) in accordance with the provisions of any Supplemental Subordinate Indenture, the Subordinate Trustee will pay to the Owners of such Subordinate Obligations from the redemption account, an amount of interest and principal, and premium, if any, on such Subordinate Obligations to be mandatorily or optionally redeemed on said date. On or before such redemption date, in accordance with the Supplemental Subordinate Indenture pursuant to which such Subordinate Obligations are issued, the Department will have or will have caused to be deposited in the redemption account for such Series, an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to pay the redemption price of such Subordinate Obligations on such redemption date.

The payments made by the Subordinate Trustee in this section will be made solely to the extent that moneys are on deposit in the appropriate Subordinate Debt Service Fund.

All money remaining in a Subordinate Debt Service Fund on the final Payment Date, in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of the Subordinate Obligations of the Series for which that Subordinate Debt Service Fund was established or the payment of amounts required to be rebated, pursuant to the Code, to the United States of America with respect to Subordinate Obligations of that Series, will be returned to the Department and deposited by the Department in the LAX Revenue Account.

The Subordinate Trustee will, at least two Business Days prior to each Payment Date on any Subordinate Obligation, or as otherwise directed in any Supplemental Subordinate Indenture, give the Chief Financial Officer notice by telephone, promptly confirmed in writing, of any additional amount required to be deposited with the Subordinate Trustee to pay the amount required to be paid on such Payment Date in respect of such Subordinate Obligation, in the event the amount then on deposit in any Subordinate Debt Service Fund is insufficient to pay the amounts due on any Series of Subordinate Obligations on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the Department of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Subordinate Indenture will control.

If, on any Payment Date, the Subordinate Trustee does not have sufficient amounts in the Subordinate Debt Service Funds (without regard to any amounts which may be available in the Subordinate Reserve Fund or any other Subordinate Debt Service Reserve Fund) to pay in full with respect to Subordinate Obligations of all Series all amounts of principal and/or interest due on such date, the Subordinate Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the Subordinate Reserve Fund or any other Subordinate Debt Service Reserve Fund) as follows: first, to the payment of past due interest on Subordinate Obligations of any Series, in the order in which such interest came due, then to the payment of past due principal on Subordinate Obligations of any Series, in the order in which such principal came due, then to the payment of interest then due and payable on the Subordinate Obligations of each Series due on such Payment Date and, if the amount available will not be sufficient to pay in full all interest on the Subordinate Obligations then due, then pro rata among the Series according to the amount of interest then due and second to the payment of principal then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all principal on the Subordinate Obligations then due, then pro rata among the Series according to the Principal Amount then due on the Subordinate Obligations.

If the Subordinate Reserve Fund or any other Subordinate Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Subordinate Obligations secured thereby, then the Department may be required by a Supplemental Subordinate Indenture to replenish the Subordinate Reserve Fund or such other Subordinate Debt Service Reserve Fund or reimburse the Credit Provider from Subordinate Pledged Revenues provided that (a) no amount from Subordinate Pledged Revenues may be used for such purpose until all payments of principal of and interest on all Subordinate Obligations which have become due and payable have been paid in full, (b) the required payments to replenish the Subordinate Reserve Fund or any other Subordinate Debt Service Reserve Fund or reimburse the Credit Provider will be due in no more than twelve (12) substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Subordinate Reserve Fund or such other Subordinate Debt Service Reserve Fund exceeds the amount available for such purpose, the payments made to the Subordinate Trustee for such purpose will be allocated among the Subordinate Reserve Fund or the various Subordinate Debt Service Reserve Funds pro rata on the basis of the Outstanding Principal Amount of Subordinate Obligations secured thereby.

Notwithstanding the foregoing, the Department may, in the Supplemental Subordinate Indenture authorizing such Series of Subordinate Obligations, provide for different provisions and timing of deposits with the Subordinate Trustee and different methods of paying principal of or interest on such Subordinate Obligations depending upon the terms of such Subordinate Obligations and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Subordinate Debt Service Fund created for the Series of Subordinate Obligations for which such Credit Facility is provided.

If the Subordinate Pledged Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Obligations, the Department may, at its election, pay to the Subordinate Trustee funds from any available sources with the direction that such funds be deposited into the Subordinate Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Additional Security

The pledge of Subordinate Pledged Revenues and the other security provided in the Granting Clauses of the Master Subordinate Indenture, secure all Subordinate Obligations issued under the terms of the Master Subordinate Indenture on an equal and ratable basis, except as to the timing of such payments. The Department may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Obligations or Series of Subordinate Obligations with no obligation to provide such additional security or credit enhancement to other Subordinate Obligations.

Payment of Principal and Interest

The Department covenants and agrees that it will duly and punctually pay or cause to be paid from the Subordinate Pledged Revenues and to the extent thereof the principal of, premium, if any, and interest on every Subordinate Obligation at the place and on the dates and in the manner set forth herein, and in the Supplemental Subordinate Indentures and in the Subordinate Obligations specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Master Subordinate Indenture and in the Subordinate Obligations contained, provided that the Department's obligation to make payments of the principal of, premium, if any, and interest on the Subordinate Obligations will be limited to payment from the Subordinate Pledged Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Subordinate Indenture and any other source which the Department may specifically provide for such purpose and no Holder will have any right to enforce payment from any other funds of the Department.

Junior and Subordinated Obligations

The Department may, from time to time, incur indebtedness with a lien on Subordinate Pledged Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the Department will determine, provided that: (a) any resolution or indenture of the Department authorizing the issuance of any subordinate obligations (including, but not limited to, Third Lien Obligations) will specifically state that such lien on or security interest granted in the Subordinate Pledged Revenues is junior and subordinate to the lien on and security interest in such Subordinate Pledged Revenues and other assets granted to secure the Subordinate Obligations; and (b) payment of principal of and interest on such subordinated obligations (including, but not limited to, Third Lien Obligations) will be permitted, provided that all deposits required to be made to the Subordinate Trustee to be used to pay debt service on the Subordinate Obligations and to replenish the Subordinate Reserve Fund or any other Subordinate Debt Service Reserve Fund, if any, are then current in accordance with the Master Subordinate Indenture.

Maintenance and Operation of LAX Airport Facilities

Except as otherwise provided in the Master Subordinate Indenture or the Master Senior Indenture with respect to the transfer or disposition of LAX Airport Facilities, the Department has covenanted that the LAX Airport Facilities will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Department will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the LAX Airport Facilities will be obtained and maintained and that all necessary repairs, improvements and replacements of the LAX Airport Facilities will be made, subject to sound business judgment. Except as otherwise provided in the Master Subordinate Indenture or the Master Senior Indenture with respect to the transfer or disposition of LAX Airport Facilities, the Department will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Department, all taxes (if any), assessments or other governmental charges lawfully imposed upon the LAX Airport Facilities or upon any part thereof, or upon the LAX Revenues, Pledged Revenues, Net Pledged Revenues or Subordinate Pledged Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the LAX Revenues, Pledged Revenues, Net Pledged Revenues or Subordinate Pledged Revenues or LAX Airport Facilities or any part thereof constituting part of the LAX Airport Facilities.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(1) the Department will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self-Insurance with respect to the facilities constituting Los Angeles International Airport and public liability insurance in the form of commercial insurance or Qualified Self-Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Department, prudent and reasonable

taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports;

(2) the Department will procure and maintain reasonable fidelity insurance or bonds on the position of Chief Financial Officer and on any other employees of the Board or the Department who handle or are responsible for funds of the Department; and

(3) the Department will place on file with the Subordinate Trustee annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to Los Angeles International Airport and the operations of the Department. The Subordinate Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Subordinate Indenture or obtained by the Department.

"Qualified Self-Insurance" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Department may have a material interest and of which the Department may have control, either singly or with others. Each plan of Qualified Self-Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Department determines to be reasonable to protect against risks assumed under the Qualified Self-Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self-Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Department a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he will make a recommendation as to the amount of reserves that should be established and maintained, and the Department will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Department.

If, as a result of any event, any part of an LAX Airport Facility or any LAX Airport Facilities is destroyed or severely damaged, the Department will create within the LAX Revenue Account a special subaccount and will credit the Net Proceeds received as a result of such event of damage or destruction to such subaccount and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (1) repair or replace the LAX Airport Facilities, or portion thereof, which were damaged or destroyed, (2) provide additional revenue-producing LAX Airport Facilities, (3) redeem Senior Bonds, (4) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture; provided, however, that the Department will first deliver to the Senior Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Senior Bonds, the rate covenant set forth in the Master Senior Indenture would, nevertheless, be met, (5) redeem Subordinate Obligations, or (6) create an escrow fund pledged to pay specified Subordinate Obligations and thereby cause such Subordinate Obligations to be deemed to be paid as provided in the Master Subordinate Indenture; provided, however, that the Department will first deliver to the Subordinate Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Subordinate Obligations, the rate covenant set forth in the Master Subordinate Indenture would, nevertheless, be met.

Transfer of LAX Airport Facility or LAX Airport Facilities

The Department will not, except as permitted below transfer, sell or otherwise dispose of an LAX Airport Facility or LAX Airport Facilities. For purposes of this section, any transfer of an asset over which the Department retains substantial control in accordance with the terms of such transfer will not, for so long as the Department has such control, be deemed a disposition of an LAX Airport Facility or LAX Airport Facilities.

The Department may transfer, sell or otherwise dispose of LAX Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other LAX Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the LAX Revenue Account to be used as described below and the Department believes that such disposal will not prevent it from fulfilling its obligations under the Senior Indenture; or

(c) Prior to the disposition of such property, there is delivered to the Senior Trustee and the Subordinate Obligations a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Department as evidenced by a certificate of an Authorized Representative, the Consultant estimates that Department will be in compliance with the rate covenants set forth in the Master Senior Indenture and the Master Subordinate Indenture during each of the five Fiscal Years immediately following such disposition.

LAX Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of provision (a) above, unless the Department has first received a written opinion of Bond Counsel to the effect that such disposition and the application of any disposition proceeds thereof will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition will be made which would cause the Department to be in default of any other covenant contained in the Master Senior Indenture or the Master Subordinate Indenture.

Investments

Moneys held by the Subordinate Trustee in the funds and accounts created in the Master Subordinate Indenture and under any Supplemental Subordinate Indenture will be invested and reinvested as directed by the Department, in Subordinate Permitted Investments subject to the restrictions set forth in the Master Subordinate Indenture and such Supplemental Subordinate Indenture and subject to the investment restrictions imposed upon the Department by the Charter and the laws of the State. The Department will direct such investments by written certificate (upon which the Subordinate Trustee may conclusively rely) of an Authorized Representative or by telephone instruction followed by prompt written confirmation by an Authorized Representative; in the absence of any such instructions, the Subordinate Trustee will, to the extent practicable, invest in Subordinate Permitted Investments specified in (i) of the definition thereof.

The Subordinate Trustee will not be liable for any loss resulting from following the written directions of the Department or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Subordinate Permitted Investment is held.

The Subordinate Trustee may buy or sell any Subordinate Permitted Investment through its own (or any of its affiliates) investment department.

Defeasance

Subordinate Obligations or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture except for the purposes of payment from moneys or Government Obligations held by the Subordinate Trustee or a Subordinate Paying Agent for such purpose. When all Subordinate Obligations which have been issued under the Master Subordinate Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Subordinate Indenture by the Department, including all necessary and proper fees, compensation and expenses of the Subordinate Trustee, the Subordinate Registrar and the Subordinate Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Subordinate Trustee in and to the pledge of Subordinate Pledged Revenues and the other assets pledged to secure the Subordinate Obligations under the Master Subordinate Indenture will thereupon cease, terminate and become void, and thereupon the Subordinate Trustee will cancel, discharge and release the Master Subordinate Indenture, will execute, acknowledge and deliver to the Department such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Department any property and revenues at the time subject to the Master Subordinate Indenture which may then be in the Subordinate Trustee's possession, except funds or securities in which such funds are invested and are held by the Subordinate Trustee or the Subordinate Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Obligations.

A Subordinate Obligation will be deemed to be paid within the meaning of the Master Subordinate Indenture when payment of the principal, interest and premium, if any, either (a) has been made or caused to be made in accordance with the terms of the Subordinate Obligations and the Master Subordinate Indenture or (b) has been provided for by depositing with the Subordinate Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Subordinate Obligations will be deemed to be paid under the Master Subordinate Indenture, such Subordinate Obligations will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Subordinate Obligations. Once such deposit has been made, the Subordinate Trustee will notify all Holders of the affected Subordinate Obligations that the deposit required by (b) above has been made with the Subordinate Trustee and that such Subordinate Obligations are deemed to have been paid in accordance with the Master Subordinate Indenture. No notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued. The Department may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Obligation deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Obligations or the Master Subordinate Indenture subject to (i) receipt of an approving opinion of Bond Counsel that such action will not adversely affect the tax-exemption of any Subordinate Obligation or Subordinate Obligations then Outstanding and (ii) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Subordinate Obligations. Notwithstanding anything in this section to the contrary, moneys from the trust or escrow established for the defeasance of Subordinate Obligations may be withdrawn and delivered to the Department so long as the requirements of subparagraphs (i) and (ii) above are met prior to or concurrently with any such withdrawal.

Subordinate Events of Default and Remedies

Subordinate Events of Default. Each of the following events will constitute and is referred to as a "*Subordinate Event of Default*":

(a) a failure to pay the principal of or premium, if any, on any of the Subordinate Obligations, when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Subordinate Obligations when such interest will become due and payable;

(c) failure to pay the purchase price of any Subordinate Obligation when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Subordinate Indenture;

(d) a failure by the Department to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the Department and which are contained in the Master Subordinate Indenture or a Supplemental Subordinate Indenture, which failure, except for a violation under the rate covenant set forth in the Master Subordinate Indenture which will be controlled by the provisions set forth therein, will continue for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Department by the Subordinate Trustee, which notice may be given at the discretion of the Subordinate Trustee and will be given at the written request of Holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding, unless the Subordinate Trustee, or the Subordinate Trustee and the Holders of Subordinate Obligations in a Principal Amount not less than the Principal Amount of Subordinate Obligations the Holders of which requested such notice, agree in writing to an extension of such period prior to its expiration; provided, however, that the Subordinate Trustee or the Subordinate Trustee and the Holders of such principal amount of Subordinate Obligations will be deemed to have agreed to an extension of such period if corrective action is initiated by the Department within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Department and, if instituted against the Department, said proceedings are consented to or are not dismissed within 60 days after such institution;

(f) the occurrence of any other Subordinate Event of Default as is provided in a Supplemental Subordinate Indenture; or

(g) a default in the payment of principal of or interest on any Senior Bonds.

Remedies.

(a) Upon the occurrence and continuance of any Subordinate Event of Default, the Subordinate Trustee in its discretion may, and upon the written direction of the Holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Subordinate Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Subordinate Holders, and require the Department to carry out any agreements with or for the benefit of the Subordinate Holders and to perform its or their duties under the Charter or any other law to which it is subject and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Master Subordinate Indenture;

(ii) bring suit upon the Subordinate Obligations;

(iii) commence an action or suit in equity to require the Department to account as if it were the trustee of an express trust for the Subordinate Holders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Subordinate Holders.

(b) The Subordinate Trustee will be under no obligation to take any action with respect to any Subordinate Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Subordinate Event of Default.

(c) Except with respect to a Credit Provider or a Liquidity Provider as provided in a Supplemental Subordinate Indenture or a written agreement between the Department and a Credit Provider or a Liquidity Provider (subject to the prior lien on Pledged Revenues granted to the Senior Bonds pursuant to the Senior Indenture), in no event, upon the occurrence and continuation of a Subordinate Event of Default, will the Subordinate Trustee, the Holders of Subordinate Obligations, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Subordinate Obligations Outstanding.

Holders' Right To Direct Proceedings. Anything in the Master Subordinate Indenture to the contrary notwithstanding, Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Subordinate Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Subordinate Trustee under the Master Subordinate Indenture to be taken in connection with the enforcement of the terms of the Master Subordinate Indenture or exercising any trust or power conferred on the Subordinate Trustee by the Master Subordinate Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Subordinate Indenture and that there will have been provided to the Subordinate Trustee security and indemnity satisfactory to the Subordinate Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Subordinate Trustee.

Limitation on Right To Institute Proceedings. No Subordinate Holder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy under the Master Subordinate Indenture or on such Subordinate Obligations, unless such Subordinate Holder or Holders previously has given to the Subordinate Trustee written notice of a Subordinate Event of Default as hereinabove provided and unless also Holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding has made written request of the Subordinate Trustee to do so, after the right to institute such suit, action or proceeding under the Master Subordinate Indenture will have accrued, and will have afforded the Subordinate Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Subordinate Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Subordinate Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are thereby declared in every such case, at the option of the Subordinate Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Subordinate Holders will have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Master Subordinate Indenture, or to enforce any right under the Master Subordinate Indenture or under the Subordinate Obligations, except in the manner provided in the Master Subordinate Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Subordinate Indenture and for the equal benefit of all Subordinate Holders.

Application of Moneys. If a Subordinate Event of Default will occur and be continuing, all amounts then held or any moneys received by the Subordinate Trustee, by any receiver or by any Subordinate Holder pursuant to any right given or action taken under the provisions of the Master Subordinate Indenture (which will not include moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Subordinate Trustee (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Obligations, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Subordinate Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Obligations which have become due with interest on such Subordinate Obligations at such rate as provided in a Supplemental Subordinate Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Obligations on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Subordinate Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Subordinate Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Subordinate Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Subordinate Holders and will not be required to make payment to any Subordinate Holder until such

Subordinate Obligations will be presented to the Subordinate Trustee for appropriate endorsement or for cancellation if fully paid.

The Subordinate Trustee

Duties. If a Subordinate Event of Default has occurred and is continuing, the Subordinate Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Subordinate Trustee will perform the duties set forth in the Subordinate Indenture and no implied duties or obligations will be read into the Subordinate Indenture against the Subordinate Trustee. Except during the continuance of a Subordinate Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Subordinate Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Subordinate Trustee and conforming to the requirements of the Master Subordinate Indenture. However, the Subordinate Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Master Subordinate Indenture.

The Subordinate Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (a) the Subordinate Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (b) the Subordinate Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Subordinate Holders or the Department in the manner provided in the Master Subordinate Indenture.

The Subordinate Trustee will not, by any provision of the Master Subordinate Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Master Subordinate Indenture, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Notice of Defaults. If (a) a Subordinate Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be a Subordinate Event of Default and, with respect to such events for which notice to the Department is required before such events will become Subordinate Events of Default, such notice has been given, then the Subordinate Trustee will promptly, after obtaining actual notice of such Subordinate Event of Default or event described in (b) above, give notice thereof to each Subordinate Holder. Except in the case of a default in payment or purchase on any Subordinate Obligations, the Subordinate Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Subordinate Holders.

Eligibility of Subordinate Trustee. The Master Subordinate Indenture will always have a Subordinate Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Subordinate Trustee. The Subordinate Trustee may resign by notifying the Department in writing prior to the proposed effective date of the resignation. The Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations may remove the Subordinate Trustee by notifying the removed Subordinate Trustee and may appoint a successor Subordinate Trustee with the Department's consent. The Department may remove the Subordinate Trustee, by notice in writing delivered to the Subordinate Trustee at least 60 days prior to the proposed removal date; provided, however, that the Department will have no right to remove the Subordinate Trustee during any time when a Subordinate Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Subordinate Event of Default.

No resignation or removal of the Subordinate Trustee will be effective until a new Subordinate Trustee has taken office and delivered a written acceptance of its appointment to the retiring Subordinate Trustee and to the

Department. Immediately thereafter, the retiring Subordinate Trustee will transfer all property held by it as Subordinate Trustee to the successor Subordinate Trustee, the resignation or removal of the retiring Subordinate Trustee will then (but only then) become effective and the successor Subordinate Trustee will have all the rights, powers and duties of the Subordinate Trustee under the Subordinate Indenture.

If the Subordinate Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Subordinate Indenture, the Department will promptly appoint a successor Subordinate Trustee.

If a Subordinate Trustee is not performing its duties under the Subordinate Indenture and a successor Subordinate Trustee does not take office within 60 days after the retiring Subordinate Trustee delivers notice of resignation or the Department delivers notice of removal, the retiring Subordinate Trustee, the Department or the Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations may petition any court of competent jurisdiction for the appointment of a successor Subordinate Trustee.

Amendments and Supplements

Supplemental Subordinate Indentures Not Requiring Consent of Holders of Subordinate Obligations. The Department may, from time to time and at any time, without the consent of or notice to the Holders of the Subordinate Obligations, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending the Master Subordinate Indenture or any Supplemental Subordinate Indenture, as follows:

(a) to provide for the issuance of a Series or multiple Series of Subordinate Obligations under the provisions of the Master Subordinate Indenture and to set forth the terms of such Subordinate Obligations and the special provisions which will apply to such Subordinate Obligations;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Subordinate Indenture or any Supplemental Subordinate Indenture, provided such supplement or amendment is not materially adverse to the Subordinate Holders;

(c) to add to the covenants and agreements of the Department in the Master Subordinate Indenture or any Supplemental Subordinate Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Department, provided such supplement or amendment will not adversely affect the interests of the Subordinate Holders;

(d) to confirm, as further assurance, any interest of the Subordinate Trustee in and to the pledge of Subordinate Pledged Revenues or in and to the funds and accounts held by the Subordinate Trustee or in and to any other moneys, securities or funds of the Department provided pursuant to the Master Subordinate Indenture or to otherwise add additional security for the Subordinate Holders;

(e) to evidence any change made in the terms of any Series of Subordinate Obligations if such changes are authorized by a Supplemental Subordinate Indenture at the time the Series of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Subordinate Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time, provided such supplement or amendment is not materially adverse to the Subordinate Holders;

(g) to provide for uncertificated Subordinate Obligations or for the issuance of coupons and bearer Subordinate Obligations or Subordinate Obligations registered only as to principal;

(h) to qualify the Subordinate Obligations or a Series of Subordinate Obligations for a rating or ratings from a Rating Agency;

(i) to accommodate the technical, operational and structural features of Subordinate Obligations which are issued or are proposed to be issued or of a Subordinate Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds, swaps or other forms of indebtedness which the Department from time to time deems appropriate to incur;

(j) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series of Subordinate Obligations, provided such supplement or amendment is not materially adverse to the Subordinate Holders;

(k) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Subordinate Obligations, including, without limitation, the segregation of Pledged Revenues, Net Pledged Revenues and Subordinate Pledged Revenues into different funds; and

(l) to modify, alter, amend or supplement the Master Subordinate Indenture or any Supplemental Subordinate Indenture in any other respect which is not materially adverse to the Subordinate Holders.

Before the Department executes, pursuant to this section, any Supplemental Subordinate Indenture, there will be delivered to the Department and Subordinate Trustee an opinion of Bond Counsel to the effect that such Supplemental Subordinate Indenture is authorized or permitted by the Master Subordinate Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Department in accordance with its terms and will not cause interest on any of the Subordinate Obligations which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Supplemental Subordinate Indentures Requiring Consent of Holders of Subordinate Obligations.

(a) Except for any Supplemental Subordinate Indenture entered into pursuant to the provisions described under "—Supplemental Subordinate Indentures Not Requiring Consent of Holders of Subordinate Obligations" above and any Supplemental Subordinate Indenture entered into pursuant to (b) below, subject to the terms and provisions contained in this section and not otherwise, the Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations then Outstanding will have the right from time to time to consent to and approve the execution by the Department of any Supplemental Subordinate Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture; provided, however, that, unless approved in writing by the Holders of all the Subordinate Obligations then Outstanding or unless such change affects less than all Series of Subordinate Obligations and the following subsection (b) is applicable, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations or the rate of interest thereon; and provided that nothing contained in the Master Subordinate Indenture, including the provisions of (b) below, will, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Subordinate Indenture) upon or pledge of the Subordinate Pledged Revenues created by the Master Subordinate Indenture, ranking prior to or on a parity with the claim created by the Master Subordinate Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Obligations, a preference or priority of any Subordinate Obligation or Subordinate Obligations over any other Subordinate Obligation or Subordinate Obligations with respect to the security granted therefor under the Granting Clauses of the Master Subordinate Indenture, or (v) a reduction in the aggregate Principal Amount of Subordinate Obligations the consent of the Subordinate Holders of which is required for any such Supplemental Subordinate Indenture. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Subordinate Holders of the execution of any Supplemental Subordinate Indenture as authorized pursuant to the provisions described under "—

Supplemental Subordinate Indentures Not Requiring Consent of Holders of Subordinate Obligations" above, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Pledged Revenues.

(b) The Department may, from time to time and at any time, execute a Supplemental Subordinate Indenture which amends the provisions of an earlier Supplemental Subordinate Indenture under which a Series or multiple Series of Subordinate Obligations were issued. If such Supplemental Subordinate Indenture is executed for one of the purposes described under "—Supplemental Subordinate Indentures Not Requiring Consent of Holders of Subordinate Obligations" above, no notice to or consent of the Subordinate Holders will be required. If such Supplemental Subordinate Indenture contains provisions which affect the rights and interests of less than all Series of Subordinate Obligations Outstanding and the provisions described under "—Supplemental Subordinate Indentures Not Requiring Consent of Holders of Subordinate Obligations" are not applicable, then this subsection (b) rather than subsection (a) above will control and, subject to the terms and provisions contained in this subsection (b) and not otherwise, the Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations of all Series of Subordinate Obligations Outstanding which are affected by such changes will have the right from time to time to consent to any Supplemental Subordinate Indenture deemed necessary or desirable by the Department for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Subordinate Indenture and affecting only the Subordinate Obligations of such Series; provided, however, that, unless approved in writing by the Holders of all the Subordinate Obligations of all the affected Series then Outstanding, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations of such Series or the rate of interest thereon. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the adoption of any Supplemental Subordinate Indenture as authorized pursuant to the provisions described under "—Supplemental Subordinate Indentures Not Requiring Consent of Holders of Subordinate Obligations" above, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Pledged Revenues.

Amendments to the Senior Indenture

The Holders of the Subordinate Obligations have no right to consent to or reject any amendments to the Senior Indenture that require the consent of the holders of the Senior Bonds, except for amendments to the flow of funds that require the consent of the holders of the Senior Bonds.

Rights of Credit Provider

The Master Subordinate Indenture provides that if a Credit Facility is provided for a Series of Subordinate Obligations or for specific Subordinate Obligations, the Department may in the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued, provide any or all of the following rights to the Credit Provider as the Department deems to be appropriate: (a) the right to make requests of, direct or consent to the actions of the Subordinate Trustee or to otherwise direct proceedings all as provided in the Master Subordinate Indenture to the same extent and in place of the owners of the Subordinate Obligations which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Bondholder of such Subordinate Obligations; (b) the right to act in place of the owners of the Subordinate Obligations which are secured by the Credit Facility for purposes of removing a Subordinate Trustee or appointing a Subordinate Trustee under the Subordinate Indenture; and (c) the right to consent to Supplemental Subordinate Indentures, which would otherwise require the consent of the Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations, entered into pursuant to the provisions set forth under the caption "—Amendments and Supplements—Supplemental Subordinate Indentures Requiring Consent of Holders of Subordinate Obligations" above, except with respect to any amendments described in subsections (a)(i) through (iv) and (b)(i) or (ii) under the caption "—Amendments and Supplements—Supplemental Subordinate Indentures Requiring Consent of Holders of Subordinate Obligations" above, which consent of the actual Subordinate Holders will still be required, of the

Master Subordinate Indenture to the same extent and in place of the owners of the Subordinate Obligations which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Holder of such Subordinate Obligations.

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APPENDIX D-1

AMENDMENTS TO THE MASTER SENIOR INDENTURE

The following is a description of certain amendments that are being made to the Master Senior Indenture. The Master Senior Indenture Amendments do not require the consent of the purchasers of the Series 2020BCD Senior Bonds in order to become effective. Any purchaser of the Series 2020BCD Senior Bonds will be purchasing the Series 2020BCD Senior Bonds subject to the Master Senior Indenture Amendments. The Department will not be requesting a separate written consent from the purchasers of the Series 2020BCD Senior Bonds for the Master Senior Indenture Amendments.

Master Senior Indenture Amendments

The Master Senior Indenture Amendments are set forth below. Additions to the Master Senior Indenture are shown in **bold and double underline** and deletions are shown ~~in strikethrough~~.

ARTICLE I - Definitions

(a) The definition of "Debt Service Reserve Fund Surety Policy"

"Debt Service Reserve Fund Surety Policy" shall mean an insurance policy or surety bond, or a letter of credit (other than a Reserve Fund Surety Policy) deposited with the Trustee for the credit of a Debt Service Reserve Fund created for one or more series of Outstanding Bonds in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Indenture, the entity providing such Debt Service Reserve Fund Surety Policy shall be rated, at the time such instrument is provided, in one of the ~~two~~ **three** highest long-term Rating Categories by ~~both Moody's if Moody's is then maintaining a rating on the Bonds and S&P if S&P is then maintaining a rating on the Bonds~~ **one or more Rating Agencies, provided that such entity shall not be rated by any Rating Agency in a long-term Rating Category that is lower than the three highest long-term Rating Categories**.

(b) The definition of "Qualified Swap"

"Qualified Swap" shall mean any Swap (a) whose Designated Debt is all or part of a particular Series of Bonds; (b) whose Swap Provider is **currently** a Qualified Swap Provider or ~~has been~~ **was** a Qualified Swap Provider ~~within the 60 day period preceding the date on which the calculation of Annual Debt Service or Aggregate Annual Debt Service is being made~~ **at the time the Swap was originally entered into by the Board**; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; **and** (d) which has been designated in writing to the Trustee by the ~~Department~~ **Board** as a Qualified Swap with respect to such Bonds~~; and (e) which has been approved by S&P, if S&P has an outstanding rating on any Bonds, and Moody's, if Moody's has an outstanding rating on the Bonds~~.

(c) The definition of "Qualified Swap Provider"

"Qualified Swap Provider" shall mean a financial institution (a) whose Senior long-term debt obligations, ~~or whose~~ **financial program rating, counterparty rating or claims paying ability, or whose payment** obligations under any Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose Senior long-term debt obligations, **financial program rating, counterparty rating or claims paying ability**, are rated ~~at least "Aa," in the case of Moody's and "AA," in the case of S&P, or the equivalent thereto in the case of any successor thereto~~ **in one of the top three Rating Categories by each of the Rating Agencies then rating such financial institution**, or (b) whose obligations under any Qualified Swap are fully secured by obligations described in items (1) or (2) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

(d) The definition of "Released LAX Revenues"

"Released LAX Revenues" shall mean LAX Revenues in respect of which the following have been filed with the Trustee:

(a) a resolution of the Board describing a specific identifiable portion of LAX Revenues and approving that such LAX Revenues be excluded from the term Pledged Revenues;

(b) either (i) a certificate prepared by an Authorized Board Representative showing that Net Pledged Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of LAX Revenues covered by the Board's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments pursuant to paragraphs SECOND through EIGHTH of Section 4.04 hereof, or (B) an amount not less than 150% of average Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of LAX Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Pledged Revenues (excluding the specific identifiable portion of LAX Revenues covered in the resolution adopted by the Board described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Board, will not be less than the larger of (A) the amounts needed for making the required deposits and payments pursuant to paragraphs SECOND through EIGHTH of Section 4.04 hereof, or (B) an amount not less than 150% of the average Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of LAX Revenues; **and**

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of LAX Revenues and from the pledge and lien of this Indenture will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax~~; and(d) written confirmation from each of Fitch and Moody's (provided such Rating Agencies have been requested by the Department to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds) to the effect that the exclusion of such specific identifiable portion of revenues from the pledge and lien of this Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds~~.

For purposes of subparagraph (b) above, no Transfer shall be taken into account in the computation of Net Pledged Revenues.

Additionally, the Department shall give written notice to ~~S&P (provided S&P has~~ **each of the Rating Agencies that have** been requested by the Department to maintain a rating on the Bonds and ~~S&P is~~ **that are** then maintaining a rating on ~~any of~~ the Bonds) at least 15 days prior to any specific identifiable portion of LAX Revenues being excluded from the pledge and lien of this Indenture as proved in this definition of "Released LAX Revenues."

Upon filing of such documents, the specific identifiable portion of LAX Revenues described in the resolution of the Board shall no longer be included in Pledged Revenues and shall be excluded from the pledge and lien of this Indenture, unless otherwise included in Pledged Revenues and in the pledge and lien of this Indenture pursuant to a Supplemental Indenture.

(e) The definition of "Reserve Fund Surety Policy"

"Reserve Fund Surety Policy" shall mean an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Surety Policy shall be rated, at the time such instrument is provided, in one of the ~~two~~ **three** highest **long-term** Rating Categories by ~~both Moody's if Moody's is then maintaining a rating on the Bonds and S&P if S&P is then maintaining a rating on the Bonds~~ **one or more Rating Agencies, provided that such entity shall not be rated by any Rating Agency in a long-term Rating Category that is lower than the three highest long-term Rating Categories**.

Section 10.03(g)

Section 10.03(g) is amended to read as follows:

(g) For the purposes of this Section 10.03, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Board, may consent to a modification or amendment permitted by this Section 10.03 in the manner provided herein and with the same effect as a consent given by the Bondholder of such Bonds, except that no proof of ownership shall be required; provided, that this provision of Section 10.03 shall be disclosed prominently in the offering document, if any, for each Series of Bonds issued pursuant to this Indenture, provided that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the offering document prepared in connection with the primary offering of the Bonds of such Series by the Board.

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APPENDIX D-2

AMENDMENTS TO THE MASTER SUBORDINATE INDENTURE

The following is a description of certain amendments that are being made to the Master Subordinate Indenture. This description is for informational purposes only. These amendments do not require the consent of any of the Bondholders of the Senior Bonds (including the Series 2020BCD Senior Bonds) in order to become effective and the Department is not requesting consent from any of the Bondholders of the Senior Bonds (including the Series 2020BCD Senior Bonds).

Master Subordinate Indenture Amendments

The Master Subordinate Indenture Amendments are set forth below. Additions to the Master Subordinate Indenture are shown in **bold and double underline** and deletions are shown ~~in strikethrough~~.

ARTICLE I - Definitions

(a) The definition of "Debt Service Reserve Fund Surety Policy"

"Debt Service Reserve Fund Surety Policy" shall mean an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Debt Service Reserve Fund created for one or more Series or Subseries of Outstanding Subordinate Obligations in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Subordinate Indenture, the entity providing such Debt Service Reserve Fund Surety Policy shall be rated, at the time such instrument is provided, in one of the ~~two~~ **three** highest long-term Rating Categories by one or more ~~of the~~ Rating Agencies**, provided that such entity shall not be rated by any Rating Agency in a long-term Rating Category that is lower than the three highest long-term Rating Categories**.

(b) The definition of "Qualified Swap"

"Qualified Swap" shall mean any Swap (a) whose Designated Debt is all or part of a particular Series or Subseries of Subordinate Obligations; (b) whose Swap Provider is **currently** a Qualified Swap Provider or ~~has been~~ **was** a Qualified Swap Provider **at the time the Swap was originally entered into by the Department** ~~within the 60 day period preceding the date on which the calculation of Annual Debt Service or Aggregate Annual Debt Service is being made~~; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; **and** (d) which has been designated in writing to the Trustee by the Department as a Qualified Swap with respect to such Subordinate Obligations~~; and (e) which has been approved by S&P, if S&P has an outstanding rating on any Subordinate Obligations, and Moody's, if Moody's has an outstanding rating on the Subordinate Obligations~~.

(c) The definition of "Qualified Swap Provider"

"Qualified Swap Provider" shall mean a financial institution (a) whose senior long-term debt obligations, **financial program rating, counterparty rating or claims paying ability, or whose payment** obligations under any Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, **financial program rating, counterparty rating or claims paying ability**, are rated **in one of the top three Rating Categories by each of the Rating Agencies then rating such financial institution** ~~at least "Aa," in the case of Moody's and "AA," in the case of S&P, or the equivalent thereto in the case of any successor thereto~~, or (b) whose obligations under ~~a~~ **any** Qualified Swap are fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

Section 10.03(g)

Section 10.03(g) is amended to read as follows:

(g) For the purposes of this Section 10.03 the purchasers of the Subordinate Obligations of a Series or Subseries, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Department, may consent to a modification or amendment permitted by this Section 10.03 in the manner provided herein and with the same effect as a consent given by the Holders of such Subordinate Obligations, except that no proof of ownership shall be required; provided, that this provision of Section 10.03 shall be disclosed prominently in the offering document, if any, for each Series or Subseries of Subordinate Obligations issued pursuant to this Indenture, provided that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the offering document prepared in connection with the primary offering of the Subordinate Obligations of such Series or Subseries by the Department.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

Department of Airports of the City of Los Angeles
Board of Airport Commissioners of the City
of Los Angeles
Los Angeles, California

$558,500,000
Department of Airports
of the City of Los Angeles, California
Los Angeles International Airport
Senior Refunding Revenue Bonds
2020 Series B
(Private Activity/Non-AMT)

$380,000,000
Department of Airports
of the City of Los Angeles, California
Los Angeles International Airport
Senior Revenue Bonds
2020 Series C
(Private Activity/AMT)

$120,000,000
Department of Airports of the City of Los Angeles, California
Los Angeles International Airport
Senior Revenue Bonds
2020 Series D
(Governmental Purpose/Non-AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Department of Airports of the City of Los Angeles, California (the "Department"), acting through the Board of Airport Commissioners of the City of Los Angeles, California (the "Board"), in connection with the Department's issuance and sale of (a) $558,500,000 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Refunding Revenue Bonds, 2020 Series B (Private Activity/Non-AMT) (the "Series 2020B Senior Bonds"), (b) $380,000,000 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2020 Series C (Private Activity/AMT) (the "Series 2020C Senior Bonds"), and (c) $120,000,000 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2020 Series D (Governmental Purpose/Non-AMT) (the "Series 2020D Senior Bonds," and collectively with the Series 2020B Senior Bonds and the Series 2020C Senior Bonds, the "Series 2020BCD Senior Bonds). The Series 2020BCD Senior Bonds are being issued under the terms of the Charter of the City of Los Angeles, relevant ordinances of the City of Los Angeles, and the Los Angeles Administrative Code (collectively, the "Charter"), the Master Trust Indenture, dated as of April 1, 1995, as amended (the "Master Senior Indenture"), by and between the Department, acting through the Board, and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N.A., as trustee (the "Senior Trustee"), and the Twenty-First Supplemental Trust Indenture, dated as of August 1, 2020 (the "Twenty-First Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Senior Indenture"), by and between the Department, acting through the Board, and the Senior Trustee. Issuance of the Series 2020BCD Senior Bonds has been authorized by

Resolution No. 26347 adopted by the Board on September 20, 2017 and approved by the City Council of the City of Los Angeles (the "City Council") on October 24, 2017 and by the Mayor of the City of Los Angeles (the "Mayor") on November 1, 2017, Resolution No. 26967 adopted by the Board on February 20, 2020, and approved by the City Council on March 17, 2020 and by the Mayor on March 20, 2020, and Resolution No. 27076 adopted by the Board on July 16, 2020 (collectively, the "Resolutions"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Senior Indenture.

In connection with the issuance of the Series 2020BCD Senior Bonds, we have examined: (a) the Charter; (b) certified copies of the Resolutions; (c) executed copies of the Master Senior Indenture and the Twenty-First Supplemental Senior Indenture; (d) an executed copy of the Master Subordinate Trust Indenture, dated as of December 1, 2002, as amended and supplemented, by and between the Department and U.S. Bank National Association (also known as U.S. Bank, N.A.), as subordinate trustee; (e) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Series 2020BCD Senior Bonds and other matters (the "Tax Certificate"); (f) certifications of the Department, The Bank of New York Mellon Trust Company, N.A., as the Senior Trustee, U.S. Bank National Association, as subordinate trustee, Goldman Sachs & Co. LLC, as representative of the underwriters of the Series 2020BCD Senior Bonds (the "Underwriters"), Public Resources Advisory Group, as co-municipal advisor to the Department, the City Clerk of the City of Los Angeles, and others; (g) a copy of the verification report, dated the date hereof, by Robert Thomas CPA, LLC, (h) opinions of the City Attorney, counsel to the Senior Trustee, and counsel to the Underwriters; and (k) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Department, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Department, the security provided therefor, as contained in the Series 2020BCD Senior Bonds and the Senior Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2020BCD Senior Bonds or the Senior Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated August 19, 2020, or any other offering material relating to the Series 2020BCD Senior Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2020BCD Senior Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Series 2020BCD Senior Bonds have been fulfilled.

2. The Series 2020BCD Senior Bonds constitute the valid and binding limited obligations of the Department secured by a pledge of and lien upon and are a charge upon and are payable from the Net Pledged Revenues and certain funds and accounts held by the Senior Trustee under the Senior Indenture.

3. The Master Senior Indenture and the Twenty-First Supplemental Senior Indenture have been duly authorized, executed and delivered by the Department, acting through the Board, and, assuming the due authorization, execution and delivery by the Senior Trustee, constitute the valid and binding obligations of the Department, enforceable against the Department in accordance with their terms. The Senior Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2020BCD Senior Bonds, of the Net

Pledged Revenues and certain funds and accounts held by the Senior Trustee under the Senior Indenture, subject to the provisions of the Senior Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The Series 2020BCD Senior Bonds are not general obligations of the Department. Neither the faith and the credit nor the taxing power of the City of Los Angeles, the State of California or any public agency, other than the Department to the extent of the Net Pledged Revenues, is pledged to the payment of the principal of and interest on the Series 2020BCD Senior Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Series 2020BCD Senior Bonds. The Department has no power of taxation.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2020B Senior Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Series 2020B Senior Bond for any period during which such Series 2020B Senior Bond is held by a person who is a "substantial user" of the facilities refinanced by the Series 2020B Senior Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2020B Senior Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2020C Senior Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Series 2020C Senior Bond for any period during which such Series 2020C Senior Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Series 2020C Senior Bonds or a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2020C Senior Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

7. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2020D Senior Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2020D Senior Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

8. Under existing laws, interest on the Series 2020BCD Senior Bonds is exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraphs 5, 6 and 7 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Department with covenants regarding federal tax law contained in the Senior Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2020BCD Senior Bonds to be included in gross income retroactive to the date of issue of the Series 2020BCD Senior Bonds. Although we are of the opinion that interest on the Series 2020BCD Senior Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2020BCD Senior Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Series 2020BCD Senior Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption "—General" below has been provided by DTC. Neither the City nor the Department makes any representations as to the accuracy or the completeness of such information. The beneficial owners of the Series 2020BCD Senior Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF THE CITY, THE DEPARTMENT OR THE SENIOR TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2020BCD SENIOR BONDS UNDER THE SENIOR INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2020BCD SENIOR BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL, PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2020BCD SENIOR BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2020BCD SENIOR BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020BCD Senior Bonds. The Series 2020BCD Senior 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 bond certificate will be issued for each maturity of the Series 2020BCD Senior Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Senior Trustee.

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 3.6 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 Series 2020BCD Senior Bond certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC may be found on its web sites. The Department undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2020BCD Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020BCD Senior Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020BCD Senior 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 2020BCD Senior 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 Series 2020BCD Senior Bonds, except in the event that use of the book–entry system for the Series 2020BCD Senior Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020BCD Senior Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2020BCD Senior Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020BCD Senior Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020BCD Senior Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2020BCD Senior Bonds are in the book-entry-only system, redemption notices shall be sent to DTC. If less than all of the Series 2020BCD Senior Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2020BCD Senior Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2020BCD Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2020BCD Senior Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department and the Senior Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case Series 2020BCD Senior Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Department and the Senior Trustee subject to any statutory, or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2020BCD Senior Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department and the Senior Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020BCD Senior Bonds at any time by giving reasonable notice to the Department and the Senior Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. To the extent permitted by law, the Department may decide to discontinue use of the system of book–entry transfers through DTC (or to the extent permitted by law, a successor Security Bonds depository). In that event, bond certificates will be printed and delivered to DTC.

No Assurance Regarding DTC Practices

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Department believes to be reliable, but the Department takes no responsibility for the accuracy thereof.

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2020BCD SENIOR BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2020BCD SENIOR BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2020BCD SENIOR BONDS.

In the event the Department determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2020BCD Senior Bonds and the Department does not select another qualified depository, the Department shall deliver one or more Series 2020BCD Senior Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfers and exchanges of Series 2020BCD Senior Bonds, will be governed by the provisions of the Senior Indenture.

Risks of Book-Entry System

The Department makes no assurance, and the Department shall incur no liability, regarding the fulfillment by DTC of its obligations under the book-entry system with respect to the Series 2020BCD Senior Bonds.

In addition, Beneficial Owners of the Series 2020BCD Senior Bonds may experience some delay in their receipt of distributions of principal of, premium, if any, and interest on, the Series 2020BCD Senior Bonds since such distributions will be forwarded by the Department to DTC and DTC will credit such distributions to the accounts of the Direct Participants which will thereafter credit them to the accounts of the Beneficial Owners either directly or through Indirect Participants.

Since transactions in the Series 2020BCD Senior Bonds can be effected only through DTC, Direct Participants, Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2020BCD Senior Bonds, to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Series 2020BCD Senior Bonds may be limited due to lack of a physical certificate. Beneficial Owners will not be recognized by the Department as registered owners of the Series 2020BCD Senior Bonds, and Beneficial Owners will only be permitted to exercise the rights of registered owners indirectly through DTC and its Participants.

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APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Department of Airports of the City of Los Angeles, California (the "Department") in connection with the issuance by the Department of its Los Angeles International Airport, Senior Refunding Revenue Bonds, 2020 Series B (Private Activity/Non-AMT) (the "Series 2020B Senior Bonds"), Los Angeles International Airport, Senior Revenue Bonds, 2020 Series C (Private Activity/AMT) (the "Series 2020C Senior Bonds"), and Los Angeles International Airport, Senior Revenue Bonds, 2020 Series D (Governmental Purpose/Non-AMT) (the "Series 2020D Senior Bonds," and collectively with the Series 2020B Senior Bonds and the Series 2020C Senior Bonds, the "Series 2020BCD Senior Bonds"). The Series 2020BCD Senior Bonds are being issued pursuant to the Master Trust Indenture, dated as of April 1, 1995, as amended (the "Master Senior Indenture"), by and between the Department and The Bank of New York Mellon Trust Company N. A., formerly known as The Bank of New York Trust Company, N. A., successor in interest to BNY Western Trust Company, as successor in interest to U.S. Trust Company of California, N. A., as trustee (the "Senior Trustee"), and a Twenty First Supplemental Trust Indenture dated as of August 1, 2020 (the "Twenty First Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Senior Indenture"), by and between the Department and the Senior Trustee. The Department hereby covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Senior Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Department pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2020BCD Senior Bonds (including persons holding Series 2020BCD Senior Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2020BCD Senior Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Department, acting in its capacity as Dissemination Agent hereunder, or any other successor Dissemination Agent designated in writing by the Department, and which has filed with the Department a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Department as its Fiscal Year.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"GASB" shall mean the Governmental Accounting Standards Board.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any successor thereto.

"Official Statement" shall mean the final official statement of the Department relating to the Series 2020BCD Senior Bonds.

"Owner" shall mean a registered owner of Series 2020BCD Senior Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2020BCD Senior Bonds required to comply with the Rule in connection with offering of the Series 2020BCD Senior Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of California.

Section 2. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Department for the benefit of the Owners and Beneficial Owners of the Series 2020BCD Senior Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The Department shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Department, to, not later than 180 days following the end of each Fiscal Year of the Department (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year ending June 30, 2020, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB and/or the Rule, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year for the Department changes, the Department shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If in any year, the Department does not provide the Annual Report to the MSRB by the time specified above, the Department shall file a notice with the MSRB through the EMMA System in substantially the form attached as Exhibit A hereto.

(c) If the Dissemination Agent is not the Department. the Dissemination Agent shall:

1. file a report with the Department certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and

2. take any other actions mutually agreed to between the Dissemination Agent and the Department.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The Department's audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by GASB and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB, provided however that the Department may from time to time, in order to comply with federal or State legal requirements, modify the basis upon which such financial statements are provided notice. Notice of any such modification shall be provided to the MSRB and shall include a reference to the applicable law or requirement describing such accounting basis. If the Department's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain comparable information derived from unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Information in form and substance similar to the following tables set forth in the Official Statement for the most recently completed Fiscal Year:

1. Table 1 – "Existing Senior Bonds";
2. Table 2 – "Existing Senior Bonds and Senior Commercial Paper Notes";
3. Table 3 – "Senior Bonds and Senior Bonds Debt Service Requirements" (only if such information changes);
4. Table 5 – "Air Carriers Serving LAX" (as of the first day of the current Fiscal Year);
5. Table 7 – "Air Traffic Data";
6. Table 8 – "Historical Total Enplanements by Airline";
7. Table 9 – "Total Revenue Landed Weight";
8. Table 10 – "Enplaned and Deplaned Cargo";

9. Table 11 – "Historical Operating Statements";
10. Table 12 – "Top Ten Revenue Providers";
11. Table 13 – "Top Ten Revenue Sources";
12. Table 15 – "Historical Debt Service Coverage"; and
13. The columns entitled "Department Market Value" and "LAX Market Value" in Table 16 – "City of Los Angeles Pooled Investment Fund"; and
14. Unless otherwise provided in "Historical Operating Statements," the total amount of PFC revenues received by the Department with respect to Los Angeles International Airport.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Department or related public entities that have been submitted to the MSRB through the EMMA System. In the event that information necessary to prepare the tables listed above becomes unavailable due to changes in accounting practices, legislative changes or organizational changes, the Department shall state in its Annual Report that such table will no longer be included in the Annual Report and the reason therefore and the Department will provide comparable information if available.

Section 5. Reporting of Significant Events.

(a) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2020BCD Senior Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the Department; or
10. Default event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Department, if any such event reflects financial difficulties.

Note: for the purposes of the event identified in Section 5(a)(9) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Department in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Department, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department.

(b) The Department shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2020BCD Senior Bonds, if material, not later than ten business days after the occurrence of the event:

1. Non-payment related defaults;
2. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2020BCD Senior

Bonds or other material events affecting the tax status of the Series 2020BCD Senior Bonds;

3. Modifications to rights of the Owners of the Series 2020BCD Senior Bonds;
4. Series 2020BCD Senior Bond calls;
5. Release, substitution or sale of property securing repayment of the Series 2020BCD Senior Bonds;
6. The consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee; or
8. Incurrence of a Financial Obligation of the Department or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Department, any of which affect security holders.

(c) The Department shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3.

(d) If the Department learns of an occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Department shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(4) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2020BCD Senior Bonds pursuant to the Senior Indenture.

(e) As used in this Disclosure Certificate, the term "Financial Obligation" will be interpreted so as to comply with applicable federal securities laws guidance as of the date of this Disclosure Certificate, including that provided by the Securities and Exchange Commission in its Release No. 34-83885, dated August 20, 2018.

Section 6. Termination of Obligation. The Department's obligations under this Disclosure Certificate with respect to the Series 2020B Senior Bonds shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series 2020B Senior Bonds. The Department's obligations under this Disclosure Certificate with respect to the Series 2020C Senior Bonds shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series 2020C Senior Bonds. The Department's obligations under this Disclosure Certificate with respect to the Series 2020D Senior Bonds shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series 2020D Senior Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Department with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Department's obligations hereunder shall terminate to a like extent.

Section 7. Dissemination Agent. The Department may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Department shall be the dissemination agent. The initial dissemination agent shall be the Department.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, without the consent of the Owners of the Series 2020BCD Senior Bonds, the Department may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is not prohibited by the Rule. The Department shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Department chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Department shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Department to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series 2020BCD Senior Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department to comply with its obligations under this Disclosure Certificate; provided that any such Owner or Beneficial Owner may not take any enforcement action without the consent of the Owners of not less than 25% (twenty-five percent) in aggregate principal amount of the Series 2020BCD Senior Bonds that at the time are Outstanding. A default under this Disclosure Certificate shall not be deemed a default under the Senior Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the Department to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Department to comply with this Disclosure Certificate. No Owner or Beneficial Owner of the Series 2020BCD Senior Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Department satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Department shall have refused to comply therewith within a reasonable time.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Department and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Department, the Dissemination Agent, if any, and the Owners and Beneficial Owners from time to time of the Series 2020BCD Senior Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 13. Notices. Any notices or communications to the Department may be given as follows:

Los Angeles World Airports
One World Way
Los Angeles, California 90045
Attention: Tatiana Starostina, Chief Financial Officer
Fax: (310) 646-9223
Telephone: (424) 646-5251

Section 14. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Department shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Series 2020BCD Senior Bonds shall retain all the benefits afforded to them hereunder. The Department hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 15. Governing Law. This Disclosure Certificate was made in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Los Angeles, without regard to conflict of law principles. Any litigation, action or proceeding to enforce or interpret any provision of this Disclosure Certificate or otherwise arising out of, or relating to this Disclosure Certificate, shall be brought, commenced or prosecuted in a State or Federal court in the County of Los Angeles in the State of California. By its acceptance of the benefits hereof, any person or entity bringing any such litigation, action or proceeding submits to the exclusive jurisdiction of the State of California and waives any defense of forum non conveniens.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Certificate this 27th day of August, 2020.

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

By: ______________________________

Chief Executive Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Department of Airports of the City of Los Angeles, California
Name of Bond Issue:	Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Refunding Revenue Bonds, 2020 Series B (Private Activity/Non-AMT) Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2020 Series C (Private Activity/AMT) Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Senior Revenue Bonds, 2020 Series D (Governmental Purpose/Non-AMT)
Date of Issuance:	August 27, 2020
CUSIP:	544445_____

NOTICE IS HEREBY GIVEN that the Department of Airports of the City of Los Angeles, California (the "Department") has not provided an Annual Report with respect to the above referenced Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated August 27, 2020, executed by the Department for the benefit of the Owners and Beneficial Owners of the above referenced Bonds. The Department anticipates that the Annual Report will be filed by ___________________________ , 20__.

Dated: _______________

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA

By: ____
Authorized Representative

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APPENDIX H

CERTAIN INFORMATION REGARDING THE RETIREMENT PLAN AND PENSION SYSTEMS OF THE CITY OF LOS ANGELES

The information in this Appendix H is provided by the City. The Department is relying upon, and has not independently confirmed or verified the accuracy or the completeness of, the information in Appendix H or the LACERS Reports, LAFPP Reports or other information incorporated by reference therein.

INTRODUCTION

GENERALLY, THE INFORMATION IN THIS SECTION HAS BEEN TRUNCATED FROM MATERIALS PROVIDED BY THE CITY TO ONLY INCLUDE THOSE PORTIONS OF THIS SECTION THAT REFERENCE THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ("LACERS") OR THE CITY OF LOS ANGELES FIRE AND POLICE PENSION PLAN ("LAFPP").

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Retirement and Pension Systems

General

The City has three single-employer defined-benefit pension plans created by the City Charter: the Los Angeles City Employees' Retirement System ("LACERS"), the City of Los Angeles Fire and Police Pension Plan ("LAFPP") and, for employees of DWP, the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan"). Both LACERS and LAFPP (collectively, the "Pension Systems") are funded primarily from the City's General Fund, while the Water and Power Plan is funded by that department's proprietary revenues.

The Pension Systems provide retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. Both Pension Systems are funded pursuant to the Entry Age Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e., level percent of payroll). Retired members and surviving spouses and domestic partners of LACERS and LAFPP members are eligible for certain subsidies toward their costs of medical and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as "Other Post-Employment Benefits" ("OPEB"). The City began making payments to its Pension Systems to pre-fund OPEB obligations in the late 1980s. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of the Pension Systems' retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical cost inflation specific to OPEB.

The actuarial valuations for both Pension Systems are prepared on an annual basis and the applicable actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. The Pension Systems' annual valuations determine the contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for each plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the benefits for currently active, vested former members and retired employees and their beneficiaries.

Various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary increases, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on these assumptions. The contribution rates in the following year's valuations are adjusted to take into account actual plan experience in the current and prior years.

Each plan also generally performs an experience study every three years, comparing the plan's actual experience to the non-economic or demographic assumptions previously adopted by its board. Based on the plan's experience, the board may adopt the actuary's recommendations to adjust various assumptions such as retirement rates, termination rates, and disability incidence rates in calculating its liabilities. Additionally, the experience study will review each plan's economic assumptions and the actuary may recommend adjustments based on future expectations for items such as general inflation, participant salary increases, and the plan's future expected rate of investment return. These economic assumptions are also adopted by each plan's board.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including the Pension Systems, "smooth" market value gains and losses over a period of years to reduce contribution volatility. These smoothing methodologies result in an actuarial value of assets that are lower or higher than the market value of assets at a given point in time.

The Actuarial Standards Board, the organization that sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice, approved the new Actuarial Standard of Practice No. 51 ("ASOP 51"), effective as of the June 30, 2019 actuarial valuations. ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition," (referred to as a "Risk Report.")

Examples of key risks that are particularly relevant to the Pension Systems are investment risk and longevity and other demographic risks. Among other things, the reports consider the cost to the City of alternative earning scenarios from investments. Since the funded ratio, UAAL, and the employer contribution rates have fluctuated as a result of deviation in investment experience in the last ten valuations, the Pension Systems' actuary has examined the risk associated with earning either higher or lower than the assumed investment rate in future valuations.

ASOP 51 also requires an actuary to consider if there is any ongoing contribution risk to the plan by evaluating the potential for and impact of actual contributions deviating from expected contributions in the future. The Risk Reports for both Pension Systems note that the City has a well-established practice of making the Actuarially Determined Contribution. As a result, in practice both Pension Systems have been found to have essentially no contribution risk.

It should be noted that, in the ASOP 51 Risk Report for each of the two Pension Systems, the actuary noted that each had strengthened their respective actuarial assumptions over time, particularly lowering the expected investment rate of return, utilizing a generational mortality assumption, and adopting a funding policy that controls future negative amortization. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the UAAL.

The Risk Reports also note that both of the Pension Systems have become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members employed by the City and by an increase in the ratios of plan assets and liabilities to active member payroll. The actuary expects these trends to continue going forward. Any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active members would have to be amortized and funded over the payroll of the relatively smaller group of only active members; as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes.

Each of the Pension Systems has adopted its own asset allocation plan to guide their respective investments in stocks, bonds, real estate, alternatives and cash equivalents. Each plan reviews its asset allocation plan periodically and any adjustments are approved by the respective boards.

The City has never issued pension obligation bonds to fund either of its Pension Systems. The City pays all of its annual contributions to its Pension Systems in July at a discount, out of the proceeds of its annual issuance of tax and revenue anticipation notes.

This section, "Retirement and Pension Systems," is primarily derived from information produced by LACERS and LAFPP and their independent actuaries. The City has not independently verified the information provided by LACERS and LAFPP. The comprehensive annual financial reports of the individual Pension Systems, actuarial valuations for retirement and health benefits, and other information concerning LACERS and LAFPP are available on their websites, at www.lacers.org/aboutlacers/reports/index.html and www.lafpp.com/financial-reports, respectively. Information set forth on such websites is not incorporated by reference herein. For additional information regarding the Pension Systems, see also Note 5 in the "Notes to the City's Basic Financial Statements" in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

Investors are cautioned that, in considering information on the Pension Systems, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is "forward- looking" information. Such "forward-looking" information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees' Retirement System ("LACERS")

LACERS, established in 1937 under the Charter, is a contributory plan covering civilian employees other than employees of DWP. As of June 30, 2019, the date of its most recent actuarial valuation, LACERS had 26,632 active members, 20,034 retired members and beneficiaries, and 8,588 inactive members (members with a vested right to a deferred or immediate benefit or entitled to a return of their member contributions).

Over the past several years, LACERS has adopted various changes to its actuarial assumptions, including reducing the assumed investment return from 7.75 percent to 7.50 percent in 2014, and further reducing its assumed return to 7.25 percent in 2017. A further reduction in its assumed return to 7.0 percent was approved by LACERS' Board on June 23, 2020, as recommended by LACERS actuary, Segal. This change represents one of many assumption changes recommended in an experience study dated as of June 17, 2020. While, the most significant cost impact is from the change in the investment return assumption, that increase in cost is largely offset by the decrease in cost from the change in the inflation assumption from 3.00 percent to 2.75 percent. The net effect would be an increase of around 1.0 percent in the percentage of payroll. Changes in salary increase assumptions would increase the contribution rate by 2.1 percent, and new mortality assumptions would increase by 0.5 percent. The total estimated increase of 4.09 percent of payroll (based on the assumptions for the actuarial valuation as of June 30, 2019), will be used beginning with the June 30, 2020 valuation, which will determine the City's contribution rate for Fiscal Year 2021-22.

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate, fixed amortization periods. Under current funding policy, market losses and gains are recognized over a seven-year asset smoothing period, where only 1/7 of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years. Other factors that affect the calculation of unfunded liability, including early retirement incentives, plan amendments, changes in assumptions and other actuarial gains and losses will be amortized over terms that range from 5 to 30 years.

LACERS' Board uses a market value "corridor" of 40 percent. A corridor is used in conjunction with asset smoothing, in order to keep the actuarial value of assets within a certain percentage of the market value of assets. For example, if a system has a 40 percent corridor, the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

In 2012, the City Council adopted a new civilian retirement tier ("Tier 2"), which applied to all employees hired on or after July 1, 2013. Subsequently, as part of an agreement with the Coalition of LA City Unions, both the City and the Coalition agreed to transfer all Tier 2 employees into Tier 1 effective February 21, 2016. Any new employee hired into a position eligible for LACERS membership on or after February 21, 2016, unless eligible for Tier 1 membership under specific exemptions, is enrolled in a new "Tier 3." Based on the actuarial valuation as of June 30, 2019, approximately 84 percent of the Citywide payroll is comprised of Tier 1 members and 16 percent is comprised of Tier 3 members.

The following table includes a summary of the major plan design changes from Tier 1 to Tier 3.

Table 10
COMPARISON OF LACERS TIER I AND TIER III PLAN DESIGNS

Plan Feature	Tier I[1]	Tier III
Normal Retirement (Age / Years of Service)	55 / 30 60 / 10 70 / Any	60 / 30 60 / 10
Early Retirement (Reduced)	55 / 10 Under 55 / 30	Under 60 / 30
Benefit Factors	Normal Retirement 2.16% per year of service	Normal Retirement 1.5% @ 60 / 10 2.0% @ 60 / 30
	Early Retirement Reduced by 3% per Years of Service before age 55; and 1.5% per Years of Service from ages 55-59	Early Retirement Reduced by 10.5% at age 54, plus an additional 3% reduction for every year below the age of 54; unreduced from ages 55 to 59
Compensation Used to Determine Retirement Allowance	Highest consecutive 12 months, including most bonuses	Last 36 months prior to retirement, including most MOU bonuses
Maximum Benefit	100%	80%
Employee Contribution Base	6%	7%
Early Retirement Incentive Program (ERIP) Employee Contribution	1% Until 2026 or when ERIP debt is paid, whichever is sooner	N/A
Other Post-Employment Benefits (OPEB), e.g., retiree healthcare Employee Contribution	4%	4%
Maximum Annual COLA	3%	2%
COLA Bank	Yes	No
Government Service Buyback	Member pays employee contributions	Member pays employee and employer contributions, except for limited military or maternity leave time. Service purchase may not cause member's service retirement allowance to exceed eighty percent of final compensation.

(1) Does not reflect Tier 1 Enhanced Benefits for approximately 500 Airport Peace Officers.

Source: City of Los Angeles, Office of the City Administrative Officer.

The aggregate employer normal cost rates for the Retirement and Health Plans have stayed relatively flat since the June 30, 2010 valuation. For the Retirement Plan, the UAAL rate generally increased between the June 30, 2010 and the June 30, 2019 valuations primarily due to unfavorable investment experience and changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in the actuarial assumptions, those increases were offset to some degree by plan changes (the introduction of Tier 3) as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, an additional employee contribution (becoming 4 percent for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees. For the Health Plan, the non-investment experience (primarily lower than projected medical premiums and subsidies) has had the most impact on decreasing the UAAL contribution rates.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table 11
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
($ in thousands)[1]

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL[2]	Funded Ratio[3]	Covered Payroll[4]	UAAL as a Percentage Of Covered Payroll[5]
2010	$ 9,554,027	$12,595,025	$3,040,998	75.9%	$1,817,662	167.3%
2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
2012	9,934,959	14,393,959	4,458,999	69.0	1,819,270	245.1
2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
2014	10,944,751	16,248,853	5,304,103	67.4	1,898,064	279.5
2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100%.
(3) Actuarial value of assets divided by Actuarial Accrued Liability.
(4) Annual pensionable payroll for members of LACERS.
(5) UAAL divided by covered payroll.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths gains and losses over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table 12
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
($ in thousands)[1]

Actuarial Valuation As of June 30	Market Value Of Assets	Actuarial Accrued Liability (AAL)	Unfunded Liability[2]	Funded Ratio (Market Value)[3]	Covered Payroll[4]	Unfunded Liability As a Percentage of Covered Payroll (Market Value)[5]
2010	$ 7,804,223	$12,595,025	$4,790,802	62.0%	$1,817,662	263.6%
2011	9,186,697	13,391,704	4,205,007	68.6	1,833,392	229.4
2012	9,058,839	14,393,959	5,335,120	62.9	1,819,270	293.3
2013	10,154,486	14,881,663	4,727,177	68.2	1,846,970	255.9
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9
2015	11,920,570	16,909,996	4,989,426	70.5	1,907,665	261.5
2016	11,809,329	17,424,996	5,615,667	67.8	1,968,703	285.2
2017	13,180,516	18,458,188	5,277,672	71.4	2,062,316	255.9
2018	14,235,231	19,944,579	5,709,348	71.4	2,177,687	262.2
2019	14,815,593	20,793,421	5,977,828	71.3	2,225,413	268.6

(1) Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100%.
(3) Market value of assets divided by Actuarial Accrued Liability.
(4) Annual pensionable payroll for members of LACERS.
(5) Unfunded liability divided by covered payroll.

Source: Calculated based on data from Los Angeles City Employees' Retirement System Actuarial Valuation reports.

The table below shows the actuarial funding progress of LACERS's liability for healthcare benefits:

Table 13
LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
($ in thousands)

Actuarial Valuation As of June 30	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL)	UAAL[1]	Funded Ratio[2]	Covered Payroll[3]	UAAL As a Percentage of Covered Payroll[4]
2010	$1,425,726	$2,233,874	$808,148	63.8%	$1,817,662	44.5%
2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
2012	1,642,374	2,292,400	650,027	71.6	1,819,270	35.7
2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
2015	2,108,925	2,646,989	538,065	79.7	1,907,665	28.2
2016	2,248,753	2,793,689	544,935	80.5	1,968,703	27.7
2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial value of assets divided by Actuarial Accrued Liability.
(3) Annual pensionable payroll against which UAAL amortized.
(4) UAAL divided by Covered Payroll.

Source: The City of Los Angeles City Employees' Retirement System Actuarial Valuations.

The table below summarizes the City's payments to LACERS over the past four years and payments included in the Fiscal Year 2020-21 Budget. This table includes costs for contributions for both pensions and retiree health care.

Table 14
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
($ in thousands)[1]

	2016-17	2017-18	2018-19	Estimated 2019-20	Estimated 2020-21
Sources of Contributions					
Contributions for Council-controlled Departments[2]	$459,400	$450,806	$488,400	$559,317	$532,833
Airport, Harbor Departments, LACERS, LAFPP	106,766	103,126	111,761	117,462	$114,828
Total	$566,166	$553,932	$600,161	$676,779	$647,661
Percent of payroll – Tier 1	28.16%	27.22%	28.31%	29.89%	29.43%
Percent of payroll – Tier 3	24.96%	24.64%	25.88%	27.70%	27.45%
Uses of Contributions					
Current Service Liability (Normal cost)	$206,982	$214,741	$224,161	$243,374	$229,795
UAAL	366,172	360,109	398,500	477,109	462,604
Adjustments[3]	(6,988)	(20,918)	(22,500)	(34,704)	(44,738)
Total	$566,166	$553,932	$600,161	$676,779	$647,661

(1) Includes funding for OPEB.
(2) Includes employees funded by certain special funds in addition to the General Fund.
(3) Adjustments include various "true-ups" for such adjustments as the retroactive upgrade of past Tier 2 members to Tier 1, the family death benefit plan, the limited term retirement plan, excess benefits, and the enhanced benefit for the Airport Peace Officers who remain in LACERS.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below illustrates the City's projected contributions to LACERS for the next four fiscal years from Council-Controlled Departments (excluding the proprietary departments) based on projected rates from the City's consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of both pension and OPEB. Note that these projections assume a 0 percent return in 2019-20 as well as the prior actuarial interest rate of 7.25 percent and do not include the revised assumptions in connection with the 2020 Experience Study.

Table 15
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
($ in thousands)

	Budget 2020-21	Projection 2021-22	Projection 2022-23	Projection 2023-24	Projection 2024-25
Contributions for Council-controlled Departments(1)(2)	$532,833	$621,147	654,193	$681,400	$712,883
Percentage of Payroll(3)	29.12%	29.48%	30.33%	31.14%	31.90%
Incremental Change	$(26,484)	$88,314	$33,046	$27,207	$31,483
% Change	(4.74)%	16.57%	5.32%	4.16%	4.62%

(1) Includes the General Fund and various special funds.
(2) Assumes 0.00% return on investment in 2019-20 and 7.25% thereafter.
(3) Reflects combined rates for all benefit tiers.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

Los Angeles Fire and Police Pension Plan ("LAFPP")

The LAFPP, established in 1899 and incorporated into the Charter in 1923, represents contributory plans covering uniformed fire, police, and some Department of Harbor and some Department of Airports police. As of June 30, 2019, the date of its most recent actuarial valuation, the LAFPP had 13,535 active members, 13,097 retired members and beneficiaries, and 523 vested former members.

Six tiers of benefits are provided, depending on the date of the member's hiring. No active members are in Tier 1, while Tier 2 had only 7 active members as of June 30, 2019, although both tiers have beneficiaries. Sixty-seven percent of active members are in Tier 5, and 25 percent are in Tier 6.

Amortization of UAAL may be calculated differently for different tiers. A Charter amendment adopted by City voters on March 8, 2011 provided the LAFPP Board with greater flexibility to establish amortization and plan funding policies. Under the LAFPP Board's current actuarial funding policy, actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 years; plan amendments are amortized over 15 years; and actuarial funding surpluses are amortized over 30 years.

Similar to LACERS, LAFPP has adopted various asset smoothing methods. Generally, market gains or losses are recognized over seven years, so that approximately 1/7 of market losses or gains are recognized each year in the actuarial valuation. LAFPP uses a 40 percent market corridor, so that the actuarial value of assets must be between 60 percent and 140 percent of the market value of assets. If the actuarial value falls below 60 percent or rises above 140 percent of market value, the system must recognize the excess returns or losses, respectively, in that year without smoothing.

Within the LAFPP, there is a Deferred Retirement Option Plan ("DROP"). This voluntary plan allows members to retire, for pension purposes only, after they are eligible to retire and have completed at least 25 years of service. A member entering DROP continues to work and receive salary and benefits as an active employee but stops accruing additional salary and service credits for retirement purposes. While in DROP, the member's retirement benefit is deposited into an interest-bearing account that is distributed to the member when he or she leaves City service. Participation in DROP is generally limited to a maximum of five years. As of June 30, 2019, 1,665 active members participated in DROP, representing about 94 percent of those eligible to do so. The program is designed to be cost-neutral to the City.

Based on the advice of its actuary, the LAFPP Board reduced its assumed rate of investment return from 7.50 percent to 7.25 percent in 2017, lowering it again to 7.00 percent in May 2020 (lowering its inflation assumption from 3.00 percent to 2.75 percent as well). In addition to the economic assumptions, the Board adopted the actuary's recommendations to adjust various other assumptions such as retirement rates, termination rates, and disability incidence rates. There were no changes in the mortality assumptions since the Board adopted new public safety mortality assumptions in December 2019. Adoption of the economic and non-economic assumption changes is estimated to increase City contributions by 2.3 percent of payroll. The new assumptions will be used beginning with the June 30, 2020 actuarial valuation, which will determine the City's contribution rate for Fiscal Year 2021-22.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LAFPP, the funded ratio and the ratio of UAAL to annual payroll.

Table 16
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
($ in thousands) (1)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	UAAL(2)	Funded Ratio(3)	Covered Payroll(4)	UAAL As a percentage of Covered Payroll(5)
2010	$14,219,581	$15,520,625	$1,301,044	91.6%	$1,356,986	95.9%
2011	14,337,669	16,616,476	2,278,807	86.3	1,343,963	169.6
2012	14,251,913	17,030,833	2,778,920	83.7	1,341,914	207.1
2013	14,657,713	17,632,425	2,974,712	83.1	1,367,237	217.6
2014	15,678,480	18,114,229	2,435,749	86.6	1,402,715	173.6
2015	16,770,060	18,337,507	1,567,447	91.5	1,405,171	111.5
2016	17,645,338	18,798,510	1,153,172	93.9	1,400,808	82.3
2017	18,679,221	20,411,024	1,731,803	91.5	1,475,539	117.4
2018	19,840,070	21,364,804	1,524,734	92.9	1,546,043	98.6
2019	21,037,711	22,474,125	1,436,414	93.6	1,583,808	90.7

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.
(2) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(3) Actuarial value of assets divided by actuarial accrued liability.
(4) Annual payroll against which UAAL amortized.
(5) UAAL divided by covered payroll.

Source: LAFPP Actuarial Valuations and Review of Retirement and Other Post-Employment Benefits as of June 30, 2019.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths gains and losses over a number of years. The following table shows the funding progress of LAFPP based on the market value of the portion of system assets allocated to retirement benefits.

Table 17
LOS ANGELES FIRE AND POLICE PENSION PLAN
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
($ in thousands) [(1)]

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Liability[(2)]	Funded Ratio (Market Value)[(3)]	Covered Payroll[(4)]	Unfunded Liability As a Percentage of Covered Payroll (Market Value)[(5)]
2010	$11,535,936	$15,520,625	$3,984,688	74.3%	$1,356,986	293.6%
2011	13,564,904	16,616,476	3,051,572	81.6	1,343,963	227.1
2012	13,268,687	17,030,833	3,762,146	77.9	1,341,914	280.4
2013	14,729,976	17,632,425	2,902,449	83.5	1,367,237	212.3
2014	16,989,705	18,114,229	1,124,525	93.8	1,402,715	80.2
2015	17,346,554	18,337,507	990,953	94.6	1,405,171	70.5
2016	17,104,276	18,798,510	1,694,234	91.0	1,400,808	120.9
2017	18,996,721	20,411,024	1,414,303	93.1	1,475,593	95.8
2018	20,482,133	21,364,804	882,671	95.9	1,546,043	57.1
2019	21,262,200	22,474,125	1,211,925	94.6	1,583,808	76.5

(1) Table includes funding for retirement benefits only. Other post-employment benefits not included.
(2) Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a deficit.
(3) Market value of assets divided by actuarial accrued liability.
(4) Annual payroll against which liability is amortized.
(5) UAAL divided by covered payroll.

Source: Calculated by CAO based on data from LAFPP Actuarial Valuations.

The table below provides a ten-year history of the funding progress for healthcare benefit liabilities of the LAFPP:

Table 18
OTHER POST-EMPLOYMENT BENEFITS
FIRE AND POLICE PENSION PLAN
($ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL[(1)]	Funded Ratio[(2)]	Covered Payroll[(3)]	Unfunded AAL As a Percentage of Covered Payroll[(4)]
2010	$ 817,276	$2,537,825	$1,720,549	32.2%	$1,356,986	126.8%
2011	882,890	2,557,607	1,674,717	34.5	1,343,963	124.6
2012	927,362	2,499,289	1,571,927	37.1	1,341,914	117.1
2013	1,013,400	2,633,793	1,620,393	38.5	1,367,237	118.5
2014	1,200,874	2,783,283	1,582,409	43.1	1,402,715	112.8
2015	1,344,333	2,962,703	1,618,370	45.4	1,405,171	115.2
2016	1,480,810	3,079,670	1,598,860	48.1	1,400,808	114.1
2017	1,637,846	3,322,746	1,684,900	49.3	1,475,539	114.2
2018	1,819,359	3,547,777	1,728,417	51.3	1,546,043	111.8
2019	2,016,202	3,590,023	1,573,821	56.2	1,583,808	99.4

(1) Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.
(2) Actuarial value of assets divided by actuarial accrued liability.
(3) Annual payroll against which UAAL amortized.
(4) UAAL divided by covered payroll.

Source: The Fire and Police Pension Plan System Actuarial Valuations.

The table below summarizes the General Fund's payments to LAFPP over the past four years and payments included in the Fiscal Year 2020-21 Budget. This table includes costs for both pensions and retiree health care, as well as the plan's administrative expenses.

Table 19
LOS ANGELES FIRE AND POLICE PENSION PLAN
SOURCES AND USES OF CONTRIBUTIONS
($ in thousands)

	2016-17	2017-18	2018-19	Estimated 2019-20	Estimated 2020-21
General Fund	$616,235	$634,905	$687,867	$705,076	738,908
Percent of Payroll	44.54%	44.26%	46.85%	47.37%	46.79%
Current Service Liability	$319,458	$332,409	$344,786	$349,256	$382,639
UAAL/(Surplus)	283,355	288,567	325,312	337,815	337,154
Administrative Costs[1]	13,422	13,929	17,769	18,005	19,115
Total	$616,235	$634,905	$687,867	$705,076	$738,908

(1) The City funds an Excess Benefit Plan outside LAFPP to provide for any benefit payments to retirees that exceed IRS limits. Amounts deposited in that account are credited against the City's annual contribution to LAFPP.

Source: City of Los Angeles, Office of the City Administrative Officer.

Historically, plan members did not contribute towards healthcare subsidy benefits, as all such costs were funded from the employer's contribution and investment returns thereon. In 2011, the City negotiated with the sworn bargaining units the option of a 2 percent active employee contribution toward retiree healthcare for its sworn workforce hired before July 1, 2011. Sworn employees hired on and after July 1, 2011 are members of Tier 6, which requires a 2 percent contribution toward retiree healthcare. Employees who contribute to retiree healthcare benefits are vested in future subsidy increases authorized by the retirement board. For those sworn employees that opted not to make an additional contribution toward retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

Two lawsuits are still pending challenging the LAFPP Board's exercise of its discretion to annually increase the subsidy for sworn employees who opted to make an additional contribution toward retiree healthcare. See "LITIGATION."

The table below illustrates the City's projected contributions to LAFPP for the next four fiscal years based on projected rates from the LAFPP's consulting actuary applied against projected payroll by the CAO. These projected contributions illustrate the projected cost of contributions for both pension and OPEB. Note these projections assume a 0 percent return in 2019-20 as well as the prior actuarial interest rate of 7.25 percent, and do not include the revised assumptions in connection with the 2020 Experience Study.

Table 20
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS[1]
($ in thousands)

	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
General Fund	$738,908	$765,431	$814,875	$851,244	$882,514
Percentage of Payroll	46.79%	44.56%[2]	45.36%	46.60%	47.13%
Incremental Change	$33,8232	$26,523	$49,444	$36,369	$31,270
% Change	4.80%	3.59%	6.46%	4.46%	3.67 %

(1) Assumes 0.0% return on investment in 2019-20 and 7.25% thereafter.

Source: City of Los Angeles, Office of the City Administrative Officer (CAO), based on information commissioned by the CAO.

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LITIGATION

The City is routinely a party to a variety of pending and threatened lawsuits and administrative proceedings that may affect the General Fund of the City. The following list of certain newly completed, pending or threatened litigation matters involving the City was prepared by the Office of the City Attorney, and includes matters with a potential exposure of $10 million or more. For all pending or threatened litigation matters and administrative proceedings not listed below, the City believes, based on current facts and circumstances, that a final determination of such matters, either individually or in the aggregate, should not materially affect the General Fund's financial position. Certain litigation or administrative proceedings discussed below, if determined in a final and conclusive manner adverse to the City, may, individually or in the aggregate, materially affect the General Fund's financial position.

THE FOLLOWING LIST HAS BEEN TRUNCATED FROM MATERIALS PROVIDED BY THE CITY TO ONLY INCLUDE LITIGATION ADDRESSED IN AND RELATING TO THE FOREGOING EXCERPTS.

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1. Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles.

In this case plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Retirement Board to increase the retirees' medical subsidy by the maximum amount allowable per year under the Administrative Code. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court to resolve disputed factual issues. A bench trial occurred from September 26 to September 28, 2016. Following the bench trial, the court issued a tentative decision in favor of the plaintiffs. In November 2016, the trial court ruled in favor of the plaintiffs' claim with respect to the medical subsidy. The City appealed the trial court ruling. On October 30, 2018, the appellate court reversed the trial court and ordered that the case be remanded for a new trial.

On August 10, 2017, the Los Angeles Police Protective League filed an additional lawsuit against the Board of Police Pension Commissioners and the City in Los Angeles County Superior Court. The complaint alleges that the Board should have raised the retiree subsidy to the maximum amount of 7 percent for the fiscal year beginning July 1, 2017 rather than the 6 percent then awarded and for the fiscal years thereafter. This case has been consolidated with the case discussed above. A trial date is scheduled for December 2020. In the event of an adverse ruling, which is reasonably possible, a special study would need to be conducted by the LAFPP Plan actuary in order to quantify the costs of the annual subsidy increase.

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DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA • LOS ANGELES INTERNATIONAL AIRPORT, SENIOR REFUNDING REVENUE BONDS, 2020 SERIES B (PRIVATE ACTIVITY/NON-AMT),
SENIOR REVENUE BONDS, 2020 SERIES C (PRIVATE ACTIVITY/AMT) AND SENIOR REVENUE BONDS, 2020 SERIES D (GOVERNMENTAL PURPOSE/NON-AMT)

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