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 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2022C Subordinate Bond or Series 2022D Subordinate Bond for any period during which such Series 2022C Subordinate Bond or Series 2022D Subordinate Bond, as applicable, is held by a "substantial user" of the facilities financed or refinanced by the Series 2022C Subordinate Bonds or the Series 2022D Subordinate 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 2022C Subordinate Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and (b) interest on the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2022F Subordinate Bonds is included in gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 2022CDEF Subordinate Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.

$469,825,000
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT

$307,070,000 **Subordinate Revenue and Refunding Revenue Bonds** **2022 Series C** **(Private Activity/AMT)**	**$101,545,000** **Subordinate Refunding Revenue Bonds** **2022 Series D** **(Private Activity /Non-AMT)**	**$20,225,000** **Subordinate Refunding Revenue Bonds** **2022 Series E** **(Governmental Purpose/Non-AMT)**	**$40,985,000** **Subordinate Refunding Revenue Bonds** **2022 Series F** **(Federally Taxable)**

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

The Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2022 Series C (Private Activity/AMT) (the "Series 2022C Subordinate Bonds"), the Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series D (Private Activity/Non-AMT) (the "Series 2022D Subordinate Bonds"), the Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series E (Governmental Purpose/Non-AMT) (the "Series 2022E Subordinate Bonds"), and the Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series F (Federally Taxable) (the "Series 2022F Subordinate Bonds" and, collectively with the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds, the "Series 2022CDEF Subordinate Bonds") of the Department of Airports of the City of Los Angeles (the "Department") are being issued as described herein. Capitalized terms not defined on the cover of this Official Statement have the meanings ascribed to them in this Official Statement.

The Series 2022CDEF Subordinate Bonds are being issued to: (i) finance and/or reimburse the Department for the cost of certain capital projects at Los Angeles International Airport ("LAX"); (ii) refund, on a current basis, a portion of the Department's outstanding Los Angeles International Airport, Senior Revenue Bonds, 2012 Series A, and Los Angeles International Airport, Senior Revenue Bonds, 2012 Series B; (iii) refund and restructure a portion of the principal of and/or interest on the Department's outstanding Existing Senior Bonds and Existing Subordinate Bonds; (iv) make a deposit to the Subordinate Reserve Fund; and (v) pay costs of issuance of the Series 2022CDEF Subordinate Bonds. See "PLAN OF FINANCE, REFUNDING AND RESTRUCTURING."

THE SERIES 2022CDEF SUBORDINATE BONDS ARE LIMITED OBLIGATIONS OF THE DEPARTMENT PAYABLE SOLELY FROM AND SECURED SOLELY BY (I) A PLEDGE OF SUBORDINATE PLEDGED REVENUES AND (II) CERTAIN FUNDS AND ACCOUNTS HELD BY THE SUBORDINATE TRUSTEE. THE SERIES 2022CDEF SUBORDINATE BONDS ARE BEING ISSUED ON PARITY WITH THE EXISTING SUBORDINATE BONDS AND THE SUBORDINATE COMMERCIAL PAPER NOTES. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE BONDS."

The Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds. The Department has no power of taxation. The Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds. The Department is under no obligation to pay the Series 2022CDEF Subordinate Bonds, except from funds in the LAX Revenue Account of the Airport Revenue Fund and as further specifically provided in the Subordinate Indenture.

Interest on the Series 2022CDEF Subordinate Bonds will be payable on each May 15 and November 15, commencing May 15, 2022. The Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds initially are being issued and delivered in book-entry form only.

The Series 2022CDEF Subordinate Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF THE SERIES 2022CDEF SUBORDINATE BONDS – Redemption Provisions."

The Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds will be made through DTC on or about February 15, 2022.

Loop Capital Markets

Citigroup **Ramirez & Co. Inc.**

Date of Official Statement: February 2, 2022.

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

$307,070,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Subordinate Revenue and
Refunding Revenue Bonds
2022 Series C
(Private Activity/AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No. (544445)
2024	$ 2,055,000	5.000%	1.250%	108.292	XM6
2025	4,475,000	5.000	1.450	111.227	XN4
2026	15,370,000	5.000	1.680	113.560	XP9
2027	16,140,000	5.000	1.800	115.959	XQ7
2028	16,950,000	5.000	1.960	117.797	XR5
2029	16,410,000	5.000	2.050	119.776	XS3
2030	7,605,000	5.000	2.160	121.352	XT1
2031	7,990,000	5.000	2.230	123.033	XU8
2032	8,390,000	5.000	2.290	124.629	XV6
2033	8,815,000	5.000	2.340	124.113[C]	XW4
2034	9,255,000	5.000	2.360	123.907[C]	XX2
2035	9,710,000	4.000	2.490	113.583[C]	XY0
2036	10,105,000	4.000	2.500	113.486[C]	XZ7
2037	10,495,000	4.000	2.520	113.292[C]	YA1
2038	10,925,000	4.000	2.550	113.003[C]	YB9
2039	11,365,000	4.000	2.570	112.810[C]	YC7
2040	11,770,000	4.000	2.580	112.714[C]	YD5
2041	12,230,000	4.000	2.590	112.618[C]	YE3
2042	12,615,000	4.000	2.620	112.331[C]	YF0

$41,215,000 – 5.000% Series 2022C Subordinate Term Bonds due May 15, 2045 – Yield 2.530%, Price 122.174[C], CUSIP† No. 544445YG8

$63,185,000 – 3.250% Series 2022C Subordinate Term Bonds due May 15, 2049 – Yield 3.250%, Price 100, CUSIP† No. 544445YH6

[C] Priced to May 15, 2032, the first date that the Series 2022C Subordinate Bonds can be optionally redeemed.

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

$101,545,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Subordinate Refunding
Revenue Bonds
2022 Series D
(Private Activity/Non-AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No. (544445)
2023	$ 970,000	5.000%	0.740%	105.289	YJ2
2024	4,490,000	5.000	1.040	108.782	YK9
2025	5,985,000	5.000	1.240	111.938	YL7
2026	1,860,000	5.000	1.390	114.845	YM5
2027	1,955,000	5.000	1.500	117.604	YN3
2028	2,055,000	5.000	1.610	120.077	YP8
2029	2,010,000	5.000	1.730	122.188	YQ6
2030	11,725,000	5.000	1.810	124.342	YR4
2031	12,310,000	5.000	1.850	126.664	YS2
2032	12,930,000	5.000	1.910	128.638	YT0
2033	13,575,000	5.000	1.950	128.209[C]	YU7
2034	14,250,000	5.000	1.970	127.995[C]	YV5
2035	14,965,000	4.000	2.150	116.934[C]	YW3
2036	2,465,000	4.000	2.290	115.540[C]	YX1

[C] Priced to May 15, 2032, the first date that the Series 2022D Subordinate Bonds can be optionally redeemed.

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

$20,225,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Subordinate Refunding
Revenue Bonds
2022 Series E
(Governmental Purpose/Non-AMT)

Maturity Date (May 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] No. (544445)
2026	$ 1,085,000	5.000%	1.390%	114.845	YY9
2027	1,135,000	5.000	1.500	117.604	YZ6
2028	1,190,000	5.000	1.610	120.077	ZA0
2029	1,250,000	5.000	1.730	122.188	ZB8
2030	1,315,000	5.000	1.810	124.342	ZC6
2031	1,385,000	5.000	1.850	126.664	ZD4
2032	1,450,000	5.000	1.910	128.638	ZE2
2033	1,515,000	5.000	1.950	128.209[C]	ZF9
2034	1,595,000	5.000	1.970	127.995[C]	ZG7
2035	1,670,000	5.000	2.090	126.720[C]	ZH5
2036	1,755,000	4.000	2.290	115.540[C]	ZJ1
2037	1,830,000	4.000	2.320	115.244[C]	ZK8
2038	1,900,000	4.000	2.350	114.949[C]	ZL6
2039	1,150,000	2.750	2.820	99.046	ZM4

[C] Priced to May 15, 2032, the first date that the Series 2022E Subordinate Bonds can be optionally redeemed.

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

$40,985,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT
Subordinate Refunding
Revenue Bonds
2022 Series F
(Federally Taxable)

Maturity Date (May 15)	Principal Amount	Interest Rate	Price	CUSIP* No. (544445)
2026	$2,425,000	2.040%	100.000	ZN2
2027	2,490,000	2.150	100.000	ZP7
2028	2,535,000	2.300	100.000	ZQ5
2029	2,610,000	2.430	100.000	ZR3
2030	2,655,000	2.470	100.000	ZS1
2031	2,700,000	2.570	100.000	ZT9
2032	2,780,000	2.670	100.000	ZU6
2033	2,870,000	2.820	100.000	ZV4
2034	2,945,000	2.970	100.000	ZW2
2035	2,645,000	3.070	100.000	ZX0
2036	2,725,000	3.170	100.000	ZY8
2037	2,810,000	3.270	100.000	ZZ5

$8,795,000 – 3.450% Series 2022F Subordinate Term Bonds due May 15, 2042 – Price 100.000, CUSIP† No. 544445A25

This Official Statement is provided in connection with the issuance of the Series 2022CDEF Subordinate Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Department and other sources which are believed to be reliable.

No dealer, broker, salesperson or other person has been authorized by the Department to give any information or to make any representation, other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the Department. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2022CDEF Subordinate Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Department since the date hereof.

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

The Series 2022CDEF Subordinate Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Subordinate 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 2022CDEF Subordinate 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 2022 financial data are based on preliminary, unaudited financial information.

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 2022CDEF Subordinate Bonds, the Underwriters may over-allot or effect transactions that may stabilize or maintain the market price of such Series 2022CDEF Subordinate 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.

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

CITY OF LOS ANGELES OFFICIALS

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

CITY COUNCIL

Gilbert Cedillo (District 1)
Paul Krekorian (District 2)
Bob Blumenfield (District 3)
Nithya Raman (District 4)
Paul Koretz (District 5)
Nury Martinez (District 6)
Monica Rodriguez (District 7)
Marqueece Harris-Dawson (District 8)
Curren D. Price, Jr. (District 9)
Mark Ridley-Thomas[2] (District 10)
Mike Bonin (District 11)
John S. Lee (District 12)
Mitch O'Farrell (District 13)
Kevin de León (District 14)
Joe Buscaino (District 15)

BOARD OF AIRPORT COMMISSIONERS

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

LOS ANGELES WORLD AIRPORTS STAFF

Justin Erbacci, Chief Executive Officer
Tatiana Starostina, Chief Financial Officer
Vacancy, Chief Corporate Strategy and Affairs Officer
Samantha Bricker, Chief Sustainability and Revenue Management Officer
Vacancy, Chief Development Officer
Michael R. Christensen, P.E., Deputy Executive Director, Operations and Maintenance
Cecil W. Rhambo Jr., Acting Deputy Executive Director, Law Enforcement and Homeland Security
Jacob Adams, Deputy Executive Director, Landside Access Modernization Program Executive
Becca Doten, Deputy Executive Director, Public and Government Affairs
Robert Falcon, Deputy Executive Director, The Development Group
Aura Moore, Deputy Executive Director, Information Technology
David Reich, Deputy Executive Director, Mobility Planning and Strategy
Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program
Dave Jones, Deputy Executive Director, Commercial Development
Brian Ostler, General Counsel

SUBORDINATE TRUSTEE

U.S. Bank Trust Company, National Association

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

[2] Council Member Ridley-Thomas was suspended on October 20, 2021.

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OFFICIAL STATEMENT

$469,825,000
DEPARTMENT OF AIRPORTS
OF THE CITY OF LOS ANGELES, CALIFORNIA
LOS ANGELES INTERNATIONAL AIRPORT

$307,070,000 **Subordinate Revenue and Refunding Revenue Bonds** **2022 Series C** **(Private Activity/AMT)**	**$101,545,000** **Subordinate Refunding Revenue Bonds** **2022 Series D** **(Private Activity/Non-AMT)**	**$20,225,000** **Subordinate Refunding Revenue Bonds** **2022 Series E** **(Governmental Purpose/Non-AMT)**	**$40,985,000** **Subordinate Refunding Revenue Bonds** **2022 Series F** **(Federally Taxable)**

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 January 21, 2022 and the Supplement to the Preliminary Official Statement dated February 1, 2022. The new information consists of: (i) information regarding the principal amounts, maturity dates, interest rates, prices and other terms of the Series 2022CDEF Subordinate Bonds (as defined below); (ii) the appointment of Belinda Vega as Commissioner; and (iii) the payment of a portion of the outstanding Subordinate Commercial Paper Notes Series A (Governmental – Non AMT) (as defined below).

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 (the "City"), acting through the Board of Airport Commissioners of the City (the "Board"), of its Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2022 Series C (Private Activity/AMT) (the "Series 2022C Subordinate Bonds"), the Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series D (Private Activity/Non-AMT) (the "Series 2022D Subordinate Bonds"), the Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series E (Governmental Purpose/Non-AMT) (the "Series 2022E Subordinate Bonds"), and the Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series F (Federally Taxable) (the "Series 2022F Subordinate Bonds" and, collectively with the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds, the "Series 2022CDEF Subordinate Bonds"). Capitalized terms used but not defined herein have the meanings ascribed to them in APPENDIX D-1 – "CERTAIN DEFINITIONS."

Investment Considerations

The purchase and ownership of the Series 2022CDEF Subordinate Bonds involve investment risks. Prospective purchasers of the Series 2022CDEF Subordinate Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2022CDEF Subordinate Bonds, see "COVID-19 Pandemic Issues and Impacts" and APPENDIX A – "CERTAIN INVESTMENT CONSIDERATIONS" herein.

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 (the "FAA"). The Department's fiscal year ("Fiscal Year") currently begins on July 1 and ends on June 30 of the immediately subsequent year. The City operates the Airport System as a financially self-sufficient enterprise, without support from the City's General Fund, through the Department under the supervision of the Board. The Department is governed by the seven-member Board, which is in possession, management and control of the Airport System.

COVID-19 Pandemic Issues and Impacts

Introduction and Impact to the Airport System

The pandemic caused by the novel coronavirus SARS-CoV2 (including all variants, "COVID-19"), and related restrictions and measures adopted to contain the spread of the virus, have had a negative impact on both international and domestic travel and travel-related industries, including airlines serving the Airport System and Airport System concessionaires, and have caused unemployment, labor shortages, supply chain issues, reductions in tourism, business travel, and travel-related industries, and a contraction of global and national economies, among other issues.

Since the outbreak of COVID-19, which was first reported in Wuhan, China in December 2019, airlines have reported an unprecedented decrease in domestic and international air traffic, causing the cancellation of numerous flights. Likewise, many of the Airport System's retail concessionaires either temporarily or permanently closed or reported substantial declines in sales. In addition to the impact on concessionaires, the reduction in air travel has had an adverse effect on parking, transportation network companies ("TNC"), ground transportation (such as taxi and limousine) and rental car revenues throughout the Airport System.

While several vaccines against COVID-19 have been approved and are being administered, and there are various indications of economic recovery, the COVID-19 pandemic is ongoing, with new variants of the disease emerging, and the duration, severity and ultimate economic effects of COVID-19 remain uncertain. Despite widespread distribution of vaccines and vaccine boosters against COVID-19 in many parts of the United States and for an expanding set of eligible partakers, there are still geographic regions locally and in other parts of the world where vaccination levels remain low. Ongoing concerns about the continued spread or effects of the virus have and may result in some governments re-imposing travel restrictions, in particular as it relates to international air travel.

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

Government Regulations and Guidelines

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

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

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

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

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

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

Although total enplanements and deplanements for international travel remain down through November 2021, total domestic enplanement and deplanements have increased from January 2021 to November 2021. From January 2021 to November 2021, total domestic enplanements and deplanements increased an average of 10.6% per month. Total domestic enplanements and deplanements and international enplanements and deplanements in November 2021 represented 137.9% and 161.8% of their respective totals in November 2020. For a month by month comparison of air traffic data at LAX see APPENDIX A – "LOS ANGELES INTERNATIONAL AIRPORT – Aviation Activity."

Since the beginning of the COVID-19 pandemic, airlines have reported unprecedented reductions in passenger volumes. As reported by the Bureau of Transportation Statistics, U.S. scheduled passenger airlines suffered net losses of $11.0 and $11.8 billion, respectively, for the second and third quarters of calendar year 2020. Losses for the fourth quarter of calendar year 2020 and the first quarter of 2021 were less severe, although still substantial at $7.0 billion and 4.2 billion, respectively. In January 2021, Airports Council International ("ACI") calculated that the global airport industry experienced a reduction of more than 6 billion passengers by the end of 2020, representing a decline of 64.2% of global passenger traffic, with a reduction in revenue of $111.8 billion, when compared to pre-pandemic ACI forecasts. Since the first quarter of 2021, U.S. scheduled passenger airlines have reported two consecutive quarters of profit at $1.0 billion and $2.7 billion, for the second and third quarter of 2021, respectively. As of November 1, 2021, ACI projected global passenger traffic in 2021 is expected to reach only half of the total passenger traffic in 2019, and would recover to 2019 levels by early 2024, driven by the recovery of domestic passenger traffic but dampened by a slower recovery of international travel.

The Department anticipates that airlines will continue to increase capacity on existing routes and continue to restart additional destinations in the coming months, but it cannot predict precisely when these actions will occur or if levels may fluctuate if COVID-19 infection case rates increase. For example, on October 7, 2021, United Airlines announced its plans to increase the number of domestic flights to 3,500 flights per day in December 2021, which is 91% of its pre-pandemic U.S. schedule.

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

As a result of the foregoing and other factors, the Department has experienced impacts to certain operations and revenue sources. Passenger and air traffic declines have proportional impacts on various, but not all, airport revenue sources. For instance, duty free, concessions, parking, ground transportation and TNC revenues are directly adversely affected by decreases in passenger traffic.

The following information is provided to show percentage variances for certain operating and financial data for the Departments' Fiscal Year 2021 and Fiscal Year 2020 as compared to Fiscal Year 2019, which occurred entirely before the onset of the COVID-19 Pandemic. The Department continued to experience a decrease in total revenue operations, enplanements and deplanements over Fiscal Year 2020 and Fiscal Year 2021 as compared with Fiscal Year 2019. However, in Fiscal Year 2021, the Department experienced an increase over Fiscal Year 2019 in total enplaned and deplaned cargo. 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. For additional breakdown and available calendar year 2021 operating and financial, see APPENDIX A – "LOS ANGELES INTERNATIONAL AIRPORT – Aviation Activity" and APPENDIX A – "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Summary of Operating Statements."

	Fiscal Year 2019	Fiscal Year 2020	Percent Change from Fiscal Year 2019 (%)	Fiscal Year 2021	Percent Change from Fiscal Year 2019 (%)
Total Revenue Operations[(1)]	663,266	526,921	(20.6)	366,879	(44.7)
Domestic Enplanements and Deplanements	61,983,392	44,801,765	(27.7)	24,688,871	(60.2)
International Enplanements and Deplanements	25,922,076	17,913,305	(30.9)	4,361,760	(83.2)
Total Enplanements and Deplanements[(2)]	87,905,468	62,715,070	(28.7)	29,050,631	(67.0)
Domestic Enplaned and Deplaned Cargo	904,498	855,645	(5.4)	1,054,890	16.6
International Enplaned and Deplaned Cargo	1,496,933	1,429,799	(4.5)	1,762,420	17.7
Total Enplaned and Deplaned Cargo[(3)]	2,401,431	2,285,445	(4.8)	2,817,310	17.3
Total Operating Revenue[(4)]	$ 1,514,367	$ 1,340,723	(11.5)	$ 1,059,885	(30.0)
Total Operating Expenses[(5)]	$ 798,374	$ 887,668	11.2	$ 774,385	(3.0)
Passenger Facility Charge Revenues[(6)]	$ 173,100	$ 118,023	(31.8)	$ 68,059	(60.7)
Customer Facility Charge Revenues[(7)]	$ 80,248	$ 65,621	(18.2)	$ 32,606	(59.4)

(1) Total revenue operations for LAX.

(2) Total domestic and international enplaned and deplaned passengers at LAX. See APPENDIX A - Table 7-A for January-November comparison data.

(3) Total domestic cargo and international cargo at LAX. Figures are in US Tons = 2,000 lbs. See APPENDIX A - Table 10A for January-November comparison data.

(4) Total operating revenues for LAX in thousands. See APPENDIX A - Tables 11 and 11-A for Fiscal Year and January- September comparison data.

(5) Total operating expenses (before depreciation and amortization) for LAX in thousands. See APPENDIX A - Tables 11 and 11-A for Fiscal Year and January-September comparison data. Figures do not include offsets from CARES Act (as defined herein) grant funds.

(6) Total passenger facility charges for LAX in thousands. See APPENDIX A - Tables 11 and 11-A for Fiscal Year and January- September comparison data.

(7) Total customer facility charges for LAX in thousands. See APPENDIX A - Tables 11 and 11-A for Fiscal Year and January- September comparison data.

While the Department cannot predict future passenger activity levels, the Department has assumed for planning purposes, based on the recent increases in the number of enplaned passengers at LAX and publicly available statements by many of the busiest airlines that serve LAX regarding increases in domestic service, that the number of enplaned passengers using LAX in Fiscal Year 2022 would increase by approximately 82.9% compared to Fiscal Year 2021, which represents a decrease of approximately 39.6% compared to Fiscal Year 2019. The assumed increase from Fiscal Year 2021 takes into account certain potential factors affecting the number of enplaned passengers using LAX, including, but not limited to, domestic and international travel restrictions, continued health and other concerns related to the COVID-19 pandemic that affect the propensity to travel, and the widespread use of vaccines. There can be no assurance that any of the Department's assumptions will prove to be accurate. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – Airport Financial Performance – Pledged Revenue."

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

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

The Department was allocated approximately $323.6 million of federal grant assistance for LAX under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which became law on March 27, 2020. As of June 30, 2021, the Department had drawn all $323.6 million CARES Act grant funds for LAX to pay LAX Maintenance and Operation Expenses and debt service. See APPENDIX A – "CERTAIN FUNDING SOURCES – Grants."

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

The American Rescue Plan Act ("ARPA"), which became law on March 11, 2021, provides additional direct aid for airports. The FAA also announced that LAX is eligible to receive $303.8 million in American Rescue Grants pursuant to ARPA. Closely paralleling the structure and requirements of the Airport Coronavirus Response Grant Program, American Rescue Grants may be drawn from the FAA on a reimbursement basis for eligible expenditures, such as costs for operations, personnel, cleaning, sanitization, combating the spread of pathogens at airports (including capital projects related to combating the spread of pathogens) and debt service payments. The American Rescue Grants also allow for the reimbursement to airports of rent relief programs targeted to in-terminal airport concessions. Unlike CRRSAA, on-airport car rental and parking concessionaires are not eligible for rent relief under ARPA; provided that, per the FAA, an on-airport car rental concessionaire may be eligible for rent relief under ARPA if it has a service desk located within the terminal. Furthermore, ARPA does not provide for the reimbursement of administrative expenses for providing relief to airport concessionaires, though such expenses are eligible for reimbursement under CRRSAA. Of the total $303.8 million in American Rescue Grant funding for which LAX is eligible, $267 million must be used for operational relief and $36.8 million for concessions relief. As of the date of this Official Statement, the Department has not drawn any of its eligible American Rescue Grants from the FAA. The Department has complied with all requirements of the American Rescue Grant Program to date, and it plans to retain at least 90.0% of the Department's workforce from March 27, 2020 to September 30, 2021.

Economic Relief Grant Allocations from the Federal Aviation Administration to LAX

ECONOMIC RELIEF GRANT ALLOCATIONS
FROM THE FAA TO LAX
AS OF NOVEMBER 1, 2021

Federal Program	Amount Awarded	Amount Drawn
1st Round: Formula-Based Allocation under the CARES Act	$323,636,269	$323,636,269
2nd Round: Formula-Based Allocation under CRRSAA	72,341,877	--
3rd Round: Formula-Based Allocation under ARPA	303,762,884	--
Total Federal Relief Funds	**$699,741,030**	**$323,636,269**

The Department must draw down and spend its Airport Coronavirus Response Grant Program funds awarded pursuant to CRRSAA and its American Rescue Grants awarded pursuant to ARPA within four years of the execution date of the grant agreements. As noted above, the Department has already drawn all of its CARES Act grant funds for LAX to pay Maintenance and Operation Expenses and debt service. See "INTRODUCTION - COVID-19 Pandemic Issues and Impacts - *Government Stimulus and Relief Measures in Response to the COVID-19 Pandemic*."

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

Prospective purchasers of the Series 2022CDEF Subordinate Bonds should review the Securities and Exchange Commission ("SEC") filings of the Signatory Airlines (as defined in APPENDIX A – "USE OF AIRPORT FACILITIES – Rate Agreement") for additional information regarding the receipt by any Signatory Airline of CARES Act, CRRSAA or ARPA relief 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 APPENDIX A – "AIRLINE INDUSTRY INFORMATION."

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

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

The Department also implemented a fee relief program for LAX concessionaires and service providers at LAX (the "Concessionaires and Services Temporary Relief Program"), which provided for lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. In October 2021, the Board approved an extension of the Concessionaires and Services Temporary Relief Program through June 30, 2022 and such extension was approved by the City Council. All concessionaires were approved for relief, with the exception of one concessionaire that was denied relief pending an investigation of living wage ordinance violations. That concessionaire may reapply for relief in the future.

The Department may provide additional relief in the future as it deems reasonably necessary to address the impacts of the COVID-19 pandemic on the Department and its operations and its airlines, concessionaires and service providers. The impacts of the COVID-19 pandemic on the Department and the airlines, concessionaires and service providers at LAX is described in greater detail in this Official Statement. See APPENDIX A – "CERTAIN FUNDING SOURCES – Grants."

Airline Cost Stabilization and Recovery Plan

The Department developed a multi-year plan (the "Airline Cost Stabilization and Recovery Plan") to enhance the competitive position of LAX during and after the COVID-19 pandemic by lowering annual fixed costs at LAX through, among other things, a restructuring of certain debt service costs and managing rates and charges at LAX from calendar year 2020 through Fiscal Year 2023. The key objectives of the Airline Cost Stabilization and Recovery Plan are to: (i) mitigate the increase in rates and charges for airlines due to reduced activity; (ii) harmonize common use costs across LAX; and (iii) achieve stability in LAX financial operations. Specifically, the proposed annual fixed cost reductions and corresponding reductions in airline rates and charges would be achieved by: (i) using a portion of U.S. government stimulus funds to pay certain LAX Maintenance and Operation Expenses and other eligible costs such as debt service, (ii) refunding and restructuring outstanding principal and interest on the outstanding Existing Senior Bonds (as defined below) and Existing Subordinate Bonds (as defined below), and (iii) deferring and restructuring annual amortization charges of Department cash that has been spent on capital projects in airline cost centers. See "PLAN OF FINANCE, REFUNDING AND RESTRUCTURING" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT."

Debt Service Restructuring

Through the Airport Terminal Tariff or terminal leases, the Department passes through debt service, among certain other costs, to its Aeronautical Users (as defined below). The restructuring of certain debt service costs would allow the Department to lower, for certain periods, the annual cost and related airline rates and charges associated with terminal buildings, airfields, and other airline-used facilities at LAX to better match the current and anticipated-near term utilization levels of those facilities.

At the implementation of the Airline Cost Stabilization and Recovery Plan, the Department contemplated refunding and restructuring approximately $530.0 million of debt service through the Fiscal Year 2023. Due to the pace of recovery, the Department lowered the restructuring target and continues to evaluate its target on an ongoing basis. As of the date of this Official Statement, the Airline Cost Stabilization and Recovery Plan includes a plan to refund and restructure approximately $377.0 million in principal and interest on the outstanding Existing Senior Bonds and the outstanding Existing Subordinate Bonds to reduce near term debt service, and as of the date of this Official Statement, the Department has restructured approximately $248.2 million of debt service on previously outstanding Senior Bonds and Subordinate Bonds, lessening the Department's near-term debt service payment obligations but increasing debt service obligations in certain future fiscal years.

In further implementation of the Airline Cost Stabilization and Recovery Plan, the Department expects to issue its Series 2022CDEF Subordinate Bonds, which bonds, if issued, will be used in part to pay a portion of the principal and interest due and payable on May 15, 2022 on certain Existing Senior Bonds and Existing Subordinate Bonds. Approximately $74.7 million of the proceeds of the Series 2022CDEF Subordinate Bonds are expected to be used for this purpose. As further described in the Report of the Airport Consultant, after completion of the debt service and amortization charge restructuring, the annual costs in each of the airline cost centers benefiting Aeronautical Users under the Airline Cost Stabilization and Recovery Plan would be higher in the future. The size, timing and structure of any proposed restructuring is subject to, among other things, market conditions and other factors within the discretion of the Department. The Department is under no obligation to pursue any transaction, (including the Series 2022CDEF Subordinate Bonds), any particular structure, or any refunding, and reserves the right to change or modify its plans as it deems appropriate. There is no guarantee that the Series 2022CDEF Bonds will be issued, that any particular outstanding bonds or notes of the Department will be refunded or that all or a portion of the Series 2022CDEF Subordinate Bonds will be offered, sold or issued. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT" for additional information on the Airline Cost Stabilization and Recovery Plan.

Other Cost Management Measures

The Airline Cost Stabilization and Recovery Plan includes the Department's completion of the transition of a lease between the Department and an airline consortium to a third-party service contract. This transition gives the Department control of the rates and fees charged for the use of certain common facilities, reduces near-term costs, unifies the baggage system cost rate for domestic and international Aeronautical Users and eliminates the current system of rates which differs amongst terminals. Unifying the baggage system cost rate also allows the Department to coordinate airline use in the terminals and facilitate growth in aviation activity.

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

In the Report of the Airport Consultant, it was assumed that the Airline Cost Stabilization and Recovery Plan would continue through the end of Fiscal Year 2023 as planned. However, the duration of the Airline Cost Stabilization and Recovery Plan could be shortened or lengthened by the Department, and it will be implemented in phases, depending on the recovery period of passenger traffic at LAX and as further described in the Report of the Airport Consultant. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT." For a further discussion on charges to Aeronautical Users, see APPENDIX A – "USE OF AIRPORT FACILITIES – Airport Terminal Tariff" and APPENDIX A – "USE OF AIRPORT FACILITIES – Rate Agreement."

Impact of the COVID-19 Pandemic on Capital Improvement Projects

The Department initiated the current Capital Program at LAX in Fiscal Year 2016, estimated to cost $11.5 billion through Fiscal Year 2026. Approximately $6.1 billion of the projects included in the Capital Program were completed through the end of Fiscal Year 2021. The remaining $5.4 billion of projects in the Capital Program are ongoing or are expected to be expended by the end of Fiscal Year 2026. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – Airport Capital Program and Funding Sources."

Contractors and development counterparties have made, and may make additional, COVID-19 pandemic-related claims, including possibly for additional compensation or schedule relief, in connection with individual projects that are part of the Capital Program. While some projects, such as the North Terminal Improvement Program (as defined herein), have been and may be able to proceed with less interference to scheduling due to reduced passenger traffic at LAX, other COVID-19 pandemic-related factors, such as social distancing measures and other job safety protocols, have interfered and may interfere with sequencing on projects. The Department cannot predict the timing or scope of any contractor or other claims or the impact to the timing or cost of its ongoing projects as a result of the COVID-19 pandemic. While the Department continues to review the Capital Program and may in the future adjust the timing and cost of individual projects, no adjustments in timing or cost of Capital Program projects have currently been implemented. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT," and APPENDIX A – "AIRPORT AND CAPITAL PLANNING – Overview."

The North Terminal Improvement Program, an approximately $1.82 billion modernization and upgrade project for Terminals 2 and 3 (the "North Terminal Improvement Program"), was accelerated due to the COVID-19 pandemic and is now an estimated eighteen months ahead of schedule. The North Terminal Improvement Program is now expected to open in mid-2023, instead of late 2024. When completed, the North Terminal Improvement Program will provide more security screening capacity, automated security lanes, more gate-area seating and Delta's largest Delta Sky Club in the world. See APPENDIX A – "AIRPORT AND CAPITAL PLANNING – Major Capital Program Projects."

Passenger Facility Charges (or "PFCs," as defined herein) fund all or portion of the costs of certain Department capital projects. If PFCs continue to decline due to decreased passenger enplanements as a result of the COVID-19 pandemic, the Department may be required to eliminate or scale down certain projects or incur additional indebtedness to cover certain project costs. See APPENDIX A – "CERTAIN FUNDING SOURCES – Passenger Facility Charges", APPENDIX A – "CERTAIN INVESTMENT CONSIDERATIONS – Passenger Facility Charges", and "AIRPORT AND CAPITAL PLANNING – The Automated People Mover System."

Other Impacts of the COVID-19 Pandemic 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 revenue (enplaned passengers). These passenger activity-based revenues, including the ones mentioned in this paragraph, represented approximately 26.8% of total Pledged Revenues (as defined herein) in Fiscal Year 2020 and approximately 15.2% of total Pledged Revenues in Fiscal Year 2021. Concession revenue decreased from and after March 2020. In Fiscal Year 2021 compared to Fiscal Year 2020, public parking revenues decreased approximately 34.8%, rental car revenues decreased approximately 48.3%, terminal concession revenue decreased approximately 68.3% and advertising revenues decreased approximately 65.3%, commercial vehicle revenues (TNCs, taxis, limos) decreased approximately 50.6%, and duty free revenues decreased approximately 90.8%. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – Airport Financial Performance – Pledged Revenues ."

Two of the rental car companies operating at LAX, Advantage/Holdco ("Advantage") and Hertz Corporation (which includes Thrifty Car Rental and Dollar Rent-A-Car; collectively, "Hertz") filed for Chapter 11 bankruptcy protection. Advantage rejected its license agreement and concession lease and agreement ("CLA") as part of its Chapter 11 bankruptcy proceedings and ceased operating at the Airport in February 2020. The Hertz Corporation filed for bankruptcy in May 2020 but continued to operate and has, among other things, assumed its leases at LAX. The Hertz Corporation emerged from bankruptcy in July 2021. Hertz represented approximately 28.4% of the rental car gross revenue market share at LAX for Fiscal Year 2021. See APPENDIX A – "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Counterparty Bankruptcies – *Effect of Contractual Counterparty Bankruptcies*" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT."

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

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

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

In October 2020, the Department fully implemented a COVID-19 screening application. Vaccinated and unvaccinated employees are required to complete a pre-screening each day prior to reporting to work in person at any Department facility. The "Screening App" requires the employee to answer a series of questions about potential COVID-19 symptoms to confirm their current well-being, including reporting their current body temperature. Based on the information provided, the employee will "pass", and can therefore report to work in person, or will "fail", in which case the employee must contact the Department's Occupational Nurse for guidance before reporting to work in person. There are also several touchless temperature check stations throughout the Department campus at building entrances.

The Department also elevated its sanitation and maintenance standards and introduced new technologies and practices, including: expanded use of UV-C light for sterilization (which was already being used in parts of the HVAC system), electrostatic sprayers, pilot tests of anti-microbial surface coatings, and increased protocol for personal protective equipment ("PPE"). The Department installed more than 250 additional hand sanitizer stations and over 800 Plexi-Glass shields throughout the terminals at LAX. The Department has increased cleaning frequency of public areas and restrooms, many are equipped with touchless faucets, 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 Department received the Airport Council International's Airport Health Accreditation on March 12, 2021 and is currently pursuing a facility sanitizing accreditation through the Global Biorisk Advisory Council.

The Department has also evaluated the passenger journey, updating screening protocols and introducing touchless options wherever possible. For example, the Department has installed touchless faucets and water bottle stations, implemented touchless kiosks and virtual assistants, payment in parking garages, expanded the capabilities of mobile ordering for concessions and retail, and piloted thermal screening cameras in areas of Tom Bradley International Terminal ("TBIT"). Protocols have been built 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. The LAX Shuttle fleet is being disinfected and cleaned several times per day. Physical distancing is implemented and encouraged wherever possible, and the Department has worked with those doing business in the terminals to ensure compliance. Floor decals and signage for physical distancing have been added to high traffic areas, such as lines to and inside boarding bridges, with information about wearing face coverings and how to reduce the spread of illness-causing viruses, bacteria and other contaminants. The Department has engaged ambassadors to encourage compliance with new protocols and to provide face coverings to individuals who entered LAX facilities without them.

The Department coordinated with Customs and Border Protection for the implementation of "Simplified Arrivals" to create a touchless international arrival process using biometric technology. The Department, in partnership with Clarity Lab Solutions, has implemented an on-site lab and three additional testing locations throughout the terminals for Polymerase Chain Reaction ("PCR") COVID-19 testing, including a rapid, one-hour PCR test. Testing is available to the public. The on-site testing lab became operational in Fiscal Year 2021.

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

Plan of Finance, Refunding and Restructuring

The Series 2022CDEF Subordinate Bonds are being issued to: (i) finance and/or reimburse the Department for the cost of certain capital projects at Los Angeles International Airport ("LAX"); (ii) refund, on a current basis, a portion of the Department's outstanding Los Angeles International Airport, Senior Revenue Bonds, 2012 Series A, and Los Angeles International Airport, Senior Revenue Bonds, 2012 Series B; (iii) refund and restructure a portion of the principal of and/or interest on the Department's outstanding Existing Senior Bonds and Existing Subordinate Bonds; (iv) make a deposit to the Subordinate Reserve Fund; and (v) pay costs of issuance of the Series 2022CDEF Subordinate Bonds.

See "PLAN OF FINANCE, REFUNDING AND RESTRUCTURING," "DESCRIPTION OF THE SERIES 2022CDEF SUBORDINATE BONDS," APPENDIX A – "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT."

Series 2022CDEF Subordinate Bonds

The Series 2022CDEF Subordinate Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of December 1, 2002, as amended (the "Master Subordinate Indenture"), by and between the Department and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank, National Association), as trustee (the "Subordinate Trustee"), and a Twenty-Third Supplemental Subordinate Trust Indenture, to be dated as of February 1, 2022 (the "Twenty-Third Supplemental Subordinate Indenture," and together with the Master Subordinate Indenture and all supplements thereto, the "Subordinate Indenture"), by and between the Department and the Subordinate 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 2022CDEF Subordinate 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 (the "Authorizing Resolution"), Resolution No. 27386 adopted by the Board on November 18, 2021 and approved by the City Council on January 11, 2022 and the Mayor of the City on January 13, 2022; and Resolution No. 27387 adopted by the Board on November 18, 2021 (collectively the "Document Resolution," and together with the Authorizing Resolution, the "Resolutions").

The Series 2022CDEF Subordinate Bonds are secured by a pledge of and first lien on Subordinate Pledged Revenues. "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 debt service payable on the Outstanding Senior Bonds, less, for such period, deposits to any reserve fund or account required pursuant to the Senior Indenture (as defined below). Pledged Revenues generally includes certain income and revenue received by the Department from LAX, but excludes any income and revenue from the Department's other airports. The Series 2022CDEF Subordinate Bonds are secured by a pledge of and lien on Subordinate Pledged Revenues on a parity with the Existing Subordinate Bonds, any additional bonds issued on parity with the Series 2022CDEF Subordinate Bonds under the terms and provisions of the Master Subordinate Indenture ("Additional Subordinate Bonds"), the Subordinate Commercial Paper Notes, the payment obligations of the Department under the CP Reimbursement Agreements (as defined below), and any other obligations issued or incurred on a parity with respect to Subordinate Pledged Revenues pursuant to the Master Subordinate Indenture ("Additional Subordinate Obligations"). The Series 2022CDEF Subordinate Bonds are not secured by moneys held in any construction funds established under the Subordinate Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE BONDS – Pledge of Subordinate Pledged Revenues."

For purposes of this Official Statement, "Subordinate Bonds" means the Series 2022CDEF Subordinate Bonds, the Existing Subordinate Bonds and any Additional Subordinate Bonds; and "Subordinate Obligations" means the Subordinate Bonds, the Subordinate Commercial Paper Notes, the payment obligations of the Department under the CP Reimbursement Agreements and any Additional Subordinate Obligations.

THE SERIES 2022CDEF SUBORDINATE 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 SUBORDINATE PLEDGED REVENUES, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2022CDEF SUBORDINATE BONDS. THE DEPARTMENT HAS NO POWER OF TAXATION. THE SERIES 2022CDEF SUBORDINATE 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 2022CDEF SUBORDINATE BONDS. THE DEPARTMENT IS UNDER NO OBLIGATION TO PAY THE SERIES 2022CDEF SUBORDINATE BONDS, EXCEPT FROM FUNDS IN THE LAX REVENUE ACCOUNT OF THE AIRPORT REVENUE FUND AND AS FURTHER SPECIFICALLY PROVIDED IN THE SUBORDINATE INDENTURE. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE BONDS."

Existing Subordinate Obligations

Existing Subordinate Bonds

Pursuant to the Subordinate Indenture and the Charter, the Department has previously issued and, as of February 7, 2022, there were outstanding $6,264,210,000 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 C (the "Series 2010C 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");
- 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");
- Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2021 Series A (Private Activity/AMT) (the "Series 2021A Subordinate Bonds");
- Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2021 Series B (Governmental Purpose/Non-AMT) (the "Series 2021B Subordinate Bonds");
- Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2021 Series C (Federally Taxable) (the "Series 2021C Subordinate Bonds" and collectively with the Series 2021A Subordinate Bonds and the Series 2021B Subordinate Bonds, the "Series 2021ABC Subordinate Bonds");
- Los Angeles International Airport, Subordinate Revenue Bonds, 2021 Series D (Private Activity/AMT) (the "Series 2021D Subordinate Bonds");
- Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2021 Series E (Federally Taxable) (the "Series 2021E Subordinate Bonds" and collectively with the Series 2021D Subordinate Bonds, the "Series 2021DE Subordinate Bonds");
- Los Angeles International Airport, Subordinate Revenue Bonds, 2022 Series A (Private Activity/AMT) (the "Series 2022A Subordinate Bonds"); and
- Los Angeles International Airport, Subordinate Revenue Bonds, 2022 Series B (Governmental Purpose/Non-AMT) (the "Series 2022B Subordinate Bonds" and, collectively with the Series 2022A Subordinate Bonds, the "Series 2022AB Subordinate Bonds").

The Series 2009C Subordinate Bonds, the Series 2010C 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, the Series 2019 Subordinate Bonds, the Series 2021ABC Subordinate Bonds, the Series 2021DE Subordinate Bonds, and the Series 2022AB 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 February 7, 2022, Subordinate Commercial Paper Notes were outstanding with a maturity value of approximately $251,050,000.

Existing Senior Bonds

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 various supplemental trust indentures (collectively 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 the Charter, the Department, acting through the Board, has previously issued and, as of February 7, 2022, there were outstanding $3,113,280,000 aggregate principal amount of its:

- 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");
- Los Angeles International Airport Senior Refunding Revenue Bonds, 2020 Series B (the "Series 2020B Senior Bonds");
- Los Angeles International Airport Senior Revenue Bonds, 2020 Series C (the "Series 2020C Senior Bonds"); and
- Los Angeles International Airport Senior Revenue Bonds, 2020 Series D (the "Series 2020D Senior Bonds," and together with the Series 2020A Senior Bonds, the Series 2020B Senior Bonds and the Series 2020C Senior Bonds, the "Series 2020 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 2020 Senior Bonds are collectively referred to in this Official Statement as the "Existing Senior Bonds."

As of the date of this Official Statement, the only obligations the Department has issued pursuant to the Senior Indenture, and that are currently outstanding, are the Existing Senior Bonds. The Existing Senior Bonds are secured by a pledge of and first lien on the Net Pledged Revenues. "Net Pledged Revenues" means, for any given period, Pledged Revenues for such period, less, for such period, LAX Maintenance and Operations Expenses. For purposes of this Official Statement, "Senior Bonds" means the Existing Senior Bonds and any additional bonds issued on parity with respect to Net Pledged Revenues with the Existing Senior Bonds under the terms of the Master Senior Indenture ("Additional Senior Bonds"). See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Senior Bonds."

Continuing Disclosure

In connection with the issuance of the Series 2022CDEF Subordinate Bonds, the Department will covenant for the benefit of the owners of the Series 2022CDEF Subordinate 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 SEC ("Rule 15c2-12"). See "CONTINUING DISCLOSURE" and APPENDIX H – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Letter Report of the Airport Consultant

Included as APPENDIX B to this Official Statement is a Letter Report of the Airport Consultant dated December 23, 2021, prepared by WJ Advisors LLC (the "Airport Consultant") in connection with the issuance of the Series 2022CDEF Subordinate Bonds (the "Letter Report of the Airport Consultant") and the Report of the Airport Consultant dated September 14, 2021, originally prepared by the Airport Consultant in connection with the issuance of the Series 2021DE Subordinate Bonds (collectively with the Letter Report of the Airport Consultant, the "Report of the Airport Consultant"). See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT."

The Report of the Airport Consultant was prepared to determine if forecast financial results are sufficient to meet the requirements of the rate covenant of the Master Subordinate Indenture for Fiscal Years 2022 through 2027 (referred to in the Report of the Airport Consultant as the "Forecast Period") when taking into account the issuance of (1) the proposed Series 2022CDEF Subordinate Bonds and (2) future Senior Bonds and other Subordinate Obligations currently expected to be issued by the Department during the Forecast Period to fund a portion of the Capital Program (as defined herein).

No assurance can be given that the projections discussed in the Report of the Airport Consultant will occur or that the other assumptions for hypothetical ranges of passenger recovery and financial results which the projections are based will be realized. The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an explanation of the assumptions and projections used therein. The financial projections in the Report of the Airport Consultant are based upon certain information and assumptions that were provided or reviewed and agreed to by the Department. Additionally, the debt service projections in the Report of the Airport Consultant are estimates made by Public Resources Advisory Group based on the expected final sale and issuance of the Series 2022CDEF Subordinate Bonds. As of the date of this Official Statement, in the opinion of the Airport Consultant, the assumptions made in the Report of the Airport Consultant provide a reasonable basis for the projections therein. See "—Forward-Looking Statements," APPENDIX A – "CERTAIN INVESTMENT CONSIDERATIONS – Assumptions in the Letter Report of the Airport Consultant," and APPENDIX B – "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.

In addition, references in this Official Statement to Fiscal Year 2022 financial data are based on preliminary, unaudited financial information, which information is subject to change.

Additional Information

Brief descriptions of the Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds.

PLAN OF FINANCE, REFUNDING AND RESTRUCTURING

The Series 2022CDEF Subordinate Bonds are being issued to: (i) finance and/or reimburse the Department for the cost of certain capital projects at LAX; (ii) refund, on a current basis a portion of the outstanding Series 2012 Senior Bonds; (iii) refund and restructure a portion of the principal of and/or interest on the Department's outstanding Existing Senior Bonds and Existing Subordinate Bonds; (iv) make a deposit to the Subordinate Reserve Fund; and (v) pay costs of issuance of the Series 2022CDEF Subordinate Bonds.

Financing Capital Program Projects

A portion of the proceeds of the Series 2022C Subordinate Bonds will be used to pay and/or reimburse the Department for the cost of certain capital projects at LAX. See also APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT" for additional information regarding the Capital Program projects expected to be financed with a portion of the proceeds of the Series 2022C Subordinate Bonds.

Refunding of Series 2012 Senior Bonds

A portion of the proceeds of the Series 2022C Subordinate Bonds and the Series 2022D Subordinate Bonds, together with other available moneys to be released from the debt service reserve fund established and maintained under the Senior Indenture with respect to the Senior Bonds (the "Senior Reserve Fund"), will be used to current refund and defease all of the Series 2012A Senior Bonds maturing on and after May 15, 2023 and all of the Series 2012B Senior Bonds maturing on and after May 15, 2023 (collectively, the "Refunded Senior Bonds").

A portion of the proceeds of the Series 2022C Subordinate Bonds and the Series 2022D Subordinate Bonds, together with other available moneys to be released from the Senior Reserve Fund, will be deposited with the Senior Trustee, as trustee and escrow agent, and held in separate escrow funds (the "Senior Series 2012A Escrow Fund" and the "Senior Series 2012B Escrow Fund," and together, the "Senior Series 2012AB Escrow Funds") to be created under the terms of an escrow agreement to be entered into by and between the Department and the Senior Trustee, as trustee and escrow agent, to be used to refund and defease the Refunded Senior Bonds. Amounts deposited into the Senior Series 2012AB Escrow Funds will be invested in noncallable direct obligations of the United States of America (the "Escrow Securities") or held uninvested in cash, and such amounts, together with the earnings thereon, will be used on May 15, 2022 to pay the redemption price of the Refunded Senior Bonds, and the interest accrued thereon.

The Refunded Senior Bonds include the Series 2012A Senior Bonds and Series 2012B Senior Bonds described below.

Series	Maturity Date (May 15)	Principal to be Redeemed	Redemption Date	CUSIP Number[1] (544435)	Redemption Price
2012A	2023	$ 4,060,000	May 15, 2022	W55	100%
2012A	2024	4,260,000	May 15, 2022	W63	100
2012A	2025	4,475,000	May 15, 2022	W71	100
2012A	2026	9,115,000	May 15, 2022	W89	100
2012A	2027	9,575,000	May 15, 2022	W97	100
2012A	2028	10,055,000	May 15, 2022	X21	100
2012A	2029	9,160,000	May 15, 2022	X39	100
2012B	2023	$ 3,820,000	May 15, 2022	Y53	100%
2012B	2024	4,010,000	May 15, 2022	Y61	100
2012B	2025	4,210,000	May 15, 2022	Y79	100
2012B	2029	1,400,000	May 15, 2022	Z52	100
2012B	2030	6,485,000	May 15, 2022	Z78	100
2012B	2030	4,600,000	May 15, 2022	Y87	100
2012B	2031	11,575,000	May 15, 2022	Y95	100
2012B	2032	12,040,000	May 15, 2022	Z29	100
2012B	2035	39,470,000	May 15, 2022	Z60	100
2012B	2037	29,295,000	May 15, 2022	Z45	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 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 to be deposited to the Senior Series 2012AB Escrow Funds will be sufficient to pay, on May 15, 2022, the redemption price of the Refunded Bonds plus interest accrued thereon to May 15, 2022. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

Refunding and Restructuring of Bonds

As described in more detail above under “INTRODUCTION – COVID-19 Pandemic Issues and Impacts – Airline Cost and Reduction and Recovery Plan” and in the Report of the Airport Consultant attached hereto as Appendix B, the Department is implementing the Airline Cost Stabilization and Recovery Plan to, among other things, lower the rates and charges payable by the airlines serving LAX through Fiscal Year 2023. Part of the Department’s multi-year plan includes the restructuring of debt service on certain outstanding Existing Senior Bonds and Existing Subordinate Bonds that is included in the rates and charges payable by the airlines serving LAX. This restructuring of debt service includes the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations and the use of the proceeds of such issuances to pay the debt service on certain Existing Senior Bonds and Existing Subordinate Bonds, which debt service would have otherwise been payable by the airlines serving LAX via the rates and charges paid to the Department. See APPENDIX B – “REPORT OF THE AIRPORT CONSULTANT” for additional information on the Airline Cost Stabilization and Recovery Plan.

As an initial step to implementing the Airline Cost Stabilization and Recovery Plan, in November 2020, the Department issued approximately $77.5 million of Subordinate Commercial Paper Notes and used approximately $62.5 million of the proceeds of such notes (the “Restructuring Commercial Paper Notes”) to pay a portion of the interest that was due on November 15, 2020 on certain Existing Senior Bonds and Existing Subordinate Bonds. On February 17, 2021, the Department issued its Series 2021ABC Subordinate Bonds, a portion of the proceeds of which were used to pay a portion of the principal of the Restructuring Commercial Paper Notes on February 17, 2021. Proceeds of the Series 2021ABC Subordinate Bonds were also used to refund the principal of and/or interest on certain Senior Bonds and Subordinate Bonds due and payable on May 15, 2021. On October 6, 2021, the Department issued its Series 2021E Subordinate Bonds, a portion of the proceeds of which were used to pay a portion of the interest due and payable on November 15, 2021 on certain Existing Senior Bonds and Existing Subordinate Bonds. Approximately $74.0 million of the proceeds of the Series 2021E Subordinate Bonds were used for this purpose.

In further implementation of the Airline Cost Stabilization and Recovery Plan, the Series 2022CDEF Subordinate Bonds are being issued, in part, to pay a portion of the principal of and/or interest due and payable on May 15, 2022 on certain Existing Senior Bonds and Existing Subordinate Bonds. Approximately $74.7 million of the proceeds of the Series 2022CDEF Subordinate Bonds will be used for this purpose.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2022CDEF Subordinate Bonds:

	Series 2022C Subordinate Bonds	Series 2022D Subordinate Bonds	Series 2022E Subordinate Bonds	Series 2022F Subordinate Bonds	Total
SOURCES:					
Principal Amount	$307,070,000.00	$101,545,000.00	$ 20,225,000.00	$40,985,000.00	$469,825,000.00
Net Original Issue Premium	42,150,567.95	23,214,165.40	4,126,647.45	--	69,491,380.80
Release of Moneys from Senior Reserve Fund	3,463,907.19	7,966,558.21	--	--	11,430,465.40
TOTAL:	$352,684,475.14	$132,725,723.61	$24,351,647.45	$40,985,000.00	$550,746,846.20
USES:					
Deposit to Series 2022C Subordinate Construction Fund(1)	$273,204,127.00	--	--	--	$273,204,127.00
Deposit to Senior Series 2012AB Escrow Funds	51,942,169.30	$119,472,386.75	--	--	171,414,556.05
Deposit to Subordinate Reserve Fund	19,374,046.61	6,921,384.68	$1,350,979.85	$2,266,205.51	29,912,616.65
Deposits to Principal Account for Existing Senior Bonds and Existing Subordinate Bonds(2)	7,215,730.70	6,006,105.51	22,297,435.97	--	35,519,272.18
Deposits to Interest Account for Existing Senior Bonds and Existing Subordinate Bonds(2)	--	--	633,840.00	38,593,654.51	39,227,494.51
Costs of Issuance(3)	948,401.53	325,846.67	69,391.63	125,139.98	1,468,779.81
TOTAL:	$352,684,475.14	$132,725,723.61	$24,351,647.45	$40,985,000.00	$550,746,846.20

(1) To be used to pay a portion of the costs of the Capital Program.
(2) To be used to pay a portion of the principal of and interest due and payable on May 15, 2022 on certain Existing Senior Bonds and Existing Subordinate Bonds.
(3) Includes legal fees, underwriters' discount, trustee fees, municipal advisory fees, verification fees, consultant fees, rating agencies' fees, printing costs and other costs of issuance.

DESCRIPTION OF THE SERIES 2022CDEF SUBORDINATE BONDS

General

The Series 2022CDEF Subordinate 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 page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2022CDEF Subordinate Bonds will be dated their date of delivery and bear interest from that date payable semi-annually on May 15 and November 15 of each year, commencing May 15, 2022 (each an "Interest Payment Date"). Interest due and payable on the Series 2022CDEF Subordinate Bonds on any Interest Payment Date will be payable to the person who is the registered owner as of the Record Date (DTC, so long as the book-entry system with DTC is in effect). Each Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before May 1, 2022, in which event such Series 2022CDEF Subordinate Bond will bear interest from its date of delivery. If interest on the Series 2022CDEF Subordinate Bonds is in default, Series 2022CDEF Subordinate Bonds issued in exchange for Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds surrendered.

The Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2022CDEF Subordinate Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2022CDEF Subordinate Bonds, references herein to the Bondholders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2022CDEF Subordinate Bonds.

So long as Cede & Co. is the registered owner of the Series 2022CDEF Subordinate Bonds, the principal and redemption price of and interest on the Series 2022CDEF Subordinate Bonds are payable by wire transfer from the Subordinate 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 of the Series 2022CDEF Subordinate Bonds. See APPENDIX G – "BOOK ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption (Series 2022C Subordinate Bonds, Series 2022D Subordinate Bonds and Series 2022E Subordinate Bonds)

The Series 2022C Subordinate Bonds maturing on or before May 15, 2032 are not subject to optional redemption prior to maturity. The Series 2022C Subordinate Bonds maturing on and after May 15, 2033 are redeemable at the option of the Department on or after May 15, 2032, 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 2022C Subordinate Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2022D Subordinate Bonds maturing on or before May 15, 2032 are not subject to optional redemption prior to maturity. The Series 2022D Subordinate Bonds maturing on and after May 15, 2033 are redeemable at the option of the Department on or after May 15, 2032, 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 2022D Subordinate Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2022E Subordinate Bonds maturing on or before May 15, 2032 are not subject to optional redemption prior to maturity. The Series 2022E Subordinate Bonds maturing on and after May 15, 2033 are redeemable at the option of the Department on or after May 15, 2032, 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 2022E Subordinate Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption (Series 2022F Subordinate Bonds)

Optional Redemption at Par (On and After May 15, 2032)

On and after May 15, 2032, the Series 2022F Subordinate Bonds maturing on and after May 15, 2033, are redeemable at the option of the Department, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 2022F Subordinate Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption at Make-Whole Redemption Price (Prior to May 15, 2032)

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

The "Series 2022F Make-Whole Redemption Price" will be the greater of (1) the issue price as shown on the inside cover page of this Official Statement relating to the Series 2022F Subordinate Bonds to be redeemed (but not less than 100% of the principal amount of the Series 2022F Subordinate Bonds to be redeemed); or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2022F Subordinate Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2022F Subordinate Bonds are to be redeemed, discounted to the date on which the Series 2022F Subordinate Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus the number of basis points set forth in the table below corresponding to the maturity of the Series 2022F Subordinate Bonds to be redeemed, plus, in each case, accrued and unpaid interest on the Series 2022F Subordinate Bonds to be redeemed on the redemption date.

Maturity Date(s) of Series 2022F Subordinate Bonds to be Redeemed	**Basis Points for Make-Whole Redemption Calculation**
May 15, 2026 through and including May 15, 2028	+10
May 15, 2029 through and including May 15, 2032	+15
May 15, 2033 through and including May 15, 2035	+20
May 15, 2036 through and including May 15, 2042	+25

"Comparable Treasury Issue" means, with respect to any redemption date for the Series 2022F Subordinate Bonds, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series 2022F Subordinate Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2022F Subordinate Bonds to be redeemed.

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

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Department.

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

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the Series 2022F Subordinate Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

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

Mandatory Sinking Fund Redemption

Series 2022C Subordinate Term Bonds

The Series 2022C Subordinate Bonds maturing on May 15, 2045 (the "Series 2022C Subordinate 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
2043	$13,115,000
2044	13,705,000
2045†	14,395,000

† Final Maturity

The Series 2022C Subordinate Bonds maturing on May 15, 2049 (the "Series 2022C Subordinate Term Bonds (2049)," and together with the Series 2022C Subordinate Term Bonds (2045), the "Series 2022C Subordinate 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	$15,055,000
2047	15,530,000
2048	16,040,000
2049†	16,560,000

† Final Maturity

At the option of the Department, to be exercised by delivery of a written certificate to the Subordinate Trustee, on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2022C Subordinate Term Bonds, it may (a) deliver to the Subordinate Trustee for cancellation the Series 2022C Subordinate 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 2022C Subordinate Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Subordinate Trustee, at the request of the Department and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2022C Subordinate Term Bond or portion thereof so purchased, acquired or optionally redeemed and delivered to the Subordinate Trustee for cancellation will be credited by the Subordinate Trustee at 100% of the principal amount thereof against the obligation of the Department to pay the principal of the Series 2022C Subordinate Term Bonds on such mandatory sinking fund redemption date.

Series 2022F Subordinate Term Bonds

The Series 2022F Subordinate Bonds maturing on May 15, 2042 (the "Series 2022F Subordinate Term Bonds") are subject to mandatory sinking fund redemption in part, on a pro-rata pass-through distribution of principal basis, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on May 15 of the following years and in the following principal amounts:

Redemption Date (May 15)	Principal Amount
2038	$2,895,000
2039	2,255,000
2040	1,790,000
2041	950,000
2042†	905,000

† Final Maturity

At the option of the Department, to be exercised by delivery of a written certificate to the Subordinate Trustee, on or before the 60th day next preceding any mandatory sinking fund redemption date for the Series 2022F Subordinate Term Bonds it may (a) deliver to the Subordinate Trustee for cancellation Series 2022F Subordinate 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 2022F Subordinate Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Subordinate Trustee, at the request of the Department and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2022F Subordinate Term Bond or portion thereof so purchased, acquired or optionally redeemed and delivered to the Subordinate Trustee, for cancellation will be credited by the Subordinate Trustee, at 100% of the principal amount thereof against the obligation of the Department to pay the principal of such applicable Series 2022F Subordinate Term Bonds, on such mandatory sinking fund redemption date.

Notices of Redemption

The Subordinate Trustee is required to give notice of redemption, in the name of the Department, to Holders 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 2022CDEF Subordinate 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 a Series 2022CDEF Subordinate Bond 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 2022CDEF Subordinate Bonds to be redeemed, if less than all of the Series 2022CDEF Subordinate Bonds, of a Series, maturity date and interest rate are called for redemption, the numbers assigned to such Series 2022CDEF Subordinate Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price (or the formula that will be used to calculate the redemption price on the redemption date, provided a supplemental notice of redemption is delivered prior to the redemption date setting forth the actual redemption price), the place or places of payment, that payment will be made upon presentation and surrender of the applicable Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bond will not affect the validity of the call for redemption of any Series 2022CDEF Subordinate Bond, in respect of which no failure occurs. Any notice sent as provided in the Subordinate Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2022CDEF Subordinate 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 Subordinate Indenture. In the event that funds are deposited with the Subordinate Trustee, sufficient for redemption, interest on the Series 2022CDEF Subordinate 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 Subordinate Trustee, moneys sufficient to redeem all the Series 2022CDEF Subordinate Bonds, as applicable, called for redemption, such notice may state that it is conditional and subject to the deposit of the redemption moneys with the Subordinate Trustee, not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit 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 2022CDEF Subordinate 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-Third Supplemental Subordinate Indenture, and sufficient moneys for payment of the redemption price being held in trust by the Subordinate Trustee to pay the redemption price, interest on such Series 2022CDEF Subordinate Bonds will cease to accrue from and after such redemption date, such Series 2022CDEF Subordinate Bonds will cease to be entitled to any lien, benefit or security under the Subordinate Indenture and the owners of such Series 2022CDEF Subordinate Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds to be redeemed, all as provided in the Twenty-Third Supplemental Subordinate Indenture, will not be deemed to be Outstanding under the provisions of the Subordinate Indenture.

Selection of the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds for Redemption; Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds Redeemed in Part

Redemption of the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds (collectively, the "Series 2022CDE Subordinate Bonds") will only be in Authorized Denominations. The Series 2022CDE Subordinate Bonds are subject to redemption in such order of maturity (except mandatory sinking fund payments on the Series 2022C Subordinate Term Bonds as the Department may direct and by lot, selected in such manner as the Subordinate Trustee (or DTC, as long as DTC is the securities depository for the Series 2022CDE Subordinate Bonds), deems appropriate. Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Subordinate Trustee will proceed to select for redemption (by lot in such manner as the Subordinate Trustee may determine), from the applicable Series 2022C Subordinate Term Bonds, an aggregate principal amount of the applicable Series 2022C Subordinate

Term Bonds, as applicable, equal to the amount for such year as set forth in the applicable table under "Mandatory Sinking Fund Redemption" above and will call the applicable Series 2022C Subordinate Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

Selection of the Series 2022F Subordinate Bonds for Redemption; Series 2022F Subordinate Bonds Redeemed in Part

Redemption of the Series 2022F Subordinate Bonds will only be in Authorized Denominations. The Series 2022F Subordinate Bonds are subject to redemption in such order of maturity (except mandatory sinking fund payments on the Series 2022F Subordinate Term Bonds) as the Department may direct. If less than all of the Series 2022F Subordinate Bonds of a maturity are redeemed prior to their stated maturity date, the particular Series 2022F Subordinate Bonds to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with the rules and procedures of DTC.

It is the Department's intent that redemption allocations made by DTC, the Participants or such other intermediaries that may exist between the Department and the beneficial owners of the Series 2022F Subordinate Bonds will be made on a pro-rata pass-through distribution of principal basis. However, so long as the Series 2022F Subordinate Bonds are Book-Entry Bonds, the selection for redemption of such Series 2022F Subordinate Bonds will be made in accordance with the operational arrangements of DTC then in effect. The Department cannot provide any assurance, nor will the Department have any responsibility or obligation to ensure that DTC, the Participants or any other intermediaries allocate redemptions of the Series 2022F Subordinate Bonds among beneficial owners on a prorate pass-through distribution of principal basis. If the DTC operational arrangements do not allow for the redemption of the Series 2022F Subordinate Bonds on a pro-rata pass-through distribution of principal basis, the Series 2022F Subordinate Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If the Series 2022F Subordinate Bonds are not Book-Entry Bonds and less than all of the Series 2022F Subordinate Bonds of a maturity date are to be redeemed, the Series 2022F Subordinate Bonds to be redeemed will be selected by the Subordinate Trustee on a pro-rata pass-through distribution of principal basis among all of the holders of the Series 2022F Subordinate Bonds based on the principal amount of Series 2022F Subordinate Bonds owned by such holders.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE 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 further 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, any Senior Debt Service Reserve Fund, the Subordinate Reserve Fund, any other 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 the moneys**

received under the CRRSAA and ARPA 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 Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds) are limited obligations of the Department payable solely from and secured solely by (i) a pledge of Subordinate Pledged Revenues, and (ii) certain funds and accounts held by the Subordinate Trustee.

The Master Subordinate Indenture generally defines "Subordinate Pledged Revenues" to mean, 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 principal and interest coming due and payable on the Outstanding Senior Bonds, less, for such period, deposits to any Senior Debt Service Reserve Fund required pursuant to the Senior Indenture.

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 ("PFCs") 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 any Senior Debt Service Funds for the 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 (including the Series 2022CDEF Subordinate Bonds), pursuant to the Master Subordinate Indenture and any Supplemental Subordinate Indenture;
>
> ***FIFTH***, to the payment of amounts required to be deposited in the Subordinate Reserve Fund and any other 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;

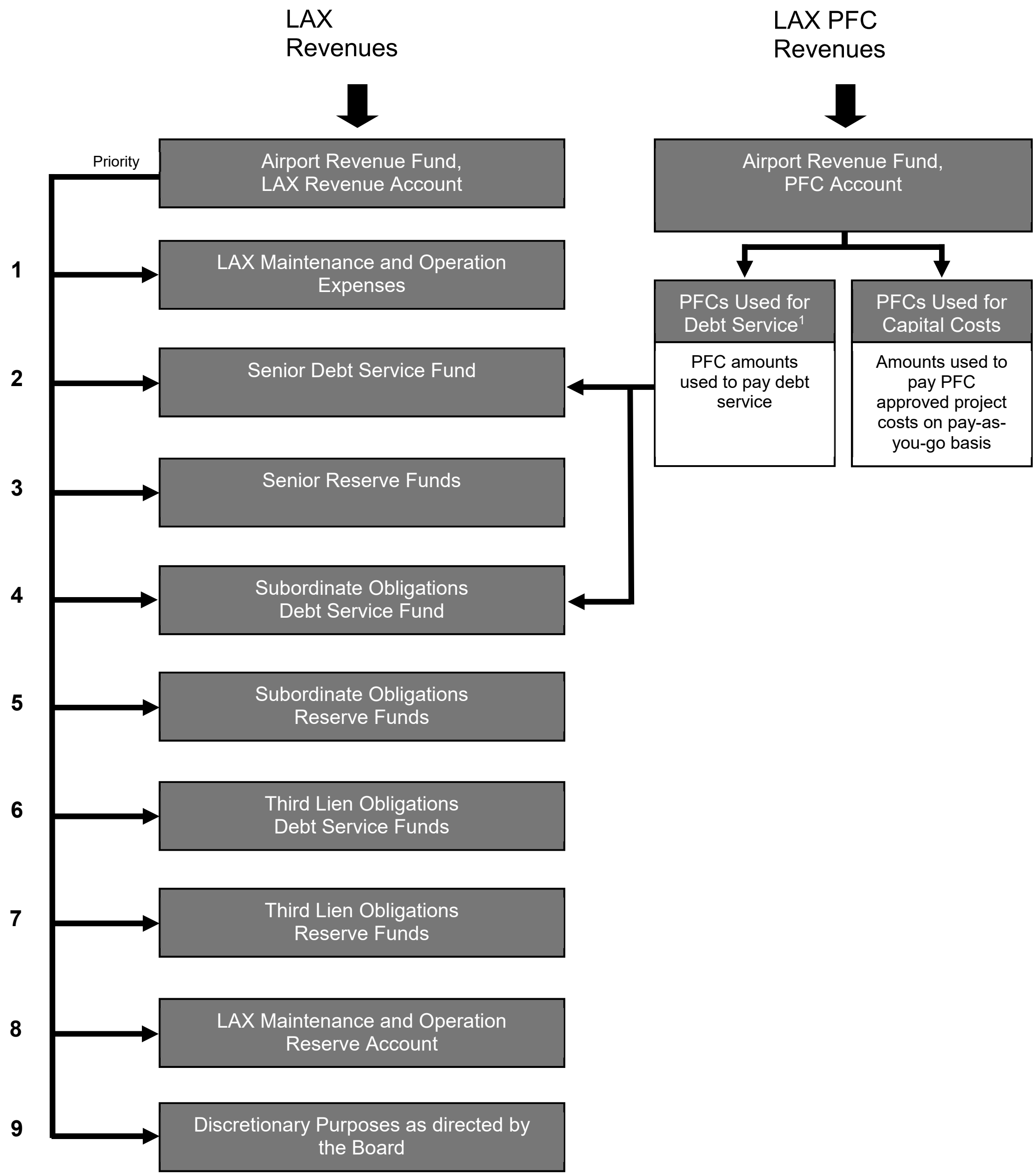
SEVENTH, to the payment of any reserve requirement for the Third Lien Obligations, if any;

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 APPENDIX A – "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 approximately $52.4 million of grants under the CARES Act, from which it applied approximately $9.7 million to the payment of LAX Maintenance and Operation Expenses and approximately $42.8 million to debt service payments. The Department used approximately $271.1 million of grants under the CARES Act in Fiscal Year 2021 for payment of LAX Maintenance and Operation Expenses and debt service costs. The Department expects to use approximately $20.0 million of CRRSAA and ARPA grant funds for LAX Maintenance and Operation Expenses in Fiscal Year 2022. The Department expects to use an additional $125.1 million of CRRSAA and ARPA grant funds in Fiscal Years 2022 and 2023 to substantially reduce airline costs at LAX and replace lost nonairline revenues due to reductions in passengers. The Department expects to budget the remaining $205.7 million of funds for use in later fiscal years. See "INTRODUCTION – COVID-19 Pandemic Issues and Impacts" and "PLAN OF FINANCE, REFUNDING AND RESTRUCTURING."

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.

For more information about the Senior Indenture see "APPENDIX D-2 – SUMMARY OF THE MASTER SENIOR INDENTURE."

Pledge of Subordinate Pledged Revenues

The Series 2022CDEF Subordinate Bonds are limited obligations of the Department payable solely from and secured by a pledge of and first lien on Subordinate Pledged Revenues. The Series 2022CDEF Subordinate Bonds are also secured by a pledge of and first lien on amounts held in certain funds and accounts pursuant to the Subordinate Indenture, as further described herein.

THE SERIES 2022CDEF SUBORDINATE 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 SUBORDINATE PLEDGED REVENUES, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2022CDEF SUBORDINATE BONDS. THE DEPARTMENT HAS NO POWER OF TAXATION. THE SERIES 2022CDEF SUBORDINATE 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 2022CDEF SUBORDINATE BONDS. THE DEPARTMENT IS UNDER NO OBLIGATION TO PAY THE SERIES 2022CDEF SUBORDINATE BONDS, EXCEPT FROM FUNDS IN THE LAX REVENUE ACCOUNT OF THE AIRPORT REVENUE FUND AND AS FURTHER SPECIFICALLY PROVIDED IN THE SUBORDINATE INDENTURE.

The Series 2022CDEF Subordinate Bonds are secured by a pledge of and lien on Subordinate Pledged Revenues on a parity with the Existing Subordinate Bonds, the Subordinate Commercial Paper Notes, the payment obligations of the Department under the CP Reimbursement Agreements, any Additional Subordinate Bonds and any Additional Subordinate Obligations. See "—Pledge of Subordinate Pledged Revenues" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Subordinate Bonds and Subordinate Commercial Paper Notes." The Series 2022CDEF Subordinate Bonds are not secured by moneys held in any construction funds established under the Subordinate Indenture.

Subordinate Rate Covenant

The Department has covenanted in the Master Subordinate Indenture to fulfill the following requirements:

(a) The Department will, while any of the Subordinate Obligations remain Outstanding (but subject to all existing contracts and legal obligations of the Department as of the date of execution of the Master Subordinate Indenture setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with LAX and for services rendered in connection therewith, so that Subordinate Pledged Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the interest on and principal of the Outstanding Subordinate Obligations, as the same become due and payable by the Department in such year;

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

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

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

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

(b) 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 Subordinate Pledged Revenues, together with any Transfer, will be equal to at least 115% of Subordinate Annual Debt Service on the Outstanding Subordinate Obligations for such Fiscal Year. For purposes of this paragraph (b), the amount of any Transfer taken into account may not exceed 15% of Subordinate Annual Debt Service on the Outstanding Subordinate Obligations in 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),

(c) If the Department violates either covenant set forth in paragraph (a) or (b) above, such violation will not be a default under the Master Subordinate Indenture and will not give rise to a declaration of a Subordinate 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 Subordinate 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 Subordinate Event of Default may be declared under the Master Subordinate Indenture. The Department may obtain such recommendations from a Consultant as it deems necessary or appropriate to bring the Department into compliance with said covenants. However, a non-payment of principal of and/or interest on Subordinate Obligations when due would be a Subordinate Event of Default under the Subordinate Indenture. See APPENDIX D-3 – "SUMMARY OF THE MASTER SUBORDINATE INDENTURE – Subordinate Events of Default and Remedies – Subordinate Events of Default."

In addition to the requirements of the Master Subordinate 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 Subordinate Indenture, the Department may exclude from its calculation of Subordinate Aggregate Annual Debt Service, for the purpose of determining compliance with the rate covenant described above, the payment of debt service or portions thereof on Subordinate Obligations whose debt service is payable from amounts not included in Subordinate Pledged Revenues (including, but not limited to PFC revenues) which have been irrevocably deposited with the Subordinate Trustee for the payment of debt service on such Subordinate Obligations. See "—Passenger Facility Charges," APPENDIX A – "AIRPORT AND CAPITAL PLANNING - Financing the Capital Program – Passenger Facility Charges" and APPENDIX A – "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges" and APPENDIX B –

"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.

Subordinate Debt Service Deposits

The Master Subordinate Indenture provides that the Department will cause the City Treasurer, not later than five Business Days prior to each Payment Date, to 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 the interest on the Subordinate Obligations of that Series due on such Payment Date.

Subordinate Reserve Fund

Pursuant to the Fourth Supplemental Subordinate Indenture, a Subordinate Debt Service Reserve Fund (the "Subordinate Reserve Fund") was established for the Existing Subordinate Bonds and any Additional Subordinate Bonds which the Department elects to have participate in the Subordinate Reserve Fund. Pursuant to the Twenty-Third Supplemental Subordinate Indenture, the Department intends to elect to have the Series 2022CDEF Subordinate Bonds participate in the Subordinate Reserve Fund.

Moneys and investments held in the Subordinate Reserve Fund may be used only to pay the principal of and interest on the Subordinate Bonds participating in the Subordinate Reserve Fund (including the Series 2022CDEF Subordinate Bonds). Moneys and investments held in the Subordinate Reserve Fund are not available to pay debt service on the Senior Bonds, the Subordinate Commercial Paper Notes, any Subordinate Obligations for which the Department has decided will not participate in the Subordinate Reserve Fund or any Third Lien Obligations. The Subordinate Reserve Fund may be drawn upon if the amounts in the respective Subordinate Debt Service Funds for the Series 2022CDEF Subordinate Bonds and the other Subordinate Bonds participating in the Subordinate Reserve Fund are insufficient to pay in full any principal or interest then due on such Subordinate Bonds. In the event any amounts are required to be withdrawn from the Subordinate Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Subordinate Debt Service Funds for the Subordinate Bonds secured by the Subordinate Reserve Fund.

The Subordinate Reserve Fund is required to be funded in an amount equal to the Subordinate Reserve Requirement. The "Subordinate Reserve Requirement" equals the least of (i) Subordinate Maximum Aggregate Annual Debt Service for Reserve Requirement with respect to all of the Subordinate Bonds participating in the Subordinate Reserve Fund, (ii) 10% of the principal amount of all of the Subordinate Bonds participating in the Subordinate Reserve Fund, less the amount of original issue discount with respect to the Subordinate Bonds participating in the Subordinate Reserve Fund if such original issue discount exceeded 2% on such Subordinate Bonds at the time of its original sale, and (iii) 125% of the average Subordinate Aggregate Annual Debt Service for Reserve Requirement with respect to all of the Subordinate Bonds participating in the Subordinate Reserve Fund. In the event the Department issues any Additional Subordinate Bonds pursuant to a Supplemental Subordinate Indenture under which the Department elects to have such Additional Subordinate Bonds participate in the Subordinate Reserve Fund, the Department will be required to deposit an amount in the Subordinate Reserve Fund sufficient to cause the amount on deposit in the Subordinate Reserve Fund to equal the Subordinate Reserve Requirement. Such deposit to the Subordinate Reserve Fund can be made at the time of issuance of the Additional Subordinate Bonds participating in the Subordinate Reserve Fund or over 12 months following the date of issuance of the Additional Subordinate Bonds that will be participating in the Subordinate Reserve Fund. At the time of issuance of the Series 2022CDEF Subordinate Bonds, a portion of the proceeds of the Series 2022CDEF Subordinate Bonds will be deposited to the Subordinate Reserve Fund, the Subordinate Reserve Requirement will equal $491,126,806, and the Subordinate Reserve Fund will be fully funded with cash and securities.

The Department may fund all or a portion of the Subordinate Reserve Requirement with a Subordinate Debt Service Reserve Fund Surety Policy. A Subordinate Debt Service Reserve Fund Surety Policy may be an insurance policy or surety bond, or a letter of credit, deposited in the Subordinate Reserve Fund in lieu of or in partial substitution for cash or securities. Any such Subordinate Debt Service Reserve Fund Surety Policy must either extend to the final maturity of the Series of Subordinate Bonds for which the Subordinate Debt Service Reserve Fund Surety Policy was issued or the Department must agree, by Supplemental Subordinate Indenture, that the Department will replace such Subordinate Debt Service Reserve Fund Surety Policy prior to its expiration with another Subordinate Debt Service Reserve Fund Surety Policy, or with cash, and the face amount of the Subordinate Reserve Fund Surety Policy, together with amounts on deposit in the Subordinate Reserve Fund, including the face amount of any other Subordinate Debt Service Reserve Fund Surety Policy, are at least equal to the Subordinate Reserve Requirement. Any such Subordinate Debt Service Reserve Fund Surety Policy deposited to the Subordinate Reserve Fund must secure all of the Subordinate Bonds participating in the Subordinate Reserve Fund. As of the date of this Official Statement and at the time of the issuance of the Series 2022CDEF Subordinate Bonds, there are no, and there will be no, Subordinate Debt Service Reserve Fund Surety Policies on deposit in the Subordinate Reserve Fund. See APPENDIX E-2 – "AMENDMENTS TO THE MASTER SUBORDINATE INDENTURE" for amendments being made to the definition of Subordinate Debt Service Reserve Fund Surety Policy.

Except with respect to any guaranteed investment contract used in funding the Subordinate Reserve Fund, the Subordinate Trustee is required annually, on or about May 15 of each year, and at such other times as the Department deems appropriate, to value the Subordinate Reserve Fund on the basis of the lower of amortized cost or market value thereof, including accrued interest thereon and the basis of the cost thereof, adjusted for amortization of premium or discount on the investment thereof. For purposes of determining the amount on deposit in the Subordinate Reserve Fund, any Subordinate Debt Service Reserve Fund Surety Policy held by, or the benefit of which is available to, the Subordinate Trustee as security for the Subordinate Bonds participating in the Subordinate Reserve Fund is required to be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, except that, if the amount available under a Subordinate Debt Service Reserve Fund Surety Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Subordinate Debt Service Reserve Fund Surety Policy and not reinstated or another Subordinate Debt Service Reserve Fund Surety Policy provided, then, in valuing the Subordinate Reserve Fund, the value of such Subordinate Debt Service Reserve Fund Surety Policy must be reduced accordingly. Upon each such valuation, the Subordinate Trustee is required to prepare a written certificate setting forth the Subordinate Reserve Requirement as of such valuation date and the value of the Subordinate Reserve Fund and deliver a copy thereof to the Chief Financial Officer. If, upon any valuation, the value of the Subordinate Reserve Fund exceeds the Subordinate Reserve Requirement, the excess amount, including investment earnings, is required to be withdrawn and deposited by the Subordinate Trustee into the respective Subordinate Debt Service Funds, pro rata based on the outstanding par amounts for each Series of Subordinate Bonds participating in the Subordinate Reserve Fund, unless otherwise directed by the Department. If the value is less than the Subordinate Reserve Requirement, the Department is required to replenish such amounts within twelve months.

Additional Subordinate Obligations

The Master Subordinate Indenture provides the Department with flexibility in establishing the nature and terms of any Additional Subordinate Obligations hereafter issued with a lien and charge on Subordinate Pledged Revenues on parity with the Series 2022CDEF Subordinate Bonds and the other Subordinate Obligations.

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

(a) a certificate, dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by an Authorized Representative showing that the Subordinate 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 Subordinate Obligations or preceding the first issuance of the proposed Subordinate Program Obligations were at least equal to 115% of Subordinate Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations, and the proposed Subordinate Obligations, calculated as if the proposed Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding; or

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

(i) the Subordinate 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 Subordinate Obligations or the establishment of a Subordinate Program, were at least equal to 115% of the sum of the Subordinate

Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations (not including the proposed Subordinate Obligations or the proposed Subordinate Program Obligations) 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 Subordinate Obligations during which no interest on such Subordinate Obligations is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Subordinate Obligations, or (B) the third full Fiscal Year during which no interest on such Subordinate Obligations is expected to be paid from the proceeds thereof, the estimated Subordinate Pledged Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 115% of the Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and the proposed Subordinate Obligations calculated as if the proposed Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding.

The certificate described in subparagraph (b) above is expected to be delivered by a consultant in connection with the issuance of the Series 2022CDEF Subordinate Bonds.

For purposes of subparagraphs (a) and (b) above, the amount of any Transfer taken into account cannot exceed 15% of the Subordinate Annual Debt Service or Subordinate Aggregate Annual Debt Service, as applicable, on the Outstanding Subordinate Obligations, Unissued Program Subordinate Obligations, the proposed Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations, as applicable, for such applicable Fiscal Year or such other applicable period.

For purposes of subparagraph (b)(ii) above, in estimating Subordinate 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 Board and will be in effect during the period for which the estimates are provided, (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 Board, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Subordinate Pledged Revenues and will also set forth the calculations of Subordinate Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized 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 certifies 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:

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

(2) if the Subordinate Obligations being issued constitute Subordinate Notes and there is delivered to the Subordinate Trustee, instead, a certificate prepared by an Authorized Representative showing that the principal amount of the proposed Subordinate Notes being issued, together with the principal amount of any Subordinate Notes then Outstanding, does not exceed 10% of the Subordinate Pledged Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the

proposed Subordinate Notes and there is delivered to the Subordinate Trustee a certificate of an Authorized Representative setting forth calculations showing that for each of the Fiscal Years during which the Subordinate Notes will be Outstanding, and taking into account the debt service becoming due on such Subordinate Notes, the Department will be in compliance with the rate covenant under the Master Subordinate Indenture (as described above under "—Subordinate Rate Covenant"); or

(3) if the Subordinate Obligations being issued are to pay costs of completing a Specified LAX Project for which Subordinate Obligations have previously been issued and the principal amount of such Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Subordinate Obligations originally issued for such 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 Subordinate 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 Subordinate Obligations 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 Subordinate Obligations previously issued for such purpose), and (C) the proceeds to be received from the issuance of such Subordinate Obligations plus moneys available in the construction fund established for the Specified LAX Project (including unspent proceeds of the Subordinate Obligations previously issued for such purpose) will be sufficient to pay the remaining estimated costs of the Specified LAX Project.

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 use (to the extent approved by the FAA) 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 APPENDIX A – "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program – Passenger Facility Charges," APPENDIX A – "CERTAIN INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges" and APPENDIX B – "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 Subordinate Trustee under the Subordinate Indenture, including moneys in the Subordinate Debt Service Funds (and the accounts therein) and in the Subordinate Reserve Fund, may be invested as directed by the Department in Subordinate Permitted Investments, subject to the restrictions set forth in the Subordinate Indenture and subject to restrictions imposed upon the Department by the Charter. Investments held in the Subordinate 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 APPENDIX A – "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Investment Practices of the City Treasurer."

Events of Default and Remedies; No Acceleration

Subordinate Events of Default under the Subordinate Indenture and related remedies are described in APPENDIX D-3 – "SUMMARY OF THE MASTER SUBORDINATE INDENTURE – Subordinate Events of Default and Remedies." The occurrence of a Subordinate Event of Default 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, the Holders of the Subordinate Obligations or Senior Bonds or the CP Banks (as defined below). 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 D-3 – "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."

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 E-2 — "AMENDMENTS TO THE MASTER SUBORDINATE INDENTURE" (the "Master Subordinate Indenture Amendments").

The Master Subordinate Indenture Amendments cannot become effective until the earlier of: (a) the date none of the Existing Subordinate Bonds, other than the Series 2016 Subordinate Bonds, the Series 2017 Subordinate Bonds, the Series 2018 Subordinate Bonds, the Series 2019 Subordinate Bonds, the Series 2021ABC Subordinate Bonds, the Series 2021DE Subordinate Bonds, and the Series 2022AB Subordinate Bonds, remain Outstanding (the "Prior Existing Subordinate Bonds"), or (b) the date the Department receives the written consent of 51% or more of the Bondholders of the Outstanding Prior Existing Subordinate Bonds (the "Master Subordinate Indenture Amendments").

The Master Subordinate Indenture Amendments do not require the consent of the purchasers of the Series 2022CDEF Subordinate Bonds in order to become effective. Any purchaser of the Series 2022CDEF Subordinate Bonds will be purchasing the Series 2022CDEF Subordinate Bonds subject to the Master Subordinate Indenture Amendments. The Department will not be requesting a separate written consent from the purchasers of the Series 2022CDEF Subordinate Bonds for the Master Subordinate Indenture Amendments.

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

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 E-1 — "AMENDMENTS TO THE MASTER SENIOR INDENTURE" (collectively, the "Master Senior Indenture Amendments"). The amendments to the Master Senior Indenture do not require the consent of the Bondholders of the Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds) and are provided in this Official Statement for informational purposes only.

For more information about the Senior Indenture see APPENDIX D-2 — "SUMMARY OF THE MASTER SENIOR INDENTURE."

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Senior Bonds

Pursuant to the Senior Indenture, the Department has previously issued and, as of February 7, 2022, there were outstanding $3,113,280,000 aggregate principal amount of Existing 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 2022CDEF SUBORDINATE BONDS – Flow of Funds." The following table sets forth information about the Existing Senior Bonds that were outstanding as of February 7, 2022.

TABLE 1
DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
EXISTING SENIOR BONDS
AS OF FEBRUARY 7, 2022

Series	Original Principal Amount	Principal Amount Outstanding	Final Maturity (May 15)
2012A[(1)]	$ 105,610,000	$ 54,560,000	2029
2012B[(1)]	145,630,000	120,545,000	2037
2013A	170,685,000	170,685,000	2043
2015A	267,525,000	243,185,000	2045
2015B	47,925,000	43,385,000	2045
2015D	296,475,000	265,050,000	2041
2015E	27,850,000	23,330,000	2041
2016C	226,410,000	173,045,000	2038
2018B	226,500,000	226,500,000	2034
2020A	738,575,000	734,495,000	2040
2020B	558,500,000	558,500,000	2040
2020C	380,000,000	380,000,000	2050
2020D	120,000,000	120,000,000	2048
Total	$ 3,311,685,000	$ 3,113,280,000	

(1) A portion of the proceeds of the Series 2022C Subordinate Bonds and the Series 2022D Subordinate Bonds will be used to refund a portion of the Series 2012 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 February 7, 2022, there were outstanding $6,264,210,000 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 February 7, 2022, there were Subordinate Commercial Paper Notes outstanding with a maturity value of approximately $251,050,000. 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 February 7, 2022.

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 FEBRUARY 7, 2022

Subordinate Obligations	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date (May 15)
Existing Subordinate Bonds			
- Series 2009C	$ 307,350,000	$ 252,970,000	2039
- Series 2010C	59,360,000	59,360,000	2040
- Series 2013B	71,175,000	59,480,000	2038
- Series 2015C	181,805,000	163,855,000	2038
- Series 2016A	289,210,000	42,595,000	2026
- Series 2016B	451,170,000	434,445,000	2046
- Series 2017A	260,610,000	253,820,000	2047
- Series 2017B	88,730,000	82,440,000	2042
- Series 2018A	426,475,000	419,965,000	2048
- Series 2018C	425,000,000	409,280,000	2044
- Series 2018D	418,390,000	396,070,000	2048
- Series 2018E	159,980,000	159,980,000	2048
- Series 2019A	199,830,000	193,975,000	2049
- Series 2019B	49,410,000	48,530,000	2049
- Series 2019C	189,095,000	165,320,000	2039
- Series 2019D	167,955,000	167,955,000	2049
- Series 2019E	265,190,000	265,190,000	2049
- Series 2019F	411,575,000	411,575,000	2049
- Series 2021A	405,405,000	405,405,000	2051
- Series 2021B	395,005,000	395,005,000	2048
- Series 2021C	92,945,000	92,945,000	2036
- Series 2021D	753,195,000	753,195,000	2051
- Series 2021E	125,815,000	125,815,00	2051
- Series 2022A	347,415,000	347,415,000	2049
- Series 2022B	157,625,000	157,625,000	2048
Total Existing Subordinate Bonds	$ 6,699,715,000	$ 6,264,210,000	
Subordinate Commercial Paper Notes			
- Series A[1]	--[4]	$ 59,438,000	Various[6]
- Series B[2]	--[4]	24,947,000	Various[6]
- Series C[3]	--[4]	166,665,000	Various[6]
Total Subordinate Commercial Paper Notes[5]		$ 251,050,000	
Total outstanding Existing Subordinate Bonds and Subordinate Commercial Paper Notes		$ 6,515,260,000	

(1) The Subordinate Commercial Paper Notes Series A (Governmental – Non AMT) may be issued in various Subseries designated Subseries A-1 through A-3.
(2) The Subordinate Commercial Paper Notes Series B (Private Activity - AMT) may be issued in various Subseries designated Subseries B-1 through B-3.
(3) The Subordinate Commercial Paper Notes Series C (Federally Taxable) may be issued in various Subseries designated Subseries C-1 through C-3.
(4) Original Principal Amount of Subordinate Commercial Paper Notes varies.
(5) See "PLAN OF FINANCE, REFUNDING AND RESTRUCTURING" for a discussion of the refunding of a portion of the outstanding Subordinate Commercial Paper Notes.
(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.

CP Letters of Credit and CP Reimbursement Agreements.

To provide credit support for the Subordinate Commercial Paper Notes, the Department has entered into three separate reimbursement agreements (collectively, the "CP Reimbursement Agreements") with Sumitomo Mitsui Banking Corporation, acting through its New York Branch, Barclays Bank PLC, and Bank of America, N.A., respectively (collectively, the "CP Banks"), pursuant to which each CP Bank issued a separate irrevocable transferable direct-pay letter of credit (collectively, the "CP Letters of Credit"). Each 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.

CP Banks	Subseries of Subordinate Commercial Paper Notes Supported by CP Letter of Credit	Principal Amount of Subordinate Commercial Paper Notes Supported by CP Letter of Credit	Total Stated Amount of CP Letter of Credit[(1)]	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 6, 2024

(1) Equal to principal of Subordinate Commercial Paper Notes to be supported by the 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 CP Letter of Credit.

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

In the event the Department does not immediately reimburse a CP Bank for a drawing under the applicable CP Letter of Credit, the Department is required pursuant to the applicable CP Reimbursement Agreement to pay all principal of and interest due to the applicable CP Bank as a result of such drawing within three years of the applicable date of the original drawing. Events of default under the 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 CP Reimbursement Agreement, (ii) failure to perform the terms of the applicable 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 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 CP Reimbursement Agreements are available on the MSRB's Electronic Municipal Market Access ("EMMA") website.

Debt Service Requirements

The following table sets forth debt service requirements on the Existing Senior Bonds, the Existing Subordinate Bonds and the Series 2022CDEF 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)	Total Debt Service on Existing Subordinate Bonds(3)	Principal Req's on Series 2022C Subordinate Bonds	Interest Req's on Series 2022C Subordinate Bonds	Total Debt Service on Series 2022C Subordinate Bonds	Principal Req's on Series 2022D Subordinate Bonds	Interest Req's on Series 2022D Subordinate Bonds	Total Debt Service on Series 2022D Subordinate Bonds	Principal Req's on Series 2022E Subordinate Bonds	Interest Req's on Series 2022E Subordinate Bonds	Total Debt Service on Series 2022E Subordinate Bonds	Principal Req's on Series 2022F Subordinate Bonds	Interest Req's on Series 2022F Subordinate Bonds	Total Debt Service on Series 2022F Subordinate Bonds	Total Debt Service on Outstanding Subordinate Bonds	Total Debt Service
2022	$148,630,753	$263,971,047	--	$3,338,903	$3,338,903	--	$1,225,738	$1,225,738	--	$232,631	$232,631	--	$291,307	$291,307	$269,059,625	$417,690,378
2023	181,025,837	398,253,001	--	13,355,613	13,355,613	$970,000	4,902,950	5,872,950	--	930,525	930,525	--	1,165,227	1,165,227	419,577,315	600,603,152
2024	225,396,404	404,454,188	$2,055,000	13,355,613	15,410,613	4,490,000	4,854,450	9,344,450	--	930,525	930,525	--	1,165,227	1,165,227	431,305,002	656,701,407
2025	225,869,304	428,473,184	4,475,000	13,252,863	17,727,863	5,985,000	4,629,950	10,614,950	--	930,525	930,525	--	1,165,227	1,165,227	458,911,748	684,781,053
2026	226,135,654	454,247,696	15,370,000	13,029,113	28,399,113	1,860,000	4,330,700	6,190,700	$1,085,000	930,525	2,015,525	$2,425,000	1,165,227	3,590,227	494,443,260	720,578,914
2027	231,187,404	449,205,835	16,140,000	12,260,613	28,400,613	1,955,000	4,237,700	6,192,700	1,135,000	876,275	2,011,275	2,490,000	1,115,757	3,605,757	489,416,179	720,603,584
2028	219,168,904	461,214,190	16,950,000	11,453,613	28,403,613	2,055,000	4,139,950	6,194,950	1,190,000	819,525	2,009,525	2,535,000	1,062,222	3,597,222	501,419,499	720,588,403
2029	232,408,904	450,287,674	16,410,000	10,606,113	27,016,113	2,010,000	4,037,200	6,047,200	1,250,000	760,025	2,010,025	2,610,000	1,003,917	3,613,917	488,974,928	721,383,833
2030	237,071,154	445,596,327	7,605,000	9,785,613	17,390,613	11,725,000	3,936,700	15,661,700	1,315,000	697,525	2,012,525	2,655,000	940,494	3,595,494	484,256,658	721,327,813
2031	237,313,904	453,117,085	7,990,000	9,405,363	17,395,363	12,310,000	3,350,450	15,660,450	1,385,000	631,775	2,016,775	2,700,000	874,915	3,574,915	491,764,587	729,078,492
2032	237,661,654	452,733,735	8,390,000	9,005,863	17,395,863	12,930,000	2,734,950	15,664,950	1,450,000	562,525	2,012,525	2,780,000	805,525	3,585,525	491,392,597	729,054,251
2033	237,972,404	432,888,283	8,815,000	8,586,363	17,401,363	13,575,000	2,088,450	15,663,450	1,515,000	490,025	2,005,025	2,870,000	731,299	3,601,299	471,559,420	709,531,824
2034	238,180,154	432,712,049	9,255,000	8,145,613	17,400,613	14,250,000	1,409,700	15,659,700	1,595,000	414,275	2,009,275	2,945,000	650,365	3,595,365	471,377,002	709,557,156
2035	244,741,404	431,825,878	9,710,000	7,682,863	17,392,863	14,965,000	697,200	15,662,200	1,670,000	334,525	2,004,525	2,645,000	562,899	3,207,899	470,093,364	714,834,769
2036	235,912,303	442,317,301	10,105,000	7,294,463	17,399,463	2,465,000	98,600	2,563,600	1,755,000	251,025	2,006,025	2,725,000	481,697	3,206,697	467,493,086	703,405,388
2037	237,416,388	431,103,747	10,495,000	6,890,263	17,385,263	--	--	--	1,830,000	180,825	2,010,825	2,810,000	395,315	3,205,315	453,705,149	691,121,537
2038	237,680,716	431,145,830	10,925,000	6,470,463	17,395,463	--	--	--	1,900,000	107,625	2,007,625	2,895,000	303,428	3,198,428	453,747,345	691,428,062
2039	246,157,775	410,165,634	11,365,000	6,033,463	17,398,463	--	--	--	1,150,000	31,625	1,181,625	2,255,000	203,550	2,458,550	431,204,271	677,362,046
2040	281,113,300	378,181,598	11,770,000	5,578,863	17,348,863	--	--	--	--	--	--	1,790,000	125,753	1,915,753	397,446,213	678,559,513
2041	93,902,700	394,646,504	12,230,000	5,108,063	17,338,063	--	--	--	--	--	--	950,000	63,998	1,013,998	412,998,564	506,901,264
2042	57,203,700	389,076,823	12,615,000	4,618,863	17,233,863	--	--	--	--	--	--	905,000	31,223	936,223	407,246,908	464,450,608
2043	57,207,950	369,924,754	13,115,000	4,114,263	17,229,263	--	--	--	--	--	--	--	--	--	387,154,017	444,361,967
2044	50,772,450	349,399,303	13,705,000	3,458,513	17,163,513	--	--	--	--	--	--	--	--	--	366,562,816	417,335,266
2045	50,783,700	323,287,542	14,395,000	2,773,263	17,168,263	--	--	--	--	--	--	--	--	--	340,455,804	391,239,504
2046	30,083,400	323,235,227	15,055,000	2,053,513	17,108,513	--	--	--	--	--	--	--	--	--	340,343,739	370,427,139
2047	30,082,000	279,404,996	15,530,000	1,564,225	17,094,225	--	--	--	--	--	--	--	--	--	296,499,221	326,581,221
2048	30,080,000	254,261,849	16,040,000	1,059,500	17,099,500	--	--	--	--	--	--	--	--	--	271,361,349	301,441,349
2049	19,890,800	153,760,308	16,560,000	538,200	17,098,200	--	--	--	--	--	--	--	--	--	170,858,508	190,749,308
2050	19,895,200	52,295,891	--	--	--	--	--	--	--	--	--	--	--	--	52,295,891	72,191,091
2051	-	52,255,249	--	--	--	--	--	--	--	--	--	--	--	--	52,255,249	52,255,249
Total	$4,800,946,224	$10,993,442,729	$307,070,000	$200,820,028	$507,890,028	$101,545,000	$46,674,688	$148,219,688	$20,225,000	$10,112,306	$30,337,306	$40,985,000	$14,304,565	$55,289,565	$11,735,179,315	$16,536,125,539

(1) Totals may not add due to individual rounding.
(2) Debt Service on Existing Senior Bonds after the refunding of the Refunded Bonds.
(3) 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 February 7, 2022, approximately $251,050,000 of Subordinate Commercial Paper Notes were outstanding. For additional information on these obligations, see "—Subordinate Bonds and Subordinate Commercial Paper Notes" above. Also see "PLAN OF FINANCE, REFUNDING AND RESTRUCTURING."

Future Financings

The Airport Consultant has assumed and the Department is currently reviewing plans to issue approximately $1.2 billion in aggregate principal amount of Additional Senior Bonds and approximately $1.2 billion in aggregate principal amount of Additional Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds) through Fiscal Year 2026 to, among other things, complete the Capital Program.

During the Airport Consultant's Forecast Period, 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 and the Report of the Airport Consultant as Other Projects. 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 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 APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT."

See APPENDIX A – "CERTAIN INVESTMENT CONSIDERATIONS – Delays and Cost Increases; Future Capital Projects; Additional Indebtedness," APPENDIX A – "AIRPORT AND CAPITAL PLANNING" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES" 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 do not include any adjustments for debt service savings which may occur with respect to any refunding of any Senior Bonds or Subordinate Obligations during the Forecast Period.

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 CP Banks in connection with the CP Banks' issuance of the 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 D-2 – "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 below) 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 and Subordinate Obligations, including the Series 2022CDEF Subordinate Bonds. See APPENDIX A – "USE OF AIRPORT FACILITIES – Department Acquisition of Certain Terminal Improvements; Credits" and APPENDIX A – "SPECIAL FACILITY AND CONDUIT FINANCINGS – Conduit Financings."

Payments in Connection with the Automated People Mover System

As described under APPENDIX A – "AIRPORT AND CAPITAL PLANNING – Major Capital Program Projects –*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 based on the current APM Developer projections, the Department currently estimates will occur in the first quarter of calendar year 2024), 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, the Department assumed, that, among other things: (i) the APM Milestone Payments will be funded with the proceeds of Additional 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 2022CDEF SUBORDINATE BONDS – Flow of Funds").

The APM Developer has asserted various relief event claims under the APM Agreement, including claims for schedule relief and additional costs. For a discussion of these claims, see APPENDIX A – "AIRPORT AND CAPITAL PLANNING – Major Capital Program Projects – *The Automated People Mover System – Claims Asserted by the APM Developer*."

Payments in Connection with the ConRAC

As described under APPENDIX A – "AIRPORT AND CAPITAL PLANNING – Capital Program – *The ConRAC*," the ConRAC Agreement (as defined herein) provides that the ConRAC Developer (as defined herein) will be entitled to receive ConRAC Periodic Payments (as defined herein) and ConRAC Milestone Payments (as defined herein) from the Department during construction of, and upon completion of, the consolidated rent-a-car facility (the "ConRAC") as partial compensation for the ConRAC Developer's performance of the work required to design and build the ConRAC. Beginning on 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: (i) ConRAC Capital Availability Payments (as defined herein) for the Developer's portion for designing, building and financing (equity and debt), (ii) ConRAC Operations and Maintenance Availability Payments (as defined herein) for the ConRAC Developer's costs of operating and maintaining certain portions of the ConRAC; and (iii) ConRAC Renewal Availability Payments (as defined herein) for the ConRAC Developer's costs of renewing the ConRAC.

For the purposes of financial planning, the Department assumed, that, among other things: (i) the ConRAC Periodic Payments and the ConRAC Milestone Payments have been and will be primarily funded from pay-as-you-go Customer Facility Charge revenues, proceeds of Subordinate Commercial Paper Notes and from proceeds of its Los Angeles International Airport Customer Facility Charge Revenue Bonds (the "LAX CFC Bonds"), which the Department expects to issue in the first half of 2022 (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 paid from Customer Facility Charge revenues remaining after the payment of the LAX CFC Bonds 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 2022CDEF SUBORDINATE BONDS – Flow of Funds"); or (iii) the ConRAC Operations and Maintenance Availability Payments and the ConRAC Renewal

Availability Payments will be treated as LAX Maintenance and Operation Expenses under the Master Senior Indenture.

LITIGATION AND EXAMINATIONS REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT

General

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

Internal Revenue Service Examination of Series 2012 Senior Bonds

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

The Department's decision to refund and defease the Series 2012 Senior Bonds as described under "PLAN OF FINANCE, REFUNDING AND RESTRUCTURING – Refunding of Series 2012 Senior Bonds" is to realize debt service savings, and is not related, in any manner, to the IRS' examination of the Series 2012 Senior Bonds.

LITIGATION REGARDING THE SERIES 2022CDEF SUBORDINATE 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 2022CDEF Subordinate Bonds or in any way contests the validity of the Series 2022CDEF Subordinate Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Series 2022CDEF Subordinate Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2022CDEF Subordinate Bonds.

TAX MATTERS

Series 2022C Subordinate Bonds, Series 2022D Subordinate Bonds and Series 2022E Subordinate Bonds (Tax-Exempt)

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 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds (collectively, the "Tax-Exempt Series 2022CDE Subordinate Bonds") is excluded from gross income for federal income tax purposes, except for interest on any Series 2022C Subordinate Bond or Series 2022D Subordinate Bond for any period during which such Series 2022C Subordinate Bond or Series 2022D Subordinate Bond, as applicable, is held by a "substantial user" of the facilities financed or refinanced by the Series 2022C Subordinate Bonds or the Series 2022D Subordinate 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 2022C Subordinate Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and (b) interest on the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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 Tax-Exempt Series 2022CDE Subordinate Bonds. Failure to comply with such requirements could cause interest on the Tax-Exempt Series

2022CDE Subordinate Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds.

The accrual or receipt of interest on the Tax-Exempt Series 2022CDE Subordinate Bonds may otherwise affect the federal income tax liability of the owners of the Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds.

Bond Counsel is further of the opinion that interest on the Tax-Exempt Series 2022CDE Subordinate 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 F.

Tax Treatment of Original Issue Premium

The Tax-Exempt Series 2022CDE Subordinate Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Tax-Exempt Series 2022CDE Subordinate Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Tax-Exempt Series 2022CDE Subordinate Bond over its stated redemption price at maturity constitutes premium on such Premium Tax-Exempt Series 2022CDE Subordinate Bond. A purchaser of a Premium Tax-Exempt Series 2022CDE Subordinate Bond must amortize any premium over such Premium Tax-Exempt Series 2022CDE Subordinate Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Tax-Exempt Series 2022CDE Subordinate Bond.

Tax Treatment of Original Issue Discount

General

The Tax-Exempt Series 2022CDE Subordinate Bonds that have an original yield above the respective interest rate as shown on the inside cover of this Official Statement (collectively, the "Discount Tax-Exempt Series 2022CDE Subordinate Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Tax-Exempt Series 2022CDE Subordinate Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to such Discount Tax-Exempt Series 2022CDE Subordinate Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Tax-Exempt Series 2022CDE Subordinate Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Tax-Exempt Series 2022CDE Subordinate Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Tax-Exempt Series 2022CDE Subordinate Bond, on days which are determined by reference to the maturity date of such Discount Tax-Exempt Series 2022CDE Subordinate Bond. The amount treated as original issue discount on such Discount Tax-Exempt Series 2022CDE Subordinate Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Tax-Exempt Series 2022CDE Subordinate Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Tax-Exempt Series 2022CDE Subordinate Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Tax-Exempt Series 2022CDE Subordinate Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Tax-Exempt Series 2022CDE Subordinate Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Tax-Exempt Series 2022CDE Subordinate Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Tax-Exempt Series 2022CDE Subordinate Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Tax-Exempt Series 2022CDE Subordinate Bond. Subsequent purchasers of Discount Tax-Exempt Series 2022CDE Subordinate Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Recognition of Income Generally

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

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Series 2022F Subordinate Bonds (Federally Taxable)

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

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

General Matters

Interest on the Series 2022F Subordinate Bonds is included in gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding any federal tax consequences arising with respect to the purchase, holding, accrual or receipt of interest on or disposition of the Series 2022F Subordinate Bonds.

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

Bond Premium

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

Original Issue Discount

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

Recognition of Income Generally

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

Market Discount

An investor that acquires a Series 2022F Subordinate Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Series 2022F Subordinate Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Series 2022F Subordinate Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2022F Subordinate Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

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

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

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

Sales or Other Dispositions

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

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

Defeasance

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

Unearned Income Medicare Contribution Tax

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

Backup Withholding

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

Foreign Investors

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

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

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2022F Subordinate Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2022F Subordinate Bond is urged to consult its own tax advisor regarding the application of these provisions.

Exemption Under California State Law

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

Changes in Federal and State Law

From time to time, there are legislative proposals in the Congress and in the various state legislature that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

ERISA CONSIDERATIONS

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

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

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

RATINGS

Moody's Investor 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 "Aa3", "AA-", and "AA-", respectively, to the Series 2022CDEF Subordinate Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: 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 2022CDEF Subordinate 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 prices of the Series 2022CDEF Subordinate Bonds.

LEGAL MATTERS

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

FINANCIAL STATEMENTS

The audited financial statements of the Department for Fiscal Years 2021 and 2020 are included as part of APPENDIX C attached hereto. The financial statements have been audited by Moss Adams LLP, independent auditors, as stated in its Los Angeles World Airports (Los Angeles International Airport) Annual Financial Report for the Fiscal Years ended June 30, 2021 and June 30, 2020 included in APPENDIX C. 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 C 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 2022CDEF Subordinate 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 H – "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 2022CDEF Subordinate Bonds are being purchased from the Department by Loop Capital Markets, LLC ("Loop"), on their own behalf and on behalf of Citigroup Global Markets Inc. ("Citigroup") and Samuel A. Ramirez & Co., Inc. ("Ramirez"), the underwriters of the Series 2022CDEF Subordinate Bonds (collectively, the "Underwriters").

The Underwriters will purchase the Series 2022CDE Subordinate Bonds at a price of $497,378,519.81 (consisting of the aggregate principal amount of $428,840,000.00, plus a net original issue premium of $69,491,380.80, less an underwriters' discount of $952,860.99) all subject to the terms of the Bond Purchase Agreement between the Department and the Underwriters (the "Series 2022CDE Bond Purchase Agreement").

The Underwriters will purchase the Series 2022F Subordinate Bonds at a price of $40,893,802.28 (consisting of the aggregate principal amount of $40,985,000.00, less an underwriters' discount of $91,197.72) all subject to the terms of the Bond Purchase Agreement between the Department and the Underwriters (the "Series 2022F Bond Purchase Agreement" and together with the Series 2022CDE Bond Purchase Agreement, the "Series 2022 Bond Purchase Agreements").

The Series 2022CDE Bond Purchase Agreement provides that the Underwriters shall purchase all of the Series 2022CDE Subordinate Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Series 2022CDE 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 2022CDE Subordinate Bonds to certain dealers (including dealers depositing the applicable Series 2022CDE Subordinate 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 Series 2022F Bond Purchase Agreement provides that the Underwriters shall purchase all of the Series 2022F Subordinate Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Series 2022F 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 2022F Subordinate Bonds to certain dealers (including dealers depositing the applicable Series 2022F Subordinate 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 2022CDEF Subordinate 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.

Citigroup, an underwriter of the Series 2022CDEF Subordinate Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup will compensate Fidelity for its selling efforts.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC, a firm of independent certified public accountants, will verify from the information provided to it the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be deposited to the Senior Series 2012AB Escrow Funds will be sufficient to pay, on May 15, 2022, the redemption price of the Refunded Bonds plus interest accrued thereon to May 15, 2022.

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 2022CDEF Subordinate Bonds.

AUTHORIZATION

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

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES

By: /s/ Justin Erbacci
Chief Executive Officer

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APPENDIX A

DEPARTMENT AND AIRPORT INFORMATION

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THE DEPARTMENT OF AIRPORTS

General Description

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

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

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

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

Board of Airport Commissioners

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

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

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.

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, the Chief Executive Officer is empowered to appoint and remove the senior managers. Within each of the various divisions in the Department, there are various sections that are assigned certain responsibilities for the efficient operation and development of the Airport System. The following report directly to the Chief Executive Officer: (i) the Chief Financial Officer, (ii) the Chief Corporate Strategy and Affairs Officer, (iii) the Chief Sustainability and Revenue Management Officer, (iv) the Chief Development Officer, (v) the Deputy Executive Director, Operations and Maintenance, and (vi) the Deputy Executive Director, Safety and Security. The current principal administrative officers and their positions are named below:

Justin Erbacci, Chief Executive Officer. Mr. Erbacci was appointed General Manager/Chief Executive Officer in 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 $14.9 billion ongoing modernization program and led the integration of the capital development, guest experience, innovation, commercial strategy, information technology, environmental and sustainability, and operations and facilities management functions at both LAX and VNY. Mr. Erbacci joined the Department in October 2016 as Chief Innovation and Technology Officer and Deputy Executive Director where he was responsible for implementing the Department's overall information technology vision and strategy, in addition to leveraging innovative technologies and processes to enhance operations at LAX and VNY. Mr. Erbacci's role was expanded to Chief Innovation and Commercial Strategy Officer where, in addition to his previous role, he also sponsored and led the terminal development and improvement program and shaped commercial and business strategies. Prior to his appointment with the Department, he served as Vice President of Customer Experience & Technology for Star Alliance. In this role, he was responsible for the development, implementation, architecting, operations, and maintenance of all global IT applications and infrastructure components, and led all Star Alliance product and service activities at the over 1,300 airports where its airlines operated. Additionally, Mr. Erbacci has served as the Director of Global Product Management for Credit Suisse, and as a Manager of Business Planning and Technology at United Airlines. Mr. Erbacci has also served as a senior IT consultant for firms including Reese McMahon LLC, Cambridge Management Consultants, and Deloitte Touche Tohmatsu. Prior to consulting, he practiced law as a civil rights defense litigator. Mr. Erbacci earned a Master of Business Administration degree from the Vienna School of Economics/Moore School of Business at the University of South Carolina, and a Juris Doctor degree from Loyola University of Chicago's School of Law. He also earned a Bachelor of Arts in Political Science from Loyola University of Chicago.

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

Chief Corporate Strategy and Affairs Officer. This position is currently vacant. The Department is in the process of searching for a Chief Corporate Strategy and Affairs Officer.

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

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

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.

Cecil W. Rhambo Jr., Acting Deputy Executive Director, Law Enforcement and Homeland Security; Chief of Airport Police. Chief Rhambo was sworn-in as Chief of Airport Police on November 6, 2019. Chief Rhambo retired from the Los Angeles County Sheriff's Department in 2014 at the rank of Assistant Sheriff. In his 33 years with the Sheriff's Department, Chief Rhambo developed expertise in areas including municipal patrol, emergency management, community partnerships and employee union relations. As an Assistant Sheriff, his responsibilities included LA Metro's rail and bus lines. Chief Rhambo served as City Manager of the City of Compton from 2017 through July 2019 and Assistant City Manager of the City of Carson from 2014 to 2017. In those positions, he focused on budget discipline, relationships with internal and external stakeholders and economic development. He received his Bachelor's degree in Sociology from Humboldt State University and his Master's degree in Organizational Leadership from Woodbury University.

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

California. He has a Bachelor of Science in Engineering from Virginia Polytechnic Institute and State University and an Associate Degree in Project Management from George Washington University.

Becca Doten, Deputy Executive Director, Public and Government Affairs. Ms. Doten was named Deputy Executive Director of Public and Government Affairs in September 2020, overseeing the following units: Community Relations, Government Affairs, Public/Media Relations, Air Service Development and Airport Marketing. In her role, she is responsible for overseeing all internal and external communications and media relations; coordination with community organizations and neighborhood outreach efforts; collaboration with local, state and federal government partners on public policy and legislation; airport marketing and advertising; and the support and development of new routes and service at LAX. Ms. Doten joined the Department in July of 2017 as the Director of Public Relations. She was promoted to Managing Director of Public Relations in November 2018. During her tenure with the Department, she has directed the communications and media response to a number of high profile events, including the launch of a Terminal Wellness Pilot program, the opening of LAX-it, and the Department's internal and external communications strategy in response to the COVID-19 pandemic. Ms. Doten has worked effectively with the Chief Executive Officer and Chief Commercial Strategy and Affairs Officer to create and implement a strategy to keep Department employees informed during the COVID-19 pandemic. She also produced two highly successful Department Employee Forums, which brought together staff from across LAX and VNY for an event designed to inform, inspire and connect. Ms. Doten brings with her more than a decade of experience in communications, community relations and public policy at the city, county and state level. Prior to joining the Department, Ms. Doten served as the Assistant Deputy Controller and statewide Director of External Affairs for the State Controller's office. Prior to that, she spent seven years working for the City of Los Angeles, serving as the Director of Mayor Garcetti's Crisis Response Team and as the Chief of Staff and Director of Communications for a Los Angeles City Councilmember. Ms. Doten earned a Bachelor of Arts degree in Film Production from the University of Southern California.

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

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.

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

Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program. Mr. Thilenius was appointed as Deputy Executive Director 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.

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

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

Employees and Labor Relations

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

The Department has complied with the workforce retention requirements of the CARES Act and CRRSAA, which required the Department to employ at least 90.0% of its staff of March 27, 2020 through December 31, 2020 and February 15, 2021, respectively. The Department retained at least 90.0% of its staff of March 27, 2020 through September 30, 2021 in accordance with ARPA requirements. As of the date of this Official Statement, the Department has no plans to implement any retirement incentive programs or involuntary terminations.

The Fiscal Year 2022 budgeted personnel expenses associated with salaries/overtime, and pension contributions are projected to decrease by $2.9 million, or 0.9% and $2.8 million, or 3.0%, respectively, compared to the Fiscal Year 2021 Adopted Budget. The proposed budget assumes a headcount of approximately 3,264 full-time and part-time positions, including additional headcount in operations and safety and security.

As a municipal organization, the Department's employee and labor relations are governed by applicable State and City civil service rules and regulations as well as 25 separate labor agreements between management and unions ("Memoranda of Understanding"). Most of the Department's employees are covered by the Memoranda of Understanding. The following table lists all Memoranda of Understanding between the Department and labor and management unions and their respective expiration dates as of June 30, 2021.

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	December 31, 2022
Professional Engineering and Scientific Unit No. 8	December 31, 2022
Service and Craft Representation Unit No. 14	December 31, 2022
Service Employees Representation Unit No. 15	December 31, 2022
Supervisory Professional Engineering and Scientific Unit No. 17	December 31, 2022
Safety/Security Representation Unit No. 18	December 31, 2022
Municipal Construction Inspectors Association, Inc.	
Inspectors Unit No. 5	December 31, 2023
Los Angeles Professional Managers Association	
Management Employees Unit No. 36	December 31, 2022
Personnel Director Unit No. 63	December 31, 2022
Confidential Senior Personnel Analysts Unit No. 64	December 31, 2022
American Federation of State, County and Municipal Employees	
Clerical and Support Services Unit No. 3	December 31, 2022
Executive Administrative Assistants Unit No. 37	December 31, 2022
Engineers and Architects Association	
Administrative Unit No. 1	December 31, 2023
Supervisory Technical Unit No. 19	December 31, 2023
Supervisory Administrative Unit No. 20	December 31, 2023
Technical Rank and File Unit No. 21	December 31, 2023
Local No. 501, International Union of Operating Engineers	
Plant Equipment Operation and Repair Representation Unit No. 9	December 31, 2022
Los Angeles City Supervisors and Superintendents Association, Laborer's International Union of North America, Local 777	
Supervisory Blue Collar Unit No. 12	December 31, 2022
Los Angeles/Orange Counties Building and Construction Trades Council	
Building Trades Rank and File Representation Unit No. 2	December 31, 2022
Supervisory Building Trades and Related Employees Representation Unit No. 13	December 31, 2022
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	December 31, 2022
Los Angeles Airport Peace Officers Association	
Peace Officers Representation Unit No. 30	June 8, 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.

The Los Angeles City Employees' Retirement System ("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. The Los Angeles Fire and Police Pension Plan ("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 $87.4 million, $80.4 million, $92.5 million, $87.5 million and $78.9 million to LACERS with respect to LAX in Fiscal Years 2022, 2021, 2020, 2019 and 2018, respectively. The Department contributed to LAFPP approximately $2.8 million, $2.2 million, $1.7 million, $1.3 million and $443 thousand in Fiscal Years 2022, 2021, 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. For Fiscal Year 2021, a proportional allocation of the City's Net Pension Liability in the aggregate amount of approximately $1 billion was allocated to the Department with respect to LAX. 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. For Fiscal Year 2021, a proportional allocation of the City's Net OPEB Liability in the aggregate amount of approximately $79.8 million was allocated to the Department with respect to LAX. 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 unfunded actuarial accrued liabilities ("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 C – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020" and APPENDIX I – "CERTAIN INFORMATION REGARDING THE RETIREMENT PLAN

AND PENSION SYSTEMS OF THE CITY OF LOS ANGELES." The information in APPENDIX I 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 I or the LACERS Reports, LAFPP Reports or other information incorporated by reference therein. See also "CERTAIN INVESTMENT CONSIDERATIONS – Retirement Plan Funding."

Sustainability Initiatives

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

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

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

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

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

Diversity, Equity and Inclusion Initiatives

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

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

Subsidization within the Airport System

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

VNY serves as a reliever airport for LAX. Any VNY subsidy, when provided, is recovered by the Department through an increase in landing fees at LAX. Landing fees at LAX are calculated based on LAX's operating costs and amortization of debt as well as certain costs associated with VNY. In Fiscal Year 2021, LAX provided an approximately $1.3 million subsidy to VNY.

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

LOS ANGELES INTERNATIONAL AIRPORT

Introduction

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

No airline dominates in shares of enplaned passengers or provides formal "hubbing" activity at LAX. Delta Air Lines and American Airlines accounted for 22.1% and 20.2%, respectively, of all enplaned passengers at LAX for Fiscal Year 2021. For Fiscal Year 2021, an estimated 85.9% of passengers at LAX represented originating and destination ("O&D") passengers (that is, all passengers beginning or ending their trips at LAX). The remaining estimated 14.1% of passengers represented connections to or from regional markets as well as domestic connections to or from international markets. Historically, the level of connecting passengers at LAX is due primarily to: (i) LAX's role as a major gateway to numerous international markets; (ii) the geographical location of LAX in relation to numerous markets along the west coast of the United States; (iii) the significant number of nonstop flights to and from domestic markets; and (iv) the alliances among airlines serving LAX. As of September 2021, LAX provided scheduled service to 66 international destinations, as compared to 87 international destinations in September 2019.

See APPENDIX B – "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 158 contact gates in the Central Terminal Area along with nine remote hard stand positions. Many of the terminal contact gates can accommodate regional jet operations.

The existing airfield consists of four parallel east-west runways configured in two pairs. The north airfield complex includes Runway 6L-24R (8,926 feet) and Runway 6R-24L (10,885 feet). The south airfield complex includes Runway 7R-25L (11,095 feet) and Runway 7L-25R (12,923 feet). All runways are 150 feet wide, except for Runway 7R-25L, which is 200 feet wide. For approaches during Instrument Flight Rules conditions, instrument landing systems are installed on all eight runway ends. The current runway system at LAX can accommodate arrivals and departures of all commercial aircraft currently in service, including the Airbus A380.

Approximately 11,491 public parking spaces are available at LAX in parking lots owned by the Department, including approximately (i) 7,170 public parking spaces in eight parking garages in the Central Terminal Area, (ii) 2,690 public parking spaces in parking Lot E (permanently closed as of April 30, 2020), (iii) 21 public parking spaces in a cell phone waiting lot, and (iv) approximately 4,300 public parking spaces in LAX Economy Parking which opened in October 2021. 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.

Air Carriers Serving LAX

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

U.S. – flag airlines (14)

Network Airlines
Alaska Airlines
American Airlines
Delta Air Lines
Hawaiian Airlines
United Airlines

Regional Airlines
Boutique Air
Horizon Air[a]
SkyWest[b]
Southern Airways Express

Low-Cost Airlines
Allegiant Air
JetBlue Airways
Southwest Airlines
Spirit Airlines
Sun Country

Foreign Flag airlines (40)

Asia
Air China
All Nippon Airways
Asiana Airlines
Cathay Pacific Airways
China Airlines
China Southern Airlines
EVA Airways
Japan Airlines Co.
Korean Air Lines
Philippine Airlines
Singapore Airlines
Xiamen Airlines
ZIPAIR

South Pacific
Air New Zealand
Air Tahiti Nui
Fiji Airways
Qantas Airways

Latin America
Avianca Airlines[c]
Copa
LATAM Airlines[d]

Europe
Aeroflot
Air France
British Airways
Finnair
Iberia
KLM
Lufthansa
SAS
SWISS
Virgin Atlantic Airways

Middle East/Africa
El Al Israel
Emirates
Qatar Airways
Saudi Arabia Airlines
Turkish Airlines

Mexico
Aeroméxico
VivaAerobus
Volaris[e]

Canada
Air Canada
WestJet

Non-Scheduled Carriers (12)

Clay Lacy Aviation
Eastern Airlines LLC
Estafeta Carga Aerea
Hi Fly Transportes Aereos
Jin Air Co.
Longtail Aviation
Lynden Air
Omni Air
Privilege Style S.A.
Swift Air LLC
Volga-Dnepr
Wamos Air

All-Cargo Carriers (40)

ABX Air Inc.
AeroLogic GmbH
Aero Micronesia
Aerotransporte De Carga Union
Aerotransportes Mas De Carga
Air Bridge Cargo Airlines
Air China Cargo
Air Transport International
Ameriflight
Asiana Cargo
Atlas Air Cargo
CargoJet Airways
CargoLogicAir
Cargolux
Cathay Pacific Cargo
China Airlines Cargo
China Cargo Airlines
China Eastern Airlines[f]
China Southern Cargo
Emirates SkyCargo
Eva Airways Cargo
FedEx
Hainan Airlines[f]
Hi Fly Ltd
Kalitta Air LLC
Kalitta Charters
Korean Cargo
Lufthansa Cargo
Maleth Aero
National Air Cargo Group
Nippon Cargo
Northern Air Cargo
Polar Air Cargo
Qantas Airways Cargo
Qatar Airways Cargo
SF Airlines Co. Ltd.
Singapore Airlines Cargo
Sky Lease
United Parcel Service
Western Global Airlines

Note: Airlines providing scheduled service are shown.
(a) Horizon Airlines flies for Alaska Airlines.
(b) SkyWest Airlines flies for Alaska Airlines, American Airlines, Delta Air Lines, and United Airlines.
(c) Avianca Airlines includes Avianca Costa Rica and Avianca El Salvador.
(d) Includes LATAM Peru.
(e) Includes Volaris Costa Rica.
(f) Operating cargo only flights with passenger aircraft.

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 the U.S. DOT, LAX was the 5th busiest airport in the U.S. as measured by revenue enplaned passengers in calendar year 2020. According to ACI statistics, in calendar year 2020, LAX ranked as the 15th busiest airport in the world, approximately 1,697,004 passengers behind the 14th busiest airport in the world, and the 5th busiest airport in North America in terms of total number of enplaned passengers, and 8th busiest airport in the world and 4th busiest airport in North America in terms of total cargo. Global travel restrictions due to the COVID-19 pandemic and LAX's share of international passengers relative to other large hub airports contributed to the change in ranking. According to the U.S. DOT Origins and Destinations Survey of Airline Passenger Traffic for calendar year 2020, LAX ranked 1st nationally in number of domestic O&D passengers. O&D passengers begin and end their journeys at LAX, while connecting passengers transfer to other flights at LAX. Enplanements had fallen from approximately 44.2 million in Fiscal Year 2019 to approximately 14.6 million in Fiscal Year 2021, a decrease of approximately 67.0%. The following table shows the air passenger activity, total movements and cargo volume at LAX relative to the world's busiest airports. **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 B – "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 2020

Rank	Airport	Total Passengers	Airport	Total Movements	Airport	Total Cargo (metric tons)[1]
1	Guangzhou (CAN)	43,767,558	Atlanta (ATL)	548,016	Memphis (MEM)	4,613,431
2	Atlanta (ATL)	42,918,685	Chicago (ORD)	538,211	Hong Kong (HKG)	4,468,089
3	Chengdu (CTU)	40,741,509	Dallas/Fort Worth (DFW)	514,702	Shanghai (PVG)	3,686,627
4	Dallas/Fort Worth (DFW)	39,364,990	Denver (DEN)	436,971	Anchorage (ANC)	3,157,682
5	Shenzhen (SZX)	37,916,054	Phoenix (DVT)	402,444	Louisville (SDF)	2,917,243
6	Chongqing (CKG)	34,937,789	Charlotte (CLT)	397,983	Incheon (ICN)	2,822,370
7	Beijing (PEK)	34,513,827	**Los Angeles (LAX)**	**379,364**	Chinese Taipei (TPE)	2,342,714
8	Denver (DEN)	33,741,129	Guangzhou (CAN)	373,421	**Los Angeles (LAX)**	**2,229,476**
9	Kunming (KMG)	32,990,805	Shanghai (PVG)	325,678	Doha (DOH)	2,175,292
10	Shanghai (SHA)	31,165,641	Las Vegas (LAS)	323,422	Miami (MIA)	2,137,699
11	Xi'an (XIY)	31,073,924	Shenzhen (SZX)	320,348	Tokyo (NRT)	2,016,531
12	Tokyo (HND)	31,055,210	Chengdu (CTU)	311,797	Chicago (ORD)	2,002,671
13	Chicago (ORD)	30,860,251	Phoenix (PHX)	310,324	Dubai (DXB)	1,932,022
14	Shanghai (PVG)	30,476,531	Seattle (SEA)	296,048	Frankfurt (FRA)	1,914,285
15	**Los Angeles (LAX)**	**28,779,527**	Beijing (PEK)	291,498	Guangzhou (CAN)	1,759,281

(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 2020, April 2021.

The following table presents historical total revenue operations (landings and takeoffs) and total domestic and international enplanements and deplanements at LAX for Fiscal Years 2012 through 2021.

As shown in the table below, from Fiscal Year 2012 through Fiscal Year 2019, total enplaned and deplaned passengers at LAX increased at a compounded annual growth rate of approximately 4.9%. In Fiscal Year 2021, the total enplaned and deplaned passengers at LAX decreased by 53.7% from Fiscal Year 2020 and for Fiscal Year 2012 through Fiscal Year 2021, total enplaned and deplaned passengers at LAX decreased at a compounded annual rate of approximately 7.4%. From Fiscal Year 2012 through Fiscal Year 2019, revenue operations at LAX increased at a compound annual growth rate of approximately 2.0%. In Fiscal Year 2021, revenue operations at LAX decreased by 30.4% from Fiscal Year 2020, and for Fiscal Year 2012 through Fiscal Year 2021, revenue operations at LAX decreased at a compound annual rate of approximately 4.5%. See also "CERTAIN INVESTMENT CONSIDERATIONS – COVID-19 Pandemic and Related Matters; - Demand for Air Travel; and - Aviation Activity and Related Matters, Financial Condition of the Airlines; Effect of Airline Industry Consolidation; Effect of Airline and Counterparty Bankruptcies."

The decrease in revenue operations and total enplaned and deplaned passengers at LAX in Fiscal Years 2020 and 2021 are due to the COVID-19 pandemic. For a further breakdown of a month by month comparison for each month in calendar years 2019 and 2020 and each month in the first ten calendar months of calendar year 2021, see Table 7-A.

TABLE 7[1]

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

	Revenue Operations		Enplanements and Deplanements					
Fiscal Year	**Total Operations**	**Operations Growth (%)**	**Domestic[1]**	**Domestic Growth (%)**	**International[1]**	**International Growth (%)**	**Total[1]**	**Total Passenger Growth (%)**
2012	578,876	4.2	45,957,814	3.6	16,967,262	4.4	62,925,076	3.8
2013	570,865	(1.4)	47,641,025	3.7	17,328,077	2.1	64,969,102	3.2
2014	597,734	4.7	50,153,104	5.3	18,629,078	7.5	68,782,182	5.9
2015	608,687	1.8	52,465,475	4.6	19,612,144	5.3	72,077,619	4.8
2016	627,529	3.1	56,133,548	7.0	21,675,592	10.5	77,809,140	8.0
2017	662,621	5.6	58,857,648	4.9	24,067,027	11.0	82,924,675	6.6
2018	668,911	0.9	60,902,492	3.5	25,729,359	6.9	86,631,851	4.5
2019	663,266	(0.8)	61,983,392	1.8	25,922,076	0.7	87,905,468	1.5
2020	526,921	(20.6)	44,801,765	(27.7)	17,913,305	(30.9)	62,715,070	(28.7)
2021	366,879	(30.4)	24,688,871	(44.9)	4,361,760	(75.7)	29,050,631	(53.7)

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

(2) Enplaned and deplaned passengers.

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 each month for the calendar years 2019 and 2020 and each month in the first ten calendar months of calendar year 2021. As shown below, operations had declined in each month in 2021 from January through October as compared with the same months in 2019 by an average of 30.0% and total passengers decreased for the same period in 2021 by an average of 49.7% as compared with the same months in 2019. Following the global outbreak of COVID-19, operations growth dropped by 19.7% and passengers dropped by 55.4% in March 2020 as compared with March 2019. The most significant declines in operations occurred in May 2020, with a 73.2% decrease as compared with May 2019. The most significant decline in total passengers occurred in April 2020 with a 95.9% decrease as compared with April 2019. Since January 2021, total monthly enplanements and deplanements at LAX have increased, although total international enplanements and deplanements at LAX are showing a slower recovery than domestic enplanement and deplanements. LAX experienced total declines greater than the U.S. average, but consistent with the average decline at the five busiest U.S. international gateways, due to its higher relative share of international enplanements and deplanements compared to U.S. averages. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT."

TABLE 7-A

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

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

(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 2017 through 2021 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 2021 RESULTS)

		Fiscal Year 2017		Fiscal Year 2018		Fiscal Year 2019		Fiscal Year 2020		Fiscal Year 2021	
	Airline	Enplanements	Share(%)[(2)]	Enplanements	Share(%)[(2)]	Enplanements	Share(%)[(2)]	Enplanements	Share(%)[(2)]	Enplanements	Share(%)[(2)]
1	Delta Air Lines[(4)*]	6,838,256	16.4	7,326,619	16.8	7,624,050	17.2	5,593,994	17.8	3,220,176	22.1
2	American Airlines[(3)‡]	8,002,129	19.2	8,123,030	18.7	8,470,061	19.2	6,236,116	19.8	2,947,274	20.2
3	United Airlines[(5) †]	6,062,305	14.6	6,254,908	14.4	6,444,715	14.6	4,406,058	14.0	2,170,164	14.9
4	Southwest Airlines	4,843,969	11.6	4,969,888	11.4	4,955,873	11.2	3,341,752	10.6	1,523,531	10.4
5	Alaska Airlines[(6) ‡]	3,524,495	8.5	3,656,694	8.4	3,343,980	7.6	2,386,562	7.6	1,254,373	8.6
6	Spirit Airlines	1,237,471	3.0	1,259,622	2.9	1,257,930	2.8	926,856	2.9	935,538	6.4
7	JetBlue Airways	784,922	1.9	886,227	2.0	920,655	2.1	725,885	2.3	675,008	4.6
8	Volaris	351,114	0.8	363,178	0.8	384,704	0.9	331,529	1.1	224,740	1.5
9	Frontier Airlines	301,653	0.7	255,820	0.6	146,362	0.3	154,561	0.5	186,000	1.3
10	Hawaiian Airlines	440,721	1.1	497,753	1.1	518,062	1.2	358,822	1.1	173,243	1.2
11	Allegiant Air	211,261	0.5	214,231	0.5	229,771	0.5	165,437	0.5	122,946	0.8
12	Aerovias De Mexico[*]	433,813	1.0	424,084	1.0	400,446	0.9	206,470	0.7	110,998	0.8
13	TACA[†]	121,456	0.3	142,497	0.3	127,632	0.3	136,733	0.4	74,224	0.5
14	VivaAerobus	0	0.0	24,986	0.1	57,729	0.1	64,430	0.2	73,849	0.5
15	Sun Country	90,506	0.2	102,905	0.2	120,726	0.3	111,563	0.4	72,750	0.5
16	Turkish Airlines[†]	114,554	0.3	115,475	0.3	114,626	0.3	83,138	0.3	67,351	0.5
17	Qatar Airways[‡]	75,265	0.2	73,700	0.2	77,960	0.2	62,618	0.2	56,305	0.4
18	Lufthansa Airlines[†]	296,968	0.7	304,574	0.7	315,443	0.7	221,161	0.7	51,415	0.4
19	Air France[*]	309,367	0.7	308,063	0.7	309,134	0.7	230,996	0.7	45,401	0.3
20	Korean Airlines[*]	263,164	0.6	260,814	0.6	251,471	0.6	200,356	0.6	44,591	0.3
	Other	7,299,543	17.5	7,989,519	18.3	8,136,134	18.4	5,484,420	17.4	563,914	3.9
	Airport Total[(2)]	41,602,932	100.0	43,554,587	100.0	44,207,464	100.0	31,429,457	100.0	14,593,791	100.0

[*] Member of SkyTeam Alliance.
[†] Member of Star Alliance.
[‡] Member of oneworld 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, 2021 and June 30, 2020.
[(2)] Totals may not add due to rounding.
[(3)] Includes 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 ten-month period from January through October of calendar years 2019, 2020 and 2021 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-OCTOBER 2021 RESULTS)

		January – October 2019		January – October 2020		January – October 2021	
	Airline	Enplanements	Share(%)[6]	Enplanements	Share(%)[6]	Enplanements	Share(%)[6]
1	Delta Air Lines[2]*	6,613,371	17.8	2,262,496	18.3	4,171,829	22.1
2	American Airlines[3]‡	7,126,171	19.2	2,546,734	20.6	3,952,567	21.0
3	United Airlines[4] †	5,304,710	14.3	1,680,528	13.6	2,866,605	15.2
4	Southwest Airlines	4,028,069	10.9	1,426,061	11.5	1,843,833	9.8
5	Alaska Airlines‡	2,743,649	7.4	960,657	7.8	1,629,249	8.6
6	JetBlue Airways	825,854	2.2	338,329	2.7	1,002,087	5.3
7	Spirit Airlines	1,063,704	2.9	592,570	4.8	953,292	5.1
8	Hawaiian Airlines	417,567	1.1	118,272	1.0	302,571	1.6
9	Volaris	344,806	0.9	163,209	1.3	250,836	1.3
10	Aerovias De Mexico*	289,526	0.8	85,957	0.7	184,402	1.0
11	Allegiant Air	200,540	0.5	86,527	0.7	156,287	0.8
12	Air Canada	670,492	1.8	150,366	1.2	107,322	0.6
13	Frontier Airlines	135,950	0.4	113,270	0.9	104,338	0.6
14	VivaAerobus	54,375	0.1	38,613	0.3	95,206	0.5
15	Sun Country	123,706	0.3	47,694	0.4	87,562	0.5
16	Turkish Airlines†	96,413	0.3	41,524	0.3	85,272	0.5
17	Lufthansa Airlines†	290,535	0.8	60,461	0.5	78,602	0.4
18	Air France*	266,663	0.7	74,862	0.6	78,431	0.4
19	Qatar Airways‡	70,666	0.2	34,072	0.3	72,497	0.4
20	TACA†	106,239	0.3	63,428	0.5	72,093	0.4
	Other	6,329,824	17.1	1,496,542	12.1	758,744	4.0
	Airport Total[5]	37,102,830	100.0	12,382,172	100.0	18,853,625	100.0

* Member of SkyTeam Alliance.
† Member of Star Alliance.
‡ Member of oneworld 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, 2021 and June 30, 2020.
(2) Includes SkyWest and Compass Airlines as Delta.
(3) Includes SkyWest, Envoy, American Eagle and Compass Airlines as American Airlines.
(4) Includes SkyWest Airlines as United.
(5) Totals may not add due to rounding.

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 2017 through 2021 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 BY FISCAL YEAR 2021 RESULTS)
(000 LBS.)

		Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	Airline	2017	Share(%)[2]	2018	Share(%)[2]	2019	Share(%)[2]	2020	Share(%)[2]	2021	Share(%)[2]
1	Delta Airlines[4]*	8,114,506	12.9	8,256,339	12.9	8,472,919	13.1	6,859,308	12.9	5,806,830	14.5
2	American Airlines[3] ‡	10,389,870	16.6	10,127,508	15.8	10,443,496	16.1	8,352,102	15.7	4,934,991	12.3
3	United Airlines[5] †	7,121,940	11.4	7,385,299	11.5	7,598,169	11.7	5,953,695	11.2	3,919,964	9.8
4	Southwest Airlines	5,491,352	8.8	5,640,799	8.8	5,527,878	8.5	4,280,304	8.0	2,334,760	5.8
5	Alaska Airlines[6] ‡	3,946,338	6.3	4,076,436	6.3	3,792,600	5.9	2,983,128	5.6	2,088,492	5.2
6	Federal Express Corp	2,068,855	3.3	2,045,342	3.2	2,081,790	3.2	1,893,430	3.6	1,934,455	4.8
7	Kalitta Air LLC	308,606	0.5	318,639	0.5	447,612	0.7	938,188	1.8	1,812,510	4.5
8	China Airlines Ltd*	747,304	1.2	701,022	1.1	538,540	0.8	669,946	1.3	1,205,088	3.0
9	JetBlue Airways Corporation	916,512	1.5	1,039,622	1.6	1,099,130	1.7	946,540	1.8	1,068,766	2.7
10	Spirit Airlines	1,344,172	2.1	1,283,316	2.0	1,246,310	1.9	970,870	1.8	1,061,726	2.7
11	Korean Airlines*	1,073,416	1.7	1,078,306	1.7	1,052,664	1.6	1,038,837	1.9	1,042,454	2.6
12	Eva Airways†	727,122	1.2	677,719	1.1	656,847	1.0	624,331	1.2	692,457	1.7
13	Asiana Airlines†	745,578	1.2	785,038	1.2	740,156	1.1	679,696	1.3	656,586	1.6
14	Air China†	635,768	1.0	683,189	1.1	702,277	1.1	598,249	1.1	568,625	1.4
15	All Nippon Airways†	404,420	0.6	540,910	0.8	528,896	0.8	526,854	1.0	567,274	1.4
16	China Southern Airlines	756,903	1.2	743,964	1.2	788,017	1.2	663,883	1.2	524,965	1.3
17	China Eastern Airlines*	443,708	0.7	451,464	0.7	461,990	0.7	380,120	0.7	523,491	1.3
18	Atlas Air	227,097	0.4	259,551	0.4	359,113	0.6	355,758	0.7	514,660	1.3
19	Cathay Pacific Airways‡	1,135,572	1.8	1,015,449	1.6	980,929	1.5	866,561	1.6	473,118	1.2
20	Japan Airlines‡	340,910	0.5	340,265	0.5	344,670	0.5	343,182	0.6	449,267	1.1
	Other	15,764,156	25.1	16,790,479	26.1	16,886,920	26.1	13,353,522	25.1	7,874,696	19.7
	Airport Total[2]	62,704,105	100.0	64,240,656	100.0	64,750,923	100.0	53,278,504	100.0	40,055,175	100.0

* Member of SkyTeam Alliance.
† Member of Star Alliance.
‡ Member of oneworld 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, 2021 and June 30, 2020.
(2) Totals may not add due to rounding.
(3) Includes 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 ten-month period from January through October of calendar years 2019, 2020 and 2021.

TABLE 9-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOTAL REVENUE LANDED WEIGHT[1]
(RANKED BY JANUARY-OCTOBER 2021 RESULTS)
(000 LBS.)

	Airline	January – October 2019	Share(%)[6]	January – October 2020	Share(%)[6]	January – October 2021	Share(%)[6]
1	Delta Air Lines[2]*	7,242,221	13.4	3,923,351	12.2	5,923,362	14.9
2	American Airlines[3] ‡	8,653,784	16.0	4,261,888	13.2	5,629,913	14.2
3	United Airlines[4] †	6,262,848	11.6	3,211,683	10.0	4,120,224	10.4
4	Alaska Airlines‡	3,124,765	5.8	1,580,506	4.9	2,209,376	5.6
5	Southwest Airlines	4,496,122	8.3	2,513,504	7.8	2,174,857	5.5
6	Federal Express	1,598,372	3.0	1,549,851	4.8	1,566,815	3.9
7	Kalitta Air LLC	506,572	0.9	1,164,965	3.6	1,518,063	3.8
8	JetBlue Airways	970,426	1.8	614,106	1.9	1,307,732	3.3
9	Spirit Airlines	1,061,897	2.0	702,789	2.2	1,050,293	2.6
10	Korean Airlines*	855,216	1.6	836,652	2.6	993,580	2.5
11	China Airlines Ltd*	433,064	0.8	857,576	2.7	925,796	2.3
12	Asiana Airlines†	572,556	1.1	510,634	1.6	609,452	1.5
13	Air China Limited†	573,977	1.1	480,654	1.5	542,937	1.4
14	Eva Airways†	547,651	1.0	531,133	1.7	541,538	1.4
15	Hawaiian Airlines	591,136	1.1	316,363	1.0	519,858	1.3
16	All Nippon Airways†	480,872	0.9	378,936	1.2	510,440	1.3
17	Atlas Air Inc.	242,362	0.4	347,275	1.1	474,734	1.2
18	Cathay Pacific Airways‡	809,243	1.5	532,393	1.7	466,896	1.2
19	China Southern Airlines	651,737	1.2	457,491	1.4	449,946	1.1
20	Japan Airlines‡	291,524	0.5	295,700	0.9	425,945	1.1
	Other	13,959,681	25.9	7,116,150	22.1	7,743,376	19.5
	Airport Total[5]	53,926,026	100.0	32,183,600	100.0	39,705,133	100.0

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‡ Member of oneworld 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, 2021 and June 30, 2020.
(2) Includes SkyWest, Envoy, American Eagle and Compass Airlines as American Airlines.
(3) Includes SkyWest and Compass Airlines as Delta.
(4) Includes SkyWest Airlines as United.
(5) Totals may not add due to rounding.

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

The following table presents enplaned and deplaned cargo at LAX for the previous ten Fiscal Years.

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(%)
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)
2020	855,645	(5.4)	1,429,799	(4.5)	2,285,445	(4.8)
2021	1,054,890	23.3	1,762,420	23.3	2,817,310	23.3

(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, 2021 and June 30, 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 B – "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 for the calendar years 2019 and 2020 and each month in the first ten calendar months of calendar year 2021.

TABLE 10-A

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

Month	Domestic Cargo	Annual Growth[(1)]	International Cargo	Annual Growth[(1)]	Total Cargo	Annual Growth[(1)]
January-2019	76,706	--	105,237	--	181,943	--
January-2020	64,310	(16.2%)	108,124	2.7%	172,434	(5.2%)
January-2021	86,571	34.6%	136,667	26.4%	223,238	29.5%
February-2019	67,805	--	92,230	--	160,035	--
February-2020	58,657	(13.5%)	88,915	(3.6%)	147,572	(7.8%)
February-2021	76,437	30.3%	134,018	50.7%	210,455	42.6%
March-2019	79,232	--	129,021	--	208,253	--
March-2020	70,138	(11.5%)	116,783	(9.5%)	186,921	(10.2%)
March-2021	96,702	37.9%	167,930	43.8%	264,632	41.6%
April-2019	73,285	--	117,006	--	190,291	--
April-2020	67,968	(7.3%)	108,406	(7.4%)	176,373	(7.3%)
April-2021	92,320	35.8%	158,841	46.5%	251,161	42.4%
May-2019	72,591	--	126,155	--	198,746	--
May-2020	77,294	6.5%	131,888	4.5%	209,182	5.3%
May-2021	95,542	23.6%	164,428	24.7%	259,970	24.3%
June-2019	70,601	--	122,535	--	193,135	--
June-2020	80,288	13.7%	131,409	7.2%	211,698	9.6%
June-2021	91,569	14.1%	155,259	18.1%	246,829	16.6%
July-2019	70,862	--	122,140	--	193,003	--
July-2020	84,581	19.4%	133,807	9.6%	218,388	13.2%
July-2021	93,960	11.1%	155,493	16.2%	249,453	14.2%
August-2019	73,970	--	123,424	--	197,394	--
August-2020	83,181	12.5%	131,107	6.2%	214,288	8.6%
August-2021	92,599	11.3%	153,308	16.9%	245,907	14.8%
September-2019	65,277	--	120,770	--	186,047	--
September-2020	79,385	21.6%	137,138	13.6%	216,524	16.4%
September-2021	90,888	14.5%	152,509	11.2%	243,397	12.4%
October-2019	73,076	--	129,148	--	202,224	--
October-2020	86,193	18.0%	150,044	16.2%	236,237	16.8%
October-2021	93,392	8.4%	167,907	12.0%	261,299	10.6%
November-2019	71,363	--	128,430	--	199,793	--
November-2020	83,447	16.9%	153,160	19.3%	236,607	18.4%
December-2019	82,442	--	120,362	--	202,804	--
December-2020	98,961	20.0%	140,019	16.3%	238,980	17.8%

(1) The annual growth is calculated based on the difference between the total cargo in that month as compared with the same month for the prior calendar year.

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

See “CERTAIN INVESTMENT CONSIDERATIONS” for discussion of some factors that may impact future aviation activity at LAX. See “USE OF AIRPORT FACILITIES” and APPENDIX B – “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 Airport Service Region includes primary and secondary areas. The primary geographical area served by LAX consists of the Los Angeles CSA as designated by the United States Bureau of the Census and includes the five-county area of Los Angeles, Orange, Riverside, San Bernardino and Ventura counties. The Los Angeles CSA is the second largest Combined Statistical Area (“CSA”) in the United States, with 2.3 million households having income in excess of $100,000. There are six air carrier airports within the primary area. Historically and statistically, LAX is the dominant airport in the primary area, with approximately 72.3% of the total enplaned passengers in Fiscal Year 2021. Ontario International Airport (ONT), Hollywood Burbank Airport (BUR), John Wayne Airport (SNA), Long Beach Airport (LGB) and Palm Springs Airport (PSP) provide more limited air service to destinations outside of the Airport Service Region and accounted for approximately 27.7% of enplaned passengers in LAX’s primary area in Fiscal Year 2021.

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

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

Emergency Management

The Department has four core groups that are responsible for emergency management: Fire, Law Enforcement, Airport Operations and Emergency Management Division. These core groups are responsible for the emergency planning for all phases of emergency management: mitigation, preparedness, response and recovery. 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 – Aviation Safety; Security Concerns; Cyber Security" and "—Seismic Risks."

USE OF AIRPORT FACILITIES

General

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

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

Operating Permits – Landing and Apron Facilities and Landing Fees

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

Revenues to the Department from landing and apron fees at LAX were approximately $164.7 million in Fiscal Year 2021 as compared with approximately $259.2 million in Fiscal Year 2020, a decrease of approximately 36.5%. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021." See also APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES – Airline Revenues."

For the nine-month period ended September 30, 2021, revenues to the Department from net landing fees at LAX were approximately $151.6 million, an increase of approximately $15.1 million, or 11.1% as compared with the same period in 2020 (these results are preliminary, unaudited and subject to change).

Airport Terminal Tariff

The Airlines and businesses involved in aeronautical activities at LAX other than governmental activities or concessions (each, an "Aeronautical User") use terminal space under the terms of the LAX Passenger Terminal Tariff (the "Airport Terminal Tariff"). The Airport Terminal Tariff has no term or expiration date but is subject to change from time to time by the Board. After consultation with airline representatives regarding the Department's rates and charges, on June 3, 2021, the Board approved certain changes to the Airport Terminal Tariff, which became effective on July 1, 2021. See – "INTRODUCTION – COVID-19 Pandemic Issues and Impacts – Airline Cost Stabilization and Recovery Plan."

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

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

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

Revenues to the Department from terminal rentals at LAX (including cargo and warehouse) were approximately $520.7 million in Fiscal Year 2021 as compared with approximately $491.9 million in Fiscal Year 2020, an increase of approximately 5.9%. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021" and " – Management Discussion of Fiscal Year 2020" and "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Top Revenue Providers and Sources." See also APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES."

For the nine-month period ended September 30, 2021, revenues to the Department from terminal rentals at LAX (including cargo and warehouse) were approximately $476.6 million, an increase of approximately $103.9 million, or 27.9% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

Rate Agreement

Overview

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

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

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

Beginning in calendar year 2014, the Department provided Signatory Airlines a credit for a portion of the concession revenue generated in the terminals at LAX. The amount of these credits was approximately $36.7 million in Fiscal Year 2019, approximately $40.3 million in Fiscal Year 2020 and approximately $31.0 million in Fiscal Year 2021. These credits result in a reduced Terminal Building Rate (and a corresponding reduction in revenues derived from the Terminal Building Rate) and a reduced FIS Rate paid by the Signatory Airlines.

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

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 $139.2 million annually with a maximum unused fund balance amount of $556.7 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 are required to be deferred for five years after the projects are placed in service. In June 2021, the Department transferred approximately $52.1 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 Fund. No further deposits were made into the Revenue Sharing Fund for Fiscal Year 2021. 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 to the Department in the following priority: first, against Terminal rentals and second, against landing fees.

As part of the Airline Cost Stabilization and Recovery Plan, the Department took a number of measures to make LAX rates and charges more competitive to enable the reinstatement of lost air service due to the COVID-19 pandemic and attract new routes, avoid triggering increases in rates and charges tied to reduced activity, and equalize rates and charges throughout LAX for common use facilities, including completing its take-over of the operations, maintenance and rate setting responsibilities for the common use facilities of Terminal 5 and TBIT (including the West Gates at TBIT, formerly referred to as the Midfield Satellite Concourse) and from Tom Bradley International Terminal Equipment Company, an airline consortium ("TBITEC"). Furthermore, the Department (i) amended, effective July 1, 2021, the methodology for establishing rates and charges for the use of terminal facilities and equipment ("Amended Rate Methodology"), which Amended Rate Methodology is to continue through June 30, 2033; (ii) provided for an amended and restated rate agreement (the "2021 Rate Agreement Amendment") with a term that extends through June 30, 2033; (iii) revised terminal rates and charges to include certain costs and implemented cost reduction and deferral measures; and (iv) revised landing and apron fees to include cost deferrals.

On May 17, 2021, the Department obtained written consent from a majority of Signatory Airlines, approving the Amended Rate Methodology, and on June 3, 2021 the Board authorized the Chief Executive Officer to enter into the 2021 Rate Agreement Amendment with each respective passenger air carrier or airline consortium. The Department provided the air carriers and airline consortiums until September 30, 2021 the opportunity to sign and deliver the 2021 Rate Agreement Amendment. After that date, Signatory Airlines operating currently under the existing the Rate Agreement (including as previously amended) will continue to operate under that agreement until its expiration on December 31, 2032.

The Report of the Airport Consultant considers the rate-setting principles of the Rate Agreement, as amended by the 2021 Rate Agreement Amendment, in forecasting airline revenues. See APPENDIX B – "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 ("Other Building Rentals") and ancillary land facilities at LAX ("Land Rentals"). The rental rates and other terms for Land Rentals and Other Building Rentals vary. See "—Facilities Use Terms and Conditions."

Revenues to the Department from Land Rentals at LAX were approximately $109.6 million in Fiscal Year 2021 as compared with approximately $115.5 million in Fiscal Year 2020. Revenues to the Department from Other Building Rentals at LAX were approximately $79.7 million in Fiscal Year 2021 as compared with approximately $79.6 million in Fiscal Year 2020. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021."

For the nine-month period ended September 30, 2021, revenues to the Department from Land Rentals at LAX were approximately $83.0 million, an increase of approximately $0.8 million, or 1.0% as compared with the same period in calendar year 2020, and revenues to the Department from Other Building Rentals at LAX were approximately $59.2 million, a decrease of approximately $0.8 million, or 1.4% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

Department Acquisition of Certain Terminal Improvements; Credits

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

Under the Department's terminal leases, subject to certain conditions, the Department has agreed to purchase from Aeronautical Users certain Aeronautical User Improvements in the aggregate amount of approximately $3.04 billion (of which as of December 1, 2021, approximately $1.93 billion have not been purchased) and the Department has the option to purchase from Aeronautical Users certain Terminal Improvements in the aggregate principal amount of approximately $1.30 billion (of which as of December 1, 2020, approximately $765 million have not been purchased). If the Department does not exercise the option to purchase the Terminal Improvements, it is required under the applicable terminal lease to issue to the applicable Aeronautical User a credit in an amount to reimburse the applicable Aeronautical User for costs related to such Terminal Improvements and imputed interest. If such credits are issued, the credits will be issued and amortized on a straight-line basis over the period from the date on which the

Department could exercise the option to purchase the Terminal Improvements through the end of the terminal lease or such date as the Department extinguishes the credit through cash payment. The Department has exercised all options to purchase Terminal Improvements with funds that have been appropriated as of the date of this Official Statement.

The Department, pursuant to the Department's terminal leases, also may be required to issue credits to certain Aeronautical Users responsible for the cost of relocating other terminal users to facilitate the terminal renovations, for the cost of such relocations. The amounts of these credits may vary depending on the scope of the required relocations. As of July 1, 2020, the Department had agreed to issue approximately $60 million of relocation rental credits to Delta Air Lines in equal installments of approximately $15 million per year over a four-year period commencing in 2020. As of July 1, 2021, approximately $30 million remain outstanding. Credits are applied as an offset against amounts otherwise due to the Department by such Aeronautical Users as charges for use of LAX facilities, including amounts owed pursuant to the Airport Terminal Tariff and landing fees. Because these credits are applied as an offset to amounts owed to the Department by such Aeronautical Users, the Department receives less money from these Aeronautical Users than such Aeronautical Users would otherwise provide absent the credit. 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 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 Report of the Airport Consultant. See "AIRPORT AND CAPITAL PLANNING" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES," which is part of the Report of the Airport Consultant and contained in APPENDIX B.

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 B – "REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES."

Facility Management

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

Parking revenues to the Department at LAX were approximately $57.3 million in Fiscal Year 2021 as compared with approximately $87.8 million in Fiscal Year 2020. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021."

For the nine-month period ended September 30, 2021, parking revenues to the Department at LAX were approximately $60.5 million, an increase of approximately $21.3 million, or 54.2% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

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 2026. 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. See "INTRODUCTION – COVID-19 Pandemic Issues and Impacts."

Revenues to the Department from duty free sales at LAX were approximately $5.1 million in Fiscal Year 2021 as compared with approximately $55.7 million in Fiscal Year 2020, a decrease of approximately 90.8%. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021."

For the nine-month period ended September 30, 2021, revenues to the Department from duty free sales at LAX were approximately $9.9 million, a decrease of approximately $3.1 million, or 24.0% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

Rental Cars

Approximately 21 rental car brands operate a rental car concession at LAX from facilities located off-airport. Ten rental car companies, operating twelve rental car brands (the "Concessionaire Rental Car Companies"), have entered into a non-exclusive concession agreement with the Department to operate a rental car concession at LAX. The rental car brands that are subject to a Rental Car Concession Agreement include: Avis, Budget, Zip Car, Enterprise, Alamo, National, Hertz, Dollar, Thrifty, Fox, Europcar, and Sixt. The Concessionaire Rental Car Companies operating at LAX provide courtesy 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 guarantee or a concession fee, as set forth in the agreements with the Concessionaire Rental Car Companies and are also required to collect a CFC. 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. Approximately nine rental car companies operate at LAX pursuant to 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 a non-concessionaire rental car depot located on West Century Boulevard at 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 $6,367 per month, which fees are subject to an annual increase of two percent. Currently, the Non-Concessionaire Rental Car Companies are not required to collect a Customer Facility Charge from their customers.

Revenues to the Department from Concessionaire Rental Car Companies were approximately $33.7 million in Fiscal Year 2021 as compared with approximately $65.2 million in Fiscal Year 2020, a decrease of approximately 48.3%.

For the nine-month period ended September 30, 2021, revenues to the Department from Concessionaire Rental Car Companies were approximately $40.9 million, an increase of approximately $17.03 million, or 71.3% as compared with the same period in calendar year 2020.

Revenues to the Department from Customer Facility Charges were approximately $32.6 million at LAX in Fiscal Year 2021 as compared with approximately $65.6 million at LAX in Fiscal Year 2020, a decrease of approximately 50.3%.

For the nine-month period ended September 30, 2021, revenues to the Department from Customer Facility Charges at LAX were approximately $34.06 million, an increase of approximately $6.05 million, or 21.6% as compared with the same period in calendar year 2020.

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 and will not (while the LAX CFC Bonds are outstanding) include Customer Facility Charge revenues in Pledged Revenues pursuant to any Supplemental Senior Indenture.

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. The rental car brands that are subject to a Rental Car CLA include: Avis, Budget, Payless (the only rental car company that will be subject to a Rental Car CLA that is not currently subject to a Rental Car Concession Agreement), Zip Car, Enterprise, Alamo, National, Hertz, Dollar, Thrifty, Fox, Europcar, and Sixt. Two of the rental car companies then operating at LAX, Advantage and Hertz filed for Chapter 11 bankruptcy protection. For additional information, see "INTRODUCTION – COVID-19 Pandemic Issues and Impacts." Advantage changed from an on-airport rental concessionaire to an off-airport rental car licensee in February 2020 and then ceased all operations at LAX in June 2020. Hertz assumed its Rental Car CLA and exited from bankruptcy in July 2021. 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 Rental Car 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, among other things, the privilege of ConRAC customers' use of the automated people mover ("APM") system that will transport passengers between the ConRAC and the Central Terminal Area (the "CTS Contribution"); and (iv) certain other charges. The rental car companies that have entered into a Rental Car CLA will also be required to collect Customer Facility Charges from their customers and remit such charges to the Department. Pursuant to the Rental Car CLAs, if remaining Customer Facility Charge revenues (after application to debt service on the LAX CFC Bonds, 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 B – "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, 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. URW Agreements for Terminals 1, 2, 3, 6, TBIT and the Midfield Satellite Concourse are currently scheduled to expire on June 30, 2034.

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 2020 the minimum annual guaranty was 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. See "INTRODUCTION – COVID-19 Pandemic Issues and Impacts."

Revenues to the Department from the terminal commercial manager were approximately $8.4 million in Fiscal Year 2021 as compared with approximately $39.6 million in Fiscal Year 2020, a decrease of approximately 78.8%. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021."

For the nine-month period ended September 30, 2021, revenues to the Department from the terminal commercial manager were approximately $6.5 million, a decrease of approximately $8.6 million, or 42.1% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

Transportation Network Companies

In August 2015, the Department approved non-exclusive license agreements ("TNC Agreements") with various TNCs which connect passengers with approved drivers who provide transportation using their own vehicles and pay for the service through a mobile application. TNCs include Uber and Lyft, and other similar companies. The Department's TNC Agreements allow each company's approved drivers' access to designated Airport property in connection with the provision of transportation services for airport customers, employees, and passengers with their personal baggage. Subject to the terms of the TNC Agreements, TNCs are required (except in limited circumstances) to drop-off passengers only on the Central Terminal Area upper departure level, pick-up passengers only in the designated "LAX-it" zone, and are otherwise only allowed to use Airport property within the designated TNC airport assignment area and designated TNC staging areas at LAX. The TNC Agreements are subject to termination by the Department upon 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.

Revenues from approximately 2.9 million pick-ups/drop-offs by TNCs at LAX were approximately $12.0 million in Fiscal Year 2021. Total Fiscal Year 2021 TNC revenues were approximately $19.6 million, including receipt of approximately $7.5 million in penalty fees (accrued over a number of prior years), as compared with approximately $33.8 million in TNC revenues in Fiscal Year 2020, a decrease of approximately 42.0%. See

APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – FINANCIAL PERFORMANCE – PLEDGED REVENUES" and for additional information about TNC revenues. In 2019, the Department added the LAX-it lot to provide a pickup location for taxis and TNCs.

For the nine-month period ended September 30, 2021, TNCs recorded approximately 3.1 million pick-ups/drop-offs at LAX resulting in approximately $12.5 million revenue for the Department, a decrease of approximately 64 thousand pick-ups/drop-offs and approximately $229 thousand, or 2% as compared with the same period in calendar year 2020. For the nine-month period ended September 30, 2021, total TNCs revenues inclusive of penalty fees were approximately $12.6 million, a decrease of approximately $305 thousand, or 2% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

Advertising Sponsorship and New Media Concession

The Department entered into a 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 2025. 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 2021, JCDecaux was required to pay to the Department not less than an advertising minimum annual guaranty in the amount of approximately $24.3 million and a sponsorship minimum annual guaranty in the amount of approximately $6.2 million. Each of these minimum annual guaranties is subject to increases on an annual basis. See "INTRODUCTION – COVID-19 Pandemic Issues and Impacts."

Revenues to the Department from the TMO Agreement were approximately $9.7 million in Fiscal Year 2021 as compared with approximately $27.9 million in Fiscal Year 2020, a decrease of approximately 65.2%. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion for Fiscal Year 2021."

For the nine-month period ended September 30, 2021, revenues to the Department from the TMO Agreement were approximately $8.5 million, a decrease of approximately $6.2 million, or 42.1% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

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. See "INTRODUCTION – COVID-19 Pandemic Issues and Impacts." The Food and Beverage Concession Agreements are scheduled to expire in June 2025.

Revenues to the Department from food and beverage concessions at LAX were approximately $7.2 million in Fiscal Year 2021 as compared with approximately $18.8 million in Fiscal Year 2020, a decrease of approximately 61.7%. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021."

For the nine-month period ended September 30, 2021, revenues to the Department from food and beverage concessions at LAX were approximately $7.7 million, a decrease of approximately $2.3 million, or 23.1% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

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. See "INTRODUCTION – COVID-19 Pandemic Issues and Impacts." The Retail Concession Agreements are scheduled to expire in June 2025.

Revenues to the Department from the Retail Concession Agreements were approximately $6.0 million in Fiscal Year 2021 as compared with approximately $9.5 million in Fiscal Year 2020, a decrease of approximately 36.8%. See "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Management Discussion of Fiscal Year 2021."

For the nine-month period ended September 30, 2021, revenues to the Department from Retail Concession Agreements were approximately $6.6 million, an increase of approximately $2.3 million, or 52.2% as compared with the same period in calendar year 2020 (these results are preliminary, unaudited and subject to change).

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 website 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 "—Aviation Safety; 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 2022CDEF Subordinate Bonds.

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 designed to, among other things, modernize terminals, make long-term improvements to passenger access and accommodate existing and future aircraft designs, all to address growth in passenger activity levels that is projected to occur with or without these projects. The Department is employing various strategies to design, build and finance multiple facilities concurrently, including, among others, the design-build-finance-operate-maintain arrangements described under the captions "– The Automated People Mover System" and "– The ConRAC;" design-bid-build arrangements; design-build arrangements; and terminal improvement 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 Forecast 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 Forecast Period. Where the Capital Program projects are not expected to commence during the Forecast 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 B – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES" 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 Report of the Airport Consultant does not include any Other Projects (as described below).

COVID-19 Related Adjustments to the Capital Program

The current Capital Program, which is estimated to cost approximately $11.5 billion, commenced in Fiscal Year 2016 and is expected to be completed by the end of Fiscal Year 2026. While the Department continues to review the Capital Program and may in the future adjust the timing and cost of individual projects given the decreased passenger traffic due to the COVID-19 pandemic, no reductions in costs or changes in timing have been implemented, but the Department could make such adjustments in the future. 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 B – "REPORT OF THE AIRPORT CONSULTANT."

Major Capital Program Projects

Terminals

Midfield Satellite Concourse – North Project (West Gates at TBIT)

This project was completed and operational in Fiscal Year 2021 and consists of the development of a new 15-gate, 1.0 million square-foot concourse west of the TBIT and Bradley West terminal complex that can serve domestic and international airline operations and associated apron improvements. The project cost was approximately $1.7 billion ($1.5 billion for terminal improvements and $0.2 billion for the apron improvements). The contractor on the project has asserted claims for additional compensation. The Department disputes these claims. There can be no assurances of any ultimate outcome regarding these claims.

Terminal 1.5 Program

This project was completed and became operational in Fiscal Year 2021 and consists of the development of a new terminal building between Terminal 1 and Terminal 2 that links the two terminals directly, resulting in a single unified facility. Southwest Airlines provided construction funding and undertook these improvements, which were acquired by the Department and are included in the annual calculation of the Terminal Buildings Rate. The project cost was approximately $420.4 million.

Terminal 4 Improvement Project (American Airlines Terminal 4/5 Modernization)

The Terminal 4/5 Modernization project consists of improvements and enhancements to the arrival and departure hall, concourse in Terminal 4 and reconfiguration of aircraft gating and hold rooms to facilitate the new gate layout in Terminal 5 at LAX. American Airlines, by nature of its lease agreement with the Department, is working closely with the Department to develop and implement the renovation plan to connect passengers to the APM System, renovate Terminal 4 check-in lobbies and arrival halls, construct a consolidated passenger security screening checkpoint, expand hold rooms and concessions, add additional restrooms and create a new secure connector between Terminals 4 and 5. On July 8, 2021, the Board appropriated approximately $1.07 billion to acquire certain terminal improvements from American Airlines as part of the Terminal 4/5 Modernization project. The Terminal 4/5 Modernization project is expected to be completed prior to the 2028 Olympics, to be hosted by the City.

North Terminal Improvement Program (The Delta Sky Way transformation project)

Once finished (estimated completion by end of Fiscal Year 2024), the North Terminal Improvement Program in Terminals 2 and 3 will provide more security screening capacity, automated security lanes, more gate-area seating and Delta's largest Delta Sky Club. The completed project will include:

- A 27-gate complex in Terminals 2 and 3 with a secure connection to TBIT, enabling Delta and its global partners to reduce passenger connection times by up to 20 minutes;
- Brand new headhouse with centralized lobby, security screening checkpoint, baggage claim, and Delta Sky Club;
- Reconstructed Terminal 3 concourse with new gates, more seating space, and new retail and dinning spaces;
- The world's largest Delta Sky Club featuring an indoor/outdoor double bar, a year-round outdoor deck space, premium showers and other features;
- New restroom facilities;
- More access to at-seat power in gate areas;
- Modern signage, blended with digital elements;
- Connection to the APM System; and
- Increased airfield efficiency from dual taxi lanes that allow for more streamlined movement of aircraft.

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; approximately $648.4

million of this cost is expected to be funded with a portion of the proceeds of the Series 2022AB Subordinate Bonds that were issued on January 20, 2022 and the Series 2022C Subordinate Bonds (collectively referred to as the "Series 2022ABC Subordinate Bonds").

Airfield and Apron

Taxiway P Construction (formerly known as Taxiway C14)

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 $120.2 million and is expected to be completed by the end of Fiscal Year 2022.

Runway 7R-25L Reconstruction

This project includes the reconstruction of Runway 7R-25L and associated exit taxiways and is expected to be completed by the end of Fiscal Year 2022. This project is estimated to cost $25.6 million; approximately $0.5 million of this cost is expected to be funded with a portion of the proceeds of the Series 2022ABC Subordinate Bonds.

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 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-mile 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.

<u>APM Developer Share of Project Funding</u>

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

<u>APM Milestone Payments</u>

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

APM Capital Availability Payments and Operations and Maintenance Payments

The APM Agreement further provides that once passenger service is available on the APM System, which the Department currently estimates will occur during the first quarter of calendar year 2024, the Department must make monthly payments to the APM Developer to compensate the APM Developer for its share of the costs of designing, building and financing the APM System ("APM Capital Availability Payments") and for the cost of operating and maintaining the APM System ("APM Operations and Maintenance Payments" and, together with APM Capital Availability Payments, "APM Availability Payments"). Under the APM Agreement, the Department's obligation to make APM Availability Payments would be subject to certain structured caps and increases based on agreed upon indices. The Department expects to make, and the projections in the Report of the Airport Consultant include an estimate of and the expected sources of payment of, the APM Capital Availability Payments in Fiscal Years 2023, 2024, 2025 and 2026. Fiscal Year 2024 is the original APM Date of Beneficial Occupancy and was assumed in the financial projections in the Report of the Airport Consultant. The Department expects to make, and the projections in the Report of the Airport Consultant include an estimate of, the APM Operations and Maintenance Payments beginning in Fiscal Year 2023. The Report of the Airport Consultant does not take into account delays to the APM Date of Beneficial Occupancy in connection with the claims made by the APM Developer.

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

The 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 assurance that any of the Department's estimates and expectations or the Airport Consultant's assumptions, estimates or projections will be attained. See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT" for additional information regarding the 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."

Claims Asserted by the APM Developer

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

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

The APM Developer may assert additional claims for schedule and/or financial relief under the APM Agreement in the future. The Department intends to vigorously defend against all claims based on its assessment of their merits. No assurance can be provided that the Department will settle any pending or future claims by the APM Developer. However, the settlement of one or more claims may result in additional costs to the Department, which costs could be material and could exceed project contingencies and other project funding. In such event, some of all of such additional costs would need to be funded from other available Department sources, including, potentially, the proceeds of Additional Senior Bonds or Additional Subordinate Obligations. The Department is also unable to predict whether any future relief event claims, or other actions by the APM Developer, will ultimately result in additional material project completion delays. See "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 $1.3 billion of which the Department will fund approximately $920.8 million of such costs from pay-as-you go CFCs and the proceeds of the LAX CFC Bonds. 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 Periodic/Milestone Payment

The ConRAC Agreement provides that, subject to certain conditions, the ConRAC Developer is entitled to receive a series of periodic and milestone payments from the Department upon its completion of certain design and construction milestones in the aggregate amount of approximately $729.6 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 Periodic/Milestone Payment"). Subject to certain conditions, the ConRAC Agreement provides for the Department to make ConRAC Periodic/Milestone Payments to the ConRAC Developer beginning in Fiscal Year 2020 through and including Fiscal Year 2023. As of November 1, 2021, the Department has made approximately $620.1 million of ConRAC Periodic/Milestone Payments to the ConRAC Developer.

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 mid-2023) payments will be made to the ConRAC Developer to compensate the ConRAC Developer for the costs of designing, building and financing a portion of the ConRAC ("ConRAC Capital Availability Payments"), for the cost of operating and maintaining certain portions of the ConRAC ("ConRAC Operations and Maintenance Availability Payments"), and for renewing the ConRAC ("ConRAC Renewal Availability Payments" and, collectively, with ConRAC Capital Availability Payments and ConRAC Operations and Maintenance Availability Payments, "ConRAC Availability Payments"). The Department expects to make, and the projections in the Report of the Airport Consultant include, estimates 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 Report of the Airport Consultant include, estimates of the ConRAC Operations and Maintenance Availability Payments and ConRAC Renewal Availability Payments beginning in Fiscal Year 2023.

Since the ConRAC Date of Beneficial Occupancy is currently expected to occur prior to the APM Date of Beneficial Occupancy, the Department is evaluating different options, including the use of a common transportation shuttle bus system to transport rental car customers and other people between the Central Terminal Area and the ConRAC until the APM is operational.

Assumptions Regarding the ConRAC System in the Report of the Airport Consultant

The Report of the Airport Consultant contains a variety of other assumptions and qualifications regarding the ConRAC which investors should consider. There can be no assurance whether any of the Department's estimates and expectations or the Airport Consultant's assumptions, estimates or projections will be attained. See APPENDIX B – "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 assurance that (i) the Customer Facility Charges collected by the rental car companies on behalf of the Department will be sufficient to pay any debt service on the LAX CFC Bonds, the ConRAC Periodic/Milestone Payments, the ConRAC Capital Availability Payments or any other lawful use; or (ii) the annual amount of Customer Facility Charges in excess of Customer Facility Charges required to pay debt service on the LAX CFC Bonds 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 Report of the Airport Consultant. Other than with respect to the LAX CFC Bonds, 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. The LAX CFC Bonds will be solely secured by the Customer Facility Charges and certain funds and accounts held by the trustee for the LAX CFC Bonds; no other revenues of the Department will be pledged to or made available to the payment of the LAX CFC Bonds.

Claims Asserted by the ConRAC Developer

The ConRAC Developer has asserted various claims, seeking schedule relief and additional compensation. The Department disputes these claims and is in preliminary discussions with the ConRAC Developer. The Department expects informal dispute resolution to continue for several months. Some of the claims are for anticipated delays which the Department does not expect to materialize. The Department cannot predict the outcome or impact of any of these claims. The ConRAC Developer may also assert additional claims in the future and no assurance can be given that the Department will settle any pending or future claims. The settlement of one or more claims may result in additional costs to the Department, which costs could be material and could exceed project contingencies and other project funding. The Department is unable to predict whether any pending or future claims by the ConRAC Developer, or other actions by the ConRAC Developer, will ultimately result in any project completion delays or additional costs.

Power Distribution Facility

This project replaces existing facilities and provides more reliable power transmission and greater capacity to support planned LAX growth. This project is estimated to cost approximately \$158.7 million; approximately \$24.8 million of this cost is expected to be funded with a portion of the proceeds of the Series 2022ABC Subordinate Bonds. This project is expected to be completed by the end of Fiscal Year 2024.

Other Projects

"Other Projects" include long-term future projects at LAX that are being considered by the Department and are described in this Official Statement and the Report of the Airport Consultant, but which are not included in the Capital Program. Large components of the Other Projects category 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 Forecast 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 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.

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 largely within the airport's existing footprint. On October 7, 2021, the Board, in addition to other related actions, certified the Final Environmental Impact Report for the ATPM. On December 13, 2021, the Department received a Finding of No Significant Impact and Record of Decision from the FAA on the Environmental Assessment which was done under the National Environmental Policy Act ("NEPA"). The ATMP remains subject to further planning and project level approvals. The ATMP would be designed to elevate the passenger experience and to increase efficiency and safety within the north airfield at LAX. The ATMP includes several individual components, including, among others, reconfiguration of taxiways, a new terminal and a new concourse. Specifically, the proposed terminal improvements could include the construction of (i) Concourse "0" as an easterly extension of Terminal 1; (ii) Terminal 9, a new passenger terminal located south of Century Boulevard and east of Sepulveda Boulevard; (iii) new arrival and departures roadways; and (iv) a new station on the planned APM System. If approved, these new projects could be targeted for completion by 2028.

The Department is in the design stages for the Midfield Satellite Concourse – South, an eight-gate complex that will be connected to the Midfield Satellite Concourse – North. Environmental approvals were obtained as part of the Midfield Satellite Concourse program. Design work has begun on the project and these costs are included in the CIP. Subject to further approvals, the Department expects to enter into contracts for the construction of the Midfield Satellite Concourse – South in calendar year 2022.

See APPENDIX B – "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 Report of the Airport Consultant

The Report of the Airport Consultant organizes the Department's capital development projects and plans into the Department's "Capital Program" and "Other Projects." The Report of the Airport Consultant assumes that the Department would use approximately $922.3 million of the proceeds of the Series 2022AB Subordinate Bonds and the Series 2022CDEF Subordinate Bonds to (i) to pay the costs of certain projects in the Capital Program (including through the retirement of certain Subordinate Commercial Paper Notes, the proceeds of which funded certain of such costs), (ii) fund reserve deposits and (iii) pay costs of issuance. The Report of the Airport Consultant includes the use of the net proceeds of any future Senior Bonds and Subordinate Obligations to finance a portion of the costs of the Capital Program. The projections in the 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 projects in the Capital Program.

See "INTRODUCTION - Letter Report of the Airport Consultant" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT"

The "Capital Program" for the purposes of this Official Statement and in the 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 five-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	Other Funds[2]	Prior Bonds	Estimated Series 2022ABC Subordinate Bonds	Estimated Future Bonds
Terminal Projects[3]	$6,184,605	--	$ 5,960	$1,353,683	--	$ 3,459,036	$ 648,425	$ 717,502
Airfield & Apron Projects	400,066	$ 60,200	--	127,206	--	212,660	--	--
LAMP[4]	3,841,787	--	--	1,727,384	$ 913,745	864,075	168,844	168,283
Remaining Projects[5]	1,031,301	13,750	196,939	460,593	--	286,223	24,779	49,017
Total Capital Program	$11,457,759	$ 73,950	$ 202,899	$3,668,866	$ 913,745	$4,821,994	$ 842,048	$ 934,802

(1) Only includes projects expected to be completed by the end of Fiscal Year 2026 to show one full year of financial forecasts following completion of the Capital Program. The Capital Program of $14.9 billion includes $3.4 billion of completed projects, developer payments and projects after Fiscal Year 2026 that are not reflected in this table.

(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 Forecast Period and be completed by the end of Fiscal Year 2028. The Department currently expects the future phase to cost approximately $612 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 Forecast Period and the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations issued after the Forecast 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 (1) drainage and utility improvements, (2) projects for landslide accessibility, auxiliary curb project, Bradley West traffic mitigations, and parking structure improvements, and (3) settlements with local jurisdictions, site preparation, safety, communications and other miscellaneous improvements.

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

See APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT"

Sources of Funds

The Department's share of the costs of the remaining projects in the Capital Program (which excludes Other Projects and projects already completed) is expected to be approximately $3.7 billion in the aggregate through Fiscal Year 2026. 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, proceeds of the Existing Senior Bonds and Existing Subordinate Bonds and of 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 PFC 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 (including those in the Capital Program) 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 remaining 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 B – "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 $6.6 billion of proceeds of Senior Bonds and Subordinate Obligations, as described below, approximately:

$4.8 billion of proceeds of previously issued Senior Bonds and Subordinate Obligations;

$766.5 million of proceeds of Additional Senior Bonds; and

$1.0 billion of proceeds of Additional Subordinate Obligations (including proceeds of the Series 2022ABC Subordinate Bonds).

See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Future Financings" and APPENDIX B – "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 $73.9 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 $202.9 million. See "CERTAIN FUNDING SOURCES – Passenger Facility Charges" and APPENDIX B – "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 B – "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, REFUNDING AND RESTRUCTURING" and "USE OF AIRPORT FACILITIES – Airport Terminal Tariff."

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 PFCs 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 PFCs 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 PFC up to $4.50 on each eligible enplaning passenger at LAX.

The Department expects to submit additional applications to impose and use PFCs for eligible expenditures including, but not limited to, PFC Eligible Obligations (as defined herein). If such applications to impose and use PFCs 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 PFC collected (currently $0.11 of each PFC 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 $6.0 billion of PFC revenues (including investment income) at LAX, and the Department's authority to collect PFCs currently extends through January 1, 2038. Total PFC revenues collected by the Department as of December 30, 2020 were approximately $3.0 billion.

PFC revenues at LAX were approximately $45.1 million (approximately 23.3% higher) during the six-month period ended on June 30, 2021, as compared to the same six-month in period in 2020, for which period PFC revenues at LAX were approximately $36.6 million. For Fiscal Year 2021, the total PFC revenues collected by the Department were approximately $68.7 million, a 41.8% decrease from $118.0 million collected in Fiscal Year 2020.

A portion of the projects in the Capital Program are expected to be funded in whole or in part from PFCs 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 PFCs 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 2022CDEF SUBORDINATE BONDS – Pledge of Subordinate Pledged Revenues – Subordinate Rate Covenant" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE BONDS – 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. Enplanements and deplanements at LAX were approximately 53.7% lower in Fiscal Year 2021 compared to Fiscal Year 2020. Enplanements and deplanements at LAX were approximately 22.4% higher in the seven-month period ended July 31, 2021 as compared to the same period in 2020. 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 B – "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 $493.2 million in the original AIP grant amounts authorized for acceptance by the Board since June 2008 for LAX. 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 2021, the Department received approximately $2.97 million for security-related reimbursements at LAX.

On March 5, 2020, the Board authorized the acceptance of FAA funds in the sum of $18.354 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. The FAA has since unilaterally approved a Letter Amendment for the SAAP to increase the maximum award amount for the project to approximately $29.7 million.

Of the Department's award of approximately $323.6 million in CARES Act grant funds for LAX, all of which were provided to the Department on a reimbursement basis, the Department used $52.4 million of CARES Act grant funds 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 $271.1 million of CARES Act grant funds in Fiscal Year 2021 to pay LAX Maintenance and Operation Expenses and debt service. See APPENDIX B – "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.

On July 1, 2021 and September 21, 2021, the FAA announced approximately $25.75 million in grants for noise mitigation improvements for more than 1,300 residences near LAX. Los Angeles County Development Authority will receive approximately $14.5 million for an estimated 680 residences in the unincorporated communities of Lennox, Athens, and Del Aire. The City will receive approximately $6.3 million for an estimated 313 residences in the City and the City of El Segundo. The City of Inglewood will receive approximately $5.0 million for an estimated 333 Inglewood residences.

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 B – "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 currently requires the collection by Concessionaire Rental Car Companies of a customer facility charge from their customers ("Customer Facility Charge") at a rate of $9 per transaction day (limited to five transaction days per rental car contract). For Fiscal Year 2021, the Department collected approximately $32.6 million in Customer Facility Charge revenues. Through June 30, 2021, the Department had collected (including interest earnings) approximately $539.4 million in the aggregate of Customer Facility Charge revenues.

The Customer Facility Charges collected by the Concessionaire 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 and any common transportation shuttle bus system that transports people between the ConRAC and the Central Terminal Area, 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.

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 elected and will not elect (while the LAX CFC Bonds are outstanding) 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 the LAX CFC Bonds in the first half of 2022 to finance a portion of the costs of the ConRAC. The LAX CFC Bonds are expected to be secured by and have a first lien on the 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 B – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM."

FINANCIAL AND OPERATING INFORMATION CONCERNING LAX

Summary of Operating Statements

The following table summarizes the financial results from operations for LAX for Fiscal Years 2017 through 2021. 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 C – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020."

TABLE 11

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

	Fiscal Year				
	2017	**2018**	**2019**	**2020**	**2021**
Operating revenues:					
Aviation revenue					
Landing fees (net)	$ 260,971	$ 284,014	$ 295,724	$ 258,013[7]	$ 163,437[7]
Building rentals	493,382	527,476	581,946	571,478	600,399
Other aviation revenue[2]	105,599	114,374	125,535	122,857	117,302
Concession revenue	441,623	469,187	501,167	380,331	161,423
Airport sales and services	3,241	3,624	3,639	4,082	3,737
Other operating revenue	23,873[3]	23,729[3]	6,356	3,962	910
Total operating revenue	$ 1,328,689	$ 1,422,404	$ 1,514,367	$ 1,340,723	$ 1,047,208
Operating expenses:					
Salaries and benefits	$ 438,153[4]	$ 466,263[4]	$ 456,948	$ 532,563	$ 484,581
Contractual services	203,277	221,421	220,990	230,647	188,105
Administrative expense	2,905	4,447	4,250	5,608	(225)
Materials and supplies	43,830	49,703	53,414	55,493	43,536
Utilities	36,043	39,433	46,191	47,334	39,007
Advertising and public relations	2,988	2,512	3,851	3,167	948
Other operating expenses	15,304	10,942	12,730	12,856	14,833
Total operating expenses before depreciation and amortization	$ 742,500	$ 794,721	$ 798,374	$ 887,668	$ 770,785
Income from operations before depreciation and amortization	$ 586,189	$ 627,683	$ 715,993	$ 453,055	$ 276,423
Depreciation and amortization	(298,176)	(360,638)	(402,646)	(445,887)	(439,347)
Operating Income	$ 288,013	$ 267,045	$ 313,347	$ 7,168	$ (162,924)
Non-Operating revenues/(expenses):					
Passenger facility charges	$ 163,869	$ 171,431	$ 173,100	$ 118,023	$ 68,748
Customer facility charges	32,545	55,759	80,248	65,621	32,606
Interest income	23,327	35,080	67,901	75,448	29,540
Change in fair value of investments	(20,738)	(25,232)	41,422	44,490	(35,706)
Other non-operating revenue	15,743	43,421	23,996	14,286	10,265
Interest expense	(193,469)	(205,308)	(294,767)	(320,892)	(311,701)
Bond expense	(2,516)	(4,417)	(6,728)	(3,424)	(6,210)
Other non-operating expenses	23	2,500	--	--	(2,467)
Net non-operating revenues/(expenses)	$ 18,784	$ 73,234	$ 85,172	$ (6,448)	$ (214,925)
Income before capital grants, and inter-agency transfers	$ 306,797	$ 340,279	$ 398,519	$ 720	$ (377,849)
Federal grants[5]	87,762	54,297	29,864	85,978	313,032
Inter-agency transfers	1,856	--	--	--	--
Transfer of residual operation from ONT	104,125[6]	--	--	--	--
Change in net position	500,540	394,576	428,383	86,698	(64,817)
Net position, beginning of period	$ 4,468,710	$ 4,969,250	$ 5,287,330	$ 5,715,713	$ 5,802,411
Change in accounting principle and removal of net pension obligation	--	(76,496)[8]	--	--	--
Net position, end of period	$ 4,969,250	$ 5,287,330	$ 5,715,713	$ 5,802,411	$ 5, 737,594

(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) 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.

(4) 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.

(5) Fiscal Year 2021 includes CARES Act funds.

(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) Net of reliever airport fee of approximately $1.3 million and $1.2 million for Fiscal Year 2021 and Fiscal Year 2020, respectively.

(8) Primarily comprised of the proportional allocation of the City's Net OPEB Liability. See "THE DEPARTMENT OF AIRPORTS – Retirement Plan."

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

The following table summarizes the financial results from operations at LAX during the nine-month period of January through September of calendar years 2019, 2020 and 2021.

TABLE 11-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL OPERATING STATEMENTS
FOR THE NINE-MONTH PERIOD FROM JANUARY-SEPTEMBER
OF CALENDAR YEARS 2019, 2020 AND 2021
(DOLLARS IN THOUSANDS)[1]

	January – September 2019	January – September 2020	January – September 2021[2]
Operating revenues:			
Aviation revenue			
Landing fees (net)	$ 229,934	$ 140,756	$ 150,803
Building rentals	453,623	379,246	535,824
Other aviation revenue[3]	97,539	86,094	89,173
Concession revenue	383,128	152,054	176,538
Airport sales and services	2,850	2,926	3,153
Other operating revenue	4,855	1,466	1,043
Total operating revenue	$ 1,171,929	$ 762,542	$ 956,534
Operating expenses:			
Salaries and benefits	$ 346,532	$ 407,746	$ 376,271
Contractual services	170,171	163,055	144,202
Administrative expense	3,106	3,908	(866)
Materials and supplies	43,429	38,977	36,087
Utilities	36,784	32,358	30,360
Advertising and public relations	2,770	1,868	573
Other operating expenses	9,055	10,103	11,803
Total operating expenses before depreciation and amortization	$ 611,847	$ 658,015	$ 598,430
Income from operations before depreciation and amortization	$ 560,082	$ 104,527	$ 358,104
Depreciation and amortization	(317,596)	(335,210)	(348,733)
Operating Income	$ 242,486	$ (230,683)	$ 9,371
Non-Operating revenues/(expenses):			
Passenger facility charges	$ 134,167	$ 42,541	$ 81,585
Customer facility charges	61,113	27,729	34,087
Interest income	56,033	46,518	18,158
Change in fair value of investments	41,422	44,490	(35,706)
Other non-operating revenue[3]	23,233	6,539	9,423
Interest expense	(233,979)	(234,815)	(243,613)
Bond expense	(3,027)	(5,184)	(2,916)
Other non-operating expenses	432	--	(2,467)
Net non-operating revenues/(expenses)	$ 79,394	$ (72,182)	$ (141,449)
Income before capital grants, and inter-agency transfers	$ 321,880	$ (302,865)	$ (132,078)
Federal grants	23,001	85,053	303,381
Inter-agency transfers	--	--	--
Transfer of residual operation from ONT	--	--	--
Change in net position	344,881	(217,812)	171,303
Net position, beginning of period	$ 5,505,590	$ 5,919,439	$ 5,633,222
Change in accounting principle and removal of net pension obligation	--	--	--
Net position, end of period	$ 5,850,471	$ 5,701,627	$ 5,804,525

(1) Totals may not add due to rounding.
(2) July to September 2021 numbers are preliminary, unaudited and subject to change.
(3) Includes reimbursement of security-related expenses; TSA revenue pertaining to law enforcement officers and canines presented in non-operating revenue.

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

See also APPENDIX C – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020."

Management Discussion of Fiscal Year 2021

Total operating revenue before reliever fee at LAX for Fiscal Year 2021 was approximately $1.0 billion, a decrease of approximately $293.4 million, or approximately 21.9%, from Fiscal Year 2020. Landing fee revenue at LAX for Fiscal Year 2021 before reliever fee was approximately $164.7 million, a decrease of approximately $94.5 million, or approximately 36.5%, from Fiscal Year 2020. The decrease in landing fees was primarily due to a 24.8% reduction in landed weights in Fiscal Year 2021 as a result of the COVID-19 pandemic, offset by the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX. Building rental revenue at LAX for Fiscal Year 2021 was approximately $600.4 million, an increase of approximately $28.9 million, or approximately 5.1%, from Fiscal Year 2020. The increase in building rentals was primarily attributable to the increased costs of $49.9 million or 10.2% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement, offset by decreases in terminal use fees of $21.0 million or 24.7% as a result of the drop in passenger traffic as impacted by the COVID-19 pandemic in Fiscal Year 2021, and reduction in common use activity. The airline cost per enplaned passenger ("CPE") for Fiscal Year 2021 was approximately $41.86. Land rental revenue at LAX for Fiscal Year 2021 was $109.6 million, a decrease of approximately $6.0 million, or approximately 5.2%, from Fiscal Year 2020. The decrease in land rental revenue was primarily due to an overall decrease in leased areas in Fiscal Year 2021 due to lease terminations, including the leases that were terminated in order to accommodate LAX-it (the opening of the auxiliary curb for taxis and rideshare), LAMP and other projects in November 2019. Concession revenue at LAX for Fiscal Year 2021 was approximately $161.4 million, a decrease of approximately $218.9 million, or approximately 57.6%, from Fiscal Year 2020. The decreases in concession revenue were due to a temporary waiver of minimum annual guarantee payments and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as a result of the COVID-19 pandemic in Fiscal Year 2021. Other operating revenue at LAX, including airport sales and services and other aviation and operating revenue, for Fiscal Year 2021 was approximately $4.6 million, a decrease of approximately $3.4 million, or approximately 42.2%, from Fiscal Year 2020. The decrease was primarily due to an approximately $2.1 million reduction in U.S. Customs and Border Protection (CBP) reimbursements caused by a lower passenger level as a result of the COVID-19 pandemic.

Operating expenses (including depreciation and amortization of approximately $439.3 million) totaled approximately $1.2 billion in Fiscal Year 2021, a decrease of approximately $123.6 million, or approximately 9.2%, from Fiscal Year 2020. Salaries and benefits expenses decreased by approximately $48.0 million, or approximately 9.0%. Within this category, salaries and overtime had a decrease of approximately $64.5 million, or approximately 19.3%. The decrease was mainly due to reduction in employees from 3,499 in Fiscal Year 2020 to 3,031 in fiscal year 2021 primarily driven by the SIP, in addition to the recognition of approximately $17.3 million under the SIP in Fiscal Year 2020. Contractual services expenses at LAX for Fiscal Year 2021 were approximately $188.1 million, a decrease of approximately $42.5 million, or approximately 18.4%, from Fiscal Year 2020. Materials and supplies expenses at LAX for Fiscal Year 2021 were approximately $43.5 million, a decrease of approximately $12.0 million, or approximately 21.5%, from Fiscal Year 2020. Utilities expenses were $39.0 million in fiscal year 2021 a decrease of $8.3 million, 17.5%, from Fiscal Year 2020. The decrease in utilities was primarily driven by a decrease of $4.9 million in water expenses and $2.8 million in electricity as a result of lower passenger volume as impacted by COVID-19 and the shutdown of Terminal 3 for construction, in addition to a decrease of $1.4 million in telephone expenses as a result of cost-saving measures including the cancellation of duplicate phone lines in fiscal year 2021. Other operating expenses at LAX, including expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items (before allocation to VNY and LA/PMD), for Fiscal Year 2021 were approximately $18.5 million, a decrease of approximately $6.3 million, or approximately 25.3%, from Fiscal Year 2020.

For Fiscal Year 2021, the net position of the Department with respect to LAX was approximately $5.74 billion, a decrease of approximately $64.8 million, or approximately 1.1%, from Fiscal Year 2020.

For Fiscal Year 2021, 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 $1.01 billion, as of measurement date June 30, 2020 and reporting date June 30, 2021, were allocated to the Department with respect to LAX. For Fiscal Year 2021, 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 $80.4 million, as of measurement date June 30, 2020 and reporting date June 30, 2021, were allocated to the Department with respect to LAX. 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."

Management Discussion of Fiscal Year 2020

Total operating revenue before reliever fee at LAX for Fiscal Year 2020 was approximately $1.3 billion, a decrease of approximately $172.5 million, or approximately 11.4%, from Fiscal Year 2019. Landing fee revenue at LAX before reliever fee for Fiscal Year 2020 was approximately $259.2 million, a decrease of approximately $36.5 million, or approximately 12.4%, from Fiscal Year 2019. Building rental revenue at LAX for Fiscal Year 2020 was approximately $571.5 million, a decrease of approximately $10.5 million, or approximately 1.8%, from Fiscal Year 2019. The decreases in building rental revenue were primarily due to decreases in terminal use fees of approximately $32.3 million, or approximately 27.6%, as a result of the decrease in passenger traffic as impacted by the COVID-19 pandemic in Fiscal Year 2020, and reduction in common use activity, offset by the increased costs of approximately $21.8 million, or approximately 4.7%, primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Rate Agreement. Land rental revenue at LAX for Fiscal Year 2020 was approximately $115.5 million, a decrease of approximately $2.6 million, or approximately 2.2%, from Fiscal 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 (the opening of the auxiliary curb for taxis and rideshare), LAMP and other projects in Fiscal Year 2020. Concession revenue at LAX for Fiscal Year 2020 was approximately $380.3 million, a decrease of approximately $120.8 million, or approximately 24.1%, from Fiscal Year 2019. The decreases in concession revenue were due to a temporary waiver of minimum annual guarantee payments and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as a result of the COVID-19 pandemic in Fiscal Year 2020. Other operating revenue at LAX, including airport sales and services and other aviation and operating revenue, for Fiscal Year 2020 was approximately $8.0 million, a decrease of approximately $2.0 million, or approximately 19.5%, from Fiscal Year 2019. The decrease in other operating revenue was primarily due to a drop in various reimbursements, refunds and penalty fees.

Operating expenses (including depreciation and amortization of approximately $445.9 million) totaled approximately $1.3 billion in Fiscal Year 2020 an increase of approximately $132.9 million, or approximately 11.0%, from Fiscal Year 2019. Salaries and benefit expenses at LAX for Fiscal Year 2020 were approximately $532.6 million, an increase of approximately $75.6 million, or approximately 16.5%, from Fiscal Year 2019. The increase in salaries and benefits expenses was primarily due to terms of bargaining agreements with employee unions, in addition to the recognition of approximately $17.3 million in incentive payments for the SIP in Fiscal Year 2020. Contractual services expenses at LAX for Fiscal Year 2020 were approximately $230.6 million, an increase of approximately $9.7 million, or approximately 4.4%, from Fiscal Year 2019. Materials and supplies expenses at LAX for Fiscal Year 2020 were approximately $55.5 million, an increase of approximately $2.1 million, or approximately 3.9%, from Fiscal Year 2019. Utilities expenses were $47.3 million in fiscal year 2020 an increase of $1.1 million, or approximately 2.4%, from Fiscal Year 2019 . Other operating expenses at LAX, for Fiscal Year 2020 were approximately $24.7 million an increase of approximately $1.2 million, or approximately 4.9%, from Fiscal Year 2019.

For Fiscal Year 2020, the net position of the Department with respect to LAX was approximately $5.8 billion, an increase of approximately $86.7 million, or approximately 1.5%, from Fiscal Year 2019.

For Fiscal Year 2020, 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 $807.7 million, as of measurement date June 30, 2019 and reporting date June 30, 2020, were allocated to the Department with respect to LAX. For Fiscal Year 2020, 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 $68.5 million, as of measurement date June 30, 2019 and reporting date June 30, 2020, were allocated to the Department with respect to LAX. As noted hereinabove, GASB 68 and GASB 75 address the disclosure of pension and OPEB liability only and do not impose any funding requirements, and 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 and Restricted Funds

As of June 30, 2021, the Department had approximately $1.5 billion in unrestricted cash on hand, which is approximately 675 days' cash on hand excluding the Maintenance and Operation Reserve Fund, and approximately 786 days' cash on hand including the Maintenance and Operation Reserve Fund, which is subject to change. It is the Department's policy to maintain cash on hand equal to at least one year of Maintenance and Operation Expenses of the Airport System. The Fiscal Year 2020 unrestricted days' cash on hand was 405 days excluding the Maintenance and Operation Reserve Fund and 502 days including the Maintenance and Operation Reserve Fund.

As of June 30, 2021, the Department had approximately $1.3 billion in restricted cash on hand comprised of approximately $34.3 million in construction funds, approximately $598.4 million in debt service reserve funds, approximately $82.3 million in debt service funds, approximately $92.7 million in Customer Facility Charges, approximately $220.0 million in PFCs and approximately $17.4 million in other restricted funds.

Top Revenue Providers and Sources

The following tables set forth the top ten revenue providers at LAX for Fiscal Year 2021.

TABLE 12

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE PROVIDERS
FISCAL YEAR 2021
(DOLLARS IN THOUSANDS)(1)(2)

1.	American Airlines‡ (3)	$141,013
2.	Delta Air Lines*	136,610
3.	United Air Lines†	132,658
4.	Southwest Airlines	59,224
5.	Tom Bradley Int'l Terminal Equipment Co.(4)	44,796
6.	Alaska Airlines‡ (5)	41,911
7.	Federal Express Corp	27,123
8.	Avis Rent A Car System LLC(6)	16,636
9.	Korean Airlines*	15,061
10.	Mercury Air Cargo Inc.	14,768

* Member of SkyTeam Alliance.
† Member of Star Alliance.
‡ Member of oneworld 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, 2021. 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) Revenues from TBITEC are expected to be lower in future years due to the conversion from a lease to service agreement arrangement.
(5) Includes Virgin America as Alaska Airlines.
(6) Includes approximately $3.6 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 table sets forth the top ten revenue providers at LAX for the nine-month period ended on September 30 in each of 2019, 2020 and 2021, ranked by the results for the nine-month period ended September 30, 2021.

TABLE 12-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE PROVIDERS
FOR THE NINE-MONTH PERIOD FROM JANUARY-SEPTEMBER
OF CALENDAR YEARS 2019, 2020 AND 2021
RANKED BY CALENDAR YEAR 2021 RESULTS
(DOLLARS IN THOUSANDS)[(1)(2)]

		January – September 2019	January – September 2020	January – September 2021
1.	American Airlines‡ (3)	$147,662	$115,474	$132,252
2.	Delta Air Lines*	121,159	95,945	131,526
3.	United Air Lines†	124,899	98,201	120,813
4.	Southwest Airlines	60,349	46,528	52,552
5.	Alaska Airlines‡ (4)	43,176	30,322	42,960
6.	JetBlue Airways Corporation	8,564	5,145	24,296
7.	Tom Bradley Int'l Terminal Equipment Co.	35,768	37,681	21,579
8.	Federal Express Corp	18,833	18,530	21,579
9.	Spirit Airlines	9,095	6,235	19,893
10.	Avis Rent A Car System LLC(5)	22,781	13,784	16,498

* Member of SkyTeam Alliance.
† Member of Star Alliance.
‡ Member of oneworld Alliance.
(1) Includes preliminary, unaudited numbers, which are subject to change. Excludes revenue from the federal government. The amounts in this table reflect those amounts billed by the Department to the applicable revenue providers from January – September 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) Includes approximately $7.7 million, $3.7 million and $4.2 million Customer Facility Charges (CFCs) for calendar years 2019, 2020 and 2021, respectively. 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 2021.

TABLE 13

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE SOURCES
FISCAL YEAR 2021[1]
(DOLLARS IN THOUSANDS)

1.	Terminal Rentals	$520,695
2.	Net Landing Fees	163,437
3.	Land Rentals[2]	109,556
4.	Other Building Rentals[4]	79,704
5.	Auto Parking	57,260
6.	Rental Cars[3]	33,686
7.	Food, Beverage, Gift, News and Terminal Commercial Managers	21,549
8.	Transportation Network Companies[5]	19,583
9.	Advertising	9,672
10.	Duty Free Sales	5,140

(1) The amounts in this table reflect those amounts received by the Department from the applicable revenue sources as of June 30, 2021.
(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.
(5) Approximately $7.5 million consists of penalty fees accrued over prior years and received in Fiscal Year 2021.

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

The following table sets forth top ten revenue sources at LAX for the nine-month period ended on September 30 in each of 2019, 2020 and 2021.

TABLE 13-A

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
TOP TEN REVENUE SOURCES
FOR THE NINE-MONTH PERIOD FROM JANUARY-SEPTEMBER
OF CALENDAR YEARS 2019, 2020 AND 2021[(1)]
RANKED BY CALENDAR YEAR 2021 RESULTS
(DOLLARS IN THOUSANDS)

		January – September 2019	January – September 2020	January – September 2021
1.	Terminal Rentals	$395,160	$319,097	$476,603
2.	Net Landing Fees	229,934	140,756	150,803
3.	Land Rentals[(2)]	91,738	81,640	83,026
4.	Auto Parking	85,720	39,272	60,548
5.	Other Building Rentals [(3)]	58,463	60,149	59,221
6.	Rental Cars[(4)]	63,009	25,617	42,245
7.	Food, Beverage, Gift, News and Terminal Commercial Managers	67,359	29,493	20,850
8.	Transportation Network Companies	44,898	13,123	19,894
9.	Duty Free Sales	63,893	13,082	9,941
10.	Advertising	23,237	14,682	8,503

(1) Includes preliminary, unaudited numbers, which are subject to change. The amounts in this table reflect those amounts received by the Department from the applicable revenue sources from January to September in each calendar year, as indicated.
(2) Consists primarily of rental revenue derived from the ancillary land facilities at LAX.
(3) Consists primarily of rental revenue derived from cargo, maintenance and other building facilities at LAX.
(4) Excludes Customer Facility Charges which are not included in Pledged Revenues.

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

Budgeting Process

Department management annually submits the Department's proposed budget to the Board for adoption. Department management and staff develop each operating budget after considering a number of factors, including recent years' operating revenue and expense trends, LAX passenger traffic projections, the Department's capital projects (including the issuance of additional debt to finance capital projects), and other Departmental goals and strategic plans. Staff from each of LAX's divisions prepared and submitted their preliminary budgets to Department management within the constraints defined by budget staff and submitted additional requests for review. Budget hearings are conducted with operating budget staff and the Department's deputy executive directors to discuss past trends and changes in future needs. The Department's executive management team reviews the resulting budget, and additional requests and adjustments are made based on expenditure priority and operational need. The final budget is adopted by the Board prior to the beginning of the Fiscal Year. For informational purposes only, the Chief Executive Officer of the Department submits the Department's proposed budget to the Mayor, and for information purposes only, the Mayor includes the Department's proposed budget as a part of the overall City budget. Neither the Mayor nor the City Council may amend or otherwise change the Department's adopted budget; however, see "THE DEPARTMENT OF AIRPORTS – Oversight." Certain of the Department's payment obligations under the 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 2022 Budget

Department management submitted the proposed Fiscal Year 2022 operating budget to the Board and the Board formally adopted the Fiscal Year 2022 operating budget in June 2021.

The Fiscal Year 2022 LAX operating budget projects operating revenues of approximately $1.27 billion, compared to $1.28 billion projected in the Fiscal Year 2021 LAX operating budget. The Department projects LAX aviation revenues of approximately $1.03 billion, compared to $1.07 billion forecasted in the Fiscal Year 2021 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 2022 LAX operating budget projects non-aviation operating revenues of approximately $242.5 million, approximately 16.7% higher than forecast in the Fiscal Year 2021 LAX operating budget, as increased levels of passenger traffic contribute to higher terminal concession and ground transportation revenues. The Fiscal Year 2022 LAX operating budget projects operating expenses of approximately $874.0 million, approximately 11.5% higher than the Fiscal Year 2021 LAX operating budget. The Fiscal Year 2022 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 2022 LAX operating budget, the Department has budgeted approximately $466.1 million for salaries, benefits and other payroll expenses for the Department's employees at LAX (compared to approximately $466.0 million for the Fiscal Year 2021 LAX operating budget) and approximately $81.8 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 9.4% of the LAX operating budget for Fiscal Year 2022. Contractual services, including payments for services provided by the City, as described above, are budgeted in the Fiscal Year 2022 LAX operating budget at approximately $280.0 million (representing a decrease of approximately 37.3% from the Fiscal Year 2021 LAX operating budget). See also "THE DEPARTMENT OF AIRPORTS – Employees and Labor Relations" and "– Retirement Plan."

The Department has fully drawn down CARES Act grant funds in Fiscal Year 2021. Expected draws of CRRSAA grant funds in Fiscal Year 2022 were included in the Fiscal Year 2022 budgeting process. ARPA grant funds had not yet been allocated by the FAA at the time the Fiscal Year 2022 budget was approved by the Board and were therefore not included. The actual impact of the COVID-19 pandemic on air travel through LAX and the Department's budget and finances will depend on future events outside of the control of the Department. As a result of these uncertainties, the Department will regularly review Fiscal Year 2022 revenue projections and make adjustments throughout Fiscal Year 2022. See "CERTAIN FUNDING SOURCES – Grants."

The following table sets forth a summary of the operating budget at LAX for Fiscal Year 2022.

TABLE 14

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
SUMMARY OF OPERATING BUDGET
FISCAL YEAR 2022[(1)]
(DOLLARS IN MILLIONS)

Operating revenues:	
Aviation revenue	
Landing fees	$ 269.3
Building rentals	653.8
Land rentals	100.1
Other aviation revenue	7.8
Concession revenue	235.6
Airport sales and services	6.5
Miscellaneous revenue	0.4
Total operating revenue	$ 1,273.5
Operating expenses:	
Salaries and benefits	$ 466.1
Contractual services	280.4
Materials and supplies	49.7
Utilities	50.5
Adjustment for capitalized salaries and pass-through expenses	(26.3)
Other operating expenses	30.4
Total operating expenses	$ 850.8
Income from operations before depreciation and amortization	$ 422.7

(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 2017 through 2021.

TABLE 15

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT
HISTORICAL DEBT SERVICE COVERAGE
FISCAL YEARS 2017-2021
(DOLLARS IN THOUSANDS)

	2017	2018	2019	2020	2021
Pledged Revenues[1]					
Total Operating Revenues	$ 1,328,689	$ 1,422,404	$ 1,514,367	$ 1,340,723	$ 1,047,208
Interest Income[2]	3,139	8,251	62,483	68,220	3,926
Build America Bonds Subsidy[3]	7,613	7,478	7,349	7,184	7,158
Non-Operating TSA Revenue	3,287	4,104	3,364	3,216	2,744
Total Pledged Revenues	$ 1,342,728	$ 1,442,237	$ 1,587,563	$ 1,419,343	$ 1,061,036
LAX Maintenance and Operation Expenses[4]	(725,190)	(784,369)	(786,919)	(844,630)	(462,118)
Net Pledged Revenues[5]	$ 617,538	$ 657,868	$ 800,644	$ 574,713	$ 598,918
Senior Bond Aggregate Annual Debt Service[6]	$ 131,059	$ 114,054	$ 101,385	$ 69,919	$ 52,052
Senior Bond Debt Service Coverage Ratio	4.71x	5.77x	7.90x	8.22x	11.51x
Subordinate Obligations Debt Service[7]	$ 82,063	$ 100,619	$ 132,790	$ 151,062	$ 123,811
Subordinate Obligations Debt Service Coverage Ratio	5.93x	5.40x	5.27x	3.34x	4.42x
Total Debt Service Coverage Ratio	2.90x	3.06x	3.42x	2.60x	3.41x

(1) As defined in the Senior Indenture.
(2) Excludes interest income from PFC revenues, Customer Facility Charges and construction funds.
(3) 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."
(4) 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 $10.3 million, $11.3 million, $33.4 million and $59.4 million in Fiscal Years 2018, 2019, 2020 and 2021, respectively. CARES Act grant money in the amount of approximately $9.7 million and $249.3 million was applied to LAX Maintenance and Operation Expenses in Fiscal Years 2020 and 2021.
(5) As defined in the Senior Indenture. Equals Pledged Revenues less LAX Maintenance and Operation Expenses.
(6) Net of approximately $124.0 million, $118.0 million, $136.0 million, $147.7 million, $138.9 million and $69.0 million of PFC revenues used in Fiscal Years 2016, 2017, 2018, 2019, 2020 and 2021, respectively; and approximately $10.5 million of CARES Act Grant in Fiscal Year 2021 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.
(7) Net of approximately $4.5 million and $5.9 million of PFC revenues in Fiscal Years 2021 and 2020; and approximately $11.4 million and $42.8 million of CARES Act grant money used in Fiscal Years 2021 and 2020 to pay debt service on Subordinate Bonds. 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 June 30, 2021:

TABLE 16

CITY OF LOS ANGELES POOLED INVESTMENT FUND(1)
ASSETS AS OF JUNE 30, 2021
(Dollars in Millions)

Description	**Market Value(2)**	**% of Total**	**Department Market Value(3)**	**LAX Market Value(4)**
Bank Deposits	$ 1,013	8.09%	$ 178	$ 177
Commercial Paper	1,439	11.49	254	253
Negotiable CDs	660	5.27	116	116
Corporate Notes	245	1.96	43	43
U.S. Federal Agencies/Munic/Supras	71	0.57	13	13
U.S. Treasuries	644	5.15	113	113
Total Short-Term Core Portfolio:	$ 4,072	32.53%	$ 717	$ 715
Corporate Notes	991	7.92	174	174
U.S. Federal Agencies/Munic/Supras	487	3.89	86	86
U.S. Treasuries	6,911	55.22	1,217	1,214
Asset-Backed Securities	55	0.44	10	10
Total Long-Term Reserve Portfolio	$ 8,444	67.47%	$ 1,487	$ 1,484
Total Cash & Pooled Investments	$ 12,516	100.0%	$ 2,204	$ 2,199

(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 June 30, 2021 was approximately 2.8 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 C – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020."

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

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

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

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

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

Pursuant to the State Labor Code, the State Department of Industrial Relations has provided the City a Certificate of Consent to Self-Insure in connection with its workers' compensation liability. See Note 10 to APPENDIX C – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020." Additionally, the Department annually conducts a comprehensive review of its active loss prevention program and risk profile for both general liability and property/casualty perils. This on-going program seeks to identify, eliminate or mitigate the loss or peril before it becomes a loss or claim. This review of its program may include benchmarking surveys with other similar domestic U.S. airports as well as examination of probable loss expectancy, exposure studies that incorporate past losses and statistical probabilities of future losses. The results of such reviews are used to establish insurance for coverage perils and limits of coverage.

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.

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 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 upon 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."

AIRPORT SYSTEM ENVIRONMENTAL MATTERS

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

Aircraft Noise Impacts

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

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

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

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

For the period from November 1997 through and including June 30, 2021, the FAA approved the collection and use of PFC revenues in the amount of approximately $1.06 billion for Noise Mitigation Programs, which consist of $30.9 million for reimbursement of eligible expenditures related to the Lennox Schools and approximately $66.1 million for Inglewood Unified School District's sound insulation programs, and $963.3 million for Noise Mitigation – Land Acquisition for incurred 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, 2021, the Department has expended approximately $1.01 billion 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 FAA in connection with recent changes to procedures that affect incoming aircraft flying over certain portions of the City on their way to LAX. The challenges relate to the environmental review and public comment process. The Department is not a participant in the case, which is pending in the United States Court of Appeals for the Ninth Circuit as Case No. 19-71581. The Department cannot predict the outcome of this proceeding.

Hazardous Substances

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

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

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

The Park One Property is also environmentally impacted and the subject of the second major remediation project. From approximately 1941 to 1988, the Park One Property was used for aerospace manufacturing, and included the use of chlorinated solvents. As a result, the soil and groundwater were impacted, including with volatile organic compounds and 1,4-dioxane. The LARWQCB is currently providing regulatory oversight of investigation and remediation of this contamination. In or about 1991, soil remediation activities were conducted on most of the Park One Property. In 1993, the LARWQCB issued a letter stating that contaminated soils in all areas covered by site investigations except the northwest quadrant had been adequately addressed. Currently, the remediation plan for the remaining portion, approximately the northwest quadrant, is being reconsidered by the 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 group of chemicals known as Per- and Polyflouroalkyl Substances ("PFAS"), which includes PFOA, PFOS, GenX and others, are found in numerous products, used in many manufacturing processes, and also in aqueous fire-fighting foam ("AFFF") at airports and military bases across the country. AFFF is effective in smothering fuel fires and the FAA specifies that AFFF must contain PFAS. The Los Angeles Fire Department uses AFFF at LAX and VNY in their firefighting apparatus. There is no regulatory guidance at this time as to acceptable levels of PFAS in soil or groundwater. However, there are notification levels for water suppliers for certain PFAS detected in drinking water. A Public Health Goal for PFAS in drinking water is being pursued by the California Department of Public Health. LAX was directed by the LARWQCB to sample at two locations for PFAS in groundwater at existing fuel investigation sites. Levels in groundwater at these sites ranged in 2017 from approximately 200 parts per trillion ("PPT") to 1,700 PPT with no discernible plume pattern or gradient. The EPA recommends lifelong exposure in drinking water at 70 PPT. In March 2019, the Department received a Water Code Section 13267 Order from the SWRCB and the LARWQCB for investigation of the presence of PFAS at LAX. The order was part of a statewide phased investigation plan regarding PFAS, with orders initially issued to all Part 139 airports in California that use AFFF fire-fighting foam for training or response which is required by the FAA. The investigation was completed in October 2019 showing the presence of PFAS chemicals in soil and groundwater at 4 locations where borings and groundwater well work was performed. A follow up investigation order was issued in August 2020 to the Department to further define and delineate the vertical and horizontal extent of PFAS at LAX.

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

No assurance can be given that future environmental legislation, regulations, restrictions or limitations will not adversely impact operations at LAX, anticipated federal funding or PFC collections for capital projects for LAX or 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 (i.e., the Ground Support Equipment Emissions Reduction Program, the LAX Alternative Fuel Vehicle Incentive Program, and the conversion of Department-owned buses to zero–emission vehicles) and quantify emissions reductions from those measures to assist the SCAQMD in obtaining reductions for such measures to meet the SCAQMD's obligations under the FCAA and CCAA. The Department is implementing the SCAQMD MOU, the AQIM and related air quality improvement measures at LAX.

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

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 Division includes an Air Quality Section with four 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."

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds. The information contained in this Official Statement relates solely to the Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate 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.

General

The revenues of the Department are affected by the economic health of the air transportation industry and the airlines serving the Airport System. Certain factors that may materially affect the Airport System and the Department's operations and revenues include, but are not limited to, (i) public health risks, such as COVID-19, (ii) national and international economic conditions and currency fluctuations, (iii) the population growth and the economic health of the region and the nation, (iv) the financial health and viability of the airline industry, (v) air carrier service and route networks, (vi) the availability and cost of aviation fuel and other necessary supplies, (vii) changes in demand for air travel, (viii) service and cost competition, (ix) levels of air fares, (x) fixed costs and capital requirements, (xi) the cost and availability of financing, including federal funding, (xii) the capacity of the national air traffic control system, (xiii) the capacity of the Airport System and of competing airports, (xiv) alternative modes of travel and transportation substitutes, (xv) national and international disasters and hostilities, (xvi) the cost and availability of employees, (xvii) labor relations within the airline industry and the availability of labor generally, (xviii) regulation by the federal government, (xix) evolving federal restrictions on travel to the United States from certain countries, (xx) environmental risks and regulations, noise abatement concerns and regulations, emissions standards and regulations and the effects of climate change, (xxi) bankruptcy and insolvency laws, and (xxii) aviation safety and security concerns, cybersecurity and other safety concerns arising from international conflicts, the possibility of terrorist or other attacks and other risks (including the impact of such attacks on other airports that have flights to or from LAX, as well as the possibility of the closure of those airports for a period of time).

COVID-19 Pandemic and Related Matters

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

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

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

Demand for Air Travel, Aviation Activity and Related Matters

The Subordinate Obligations are payable solely from Subordinate Pledged Revenues and other available funds. The Senior Bonds are payable solely from Net 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 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 Pandemic Issues and Impacts" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT."

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

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

Industry Workforce and Labor Shortages

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

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

General labor staffing shortages have also affected the airline industry. For example, Southwest Airlines canceled more than 350 flights on October 8, 2021 which it attributed to bad weather and air traffic control issues, among other things. Similarly, American Airlines canceled 900 flights between October 29, 2021 to October 31, 2021 which it attributed to bad weather and staffing shortages, among other things. American Airlines explained that the staffing shortage is a combination of pilot shortages and the lack of flight attendants in the right location. American Airlines reported that nearly 1,800 flight attendants returned to work on November 1, 2021 and that it expects to hire 600 new flight attendants in by December 2021.

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

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

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

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

Aviation Fuel Costs

Fuel is a significant cost component of airline operations and continues to be an important and uncertain determinant of an air carrier's operating economics. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Continued or new hostilities in petroleum producing regions or affecting key shipping lanes or other supply chain disruptions could dramatically increase the price and adversely affect the availability of aviation fuel. Economic expansion in emerging markets also contributes to higher aviation fuel prices. Natural disasters affecting refineries may also result in higher aviation fuel prices. Significant and prolonged increases in the cost of aviation fuel have had and are likely in the future to have an adverse effect on the air transportation industry by increasing airline operating costs and reducing airline profitability. In addition, there have been recent concerns about possible fuel shortages that were raised following the cyberattack on the Colonial Pipeline in May 2021, which impacted delivery of fuel to airports in the eastern United States. A future cyberattack could adversely impact fuel distribution for any airport, including LAX.

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

Financial Condition of the Airlines

The 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. Furthermore, the aviation industry is sensitive to a variety of factors, including the cost and availability of labor, fuel, aircraft, supplies and insurance; general economic conditions; international trade; currency values; competitive considerations, including the effects of airline ticket pricing; traffic and airport capacity constraints; governmental regulation, including security and climate change-related regulations; taxes imposed on airlines and passengers; maintenance and environmental requirements; passenger demand for air travel; strikes and other union activities; availability of financing; and disruptions caused by airline accidents, criminal incidents, public health concerns and acts of war or terrorism. 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"), 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 generally 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 and other factors. Airline debt levels fluctuate. The airlines are vulnerable, and have experienced reduced demand, increased costs and other negative effects due to fuel price spikes, labor activity, shortages of skilled labor, strikes by employees or union members, recession and other external changes (such as change in laws or the application thereof, terrorism, pandemics, military conflicts and natural disasters). As a result, aviation industry-related financial performance, including those concessionaires that rely upon airline passenger traffic and revenues for profitability, can fluctuate dramatically. A reduction in the demand for air travel due to unfavorable economic conditions also limits airlines' ability to raise fares to counteract increased fuel, labor and other costs. Deterioration in either the domestic and/or global economy may therefore have a material impact on revenue in the industry. Future increases in passenger traffic will depend largely on the ability of the United States and other countries to sustain growth in economic output and income. There can be no assurance that weak economic conditions or other national and international fiscal concerns would not have an adverse effect on the air transportation industry while the Series 2022CDEF Subordinate Bonds remain outstanding. Finally, volatility in the financial and credit markets may have a material adverse effect on the financial condition of airline companies, because such economic conditions could make it difficult for certain airlines to obtain financing on acceptable terms to refinance certain maturing debt and to meet future capital commitments.

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

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

For a further discussion of the related effects of the COVID-19 pandemic on the aviation industry, see "INTRODUCTION - COVID-19 Pandemic 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 United States network airlines, as measured by the number of enplaned passengers (American Airlines, Delta Air Lines, and United Airlines), currently have a strong presence at LAX, and as indicated in each airlines share of enplaned passengers for calendar year 2020: American Airlines (20.2%), Delta Air Lines (18.9%) and United Airlines (14.1%). As shown in Table 8-A below, these three airlines continue to have a strong presence as of the seven-month period from January through July 2021 with the following shares of enplaned passengers: Delta Air Lines (22.6%), American Airlines (21.1%), and United Airlines (14.6%).

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 PFC 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, PFC collections or airline or concessionaires costs, as a result of unknown potential airline consolidations.

Unmanned Aerial Vehicles

With the proliferation of inexpensive, commercially available, unmanned aerial vehicles ("UAVs"), or drones, the threat that unauthorized and unsafe UAV operations near airports could adversely affect the safety or security of U.S. airports and arriving or departing aircraft has increased significantly in recent years. Recent incursions of airport space by UAVs have disrupted airport operations by causing flights to be halted or diverted. London's Gatwick Airport was closed for 27 hours, impacting some 140,000 passengers and causing roughly 1000 flights to be delayed or cancelled between December 19 and 21, 2018 dur to drone incursions. An unauthorized UAV incursion at LAX could result in the temporary delay or cancellation of flights to or from LAX as well as harm the Department's reputation and its relationships with LAX customers, airlines and government partners. Although UAVs are regulated by the FAA and federal law prohibits LAX from disrupting UAV operations or undertaking counter UAV measures, the Department is working closely with the FAA to develop measures to prevent unauthorized UAV activity from adversely affecting LAX. There can be no assurance, however, that in the future, unauthorized UAV activity will not adversely affect LAX operations.

Technological Innovations

New technologies are being developed and are likely to continue to be developed in the future. The impact of these new technologies on current operations or practices is not known and may have an effect on airlines and operations at LAX. Recently, certain wireless carriers have begun wireless broadband operations in the 3.7-3.98 GHz frequency band ("5G service"). Such 5G services use frequencies in a radio spectrum that the FAA has determined may interfere with those used by radar altimeters, which are an important piece of equipment in certain aircraft. On January 7, 2022, the FAA released a list of 50 airports, including LAX, that will have buffer zones when wireless carriers begin 5G service. On January 13, 2022, the FAA issued multiple Notice to Air Missions (NOTAMs) to restrict the use of specific radar altimeter-dependent instrument landing procedures, at LAX among other U.S. airports, under certain low visibility conditions. These conditions could occur occasionally at LAX. During such weather conditions, it is possible that some flight cancellations and/or diversions may occur. The FAA is working with wireless carriers on a permanent solution that would allow 5G service and radar altimeters to coexist at airports long-term. The FAA is also working with aircraft equipment manufacturers and airlines to develop short-term

Alternate Methods of Compliance (AMOCs) that have, to date, cleared most aircraft models and versions to operate at LAX in low visibility conditions. Nevertheless, no assurance can be given whether and to what extent the presence of 5G service may reduce the availability of certain aircraft or disrupt airline or Department operations.

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 September 3, 2021, 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.; LATAM Airlines Group S.A. (LAN Airlines S.A.); Miami Air International; Grupo Aeromexico, S.A.B. de C.V; Norwegian Air; Philippine Airlines, Advantage Holdco Inc. (Advantage Rent a Car); Thrifty Rent-A-Car System LLC; Dollar Rent-A-Car, Inc.; Dollar Thrifty Automotive Group Inc.; and Firefly Rent-A-Car LLC. 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 and Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds). The bankruptcy of a contractual counterparty (such as an airline or rental car company) may allow, over the long term, 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 the 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 and the Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds), 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 and the Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds), 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 or the Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds) 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 PFC 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 PFC 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 PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC 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 B – "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 B – "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 2022CDEF Subordinate 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 2022CDEF Subordinate 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 PFC 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.

Aviation Safety

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

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

Security Concerns

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

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

Cyber Security

Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including airlines, the FAA, the TSA, the Department, 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, terminal leases, the Rate Agreement, 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 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." Furthermore, 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 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 2022CDEF Subordinate Bonds was undertaken, it would not adversely affect the market value of the Series 2022CDEF Subordinate 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. On January 11, 2021, the EPA issued a final rule entitled Control of Air Pollution from Airplanes and Airplane Engines: GHG Emission Standards and Test Procedures, 86 Fed. Reg. 2136 (Jan. 11, 2021). The rule adopts GHG standards equivalent to those adopted by the International Civil Aviation Organization (ICAO) in 2017 for certain civil subsonic jet airplanes and larger subsonic propeller-driven airplanes with turboprop engines. The standards generally apply to new type design airplanes with certification applications submitted on or after January 11, 2021 (January 1, 2023 for certain, smaller new designs) and in-production airplanes starting on January 1, 2028 – but not to existing airplanes already in service. In its analysis of costs and benefits in the preamble to the rule, the EPA explained that many airplanes manufactured in the United States "already met the ICAO standards at the time of their adoption" or would be expected to do so by 2028. The impact to the Airports System is not expected to be significant, and the rule does not require modifications to airports.

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

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

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. 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. CARB is in the process of preparing a 2022 Scoping Plan Update to assess progress toward the 2030 target and to prepare a plan to achieve carbon neutrality by 2045. The Department's annual metric tons of carbon dioxide equivalent ("MtCO2e") emissions exceed 25,000 metric tons and therefore the Department is required to participate in the California Cap-and-Trade Program. California Cap-and-Trade Program credits are market based, thus, the annual costs for participation in the program may vary. The California Cap-and-Trade Program may result in rising electricity and fuel costs, which may adversely affect the airlines serving LAX and the Department's operations.

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 PFC 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 and pursuant to the CARES Act, CRRSAA and ARPA, the FAA awarded approximately $700 million to the Department in the form of grants for reimbursement of eligible Department expenditures, provided the Department comply with grant requirements including workforce retention requirements. See "INTRODUCTION – COVID-19 Pandemic Issues and Impacts - Government Stimulus and Relief Measures in Response to the COVID-19 Pandemic." The Department may also 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.

The Department expects to receive additional funds from the recently passed federal infrastructure bill, but the amounts of any such funds have not yet been determined, except for the federal Fiscal Year 2022 allocation, which includes an allocation of approximately $79.3 million for LAX and approximately $763 thousand for VNY.

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 PFC 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 2022CDEF SUBORDINATE BONDS – Passenger Facility Charges," "FINANCIAL AND OPERATING INFORMATION CONCERNING LAX – Debt Service Coverage" and in APPENDIX B – "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".

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 PFCs 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 PFCs would not be summarily terminated. No assurance can be given that the Department's authority to impose PFCs will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or by the FAA so as to reduce PFC revenues available to the Department or that the Department will not seek to decrease the amount of the PFCs to be collected.

In the event the FAA or Congress reduced or terminated the Department's ability to collect PFC revenues, or PFC 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 Report of the Airport Consultant are based on an assumption by the Airport Consultant that the current $4.50 PFC level will remain the same during the Forecast Period.

See "INTRODUCTION - COVID-19 Pandemic Issues and Impacts," "CERTAIN FUNDING SOURCES – Passenger Facility Charges," "AIRPORT AND CAPITAL PLANNING – Financing the Capital Program" and APPENDIX B – "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 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, some of which may be material. 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, and such cost overages may be material. 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 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 PFC 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 Report of the Airport Consultant, which is included as part of the Appendix B to this Official Statement. See also "—Considerations Regarding Passenger Facility Charges". The 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 projected debt service coverage ratios set forth in the Report of the Airport Consultant. No assurance 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 Report of the Airport Consultant. If such development or funding sources or other funding sources referred to in the Report of the Airport Consultant are not available or the Department changes its plan of finance as described in the 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, including through the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations, to finance all or a portion of the costs of such projects. Such changes could result in actual results, including but not limited to debt service coverage, differing materially from the projections in the Report of the Airport Consultant.

As described in this Official Statement and in the Report of the Airport Consultant, private developers 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, 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. See "AIRPORT AND CAPITAL PLANNING – Overview – The Automated People Mover System" and "—The ConRAC."

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. Certain of those future projects may also involve private developers, with associated, unique risks. See "AIRPORT AND CAPITAL PLANNING" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES" 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 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, which differences may be material. See "INTRODUCTION – COVID-19 Pandemic 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, at the borrowing rates or at the times desired by the Department.

See "AIRPORT AND CAPITAL PLANNING" and APPENDIX B – "REPORT OF THE AIRPORT CONSULTANT – AIRPORT FACILITIES AND CAPITAL PROGRAM – AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES" 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 2022CDEF Subordinate 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 the COVID-19 Pandemic and are conditioned on the assumption that, during the Forecast Period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at LAX.

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, CRRSAA or ARPA 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 Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds, or could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Prospective purchasers of the Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds may become subject to federal income taxation if certain events occur subsequent to the date of issuance of the Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds may be deemed to be taxable retroactive to their date of issuance. The Tax-Exempt Series 2022CDE Subordinate 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 Tax-Exempt Series 2022CDE Subordinate Bonds becoming subject to federal income taxation. See "TAX MATTERS – Changes in Federal and State Tax Law."

Risk of Tax Audit

The Internal Revenue Service (the "IRS") includes a subdivision that is specifically devoted to tax-exempt bond compliance. If the IRS undertook an examination of the Tax-Exempt Series 2022CDE Subordinate Bonds or other bonds issued by the Department as tax-exempt bonds, it may have a material adverse effect on the marketability or the market value of the Tax-Exempt Series 2022CDE Subordinate Bonds. See "LITIGATION AND EXAMINATIONS REGARDING THE AIRPORT SYSTEM AND THE DEPARTMENT – Internal Revenue Service Examination of Series 2012 Senior Bonds" with respect to the current IRS audit of the Series 2012 Senior Bonds.

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

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 occurrence of a Subordinate Event of Default under the Subordinate Indenture as described in Appendix D-3, 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, the Holders of the Subordinate Obligations or Senior Bonds or the CP Banks (as defined herein). 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 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 2022CDEF Subordinate Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2022CDEF Subordinate Bonds may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, as well as limitations on legal remedies against cities in the State.

See APPENDIX D-3 – "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." See APPENDIX D-2 – "SUMMARY OF THE MASTER SENIOR INDENTURE." See also See also "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Senior Bonds."

Rate Covenant Limitations

As described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE BONDS – Pledge of Subordinate Pledged Revenues – Subordinate Rate Covenant," the Subordinate Indenture includes covenants with respect to the establishment of rates and charges. However, the Subordinate 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."

As of June 30, 2021, the Department used approximately $323.6 million of grant moneys received under the CARES Act (which are neither LAX Revenues nor Pledged Revenues) to pay LAX Maintenance and Operation Expenses and debt service, 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.

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

The Letter Report of the Airport Consultant included in APPENDIX B to this Official Statement incorporates numerous assumptions and states that the projections in the Report of the Airport Consultant are subject to uncertainties. The range of projected key financial metrics relied upon in the Report of the Airport Consultant was prepared based on a number of assumptions as described therein. The key financial metrics were also based, in part, on comments related to COVID-19 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 and aviation industry. The negative effect of the COVID-19 pandemic on the Los Angeles CSA, the State and the United States economic activity (e.g., population and unemployment) in calendar years 2020 and 2021, 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 LAX is not within the scope of the Report of the Airport Consultant.

The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an understanding of all of the assumptions used to prepare the projections made therein. No assurance can be given that the projections discussed in the 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 Forecast Period may vary from those set forth in APPENDIX B and the variations may be material and adverse. Additionally, the debt service projections in the Report of the Airport Consultant are not expected to be updated to reflect the sale, issuance or final terms of the Series 2022CDEF Subordinate Bonds. Further, the Report of the Airport Consultant does not cover the entire period through maturity of the Series 2022CDEF Subordinate Bonds. See "INTRODUCTION – Forward-Looking Statements," APPENDIX B – "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 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 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 unaudited Fiscal Year 2021, 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 $1.01 billion was allocated to the Department with respect to LAX. For unaudited Fiscal Year 2021, pursuant to GASB 75 (as defined herein), a proportional allocation of the City's Net OPEB Liability (as defined herein) in the aggregate amount of approximately $80.4 million was allocated to the Department with respect to LAX.

The LACERS Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2020 ("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, 2020, the "LACERS Reports") and the Los Angeles Fire and Police Pension System Annual Report for the fiscal year ended June 30, 2019 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, 2020 (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 plan assets, 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 C and APPENDIX I, 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 and Subordinate Bonds (including the Series 2022CDEF 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 C – "ANNUAL FINANCIAL REPORT OF LOS ANGELES WORLD AIRPORTS (DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, CALIFORNIA) LOS ANGELES INTERNATIONAL AIRPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020" and APPENDIX I – "CERTAIN INFORMATION REGARDING THE RETIREMENT PLAN AND PENSION SYSTEMS OF THE CITY OF LOS ANGELES." The information in APPENDIX I 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 I or the LACERS Reports, LAFPP Reports or other information incorporated by reference therein.

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APPENDIX B

REPORT OF THE AIRPORT CONSULTANT

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December 23, 2021

Ms. Beatrice Hsu, 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 Subordinate Revenue and Subordinate Refunding Revenue Bonds, 2022 Series A-F

Dear Ms. Hsu:

WJ Advisors LLC is pleased to submit this Letter Report of the Airport Consultant (the 2022A-F Letter Report) on the proposed issuance of the following series of Los Angeles International Airport Subordinate Revenue and Subordinate Refunding Revenue Bonds by the Department of Airports (the Department) of the City of Los Angeles (the City):

- Subordinate Revenue Bonds, 2022 Series A (Private Activity/Alternative Minimum Tax (AMT) (the Series 2022A Subordinate Bonds)
- Subordinate Revenue Bonds, 2022 Series B (Governmental Purpose/Non-AMT) (the Series 2022B Subordinate Bonds)
- Subordinate Revenue and Refunding Revenue Bonds, 2022 Series C (Private Activity/AMT) (the Series 2022C Subordinate Bonds)
- Subordinate Refunding Revenue Bonds, 2022 Series D (Private Activity/Non-AMT)
- Subordinate Refunding Revenue Bonds, 2022 Series E (Governmental Purpose/Non-AMT), and
- Subordinate Refunding Revenue Bonds, 2022 Series F (Federally Taxable)

In this 2022A-F Letter Report, the Series 2022A Subordinate Bonds, the Series 2022B Subordinate Bonds, and the Series 2022C Subordinate Bonds are referred to as the Series 2022A-C Bonds and all of the series of bonds listed above are collectively referred to as the Series 2022A-F Subordinate Bonds. The proposed Series 2022A-F Subordinate Bonds are to be issued pursuant to the Department's Master Subordinate Trust Indenture, as amended, and the Twenty-Second and Twenty-Third Supplemental Subordinate Trust Indentures (together referred to as the Subordinate Revenue Bond Indenture).

The City owns and, through the Department, operates Los Angeles International Airport (the Airport or LAX).

Ms. Beatrice Hsu
December 23, 2021

Capitalized terms in this 2022A-F Letter Report are used as defined in the Master Trust Indenture (as amended and supplemented and referred to collectively as the Senior Revenue Bond Indenture), the Subordinate Revenue Bond Indenture, the Air Carrier Operating Permit for the Use of Landing and Apron Facilities at the Airport (the Operating Permit), and the Department's Rate Agreement (the Rate Agreement) with the airlines using terminal facilities at the Airport pursuant to the Los Angeles International Airport Passenger Terminal Tariff (Tariff) or a lease. In this 2022A-F Letter Report, the Senior Revenue Bond Indenture and the Subordinate Revenue Bond Indenture are collectively referred to as the Revenue Bond Indentures.

SCOPE OF THIS LETTER REPORT

This 2022A-F Letter Report summarizes our update of certain assumptions in the Report of the Airport Consultant on the proposed issuance of Los Angeles International Airport Subordinate Revenue Bonds, 2021 Series D and Subordinate Refunding Revenue Bonds 2021 Series E (collectively, the Series 2021DE Bonds), dated September 14, 2021 (the 2021DE Report) that were used to forecast, among other things, the average airline cost per enplaned passenger (CPE) and debt service coverage during the Forecast Period (Fiscal Year[1] [FY] 2022 through FY 2027). This 2022A-F Letter Report and the 2021DE Report should be read in their entirety for an understanding of the forecasts and the underlying assumptions.

Based on our review, it was determined that, for purposes of this 2022A-F Letter Report, the key assumptions and forecasts for the Forecast Period described in the 2021DE Report are appropriate for the purposes of this 2022A-F Letter Report to rely upon in updating the forecasts of the average airline cost per enplaned passenger and debt service coverage. Only the following major changes to the assumptions presented in the 2021DE Report were made in preparing the financial forecasts in this 2022A-F Letter Report:

- Actual debt service on the Series 2021D Subordinate Revenue Bonds and the Series 2021E Subordinate Refunding Revenue Bonds and the elimination of debt service associated with (i) the refunding and defeasance of certain maturities of the Series 2016A Subordinate Revenue Bonds and the Series 2016C Senior Refunding Revenue Bonds and (ii) restructuring of certain other debt service.
- Estimated debt service on the proposed Series 2022A-C Subordinate Bonds used to fund certain projects in the Airport Capital Program, which bonds were considered Future Bonds in the 2021DE Report.
- Estimated debt service on Future Bonds other than the proposed Series 2022A-C Subordinate Bonds. Certain Future Senior Bonds assumed in the 2021DE Report are

[1] The City's Fiscal Year ends June 30.

now expected to be Future Subordinate Bonds and were assumed as such in this 2022A-F Letter Report.

- Updated forecast Pledged Revenues reflecting changes related to the actual and estimated annual debt service discussed above.

PROPOSED SERIES 2022A-F SUBORDINATE BONDS

The Department currently expects to issue the proposed Series 2022A-F Subordinate Bonds for a number of different purposes, including the current refunding for debt service savings of the (i) Los Angeles International Airport Subordinate Revenue Bonds, 2012 Series A (Series 2012A Senior Bonds) from a portion of the net proceeds of the Series 2022C Subordinate Revenue and Refunding Revenue Bonds and (ii) Los Angeles International Airport Senior Revenue Bonds, 2012 Series B (Series 2012B Senior Bonds) from a portion of the net proceeds of the proposed Series 2022D Subordinate Refunding Revenue Bonds. The financial forecasts presented in this 2022A-F Letter Report do not include any debt service savings from the potential refunding of the Series 2012A and Series 2012B Senior Bonds, the refunding of which will be based on, among other factors, bond market conditions at the time of the proposed issuance of the Series 2022C Subordinate Revenue and Refunding Revenue Bonds and the Series 2022D Subordinate Refunding Revenue Bonds.

Excluding the current refunding and defeasance of the Series 2012A Senior Bonds and Series 2012B Senior Bonds, the net proceeds from the proposed issuance of the Series 2022A-F Bonds included in this 2022A-F Letter Report would be used to:

- Finance a portion of the Airport Capital Program.
- Reimburse the Department for certain prior Airport Capital Program expenditures paid with Department Funds.
- Refund approximately $16.6 million in outstanding Subordinate Commercial Paper Notes used to pay the interest portion of debt service on certain Airport Capital Program projects.
- Restructure the debt service on certain outstanding bonds in connection with the Airline Cost Stabilization and Recovery Plan[2] (the Plan).
- Make a deposit to the Subordinate Debt Service Reserve Fund.
- Pay issuance and financing costs associated with the proposed Series 2022A-F Subordinate Bonds.

[2] See the section titled “Restructuring of Debt Service, Deferral of Amortization Charges, and Use of Grants” in the 2021DE Report for additional information.

Ms. Beatrice Hsu
December 23, 2021

As of the date of this 2022A-F Letter Report, the Department currently expects to use the net proceeds of Commercial Paper Notes to fund capitalized interest that would have otherwise been funded from the net proceeds of the proposed Series 2022A-C Subordinate Bonds that are expected to be used to fund certain Airport Capital Program costs for projects that are under construction.

The proposed Series 2022A-F Subordinate Bonds are assumed to be issued as fixed-rate bonds with the following final maturity dates and all-in true interest costs, based on input from Public Resources Advisory Group (the Department's co-Municipal Adviser):

	Final Maturity Date	All-in True Interest Cost
Series 2022A Bonds	5/15/2052	3.04%
Series 2022B Bonds	5/15/2048	2.89%
Series 2022C Bonds	5/15/2049	2.97%
Series 2022D Bonds	5/15/2040	2.39%
Series 2022E Bonds	5/15/2042	2.40%
Series 2022F Bonds	5/15/2051	3.05%

The projects expected to be funded with the net proceeds from the sale of the proposed Series 2022A-C Subordinate Bonds include:

Terminals

- **North Terminal Improvement Program – Delta Air Lines.** 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; approximately $648.4 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2022A-C Bonds. This project is expected to be completed by the end of FY 2024.

Airfield and Apron

- **Runway 7R-25L Reconstruction.** This project includes the reconstruction of Runway 7R-25L and associated exit taxiways. This project is estimated to cost $25.6 million; approximately $0.5 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2022A-C Bonds. This project is expected to be completed by the end of FY 2022.

Landside Access Modernization Program

- **APM System Construction.** This project includes milestone payments to the developer selected by the Department to design, build, finance, operate, and maintain a new APM System. The Department's portion of this project is estimated to cost $1.7 billion; approximately $168.3 million of this cost is expected to be funded from the proceeds from the sale of the proposed Series 2022A-C Bonds. This project is expected to be completed by FY 2024.

Remaining Projects

- **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 $158.7 million; approximately $24.8 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2022A-C Bonds. This project is expected to be completed by the end of FY 2024.

FUTURE SENIOR BONDS AND SUBORDINATE OBLIGATIONS

According to the Department's Co-Municipal Advisor, estimated annual debt service on Future Bonds was based on the following assumptions:

- An interest rate of 6.0% on future Senior Bonds and future Subordinate Obligations.
- Capitalized interest, including the refinancing of Commercial Paper Notes issued to fund capitalized interest, reserve funds, and other costs of issuance to be funded with the net proceeds from the sale of Future Bonds; debt service on Future Bonds included in the financial forecasts presented in this 2022A-F Letter Report is net of capitalized interest.
- The Future Bonds for each project to be amortized over the project's expected useful life or 30 years, whichever occurs first.

As stated earlier, debt service savings from any outstanding Bonds that the Department may refund for economic savings during the Forecast Period have not been included in the forecasts presented in this 2022A-F Letter Report.

CAPITAL PROGRAM

The cost of the current Airport Capital Program, which was initiated in or around FY 2016 and is currently expected to be completed by the end of FY 2026 is unchanged from what was presented in the 2021DE Report at approximately $11.5 billion.

The amounts of estimated funding from sources expected to pay for the Capital Program presented on Exhibit A of the 2021DE Report have not materially changed, including the amount of net proceeds from the sale of prior bonds and Future Bonds, including the net proceeds from the proposed issuance of the Series 2022A-C[3] Subordinate Bonds, which are the bonds expected to fund a portion of Airport Capital Program project costs.

The Department expects to fund approximately $1.8 billion of Capital Program costs with the net proceeds from the sale of the proposed Series 2022A-C Subordinate Bonds and Future Bonds. The Department may use any combination of Senior Bonds and Subordinate Obligations to fund other Capital Program costs.

FORECAST COST PER ENPLANED PASSENGER

Updated forecasts of airline revenues in total and on a per enplaned passenger basis were prepared for this 2022A-F Letter Report in accordance with the methodologies in the Tariff, Rate Agreement, Terminal leases, and the Operating Permit.

A comparison of the average forecast CPE presented in the 2021DE Report and this 2022A-F Letter Report is provided below for each year in the Forecast Period:

Fiscal Year	2021DE Report	2022A-F Letter Report	Percent increase (decrease)
2022	$28.89	$28.45	-1.5%
2023	$28.01	$27.96	-0.2%
2024	$28.52	$28.30	-0.8%
2025	$31.57	$31.33	-0.8%
2026	$32.77	$32.03	-2.3%
2027	$33.56	$32.92	-1.9%

DEBT SERVICE COVERAGE PURSUANT TO THE REVENUE BOND INDENTURES

Under the Senior Revenue Bond Indenture, as amended and supplemented, Senior Bonds are secured by a pledge of Net Pledged Revenues and certain funds and accounts held by the Senior Trustee. As defined in the Senior Revenue Bond Indenture, Net Pledged Revenues equal Pledged Revenues less LAX Maintenance & Operation (M&O) Expenses. Pursuant to the Senior Revenue Bond Indenture, 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

[3] For the Series 2022C Subordinate Bonds, only includes that portion expected to fund a portion of Airport Capital Program project costs.

- Net Pledged Revenues, together with any Transfer (as defined in the Senior Revenue Bond Indenture), are equal to at least 125% of the Senior Bond Aggregate Annual Debt Service on outstanding Senior Bonds.

In this 2022A-F Letter Report, these covenants are referred to as the Senior Bond Rate Covenant.

Subordinate Obligations are secured by a pledge of Subordinate Pledged Revenues and certain other funds and accounts held by the Subordinate Trustee. Under the Subordinate Revenue Bond Indenture, Subordinate Pledged Revenues are defined as Pledged Revenues less LAX M&O Expenses less Senior Bond Aggregate Annual Debt Service less any deposits to the senior debt service reserve fund(s).

Under the Subordinate Revenue Bond Indenture, 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:

- Subordinate Pledged Revenues are at least equal to the amount of required deposits to various funds and accounts during such Fiscal Year, and

- Subordinate Pledged Revenues, together with any Transfer, are equal to at least 115% of the Subordinate Aggregate Annual Debt Service on outstanding Subordinate Obligations.

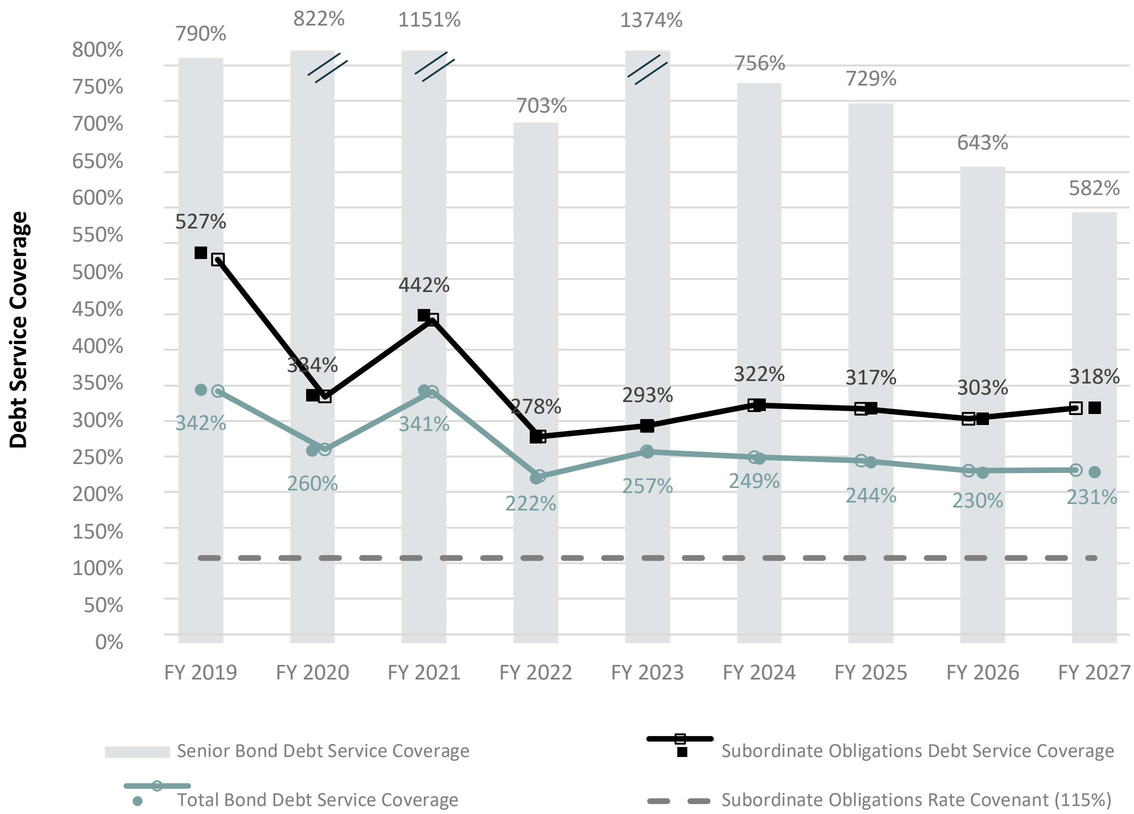
These covenants are referred to as the Subordinate Obligations Rate Covenant.

Although the Revenue Bond Indentures provide for a Transfer of certain amounts that can be included in the calculation of debt service coverage, no such Transfer was assumed in the financial forecasts of this 2022A-F Letter Report.

As shown on Figure 1, debt service coverage on Senior Bonds and Subordinate Obligations, including annual Debt Service on the proposed Series 2022A-F Subordinate Bonds (but excluding Series 2022C-D debt service associated with the current refunding and defeasance of the Series 2012A Senior Bonds and the Series 2012B Senior Bonds) and Future Bonds, in each Fiscal Year of the Forecast Period, demonstrates compliance with (1) the Senior Bond Rate Covenant of 125% of Senior Aggregate Annual Debt Service and (2) the Subordinate Obligations Rate Covenant of 115% of Subordinate Aggregate Annual Debt Service.

Ms. Beatrice Hsu
December 23, 2021

Figure 1
UPDATED FORECAST DEBT SERVICE COVERAGE
Los Angeles International Airport



Note: Includes debt service on Senior Bonds, existing Subordinate Obligations, including the Series C and Series B Subordinate Commercial Paper Notes, and estimated debt service on the proposed Series 2022A-F Subordinate Bonds (but excluding Series 2022C-D debt service issued to current refund and defease the Series 2012A Senior Bonds and the Series 2012B Senior Bonds) and Future Bonds. Debt service is net of capitalized interest, if any.
Source of Debt Service: the Department's Co-Municipal Advisor.

As shown below, the updated forecast of Senior Bonds debt service coverage is higher than the Senior Bonds debt service coverage in the 2021DE Report, and Subordinate Bonds debt service coverage is lower than the Subordinate Bonds debt service coverage in the 2021DE Report.

	Senior Bonds		Subordinate Bonds		All Bonds	
Fiscal Year	2021DE Report	2022A-F Letter Report	2021DE Report	2022A-F Letter Report	2021DE Report	2022A-F Letter Report
2022	528%	703%	296%	278%	216%	222%
2023	1,342%	1,374%	294%	293%	257%	257%
2024	678%	756%	331%	322%	247%	249%
2025	614%	729%	337%	317%	243%	244%
2026	498%	643%	325%	303%	224%	230%
2027	494%	582%	347%	318%	231%	231%

PROJECTION OF DEBT SERVICE AND AVAILABILITY PAYMENT COVERAGE

A projection of coverage was prepared for informational purposes only to demonstrate the ability of the Department to meet all of its secured and unsecured obligations, which includes (a) all Debt Service on existing Senior and Subordinate Bonds, the proposed Series 2022A-F Subordinate Bonds (but excluding Series 2022C-D debt service associated with the current refunding and defeasance of the Series 2012A Senior Bonds and the Series 2012B Senior Bonds), and Future Bonds and (b) the annual automated people mover (APM) Capital availability payments (APs)[4] and the consolidated rent-a-car facility (ConRAC) Capital APs, both of which are unsecured obligations of the Department that are not required to be included in the calculation of debt service coverage under the Revenue Bond Indentures.

The total annual revenues used to calculate coverage for informational purposes only are equal to (1) forecast annual Net Pledged Revenues plus (2) forecast annual Customer Facility Charge (CFC) revenues that are currently expected by the Department to be used to pay the ConRAC Capital APs.

The projection of coverage (including debt service plus the annual APM Capital AP and ConRAC Capital AP) ranges from 200% to 252% between FY 2023 and FY 2027.

ASSUMPTIONS UNDERLYING THE UPDATED FINANCIAL FORECASTS

The updated financial forecasts presented in this 2022A-F Letter Report are based on information and assumptions provided by, or reviewed with and agreed to by, Department management. The updated forecasts reflect management’s expected course of action during the Forecast Period and, in management’s judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the updated forecasts are set forth in the 2021DE Report and this 2022A-F Letter Report. The 2021DE

[4] See the 2021DE Report for additional information regarding APM Capital and ConRAC Capital APs and the projected sources of revenues to make those payments.

Ms. Beatrice Hsu
December 23, 2021

Report and this 2022A-F Letter Report should be read in their entirety for an understanding of the forecasts and the underlying assumptions.

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

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

W J ADVISORS
AVIATION MANAGEMENT CONSULTANTS



Appendix A

Report of the Airport Consultant

on the proposed issuance of

Los Angeles International Airport Subordinate Revenue Bonds, 2021 Series D, Private Activity/Alternative Minimum Tax and Subordinate Refunding Revenue Bonds, 2021 Series E, Federally Taxable

September 14, 2021

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

September 14, 2021

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

Re: Report of the Airport Consultant on the Proposed Issuance of Los Angeles International Airport Subordinate Revenue Bonds, 2021 Series D, Private Activity/Alternative Minimum Tax and Subordinate Refunding Revenue Bonds, 2021 Series E, Federally Taxable

Dear Ms. Hsu:

WJ Advisors LLC is pleased to submit this Report of the Airport Consultant (the 2021DE Report) related to the proposed issuance of Los Angeles International Airport Subordinate Revenue Bonds, 2021 Series D, Private Activity/Alternative Minimum Tax (AMT) (the Series 2021D Bonds) and Subordinate Refunding Revenue Bonds, 2021 Series E, Federally Taxable (the Series 2021E Bonds) by the Department of Airports (the Department) of the City of Los Angeles (the City). Together, the Series 2021D Bonds and the Series 2021E Bonds are referred to in this 2021DE Report as the proposed Series 2021DE Bonds. The proposed Series 2021DE Bonds are to be issued pursuant to the Department's Master Subordinate Trust Indenture, as amended, and the Twenty First Supplemental Subordinate Trust Indenture (collectively referred to herein as the Subordinate Revenue Bond Indenture). In this 2021DE 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 (the Airport or LAX).

This 2021DE Report was prepared to determine if forecast financial results are sufficient to meet the requirements of the rate covenant of the Subordinate Revenue Bond Indenture (the Subordinate Obligation Rate Covenant) for Fiscal Year[1] (FY) 2022 through FY 2027 (referred to in this 2021DE Report as the Forecast Period) when taking into account the issuance of (1) the proposed Series 2021DE Bonds and (2) future Senior Bonds and other Subordinate Obligations (the Future Bonds) currently expected to be issued by the Department during the Forecast Period to fund a portion of the Airport Capital Program (as defined below).

In preparing this 2021DE Report, we assisted Department management in identifying key factors affecting the future financial results of the Airport and in formulating assumptions about those factors. The results and key findings of our analyses are summarized in this letter

[1] The Fiscal Year of the City and the Department ends June 30. In this 2021DE Report, calendar year data are shown unless otherwise indicated as a Fiscal Year/FY.

Ms. Beatrice Hsu
September 14, 2021

and described more fully in the following three sections of the Background portion of this 2021DE Report: “Airline Traffic and Economic Analyses,” “Airport Facilities and Capital Program,” and “Financial Performance.” This 2021DE Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

Capitalized terms in this 2021DE Report are used as defined in the Senior Revenue Bond Indenture, the Subordinate Revenue Bond Indenture, the Air Carrier Operating Permit for the Use of Landing and Apron Facilities at the Airport (Operating Permit), or the Department’s Rate Agreement with the airlines using terminal facilities at the Airport pursuant to the Los Angeles International Airport Passenger Terminal Tariff (Tariff) or a lease.

COVID-19 PANDEMIC

The worldwide outbreak of novel coronavirus SARS-CoV-2 (COVID-19) began in late 2019 and caused significant disruptions to domestic and international passenger travel as well as the conduct of day-to-day business in the City of Los Angeles, the rest of the United States (U.S. or nation) and the world. The numbers of flights and passengers on the passenger airlines serving the Airport have been and continue to be lower than aviation activity levels in 2019 because of the COVID-19 pandemic, as follows:

- **Enplaned passengers in the United States**. The numbers of enplaned passengers in the United States decreased 60.3% in 2020 compared with 2019 data. During the first 6 months of 2021 (the latest available data for the nation), the numbers of passengers screened by the Transportation Security Administration (the TSA) at all U.S. airports (an indicator of passenger travel) decreased 42.9% relative to the same period of 2019.
- **Enplaned passengers at the Airport**. The numbers of enplaned passengers at the Airport decreased 67.4% in 2020 compared with 2019 data, which is a slightly larger decrease than in the nation (-60.3%)[2]. During the first 6 months of 2021, the numbers of enplaned passengers at the Airport decreased 58.6% relative to the same period of 2019.

The recovery in the number of enplaned passengers at the Airport is related to increases in domestic passenger travel, which has been consistent with national recovery trends as shown on Figure 1, but the recovery in the total number of enplaned passengers (domestic and international) at the Airport has been slower than in the nation as a result of the large share of international passenger traffic typically accommodated at the Airport. Restrictions imposed by governments around the world, including, but not limited to, mandatory 14-day quarantine periods, proof of a negative COVID-19 test, or bans on non-essential travel have more severely curtailed international travel than domestic travel.

[2] Calendar data are used rather than Fiscal Year data for purposes of comparison with the number of enplaned passengers in the nation.

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

Figure 1 shows the average quarterly decrease in the number of enplaned passengers at the five busiest international U.S. gateway airports[3], which decreased 68.3% in 2020 compared with the number enplaned in 2019. At the Airport, the number of enplaned passengers decreased 67.4% in 2020 compared with the number enplaned in 2019. As shown on Figure 1, the recent growth in the number of enplaned passengers at the Airport, which is largely the result of the growth in domestic traffic, has been consistent with that at other international gateway airports in the nation.

Prior to the COVID-19 pandemic, the largest quarterly decrease in the number of enplaned passengers at the Airport was 24.7% in the fourth quarter of 2001, related to the terrorist attacks in the nation on September 11, 2001. Similarly, the largest quarterly decrease in the national number of enplaned passengers was 18.2**%** in the same quarter, also related to the September 11, 2001, attacks. These comparisons are presented solely to provide an understanding of the magnitude of the quarterly decreases in passenger traffic at the Airport resulting from the COVID-19 pandemic relative to prior major events.

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[3] Ranking based on 2019 international enplaned passengers, includes John F. Kennedy International Airport, Los Angeles International Airport, San Francisco International Airport, Miami International Airport, and Newark Liberty International Airport.

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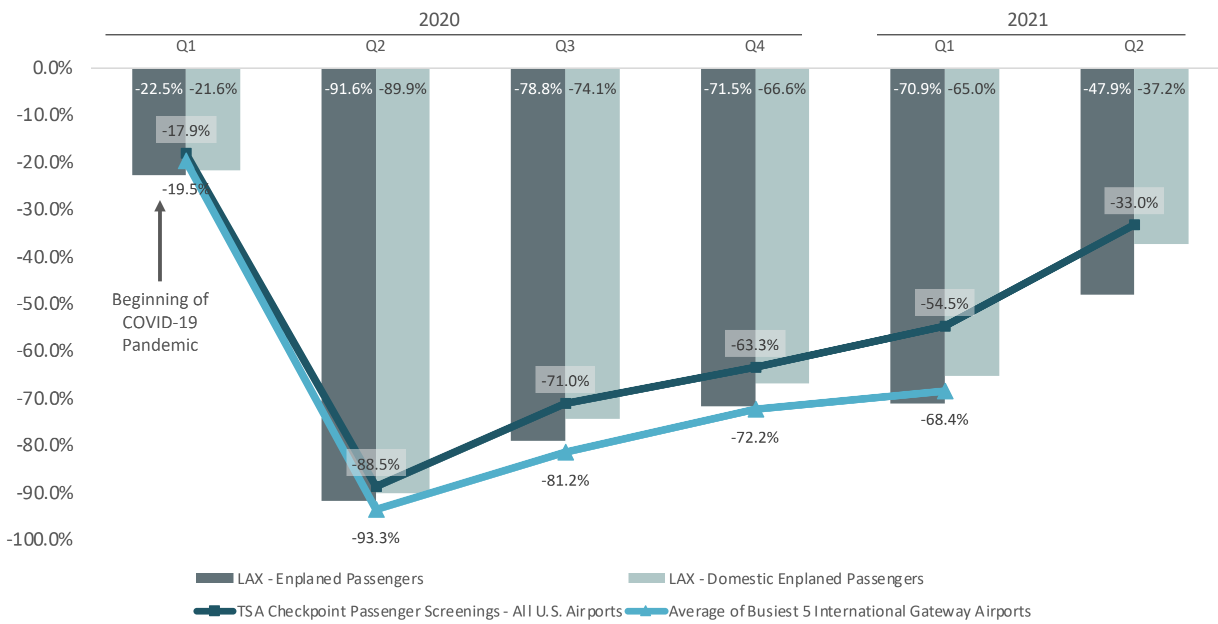
Figure 1
PERCENT DECREASES IN LAX ENPLANED PASSENGERS, NATIONAL TSA CHECKPOINT PASSENGER SCREENINGS, AND ENPLANED PASSENGERS AT THE FIVE BUSIEST U.S. INTERNATIONAL GATEWAY AIRPORTS IN THE U.S. IN 2020 AND 2021
(compared with the same quarter in 2019)



Note: Data for the second quarter of 2021 are the latest available data for the Airport and TSA passenger screenings. Data for the first quarter of 2021 are the latest available data for the five busiest international gateway airports.
Sources: Department records, airport websites, TSA: https://www.tsa.gov/coronavirus/passenger-throughput.

The largest source of Pledged Revenues at the Airport is airline rentals, rates, fees, and charges for use of the Terminal Buildings, Airfield, and Apron areas, which represented approximately 52.0% and 63.9% of Pledged Revenues based on FY 2020 and FY 2021 results. A provision in the contractual arrangements between the Department and the airlines serving the Airport allows the Department to reconcile all airline revenues from budget to actual results, so decreases in airline and passenger activity do not materially affect the level of revenues earned from the airlines on a year-to-year basis.

Certain sources of Pledged Revenues at the Airport are based on the number of passengers using the Airport, including, but not limited to, public parking revenues (originating passengers), rental car revenues (arriving passengers), and in-terminal concession revenues (enplaned passengers). Concession revenues represented approximately 26.8% and 14.8% of total Pledged Revenues at the Airport based on FY 2020 and FY 2021 results (the latest available data, see Figure 39 in the "Financial Performance" section of this 2021DE Report for additional information).

Figure 2 presents the cumulative decrease and percent change in the largest sources of Pledged Revenues at the Airport based on unaudited financial results for March through December[4] 2020 compared with the same period of 2019.

Pursuant to the Revenue Bond Indentures, Pledged Revenues do not include revenues earned by the Department from passenger facility charges (PFCs) and customer facility charges (CFCs), but the Department uses annual PFC revenues to pay certain PFC-eligible Debt Service that otherwise be paid from Pledged Revenues and annual CFC revenues to pay certain costs associated with a new consolidated rental car facility (the ConRAC) at the Airport and the automated people mover system (the APM System). Both sources of revenues are a function of the number of passengers at the Airport, so decreases in numbers of passengers will result in lower PFC and CFC revenues. Despite recent reductions in PFC and CFC revenues resulting from the COVID-19 pandemic, the Department has sufficient PFC and CFC fund balances to continue to use PFC revenues and CFC revenues as described above and as discussed more fully in the "Financial Performance" section of this 2021DE Report.

[4] The COVID-19 pandemic first began to materially affect the Airport in March 2020, as measured by the decrease in the number of enplaned passengers relative to the number enplaned in the same month of 2019.

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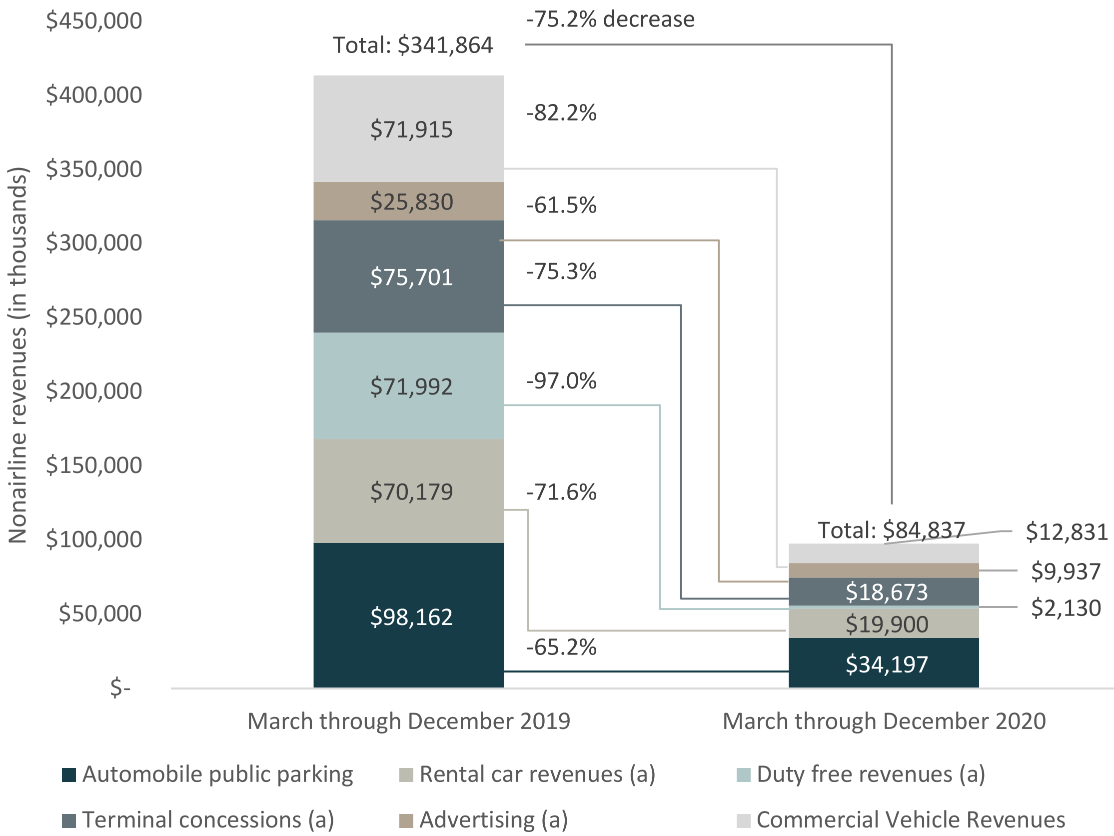
Figure 2
DECREASES IN THE LARGEST SOURCES OF NONAIRLINE REVENUES
(March-December 2020 compared with the same period of 2019)
Los Angeles International Airport



(a) The year-over-year decreases include the effect of the minimum annual guarantee (MAG) waiver as described later in this 2021DE Report.
Source: Unaudited Department records.

FEDERAL COVID-19 RELIEF GRANTS

The federal government passed the following legislation which, among other things, includes the award of certain grants to the operators of all U.S. airports to assist with managing the financial effects of the COVID-19 pandemic: the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), the Coronavirus Response and Relief Supplemental Appropriation Act (the CRRSA Act), and the American Rescue Plan Act (the ARP Act) (collectively, the Coronavirus Relief Grants).

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Table 1 summarizes the Coronavirus Relief Grants awarded to the Department, expenditures, and the remaining grant amounts expended by the Department. As of the date of this 2021DE Report, the Department has been reimbursed by the Federal Aviation Administration (the FAA) for $323.6 million of the amounts expended by the Department through FY 2021.

Table 1
CORONAVIRUS RELIEF GRANTS AWARDED TO LOS ANGELES WORLD AIRPORTS
Los Angeles International Airport
(in millions)

Source of Funds	Award	Amount Expended through FY 2021	Remaining Award Amounts to Be Expended
CARES Act	$323.6	$323.6	$0.0
CRRSA Act	72.3	0.0	72.3
ARP Act	303.8	0.0	303.8
Total	$699.7	$323.6	$376.1

Source: Department records.

In general, airport operators can use their awarded Coronavirus Relief Grants to pay for any purpose for which airport revenues can lawfully be used[5]. At the Airport, this includes, but is not limited to, the payment of LAX Maintenance and Operation (M&O) Expenses and the payment of Debt Service. The Coronavirus Relief Grants must be used within 4 years from the date that the grant agreements between an airport operator and the FAA were executed. When agreeing to receive these grants, airport operators must comply with certain other obligations, such as, but not limited to, the requirement to employ at least 90.0% of airport staff as of March 27, 2020, through September 30, 2021, under the ARP Act.

Under the Revenue Bond Indentures, the Coronavirus Relief Grants are not included in the definition of Pledged Revenues. However, any LAX M&O Expenses and Debt Service paid using grants, including Coronavirus Relief Grants, can be excluded from the calculation of Debt Service coverage pursuant to the Revenue Bond Indentures.

In connection with its Airline Cost Stabilization and Recovery Plan described later in this 2021DE Report, the Department used a total of $323.6 million of the Coronavirus Relief Grants to pay LAX M&O Expenses and Debt Service in FY 2020 and FY 2021, costs that would have otherwise been paid by the airlines or by using other operating revenues of the Airport. This helped to (1) substantially reduce airline costs at the Airport and (2) replace nonairline revenues lost as a result of reductions in passenger numbers.

[5] Portions of the CRRSA Act and the ARP Act specifically set aside amounts to provide rent relief to airport concessionaires.

The Department currently expects to use CRRSA Act and ARP Act grants in FY 2022 and FY 2023 to (1) substantially reduce airline costs at the Airport, (2) replace lost nonairline revenues resulting from reductions in the number of passengers using the Airport, (3) reduce near-term costs of certain airline Common Use Equipment (as defined later), and (4) pay certain LAX M&O Expenses and/or Debt Service.

DEPARTMENT ACTIONS RELATED TO THE COVID-19 PANDEMIC

As the negative effects of COVID-19 on airline travel at the Airport, in the nation and internationally became more apparent, the Department quickly implemented a series of operational, commercial, and financial actions that included, but were not limited to (1) reducing LAX M&O Expenses and (2) implementing a deferral and repayment program for airline payments of rentals, rates, fees, and charges, as well as a concessionaire MAG waiver program, as described later in the Financial Performance Section of this 2021DE Report.

Department management has also implemented a series of new multiyear strategic objectives to strengthen the competitive position of the Airport in the route network of domestic and international airlines during and after the COVID-19 pandemic. The multiyear plan, referred to as the "Airline Cost Stabilization and Recovery Plan" (the Plan), implemented by the Department in 2020, is focused on the continued stability of Airport financial operations during and after the negative effects of the COVID-19 pandemic and on strengthening the competitive position of the Airport by:

- Beginning in 2020, lowering the annual fixed costs of the Airport through a restructuring of certain annual Debt Service payments, deferral of certain annual amortization charges and the use of Coronavirus Relief Grants in the near term, resulting in lower annual airline rentals, rates, fees, and charges associated with the Terminals, Airfield/Apron, and certain other airline-used facilities at the Airport to better match current and near-term airline passenger levels with the use of those facilities during the effects of the COVID-19 pandemic.
- In 2021, transitioning the operation and management of certain common-use baggage and passenger boarding bridge equipment (collectively, the Common Use Equipment) from an airline consortium to the Department, enabling the Department to lower the airline cost of using the Common Use Equipment.

In connection with implementation of the Plan, certain changes were required to the Tariff and the Rate Agreement, requiring airline approval (Tariff changes) and amendments (Rate Agreement changes) to become effective. All approvals of the Department changes to the Tariff and Rate Agreement were received by the Department.

In general, the changes to the Tariff and Rate Agreement were mostly related to transitioning the calculation of certain airline rentals, rates, fees, and charges from a (1) calendar year to a fiscal year basis and (2) from the previous year's actual LAX M&O Expenses, certain Pledged

Revenues, and aviation activity in the calculation of airline rentals, rates, fees, and charges to using budgeted Fiscal Year data. With these changes, all airline rentals, rates, fees, and charges at the Airport, including the financial forecasts presented in this 2021DE Report, are to be recalculated by the Department each year, becoming effective on July 1 and will be based on the Department's annual operating budget, not the prior year's actual results.

Restructuring of Debt Service, Deferral of Amortization Charges, and Use of Grants

The restructuring of Debt Service, deferral of amortization charges, and use of certain Coronavirus Relief Grants to pay costs that would otherwise be paid by airline revenues began in 2020 and is currently expected to continue through the end of FY 2023, but the period could be (1) shortened (with the amount of restructured Debt Service reduced) if the number of passengers enplaned at the Airport returns to FY 2019 levels faster than presented in this 2021DE Report or (2) lengthened (with the amount of restructured Debt Service increased) if the number of passengers enplaned at the Airport takes much longer to recover. In this 2021DE Report, it was assumed that the Plan would be in effect through the end of FY 2023. According to the Department, any shortening or lengthening of the Plan period would not result in any material and negative effect on the forecast financial results presented in this 2021DE Report.

The reduction in near-term Airport costs in airline cost centers and the corresponding reductions in airline rentals, rates, fees, and charges have been and would continue to be achieved by: (1) using certain Coronavirus Relief Grants to pay LAX M&O Expenses or Debt Service, (2) refunding and restructuring approximately $379.7 million in outstanding Airport bond principal and interest through the original maturity of the bonds that are to be refunded (the Refunded Bonds), the refunding of approximately $176.6 million of which was completed with the issuance of the Series 2021ABC Subordinate Bonds, and (3) deferring and restructuring certain annual amortization charges of Department cash that has been expended on projects in certain airline cost centers. Following completion of the Debt Service and amortization charge restructuring program, the annual costs in each of the airline cost centers benefiting from the Plan would be higher in the future as compared to what they would have otherwise been.

The proposed Series 2021E Bonds include approximately $74.0 million of the remaining $203.1 million in outstanding Airport bond principal and interest payments ($379.7 million less $176.6 million from the net proceeds from the sale of the Series 2021ABC Subordinate Bonds) that would be refunded and restructured as part of the Plan. Any future refunding and restructuring of Airport bonds under the Plan would be subject to LAWA Board approval and, among other things, future bond interest rates and the recovery in the number of passengers at the Airport to that in 2019.

In this 2021DE Report, it was assumed that the remaining $129.1 million ($203.1 million remaining after issuance of the Series 2021ABC Bonds less $74.0 million as part of the proposed issuance of the Series 2021E Bonds) in Airport bond principal and interest would be refunded and restructured by the Department through FY 2023. The estimated changes in annual Debt Service costs and projected airline revenues from completion of the Plan by the Department are included in the forecasts of financial results presented in the exhibits at the end of this 2021DE Report.

Transition of Common Use Equipment from Airline Consortium to Department

The Department recently completed another element of the Plan with the transition of certain responsibilities under a lease between the Department and an airline consortium to a third-party service provider.

The transition has enabled the Department to:

- Create a single baggage system cost rate for the domestic and international airlines using the common use baggage system, which eliminated the cost differences by terminal in the use of that system when managed by the airline consortium and, if required, would better enable Department management to relocate airlines from terminal to terminal to facilitate the growth in aviation activity.
- Reduce the near-term cost of certain Common Use Equipment pursuant to the Plan.

Prior to the transition, the airline consortium (1) leased space from the Department and operated and managed certain baggage system equipment and (2) leased passenger boarding bridges from the Department and operated and managed the bridges, all of which were used by international and domestic airlines that did not have leases with the Department but operated in common use facilities at the Airport. The airline consortium would set certain rates, fees, and charges for use of the Common Use Equipment and used the revenues collected from the airlines to pay (1) leased space and equipment costs to the Department and (2) the operating and maintenance costs of the Common Use Equipment.

With the transition from an airline consortium to a third-party service provider completed, the following changes are now in effect:

- The Department is now responsible for the operation and maintenance of the Common Use Equipment. As such, the forecast of annual LAX M&O Expenses now includes the cost of operating, maintaining, and managing the Common Use Equipment.
- All costs of operating, maintaining, and managing the Common Use Equipment are to be recovered by the Department through the following rates, fees and charges pursuant to the Tariff: common-use outbound baggage system rates, common-use domestic baggage claim rates, and passenger boarding bridge fees. The forecast of Pledged Revenues included in this 2021DE Report includes revenues from these rates, fees, and charges.

In general, the higher airline revenues from the rates, fees, and charges associated with the Common Use Equipment would offset the increase in LAX M&O Expenses from this transition.

PROPOSED SERIES 2021DE BONDS

The Department intends to issue the proposed Series 2021DE Bonds to:

- Finance a portion of the Airport Capital Program (as defined below).
- Reimburse the Department for certain prior Airport Capital Program expenditures paid with Department Funds.
- Refund $2.3 million in outstanding Subordinate Commercial Paper used to pay the interest portion of debt service on certain Airport Capital Program projects.
- Make a deposit to the Subordinate Debt Service Reserve Fund.
- Pay approximately $74.0 million in interest payments on outstanding Airport bonds in connection with the Plan.
- Pay issuance and financing costs associated with the proposed Series 2021DE Bonds.

The proposed Series 2021DE Bonds are assumed to be issued as fixed-rate bonds with a final maturity date of May 2051, and an all-in true interest cost of approximately 3.07% based on input from Public Resources Advisory Group (the Department's Co-Financial Advisor).

Projects expected to be funded with the net proceeds from the sale of the proposed Series 2021D Bonds include:

- **Midfield Satellite Concourse (MSC)/Bradley West Baggage Project.** This project includes construction of outbound baggage systems supporting the combined operations of both the Tom Bradley International Terminal (TBIT) and the Midfield Satellite Concourse – North Project. An airline consortium is providing construction funding and undertaking these improvements, which are to be acquired by the Department when the project is completed and have been included in the projected Terminal Buildings Rate. This project is currently estimated to cost $264.0 million; approximately $116.0 million of this cost would be funded with the net proceeds from the sale of the proposed Series 2021D Bonds.
- **Terminal 4 Improvement Project – American Airlines.** This project includes the construction of a connector between Terminal 4 and Terminal 5 to the new APM System. American Airlines is providing construction funding and undertaking these improvements, which are to be acquired by the Department when the project is completed and have been included in the projected Terminal Buildings Rate. This

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project is estimated to cost approximately $1.1 billion[6]; approximately $105.2 million of this cost would be funded with the net proceeds from the sale of the proposed Series 2021D Bonds.

- **North Terminal Improvement Program – Delta Air Lines.** 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; approximately $92.3 million of this cost would be funded with the net proceeds from the sale of the proposed Series 2021D Bonds.
- **TBIT Core and APM System Interface.** This project is to provide vertical circulation elements in the TBIT[5] to accommodate passenger circulation and connections to the APM System. While associated with the APM System, the cost of this project is to be allocated to the Airport's Terminal cost center. This project is estimated to cost $277.7 million; approximately $88.9 million of this cost would be funded with the net proceeds from the sale of the proposed Series 2021D Bonds.
- **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 boarding bridges, and certain other operational improvements. Alaska Airlines is providing construction funding and undertaking these improvements, which are to be acquired by the Department when the project is completed and have been included in the projected Terminal Buildings Rate. This project is estimated to cost approximately $232.6 million; approximately $81.0 million of this cost would be funded with the net proceeds from the sale of the proposed Series 2021D Bonds.
- **Terminal 5 Core and APM System Interface.** This project is to 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 is to be allocated to the Airport's Terminal cost center. This project is estimated to cost $214.5 million; approximately $65.7 million of this cost would be funded with the net proceeds from the sale of the proposed Series 2021D Bonds.
- **Terminal 1.5 Project.** This project was completed and operational in FY 2021 and consists of the development of a new terminal building between Terminal 1 and

[6] The Department currently expects that an additional $612.0 million in improvements to Terminal 4 may be required to complete the renovation of that terminal, but that the $612.0 million of additional improvements would be completed after the Forecast Period considered in this 2021DE Report. See the "Airport Facilities and Capital Program" section of this 2021DE Report.

Terminal 2 that links the two terminals directly, resulting in a single unified facility. Southwest Airlines provided construction funding and undertook these improvements, which were acquired by the Department and are included in the annual calculation of the Terminal Buildings Rate. This project is estimated to cost $497.2 million; approximately $56.3 million of this cost would be funded with the net proceeds from the sale of the proposed 2021D Bonds.

- **Power Distribution Facility.** This project replaces existing facilities and provides more reliable power transmission and greater capacity to support planned Airport growth. The project is estimated to cost approximately $158.7 million; approximately $47.6 million of this cost would be funded with the net proceeds from the sale of the proposed Series 2021D Bonds.

The Department may refund for economic savings certain outstanding Senior Bonds, Subordinate Obligations or a combination of both during the Forecast Period with the net proceeds of the proposed Series 2021DE Bonds or other series of bonds issued by the Department. Debt service savings, if any, from the refunding of outstanding bond principal are not included in the financial forecasts presented in this 2021DE Report.

AIRLINE TRAFFIC

The Airport has an important role in the international, national, State of California, regional, and local air transportation systems.

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

From FY 2014 through FY 2019, the number of enplaned passengers at the Airport increased an average of approximately 5.2% per year, reflecting above average rates of growth in numbers of domestic enplaned passengers (4.5% per year) and international enplaned passengers (7.0% per year). In comparison, the total number of enplaned passengers in the United States during the same period increased an average of 4.3% (reflecting 4.0% growth in the number of domestic enplaned passengers and 5.2% growth in the number of international enplaned passengers) per year[7].

Over the 20-year period from FY 1999 through FY 2019, the average annual rate of growth in the number of enplaned passengers was 1.7% for the Airport and 1.9% for the nation. During

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

this 20-year period, significant events occurred that resulted in large decreases and then rebounds in airline travel at the Airport, in the nation, and internationally, including, but not limited to, the events of September 11, 2001; the recession of 2008-2009; and rising and falling jet fuel costs. As discussed earlier, the largest single quarterly decrease in the number of enplaned passengers at the Airport prior to the COVID-19 pandemic was due to the events of September 11, 2001 (-24.7%), with the number of passengers almost recovering to the numbers of enplaned passengers pre-September 11, 2001, numbers approximately 7 years later, in FY 2008/FY 2009, but the recovery was delayed to FY 2014 (11 to 12 years later) as a result of the 2008-2009 recession.

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

As discussed earlier, the recovery in international passenger travel at the Airport and in the nation has not been as fast as the recovery in domestic passenger travel, likely as a result of, but not limited to, differing rates of COVID-19 infections, slower availability of COVID-19 vaccines outside of the United States, country-imposed border closures and travel restrictions, and other factors. As described more fully in the section of this 2021DE Report titled "Airline Traffic Forecasts", which should be read in its entirety, it was assumed in the forecasts of enplaned passengers at the Airport that the Los Angeles Combined Statistical Area (the CSA) would remain a major destination market for U.S. leisure and business travelers and a top global destination for tourism, meetings, and conventions. The forecasts were also based on the following specific assumptions for domestic and international passengers at the Airport:

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

It was assumed in this 2021DE Report that the total number of enplaned passengers at the Airport would reach FY 2019 levels by FY 2025 and from FY 2026 through FY 2027 (the last year of the Forecast Period), the total number of enplaned passengers would increase at the 20-year

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

AIRPORT CAPITAL PROGRAM AND FUNDING SOURCES

Department management periodically develops and updates a Capital Program for the redevelopment, improvement, and expansion of Airport facilities (Airport Capital Program). The Airport Capital Program is developed based on anticipated facility needs, current and forecast airline traffic, available funding sources, project priorities, and other relevant information that is available to the Department when the Airport Capital Program is developed.

The current Airport Capital Program, which is estimated to cost approximately $11.5 billion, was initiated in or around FY 2016 and is currently expected to be completed by the end of FY 2026[8]. According to the Department, approximately $6.1 billion of the Airport Capital Program was completed through the end of FY 2021 and projects costing approximately $5.4 billion are ongoing or expected to be initiated and completed by the end of FY 2026[9].

While the Department continues to review the Airport Capital Program and may delay the timing or reduce the scope and cost of individual projects included in the program given the substantial reduction in the number of enplaned passengers at the Airport due to the COVID-19 pandemic, it was assumed in this 2021DE Report that the Department will implement and complete the remaining $5.4 billion of projects in the Airport Capital Program by the end of FY 2026.

Exhibit A, provided at the end of this 2021DE Report along with other financial exhibits, presents the anticipated funding sources for the approximate $11.5 billion Airport Capital Program, which includes the following major projects:

- The continued rehabilitation, improvement, and expansion of the Terminals at the Airport, including the Midfield Satellite Concourse—North Project, the North Terminal Improvement Program, Terminal 1.5, Terminal 4, and Terminal 6, as well as vertical circulation and APM interface improvements to Terminal 5 and the TBIT.
- Certain runway improvements and other Airfield and Apron improvements.
- The Department's portion of certain costs related to construction of the new ConRAC.

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[8] As of the date of this 2021DE Report, the Department's published Airport Capital Program totaled $14.9 billion, which includes certain projects that are to be initiated and completed outside the Forecast Period, have already been completed, and APM System and ConRAC Developer milestone payments. See the "Airport Facilities and Capital Program " section of this 2021DE Report for more information.

[9] The Airport Capital Program includes projects to be completed by the end of FY 2026 and the Forecast Period extends one additional year, through FY 2027, to reflect a full year of financial resultings of the Airport Capital Program.

- The Department's portion of certain costs related to implementation of a new APM System that is to transport passengers between the Central Terminal Area (CTA), the ConRAC, and other Airport facilities the Department expects to construct during the Forecast Period.

In 2018, the Department executed a 28-year contract with LA Gateway Partners (the ConRAC Developer) to design, build, finance, operate, and maintain the ConRAC at the Airport. As part of the contract, the Department is to make ConRAC Availability Payments (APs) to the ConRAC Developer for expenses associated with operating the ConRAC (the ConRAC M&O APs) and capital costs to design, build, finance, and maintain the ConRAC (the ConRAC Capital APs).

Also, in 2018, the Department executed a 30-year contract with LAX Integrated Express Solutions (the APM Developer) to design, build, finance, operate, and maintain the APM System at the Airport. As part of the contract, the Department is to make APM APs to the APM Developer for expenses associated with operating the APM System (APM M&O APs) and capital costs to design, build, finance, and maintain the APM System (APM Capital APs).

The financial forecasts included in this 2021DE Report reflect changes in Pledged Revenues, LAX M&O Expenses, Debt Service, and certain APs discussed below associated with the financing, construction, and completion of the Airport Capital Program.

The Department currently expects that the $11.5 billion Airport Capital Program would be funded from (1) $3.7 billion of Department Funds, (2) $4.2 billion of proceeds from the sale of prior bonds, (3) the net proceeds from the sale of approximately $1.8 billion of Future Bonds, (4) net proceeds of approximately $652.9 million from the sale of the proposed Series 2021D Bonds, and (5) $1.2 billion of other funds, including, but not limited to, PFC revenues on a pay-as-you-go basis and federal grants-in-aid.

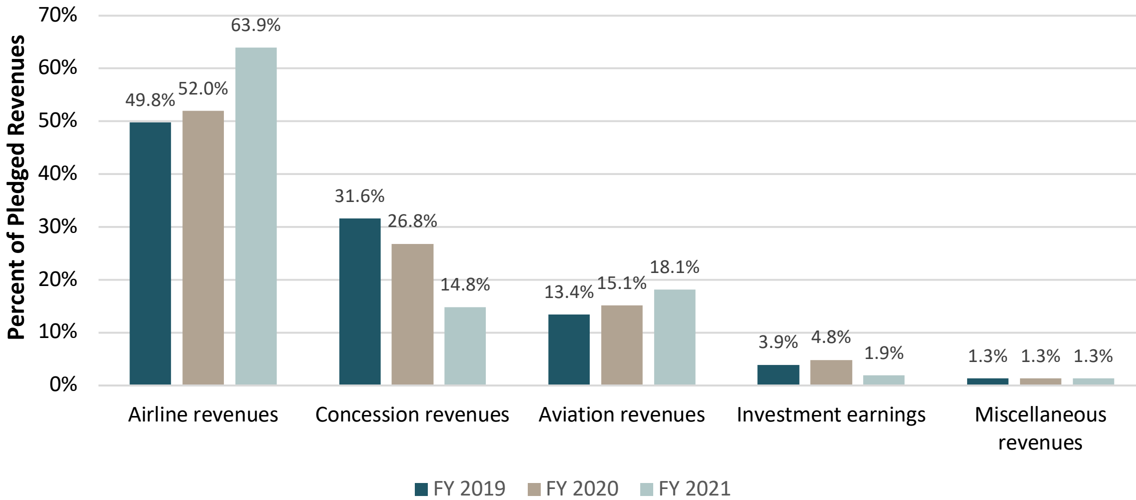
FINANCIAL PERFORMANCE

The Department accounts for the Airport's financial performance according to generally accepted accounting principles for governmental entities and the requirements of its Revenue Bond Indentures. Department management makes business and financial decisions in the context of its obligations under the Revenue Bond Indentures, among other factors.

Pledged Revenues

Under the Senior Revenue Bond Indenture, Pledged Revenues include rentals, rates, fees, and charges associated with the Airport, except for PFC revenues, CFC revenues, and certain other revenues. Sources of Pledged Revenues in FY 2019 (prior to the negative effects of COVID-19), FY 2020, and FY 2021[10] are shown on Figure 3[11].

Figure 3
SOURCES OF PLEDGED REVENUES IN FY 2019, FY 2020, AND FY 2021
Los Angeles International Airport



Revenues from airline Terminal rentals, landing fees, and apron fees accounted for the largest portion of Pledged Revenues at 49.8% in FY 2019, 52.0% in FY 2020, and in 63.9% FY 2021; the second largest source of Pledged Revenues was concession revenues, followed by aviation revenues (other than airline revenues), investment earnings, and miscellaneous revenues.

Airline Terminal rentals, landing fees, and apron fees were calculated on the basis of: (1) the number of gates and square footage used or leased by the airlines serving the Airport, as well as their number of enplaned passengers and amount of landed weight and (2) the rentals, rates, fees, and charges in effect each year, as calculated by the Department pursuant to the Operating Permits, the Tariff, and the Rate Agreements.

Concession revenues include, but are not limited to, public parking fees, rental car concession fees, and revenues from Terminal concessions. Concession revenues are a function of the business strategies and practices developed and implemented by Department management,

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[10] The FY 2021 financial data presented in this 2021DE Report are preliminary and unaudited and subject to change.
[11] FY 2019, FY 2020, and FY 2021 are shown because FY 2019 was prior to the impacts of the COVID-19 pandemic, FY 2020 included 4 months of COVID-19 impact (March through June 2020), and FY 2021 included 12 months of COVID-19 impact.
Source: Department records.

the terms and conditions of agreements with the entities providing those services, and the number of passengers at the Airport each year.

Aviation revenues include land rentals, aircraft parking fees, fuel flowage fees, and other related revenues from sources other than the passenger airlines.

Other sources of Pledged Revenues shown on Figure 3 include investment earnings and miscellaneous revenues generated by the Department. A further description of these revenue categories is provided later in this 2021DE Report.

Pledged Revenues totaled approximately $1.6 billion in FY 2019, $1.4 billion in FY 2020, and $1.1 billion in FY 2021, and are forecast to increase to approximately $2.7 billion in FY 2027, average increases of 6.6% per year between FY 2019 (pre-COVID-19) and FY 2027 and 16.0% per year between FY 2021 and FY 2027.

LAX Maintenance and Operation 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 under generally accepted accounting principles, excluding depreciation and expenses paid from sources other than Pledged Revenues.

Categories of LAX M&O Expenses in FY 2019, FY 2020, and FY 2021 are shown on Figure 4. Approximately 91.3% (FY 2019), 91.9% (FY 2020), and 92.4% (FY 2021) of LAX M&O Expenses were for salaries and benefits, contractual services, and materials and supplies. The remaining 8.7% (FY 2019), 8.1% (FY 2020), and 7.6% (FY 2021) of LAX M&O Expenses were for utilities, advertising and public relations, administrative services, and other operating expenses.

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, which are not included in the definition of LAX M&O Expenses. LAX M&O Expenses were approximately $844.6 million and $465.7 million in FY 2020 and FY 2021, respectively, after the same deductions as well as the use of approximately $9.7 million and $249.2 million in certain Coronavirus Relief Grants to pay M&O Expenses in FY 2020 and FY 2021 respectively. The Department currently expects to use approximately $20.0 million of Coronavirus Relief Grants to pay LAX M&O Expenses in FY 2022.

LAX M&O Expenses are forecast to increase to approximately $1.2 billion in FY 2027, average increases of 5.1% per year between FY 2019 (pre-COVID-19) and FY 2027 and 8.6% per year between FY 2021 and FY 2027.

The forecasts of LAX M&O Expenses include the APM M&O APs to the APM Developer and the ConRAC M&O APs to the ConRAC Developer.

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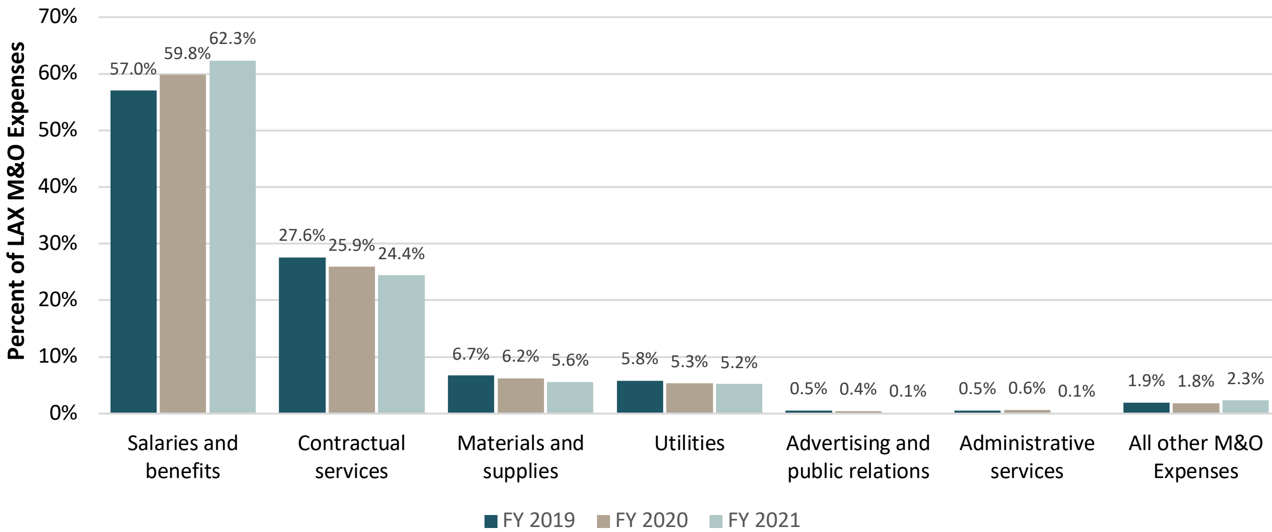
Figure 4
CATEGORIES OF LAX M&O EXPENSES IN FY 2019, FY 2020, AND FY 2021
Los Angeles International Airport



Note: Prior to adjustments to exclude LAX M&O Expenses associated with the administrative expenses allocated to other airports operated by the Department, LAX M&O Expenses associated with the City pension plan, and LAX M&O Expenses paid from any grant funds.
Source: Department records.

Debt Service

In FY 2021, total Debt Service on the Department's outstanding Senior Bonds (net of capitalized interest) was approximately $131.6 million. The Department used approximately $69.0 million of PFC revenues and approximately $10.5 million of Coronavirus Relief Grants to pay Senior Bond debt service in FY 2021, resulting in Senior Bond Aggregate Annual Debt Service of approximately $52.1 million.

In FY 2021, Subordinate Obligations Debt Service (including Debt Service on outstanding Subordinate Bonds and Subordinate Commercial Paper Notes, and net of capitalized interest) was approximately $139.7 million. The Department used approximately $4.5 million of PFC revenues and $11.4 million of Coronavirus Relief Grants to pay Subordinate Bond debt service in FY 2021, resulting in Subordinate Aggregate Annual Debt Service of approximately $123.8 million.

Under the Revenue Bond Indentures, principal of and interest on Senior Bonds and Subordinate Obligations paid with CFC revenues, PFC revenues, and grants are excluded from the amount of annual Debt Service for purposes of calculating compliance with the rate covenant under the Senior Revenue Bond Indenture and the Subordinate Revenue Bond Indenture.

Senior Bond Aggregate Annual Debt Service (net of capitalized interest and certain PFC revenues and Coronavirus Relief Grants) is estimated to increase from $52.1 million in FY 2021 to $299.6 million in FY 2027. Subordinate Aggregate Annual Debt Service (net of capitalized interest and certain CFC revenues, PFC revenues, and Coronavirus Relief Grants) is estimated to increase from $123.8 million in FY 2021 to $340.6 million in FY 2027.

Forecast increases in Senior Bond Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service are attributable to (1) the overall structure of outstanding Senior Bonds and Subordinate Obligations, (2) the additional debt service associated with the proposed Series 2021DE Bonds and Future Bonds, and (3) the amount of CFC revenues, PFC revenues, and Coronavirus Relief Grants currently expected to be used by the Department in each Fiscal Year to pay annual debt service, which actual amounts may be different than the assumed annual amounts used in this 2021DE Report.

Estimated debt service on the proposed Series 2021DE Bonds and Future Bonds was provided by Public Resources Advisory Group (the Department's Co-Financial Advisor). Annual APs made from the Department to the developers of the APM and ConRAC projects are unsecured obligations of the Department and are not included in the estimated amount of future annual Debt Service in this 2021DE Report.

DEBT SERVICE COVERAGE PURSUANT TO THE REVENUE BOND INDENTURES

Under the Master Trust Indenture, as amended and supplemented, Senior Bonds are secured by a pledge of Net Pledged Revenues and certain funds and accounts held by the Senior Trustee. As defined in the Senior Revenue Bond Indenture, Net Pledged Revenues equal Pledged Revenues less LAX M&O Expenses.

Under the Master Trust Indenture, 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 (as defined in the Master Trust Indenture), are equal to at least 125% of the Senior Bond Aggregate Annual Debt Service on outstanding Senior Bonds.

In this 2021DE Report, these covenants are referred to as the Senior Bond Rate Covenant.

Subordinate Obligations are secured by a pledge of Subordinate Pledged Revenues and certain other funds and accounts held by the Subordinate Trustee. Under the Subordinate Revenue

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Bond Indenture, Subordinate Pledged Revenues are defined as Pledged Revenues less LAX M&O Expenses less Senior Bond Aggregate Annual Debt Service less any deposits to the senior debt service reserve fund(s).

Under the Subordinate Revenue Bond Indenture, the Department has covenanted to establish, fix, prescribe, and collect rates, tolls, fees, rentals, and charges for use of the Airport so that in each Fiscal Year:

- Subordinate Pledged Revenues are at least equal to the amount of required deposits to various funds and accounts during such Fiscal Year, and
- Subordinate Pledged Revenues, together with any Transfer, are equal to at least 115% of the Subordinate Aggregate Annual Debt Service on outstanding Subordinate Obligations.

These covenants are referred to as the Subordinate Obligations Rate Covenant.

Although the Revenue Bond Indentures provide for a Transfer of certain amounts when calculating debt service coverage, no such Transfer was assumed in the financial forecasts presented in this 2021DE Report.

As shown on Figure 5, debt service coverage on Senior Bonds and Subordinate Obligations, including annual Debt Service on the proposed 2021DE Bonds and Future Bonds, in each Fiscal Year of the Forecast Period demonstrates compliance with (1) the Senior Bond Rate Covenant of 125% of Senior Aggregate Annual Debt Service and (2) the Subordinate Obligations Rate Covenant of 115% of Subordinate Aggregate Annual Debt Service.

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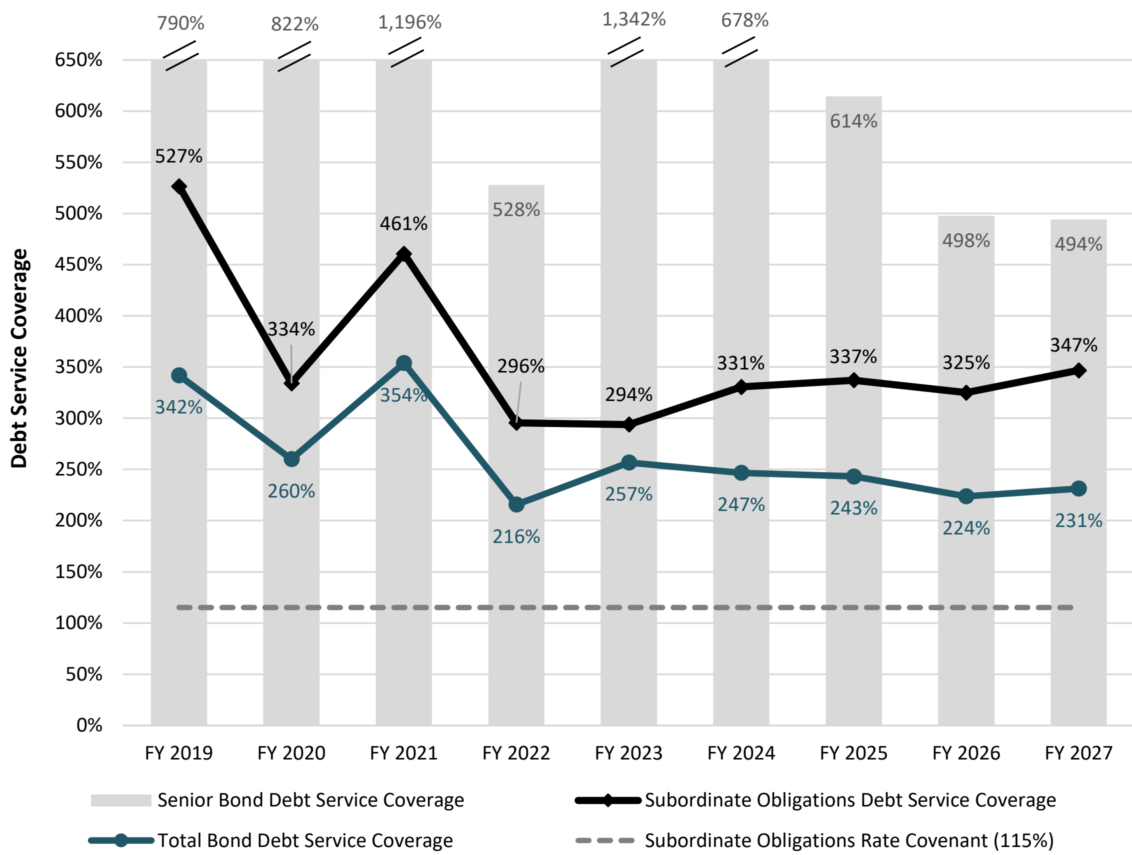
Figure 5
FORECAST DEBT SERVICE COVERAGE UNDER REVENUE BOND INDENTURES
Los Angeles International Airport



Note: Includes debt service on existing Senior Bonds, existing Subordinate Obligations, including existing Subordinate Commercial Paper Notes, and estimated debt service on the proposed Series 2021DE Bonds, Future Bonds and future Subordinate Commercial Paper Notes. Debt service is net of capitalized interest, if any.
Source of Debt Service: Co-Financial Advisor.

PROJECTION OF DEBT SERVICE AND AVAILABILITY PAYMENT COVERAGE

A projection of coverage was prepared for informational purposes only to demonstrate the ability of the Department to meet all of its secured and unsecured obligations, which include (1) all Debt Service on existing Senior Bonds and Subordinate Obligations, the proposed Series 2021DE Bonds, and Future Bonds, and (2) annual ConRAC Capital APs and APM Capital APs, both of which are unsecured obligations of the Department that are not required to be included in the calculation of debt service coverage under the Revenue Bond Indentures.

The total annual revenues used to calculate coverage for informational purposes only are equal to (1) forecast annual Net Pledged Revenues plus (2) forecast annual CFC revenues that are currently expected by the Department to be used to pay the ConRAC Capital APs.

The projection of coverage for informational purposes only is presented on Exhibit F and ranges from 196% to 252% between FY 2023 and FY 2027.

SENSITIVITY ANALYSIS

The forecast financial results presented in this 2021DE Report were tested to determine their sensitivity in the last year of the Forecast Period assuming that the numbers of enplaned passengers at the Airport do not return to FY 2019 levels in FY 2025 but are delayed in returning to FY 2019 levels by 1 (FY 2026) to 2 (FY 2027) years.

	Forecast 2027 Debt Service Coverage		
	Senior Bond Rate Covenant	Subordinate Obligations Rate Covenant	Overall Indenture Debt Service Coverage
Financial forecasts	494%	347%	231%
Sensitivity Analysis			
Recovery in enplaned passengers is 1 year later (FY 2026, not FY 2025)	489%	340%	228%
Recovery in enplaned passengers is 2 years later (FY 2027, not FY 2025)	486%	336%	226%

Under the sensitivity analyses conducted, forecast debt service coverage would exceed the Senior Bond Rate Covenant and the Subordinate Obligations Rate Covenant.

ASSUMPTIONS UNDERLYING THE FINANCIAL FORECASTS

The financial forecasts presented in this 2021DE Report are based on information and assumptions provided by, or reviewed with and agreed to by, Department management. The forecasts reflect management's expected course of action during the Forecast Period and, in management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, titled "Background." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

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

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However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences could be material. Neither WJ Advisors LLC nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in this 2021DE Report. We have no responsibility to update this 2021DE Report for events and circumstances occurring after the date of this 2021DE 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

BACKGROUND

City of Los Angeles, Department of Airports

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SECTION 1

AIRLINE TRAFFIC AND ECONOMIC ANALYSES

AIRLINE TRAFFIC AND ECONOMIC ANALYSES

OVERVIEW OF AIRPORT ROLE

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

Large Origin-Destination Passenger Base

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

The Los Angeles CSA includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. As shown in Table 2, the population of the Los Angeles CSA was 18.8 million in 2020, accounting for approximately 78.4% of Southern California's total population in that year. Los Angeles County includes the City of Los Angeles and accounted for approximately 53.5% of the population of the Los Angeles CSA in 2020.

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

Primary Commercial Service Airport in the Los Angeles CSA

As shown on Figure 6, 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.[12] The Airport accounts for the majority of short-haul domestic airline service in the CSA, dominates medium- and long-haul domestic service, and is the primary international air transportation gateway in Southern California. In FY 2021, the number of enplaned passengers at the Airport accounted for approximately 72.3% of all enplaned passengers at the six airports in the Los Angeles CSA.

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

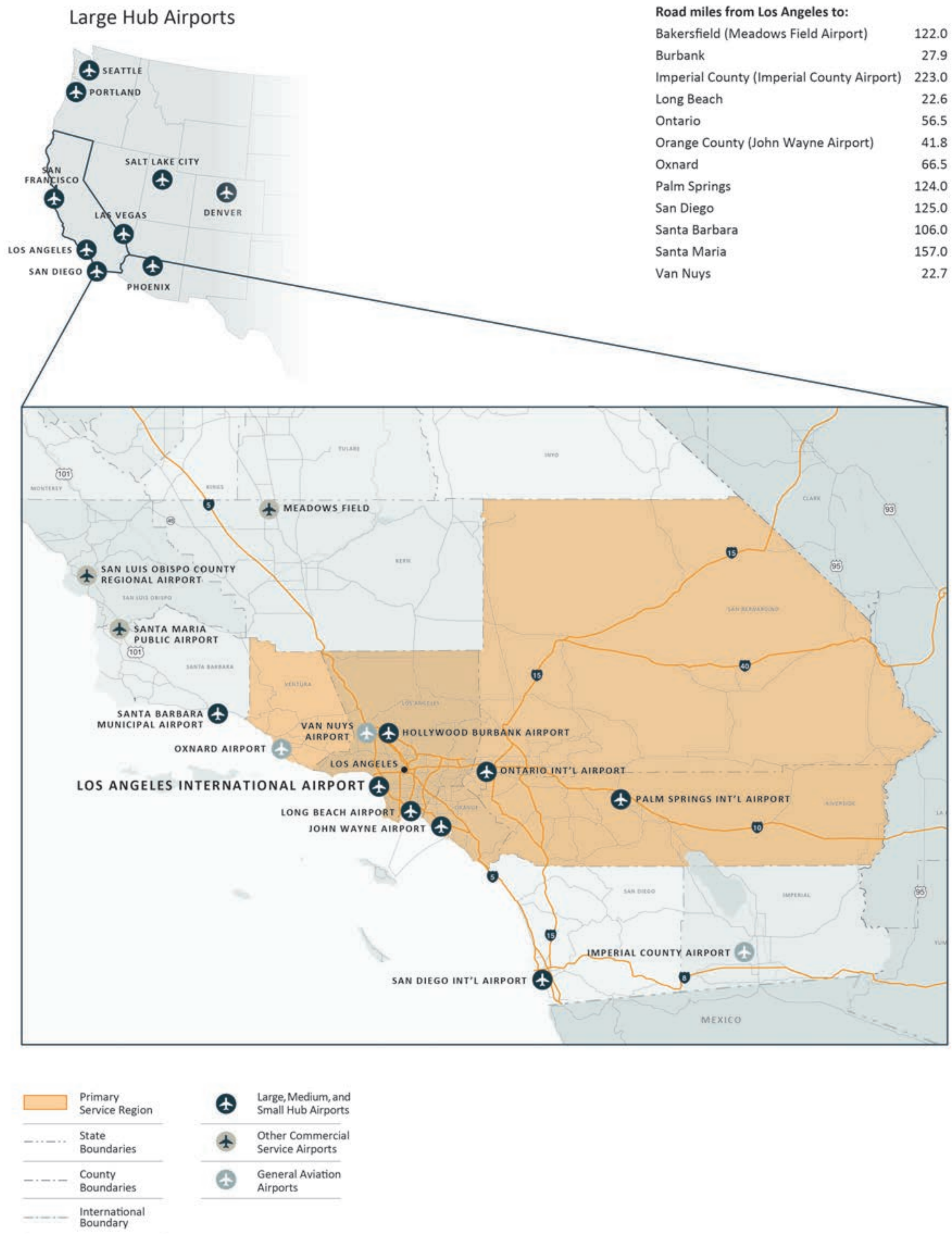
According to 2020 preliminary FAA data, the airports in Orange County, Ontario, and Burbank are medium-hub airports and the airports in Long Beach and Palm Springs are small-hub airports.

Table 2
POPULATION OF SOUTHERN CALIFORNIA IN 2020

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

Note: Columns may not add to totals shown due to rounding.
Source: Woods & Poole Economics, Inc., June 2021.

Figure 6
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

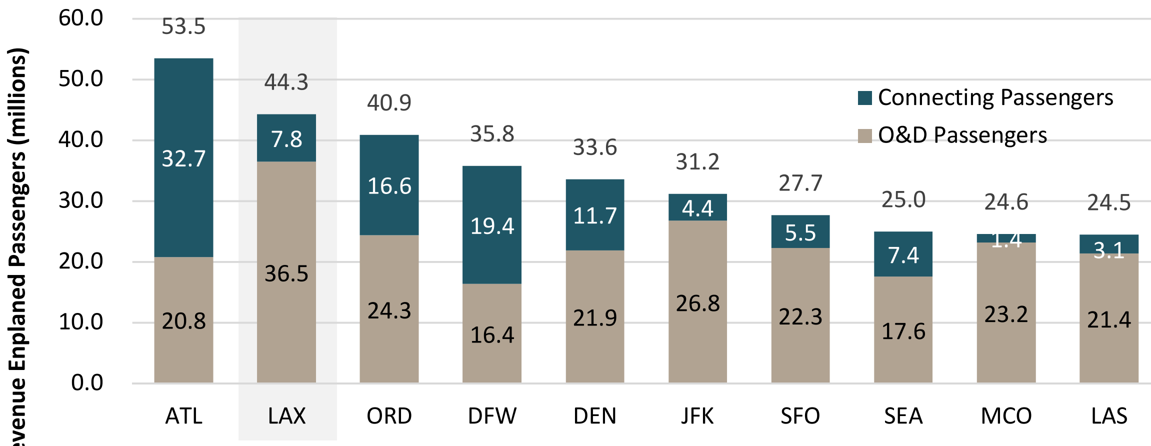
Passenger Volumes at LAX

In 2019, the Airport was the second busiest airport in the United States (see Figure 7) and the busiest airport in terms of O&D passengers with approximately 44.3 million revenue enplaned passengers and 36.5 million O&D enplaned passengers

As a result of the negative effects on air travel from the COVID-19 pandemic, the rankings of the top 10 U.S. airports (as measured by revenue enplaned passengers) in 2020 changed, including the ranking of the Airport which went from second busiest to fifth busiest (see Figure 8) in the United States. Global travel restrictions and the Airport's large share of international passengers were major drivers behind its change in ranking in 2020.

Figure 7

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



ATL = Hartsfield–Jackson Atlanta International
LAX = Los Angeles International
ORD = Chicago O'Hare International
DFW = Dallas/Fort Worth International
DEN= Denver International
JFK = John F. Kennedy International
SFO = San Francisco International
SEA= Seattle-Tacoma International
MCO = Orlando International
LAS = McCarran (Las Vegas) International

Note: Totals may not add to 100% due to rounding.
Source: U.S. Department of Transportation, T100 database, 12-months ending December, accessed July 2021 through AirlineData Inc., for all airports shown.

Hartsfield-Jackson Atlanta International Airport had 53.5 million revenue enplaned passengers in 2019 and was the busiest airport in the United States in 2020 with 20.6 million revenue enplaned passengers.

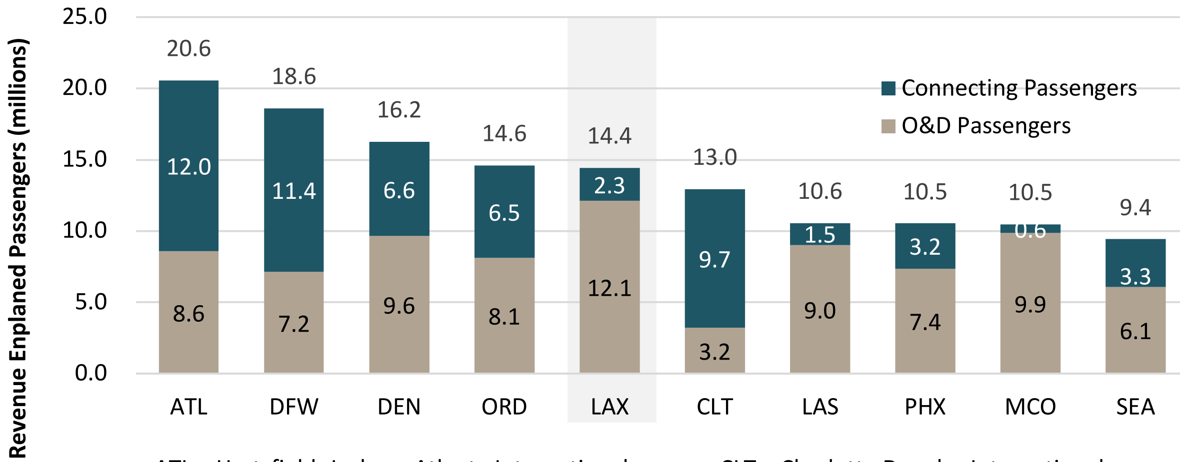
Dallas/Fort Worth International Airport, which is the busiest airport in the route system of American Airlines, saw its ranking increase from fourth in 2019 to second in 2020, largely as a result of American's decision to increase the number of flights to and from DFW relative to its other hub airports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

The ranking of Denver International Airport increased from fifth in 2019 to third in 2020 as a result of the increasing domestic travel in the United and the high proportion of domestic versus international passenger travel at the airport. The ranking of Chicago O'Hare International Airport, which is used as a hub for American Airlines and United Airlines, changed from third busiest in 2019 to fourth busiest in 2020, given its higher proportion of domestic versus international passenger travel.

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

Figure 8

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



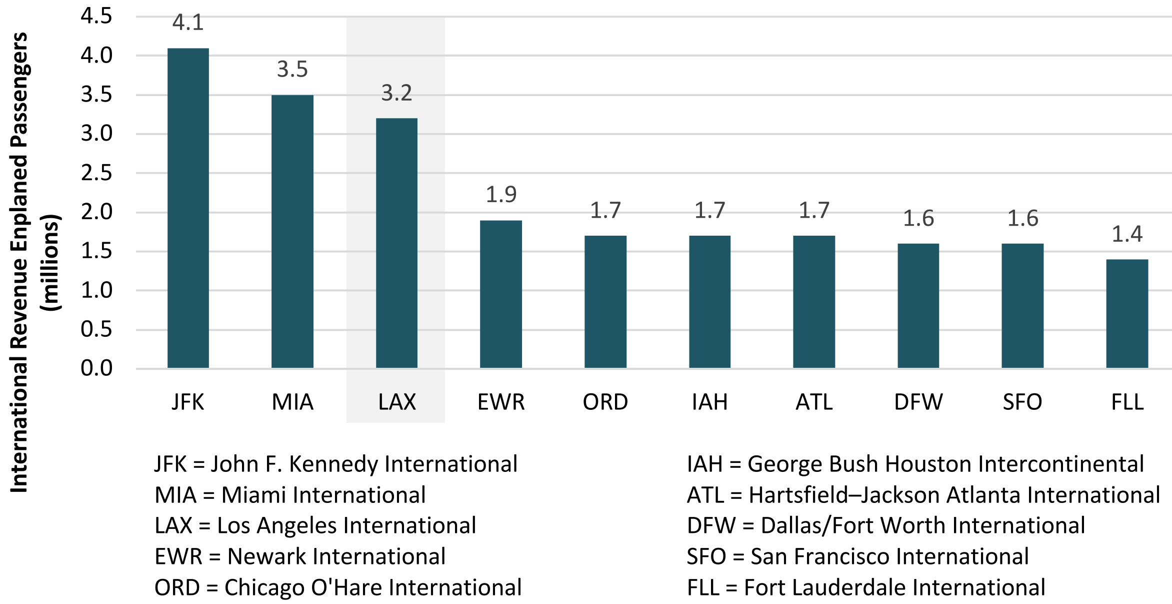
ATL = Hartsfield–Jackson Atlanta International
DFW = Dallas/Fort Worth International
DEN= Denver International
ORD = Chicago O'Hare International
LAX = Los Angeles International
CLT = Charlotte Douglas International
LAS = McCarran (Las Vegas) International
PHX = Phoenix Sky Harbor International
MCO = Orlando International
SEA = Seattle-Tacoma International

Note: Totals may not add to 100% due to rounding.
Source: U.S. Department of Transportation, T100 database, 12-months ending December 2020, accessed July 2021 through AirlineData Inc., for all airports shown.

For the 12-month period ended December 2020, the Airport was the third busiest international gateway in terms of international revenue enplaned passengers in the United States and the busiest international gateway on the West Coast, with approximately 3.2 million international revenue enplaned passengers (see Figure 9).

Figure 9

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



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

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

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

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

The importance of the Airport as an international gateway can be measured by the number of domestic and foreign-flag airlines serving the Airport (which totaled 53 at the Airport in September 2021, as shown on Table 9), as well as the number and market shares of enplaned passengers of the airline alliances. A comparison of FY 2021 enplaned passenger market shares by individual airlines (including regional affiliates) and by airline alliance is shown in Table 3.

Table 3
COMPARISON OF ENPLANED PASSENGER MARKET SHARE IN FY 2021
Los Angeles International Airport

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

Totals may not add to the amounts shown due to rounding.
Source: Department records.

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

ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of an airport service region is a major factor affecting long-term 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.

COVID-19 in California and Los Angeles County

In response to the evolving situation of the COVID-19 pandemic, both the State of California Department of Public Health and the Los Angeles County Department of Public Health have adopted measures to allow the reopening of the economy while still requiring masking and other restrictions.

California. On June 15, 2021, California fully reopened its economy. As of the date of this 2021DE Report, bars, restaurants, retail stores, shopping malls, movie theaters, salons, fitness centers, hotels, amusement parks, churches, and other venues are operating with no requirements for capacity limits or physical distancing, although local health jurisdictions may impose stricter criteria. In some settings, however, patrons must follow California Department of Public Health (CDPH) masking requirements including, more recently, a statewide recommendation to use masks while indoors. For example, regardless of vaccination status, masks are required on public transportation (e.g., buses, trains), hospitals, cooling centers, and homeless shelters according to Centers for Disease Control (the CDC) guidelines.

Public health measures are in place for large events such as concerts, sporting events, festivals, and conventions that include 1,000-plus people indoors or 10,000-plus outdoors. Vaccine verification or proof of negative COVID-19 results are required for large indoor events of 1,000 or more attendees and are recommended for large outdoor events of 10,000 or more attendees. Businesses, venue operators, or hosts are permitted to require all patrons to wear masks, and they may also implement vaccine verification (which can include self-attestation of vaccination status). Children younger than two years old and people with certain medical conditions are not required to wear a mask.[13]

On June 14, 2021, CDPH reported 827 new daily COVID-19 cases statewide with a seven-day test positivity rate of 0.8%. On September 8, 2021, CDPH reported an average of 7,274 new COVID-19 cases per day in California, with a seven-day test positivity reaching 4.3%. While the CDPH and local public health agencies are working toward the full vaccination of California's population, the reinstatement of lockdown measures remains an option at both the state and local level if trends in COVID-19 case and test positivity rates worsen.[14]

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[13] Beyond the Blueprint Framework for Industry and Business Sectors, with Limited Exceptions, 21 May 2021, State of California Department of Public Health, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Beyond-Blueprint-Framework.aspx; Beyond the Blueprint Questions & Answers, August 18, 2021, State of California Department of Public Health, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Beyond-Blueprint-QA.aspx; Guidance for the Use of Face Coverings - Effective June 15, 2021, 24 June 2021, State of California Department of Public Health, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/guidance-for-face-coverings.aspx, accessed August 2021.

[14] State Officials Announce Latest COVID-19 Facts, 26 July 2021, California Department of Public Health, https://www.cdph.ca.gov/Programs/OPA/Pages/NR21-232.aspx; "California's rising COVID-19 rate sparks pleas to vaccinate", 22 July 2021, Associated Press, https://apnews.com/article/business-health-california-coronavirus-pandemic-aa2b951ff0db9e1abc5578cded74e571, accessed July 2021. Tracking COVID-19 in California, 10 August 2021, https:/covid19.ca.gov/state-dashboard, accessed August 2021.

Los Angeles County. In Los Angeles County, the seven-day average number of daily COVID-19 cases increased significantly from 3,404 on August 9, 2021, to 4,816 on August 20, 2021, and then declined to 2,42 on September 7, 2021.[15] As of September 8, 2021, approximately 77.0% of Los Angeles County residents aged 12 and above have received at least one dose of the COVID-19 vaccine[16]. Exposure to COVID-19, and especially to the more infectious Delta variant, by unmasked, unvaccinated individuals has contributed to the ongoing transmission of the disease. Although daily cases in Los Angeles County are at a lower point than during previous surges, the rate of increase in August 2021 was similar to that of the winter surge in December 2020.[17] According to the CDC, the level of community transmission in Los Angeles County is rated as "High."[18]

The circulation of COVID-19 variants such as the highly transmissible Delta variant creates an increased risk of infection for people who are not fully vaccinated. The Los Angeles County Department of Public Health (DPH) is working with employers and community organizations to provide COVID-19 vaccinations to staff and residents. The DPH's "Find a Vaccination Provider" website allows employers and event organizers to request a mobile unit or other partner to provide vaccines. Vaccination sites at retail stores, job locations, parks, recreation centers, and other gathering places around the county allow convenient access to residents and workers to get vaccinated.[19]

Historical Population, Nonagricultural Employment, and Per Capita Personal Income

This section provides an overview of the Los Angeles regional economy, including current conditions and trends, and presents data that indicate that the Airport's service region has an economic base capable of supporting increased demand for airline travel at the Airport during the Forecast Period (through FY 2027).

As shown in Table 4, the Los Angeles CSA, with 18.8 million residents in 2020, is the second largest of the 172 CSAs in the United States. Only the New York-Newark CSA, with approximately 22.6 million residents, represents a larger market for airline travel. The third largest CSA is Washington-Baltimore-Arlington with approximately 53% of the population of the Los Angeles CSA.

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[15] COVID-19 Integrated County View, 10 August 2021, Centers for Disease Control and Prevention, https://covid.cdc.gov/covid-data-tracker/#county-view, accessed August 2021.
[16] County Level Vaccination Data for California, 8 September 2021, Centers for Disease Control and Prevention, https://covid.cdc.gov/covid-data-tracker/#county-view, accessed September 2021.
[17] Cases & Deaths in Los Angeles County, California, 8 September 2021, Centers for Disease Control and Prevention, https://covid.cdc.gov/covid-data-tracker/#county-view, accessed September 2021.

[18] COVID-19 Integrated County View, September 8, 2021, Centers for Disease Control and Prevention, https://covid.cdc. gov/covid-data-tracker/#county-view, accessed September 2021.
[19] COVID-19 Vaccine, Los Angeles County Department of Public Health, http://www.publichealth. lacounty.gov/media/Coronavirus/vaccine/index.htm; How to Get Vaccinated, Los Angeles County Department of Public Health,http://publichealth.lacounty.gov/acd/ncorona2019/ vaccine/hcwsignup/, accessed September 2021.

Table 4
10 LARGEST COMBINED STATISTICAL AREAS IN THE UNITED STATES
2020

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

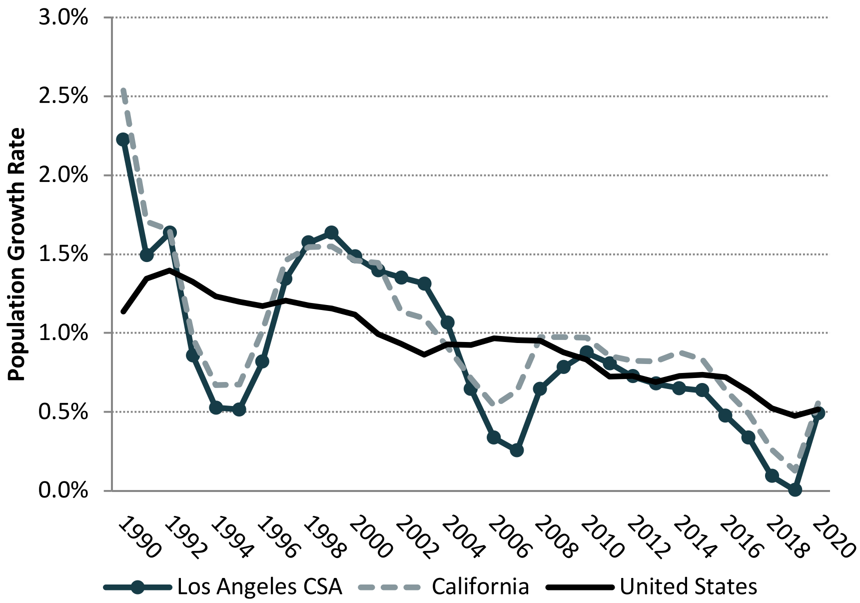
Source: Woods & Poole Economics, Inc., June 2021.

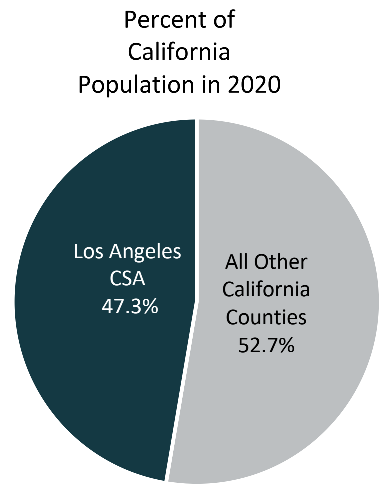
Population. As shown in the following table and on Figure 10, the growth rate for the population in the Los Angeles CSA has historically been comparable to the population growth rates in California and the United States. Population in the Los Angeles CSA increased an average of 1.2% per year from 14.6 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 2020, population in the Los Angeles CSA increased from 17.9 million to 18.8 million, resulting in an average annual increase of 0.5% per year.

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

An average annual increase of 0.7% is projected for population growth in the Los Angeles CSA from 2020 through 2027, equal to the projected increase in both California and the U.S.

Figure 10
POPULATION RATE OF GROWTH
Los Angeles CSA, State of California, and United States





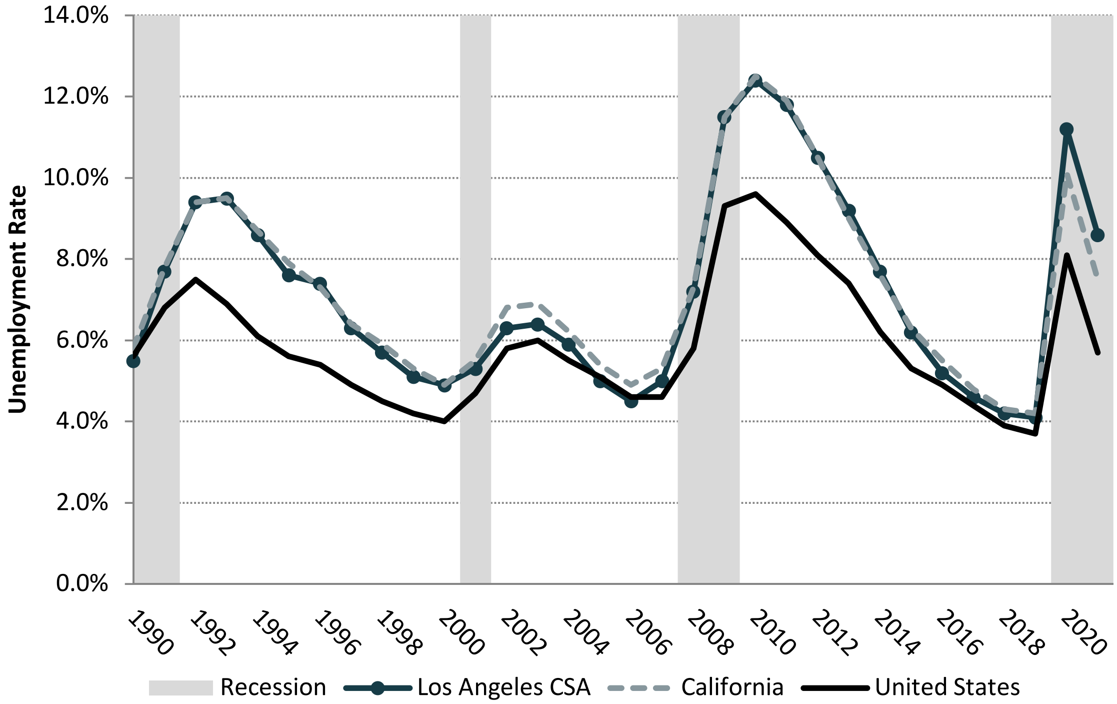
Note: The Los Angeles CSA consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.
Source: Woods & Poole Economics, Inc., June 2021.

Between 2020 and 2027, a population increase of approximately 897,000 is projected in the Los Angeles CSA, or approximately 89,000 new residents per year.[20] These new residents are expected to generate additional demand for airline service at the Airport.

Unemployment Rate. The annual unemployment rate in the Los Angeles CSA exceeded that in the U.S. in each of the past 31 years, except 1990, 2005, and 2006, when the two unemployment rates were generally equal, as shown on Figure 11. Although the Los Angeles CSA unemployment rate has been higher than that in the United States since 2007, it fell by 8.3%, from 12.4% at its peak in 2010 to 4.1% in 2019. In contrast, the U.S. unemployment rate fell only 5.9% from its peak of 9.6% in 2010 to 3.7% in 2019.

[20] Woods & Poole Economics, Inc., June 2021.

Figure 11
UNEMPLOYMENT RATES
Los Angeles CSA, State of California, and United States



Note: Unemployment data for May 2021 are not seasonally adjusted.
Sources: U.S. Department of Labor, Bureau of Labor Statistics, July 2021.

In May 2021, the unemployment rate in the Los Angeles CSA was 8.6% (not seasonally adjusted), higher than both the not seasonally adjusted rate in California (7.5%) and the United States (5.7%).[21]

November 2019-May 2021 Unemployment Rates. The substantial increase in the unemployment rate from March 2020 to June 2020, as shown on Figure 12 was a result of the COVID-19 pandemic and the economic shutdown that occurred across the United States.

Figure 12 shows that as the economy adjusted to public health and social measures needed to reduce the risk of COVID-19 exposure, the unemployment rate in the Los Angeles CSA fell 8.4% from a peak of 17.0% in May 2020 to 8.6% in May 2021 (not seasonally adjusted). California's not seasonally adjusted unemployment rate of 7.5% in May 2021 was 8.5% below its peak not seasonally adjusted unemployment rate of 16.0% in April 2020. Overall U.S. unemployment

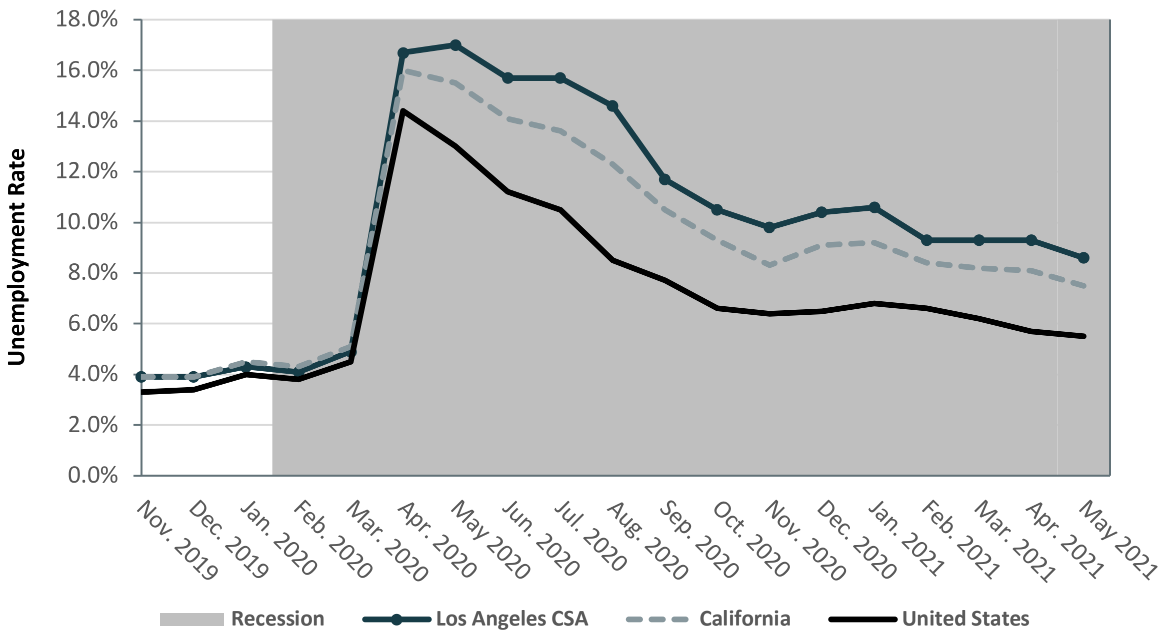
[21] Because seasonally adjusted monthly unemployment data are not available for the Los Angeles CSA, nonseasonally adjusted November 2020 unemployment data are shown for California and the United States to provide an equivalent comparison.

decreased by 8.9% from its peak of 14.4% in April 2020 to 5.5% in May 2021 (not seasonally adjusted).

Figure 12

NOVEMBER 2019-MAY 2021 UNEMPLOYMENT RATES

Los Angeles CSA, State of California, and United States



Note: Data are not seasonally adjusted.
Source: U.S. Department of Labor, Bureau of Labor Statistics, July 2021.

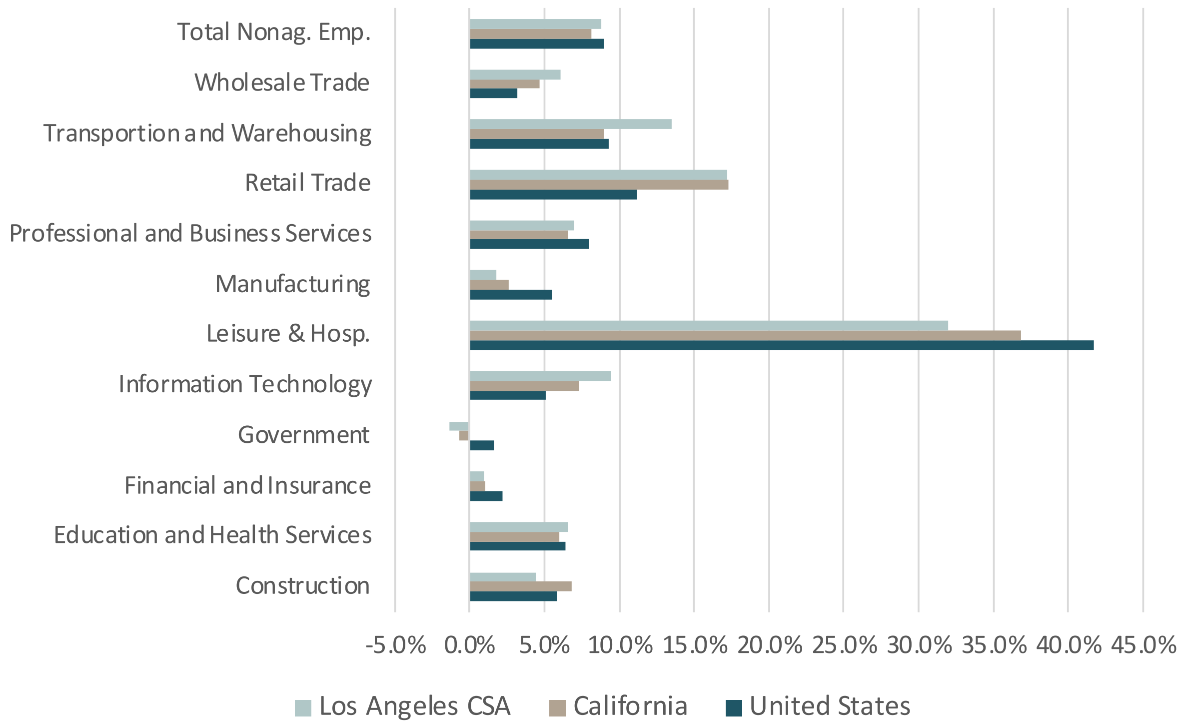
May 2020-May 2021 Percent Change in Industry Employment. Figure 13 shows percent changes in employment in the Los Angeles CSA, California, and the United States in total nonagricultural employment and selected industry sectors from May 2020 to May 2021. While total nonagricultural employment in the Los Angeles CSA increased by 8.8% over the 12-month period, several industries exceeded this rate including retail trade (17.2%), transportation/ warehousing (13.5%), information (9.4%), and leisure/hospitality (31.9%). However, employment in government in the Los Angeles CSA fell 1.3% between May 2020 and May 2021.

Regardless of these gains, total nonagricultural employment in the Los Angeles CSA in May 2021 was 7.7% below the level of its 10-year peak in February 2020, reflecting a loss of 632,000 jobs. Although jobs in leisure/hospitality recovered significantly (31.9%) between May 2020 and May 2021, the number of jobs remain 36% lower than their peak in February 2020. Similarly, information jobs increased 9.4% between May 2020 and May 2021 but are still 23% below their level in February 2020.

Figure 13

PERCENT CHANGE IN MAY 2020-MAY 2021 INDUSTRY EMPLOYMENT

Los Angeles CSA, State of California, and United States

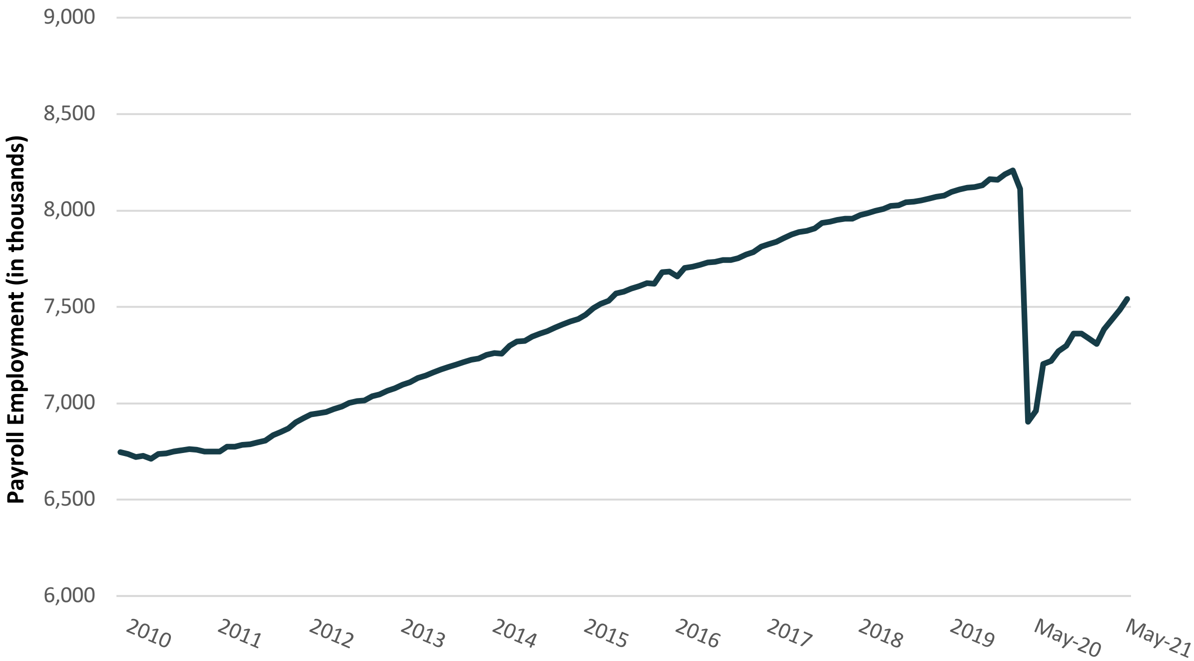


Note: Data not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics, California Employment Development Department, Labor Market Information Division, July 2021.

2021 Job Recovery. While Los Angeles CSA industries such as leisure/hospitality and information experienced significant job loss, nonagricultural employment overall recovered considerably between May 2020 and May 2021. Figure 14 shows that total nonagricultural payroll employment in the Los Angeles CSA fell from a 10-year high in February 2020 to a record loss of approximately 1.3 million jobs by April 2020. However, between May 2020 and May 2021 the Los Angeles CSA recovered approximately 47% of this loss, regaining approximately 612,000 jobs.

Figure 14
TOTAL 2010-MAY 2021 NONAGRICULTURAL PAYROLL EMPLOYMENT
Los Angeles CSA



Note: Total nonagricultural employment of workers on payrolls, seasonally adjusted.
Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, State and Area Employment, July 2021.

Nonagricultural Civilian Employment. As shown in the following table and on Figure 15, the Los Angeles CSA accounts for 47.3% of nonagricultural civilian employment in California. The annual rate of change for nonagricultural civilian employment in the Los Angeles CSA has historically been comparable to rates of change in California and the United States. Nonagricultural civilian employment in the Los Angeles CSA increased an average of 0.9% per year from 8.1 million in 1990 to 8.9 million in 2000. From 2000 to 2010, nonagricultural civilian employment in the Los Angeles CSA increased from 8.9 million to 9.2 million, resulting in an average annual increase of 0.3% per year. From 2010 to 2020, nonagricultural civilian employment in the Los Angeles CSA increased from 9.2 million to 10.4 million, resulting in an average annual increase of 1.2% per year.

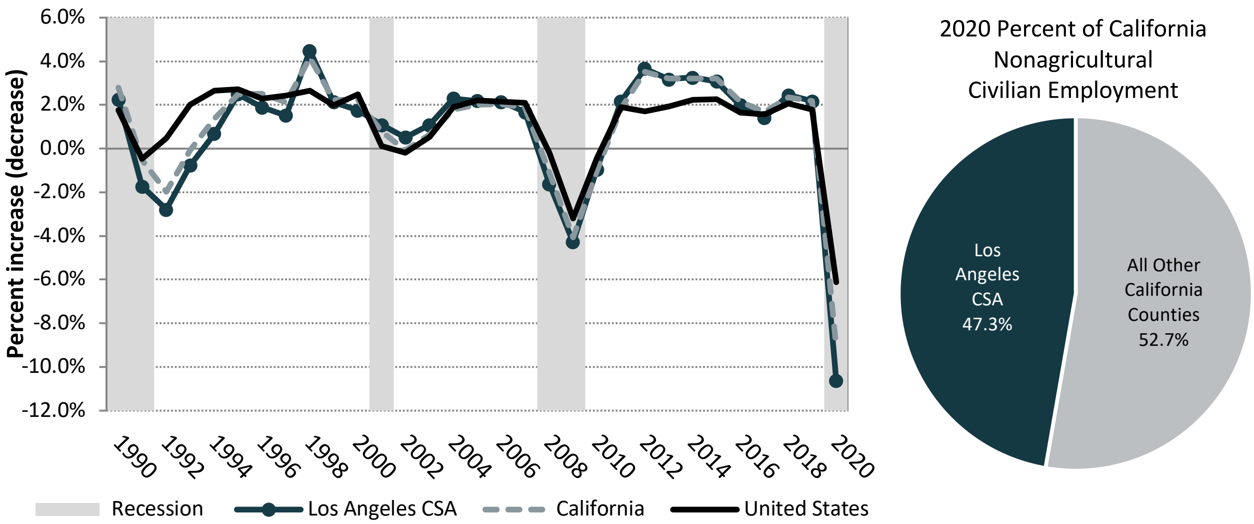
	Nonagricultural civilian employment (in millions)		
	Los Angeles CSA	California	United States
1990	8.1	16.2	132.5
2000	8.9	18.7	160.2
2010	9.2	19.2	168.2
2020	10.4	22.0	187.1
	Average annual percent increase (decrease)		
1990-2000	0.9%	1.4%	1.9%
2000-2010	0.4%	0.3%	0.5%
2010-2020	1.2%	1.4%	1.1%

An average annual increase of 3.3% is projected for nonagricultural civilian employment growth in the Los Angeles CSA from 2020 through 2027, higher than the projected increase in both California (3.0%) and the United States (2.4%).

Figure 15

NONAGRICULTURAL CIVILIAN EMPLOYMENT ANNUAL RATES OF CHANGE

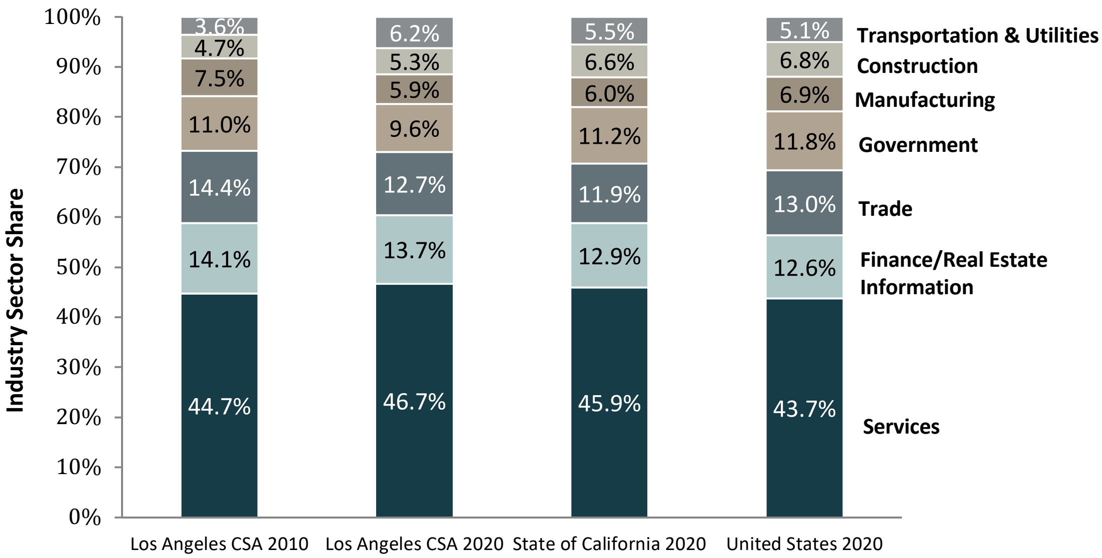
Los Angeles CSA, State of California, and United States



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

Figure 16 shows the comparative distribution of nonagricultural civilian employment by industry sector in the Los Angeles CSA in 2010 and 2020, and in California and the United States in 2020. Employment in services (46.7%) which includes health, education, professional, business, leisure, hospitality, and other services, combined with employment in finance, real estate, and information (13.7%), accounted for a combined 60.4% of total nonagricultural civilian employment in the Los Angeles CSA in 2020.

Figure 16
COMPARATIVE DISTRIBUTION OF NONAGRICULTURAL CIVILIAN EMPLOYMENT BY INDUSTRY SECTOR
Los Angeles CSA, State of California, and United States



Notes: Construction employment includes mining and forestry. Totals may not add to 100% due to rounding.
Source: Woods & Poole Economics, Inc., June 2021.

Major Employers. Table 5 lists the 25 largest private employers in the Los Angeles CSA in 2020. The table reflects the diversity of the companies and industries in the area.

The Los Angeles CSA is the headquarters location of 41 Fortune 1000 firms.[22] Employing a worldwide total of approximately 867,000 workers, and with combined annual revenue of approximately $304 billion, these companies operate globally and their activities extend to a network of approximately 2,000 overseas offices, manufacturing plants and other facilities.[23]

Although business travel has been severely curtailed by the COVID-19 pandemic, business travel sentiment has improved in 2021. Fifty-five percent U.S. companies that currently are not traveling have plans to resume domestic business travel within the next three months.[24] International business travel is projected to grow 21% in 2021.[25]

[22] Source: Fortune 500, www.fortune.com, accessed July 2021.
[23] Source: Uniworld Online, www.uniworldonline.com, accessed July 2021.
[24] Monthly Travel Recovery Data Report, 1 July 2021, U.S. Travel Association, https://www.ustravel.org/research/monthly-travel-recovery-data-report, accessed July 2021.
[25] "Global business travel to grow 21% in 2021, trade group forecasts," 2 February 2021, Reuters.com, https://www.reuters.com/ article/health-coronavirus-corporate-travel-int/global-business-travel-to-grow-21-in-2021-trade-group-forecasts-idUSKBN2A211V, accessed July 2021.

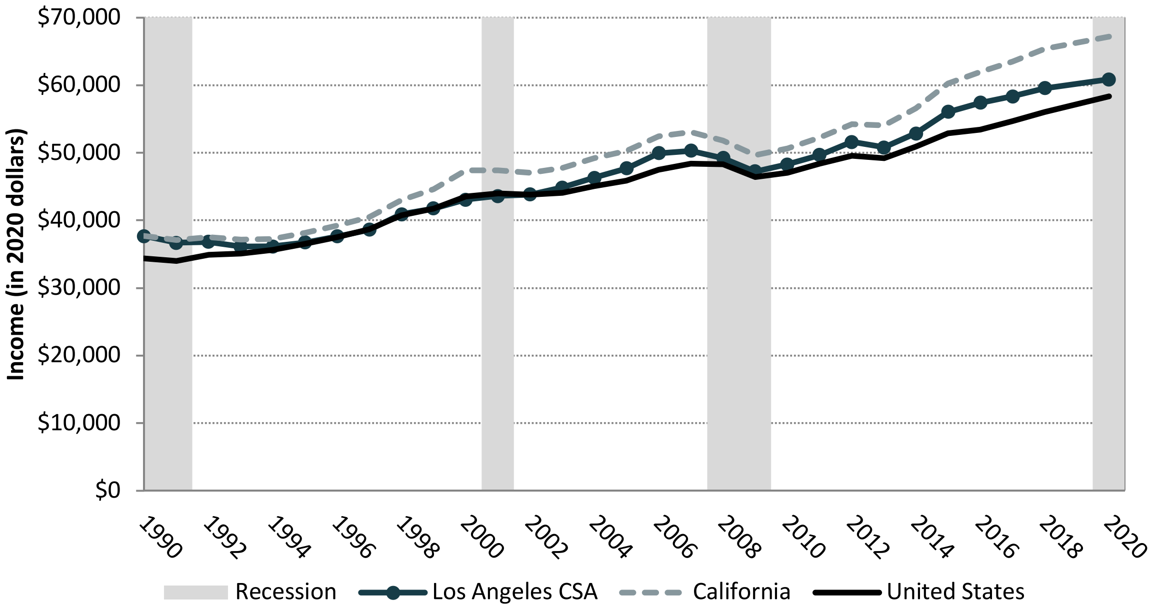
Table 5
25 LARGEST PRIVATE EMPLOYERS
Los Angeles CSA

Rank	Company	Industry	Location	Local Employees
1	Walt Disney (53) *(a)*	Entertainment	Anaheim/Burbank	40,800
2	Amazon	Online Retailer	Santa Monica/Riverside	35,500
3	Allied Universal	Security Services	Santa Ana	18,600
4	Northrop Grumman	Aerospace	Redondo Beach	18,000
5	Boeing	Aerospace	El Segundo/Seal Beach	13,000
6	Bank of America	Finance	Irvine/Los Angeles	12,500
7	United Parcel Service	Transportation	Anaheim/Los Angeles/Ontario	11,600
8	NBCUniversal	Entertainment	Burbank	11,500
9	AT&T	Telecommunications	El Segundo	11,000
10	Wells Fargo Bank	Finance	Los Angeles	10,200
11	Raytheon	Aerospace	El Segundo	8,300
12	ABM Industries	Facility Services	Commerce	7,500
13	FedEx	Transportation	Irvine/Los Angeles/Ontario	7,000
14	Space Exploration Technologies	Aerospace	Hawthorne	6,000
15	Edwards Lifesciences (589)	Medical Equipment	Irvine	5,300
16	Pechanga Resort & Casino	Casino/Resort	Temecula	5,100
17	Amgen (112)	Pharmaceuticals	Thousand Oaks	4,500
18	JP Morgan Chase	Finance	Irvine/Los Angeles	4,500
19	Warner Bros. Entertainment	Entertainment	Burbank	4,400
20	Paramount Pictures	Entertainment	Hollywood	4,300
21	loanDepot	Finance	Foothill Ranch	4,000
22	Medtronic Diabetes	Medical Equipment	Northridge	4,000
23	Charter Communications Inc.	Telecommunications	El Segundo	3,700
24	Lockheed Martin	Aerospace	Palmdale	3,700
25	City National Bank	Finance	Los Angeles	3,700

Note: Excludes retail companies, hospitals, utilities, nonprofits, and government organizations.
(a) Indicates Fortune 1000 headquarter company ranking.
Sources: “Employers," *Orange County Business Journal*, 30 November 2020; "Private-Sector Employers," *Los Angeles Business Journal*, 31 August 2020; *County of Ventura FY2020 Comprehensive Annual Financial Report*, https://www.ventura.org/auditor-controllers-office/financial-reports; *Riverside County FY2020 Comprehensive Annual Financial Report*, https://www.auditorcontroller.org/ReportsPublications.aspx; *San Bernardino County FY2019 Comprehensive Annual Financial Report*, https://www.sbcounty.gov/ATC/Services/Documents; Fortune 500, https://fortune.com, accessed July 2021.

Per Capita Personal Income. Historically, per capita personal income (in 2020 dollars) has been consistently lower in the Los Angeles CSA than in California, as shown on Figure 17. However, per capita income in the Los Angeles CSA has been slightly higher than in the U.S. from 1990 through 2020. Real wage and salary income decreased in the Los Angeles CSA during the 2007-2009 recession, falling 2.4% between 2007 and 2008, and 5.9% between 2008 and 2009. In contrast, population in the Los Angeles CSA increased nearly 1.0% per year during the 2007-2009 recession. Certain factors, including decreasing wage and salary income and increasing population, contributed to the decrease in per capita personal income growth in the Los Angeles CSA between 2007 and 2010.

Figure 17
PER CAPITA PERSONAL INCOME (IN 2020 DOLLARS)
Los Angeles CSA, State of California, and United States



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

Forecasts of per capita personal income in the Los Angeles CSA in 2027 are based on an average annual growth rate of 1.9% between 2020 and 2027. The 2020-2027 growth in total personal income is projected to be partially driven by the growth in earnings for workers in healthcare and social assistance, leisure and hospitality, and professional and technical services.

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 6 shows that in 2020, the Los Angeles CSA ranked second in the U.S. with approximately 2.3 million or 37.8% of households with income of $100,000 or more. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, 55% of airline fare expenditures are made by households with annual income of $100,000 or more.[26]

[26] 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 6
2020 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	3,518,773	42.0%
2	Los Angeles CSA	2,285,053	37.8
3	Washington-Baltimore-Arlington CSA	1,737,708	48.0
4	San Jose-San Francisco-Oakland CSA	1,673,480	49.6
5	Chicago-Naperville CSA	1,351,859	36.7

Note: Calculations of 2020 data are based on 2021 and 2026 forecasts from Esri.
Source: 2021 Esri Market Profiles, accessed July 2021.

Visitor Activity

Table 7 summarizes visitor data for Los Angeles County in 2018, 2019 and 2020, as provided by the Los Angeles Tourism & Convention Board. In 2019 (the year prior to the COVID-19 pandemic), there were 50.7 million day and overnight visitors to Los Angeles County, 700,000 more than the record tourism in 2018 of 50.0 million visitors. Approximately 65.0% of visitors to Los Angeles County in 2018 and 2019 were overnight visitors.

Data in Table 7 show that Los Angeles County's approximately 25.8 million domestic overnight visitors in 2019 represented a 2.0% increase over 2018. The 7.4 million international overnight visitors in 2019 was 1.3% lower than the level in 2018.

In 2020, travel restrictions resulting from the COVID-19 pandemic had a significant impact on the number of visitors to Los Angeles County. Between 2019 and 2020, there was a -51.2% decrease in total overnight visitors. The decrease in international visitors was -78.4% between 2019 and 2020 while the number of domestic visitors fell by -43.4% during the same period.

The Los Angeles CSA offers both leisure and business travelers numerous entertainment attractions, cultural institutions, shopping districts, dining selections, recreational options, professional sporting events, and scenic parks and vistas. World famous attractions in the Los Angeles CSA include Disneyland, Universal Studios, the Hollywood Walk of Fame, the Getty Center, and many others.

Table 7
VISITOR ACTIVITY IN LOS ANGELES COUNTY

	2018	Percent of total	2019	Percent of total	Percent increase/ (decrease) 2018-2019	2020	Percent of total	Percent increase/ (decrease) 2019-2020
Overnight visitors	32,800,000	65.6%	33,200,000	65.5%	1.2%	16,200,000	60.2%	(51.2%)
Day visitors	17,200,000	34.4	17,500,000	34.5	1.7	10,700,000	39.8	(38.9)
Total visitors	50,000,000	100.0%	50,700,000	100.0%	1.4%	26,900,000	100.0%	(46.9%)
Overnight visitors								
Domestic	25,300,000	77.1%	25,800,000	77.7%	2.0%	14,600,000	90.1%	(43.4%)
International	7,500,000	22.9	7,400,000	22.3	(1.3)	1,600,000	9.9	(78.4)
Total overnight visitors	32,800,000	100.0%	33,200,000	100.0%	1.2%	16,200,000	100.0%	(51.2%)
International visitors								
Mexico	1,776,000	23.6%	1,731,000	23.3%	(2.5)%	n.a.	n.a.	n.a.
China (ex. Hong Kong)	1,200,000	16.0	1,173,000	15.8	(2.3)	n.a.	n.a.	n.a.
Canada	780,000	10.4	773,000	10.4	(0.9)	n.a.	n.a.	n.a.
Australia	426,000	5.7	421,000	5.7	(1.2)	n.a.	n.a.	n.a.
United Kingdom *(a)*	382,000	5.1	383,000	5.2	0.3	n.a.	n.a.	n.a.
Japan	349,000	4.6	347,000	4.7	(0.6)	n.a.	n.a.	n.a.
South Korea	335,000	4.5	333,000	4.5	(0.6)	n.a.	n.a.	n.a.
France	307,000	4.1	326,000	4.4	6.2	n.a.	n.a.	n.a.
Germany	237,000	3.2	242,000	3.3	2.1	n.a.	n.a.	n.a.
Brazil	117,000	1.6	101,000	1.4	(13.7)	n.a.	n.a.	n.a.
Other overseas	1,609,000	21.4	1,593,000	21.5	(1.0)	n.a.	n.a.	n.a.
Total international visitors	7,075,000	100.0%	7,423,000	100.0%	(1.3)%			

Note: Columns may not add to totals shown due to rounding. n.a. means data are not available.
(a) Includes England, Wales, Scotland, and Northern Ireland.
Source: Los Angeles Tourism & Convention Board, August 2021.

Convention Business. Prior to the COVID-19 pandemic, many business travelers visited the Los Angeles CSA to attend conventions and other events. The Los Angeles Convention Center (LACC) is located in downtown Los Angeles and, prior to the pandemic, hosted an average of 350 events annually with approximately 2.5 million visitors. Covering a site of 54 acres, the LACC has 720,000 square feet of exhibit hall space, 147,000 square feet of meeting room space, a 299-seat theater, and parking for over 5,600 vehicles.[27]

In March 2020, large public gatherings in Los Angeles County were suspended and events at the LACC were canceled due to the COVID-19 pandemic. Despite its closure, the LACC was awarded the Global Biorisk Advisory Council (GBAC) STAR accreditation on outbreak prevention, response, and recovery in July 2020. GBAC STAR is recognized as the gold standard of safe venues and provides third-party validation to ensure the adoption of best practices for systematically sanitizing facilities in the era of the COVID-19 pandemic. The LACC was the first

[27] Facility Quick Facts, Los Angeles Convention Center, https://www.lacclink.com/about/lacc-quick-facts, accessed July 2021.

convention center on the West Coast to receive the GBAC STAR accreditation.[28] Guided by public health experts, ASM Global (LACC's operator) has also implemented VenueShield and the Blue Tower Program to [29]collect and monitor data, adopt new technology and equipment, and update best practices for cleaning and safety for the facility's attendees, contractors, and staff.[30]

A new State of California Public Health Order removed the majority of pandemic response restrictions on June 15, 2021, and replaced them with more limited provisions for large public gatherings and events. Since reopening in mid-June 2021, the LACC has announced 2021 and 2022 meetings and conventions for the LA Art Show, California Bridal & Wedding Expo, Pri-Med Conference, Build Expo, Wekfest, L.A. Auto Show, ComiCon, and others.[31]

In December 2018, the Los Angeles City Council approved a $500 million plan to build additional exhibit, meeting room, multi-purpose space, and parking at LACC. When completed, the LACC will have a total of 1,180,000 square feet of useable space. The expanded LACC facility will be able to attract larger conventions, accommodate multiple, large-scale events, and become the centerpiece of a 100-acre entertainment campus in downtown Los Angeles that includes Staples Center and the L.A. Live event center. ASM Global is currently working with city officials to obtain construction approvals for the project.32

Marriott will open AC and Moxy branded hotels at the Fig + Pico mixed-use project adjacent to the LACC. Developed by the Lightstone Group, the dual-branded 37-story hotel tower will include 727 guestrooms in the two hotels and 8,600 square feet of retail and restaurant space. Project completion is expected in 2022.33

International Travel. In 2019, Los Angeles County attracted 7.4 million overnight international visitors, a decrease of -1.3% compared to the 2018 levels. The number of visitors from the United Kingdom, France, and Germany increased between 2018 and 2019, although visitors from all other countries shown in Table 7 decreased during the same period. The number of visitors from Brazil decreased by 16,000 between 2018 and 2019, a decrease of 13.7%. While the reduction in visitors from China (27,000) and Mexico (45,000) between 2018

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[28] "LACC Becomes the First Convention Center on the West Coast to earn GBAC STAR™ Accreditation," 8 July 2020, https://www.lacclink.com/news/detail/los-angeles-convention-center-is-the-first-convention-center-on-the-west-coast-to-earn-gbac-star-accreditation, accessed July 2021.

[29] Country of origin data for international visitors to Los Angeles County in 2020 are not available.

[30] COVID-19 Status Update, Los Angeles Convention Center, https://www.lacclink.com/covid-19, accessed July 2021.

[31] Events, Los Angeles Convention Center, https://www.lacclink.com/events, accessed July 2021.

[32] "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; accessed July 2021.

[33] "Construction Activity in DTLA Remains Robust Amid Pandemic," 16 February 2021, *Los Angeles Daily News*, https://www.dailynews.com/2021/02/16/construction-activity-in-dtla-remains-robust-amid-pandemic, accessed July 2021.

and 2019 was large compared to Brazil, on a percentage basis the number of Chinese and Mexican visitors each decreased 2.5% or less.

Of Los Angeles County's 7.4 million international visitors in 2019, 33.8% were from Mexico and Canada, while the majority of international visitors (66.2%) were from other countries. China was home to the second highest number of visitors (nearly 1.2 million) from a single country. In 2016, Los Angeles became the first U.S. city to host over one million visitors from China, a milestone that was repeated in 2017 (1.1 million), 2018 (1.2 million), and 2019 (1.2 million). Viewed on a regional basis, visitors from Australia, Japan, and South Korea—the top three countries in the Asia-Pacific region (excluding China)—accounted for a total of 1.1 million visitors to Los Angeles County in 2019. Similarly, Europe was the second largest regional market in 2019, with the top three countries (United Kingdom, France, and Germany) generating 951,000 visitors to Los Angeles County.

Although the COVID-19 pandemic has had a negative effect on international travel at the Airport, the Los Angeles CSA's international links are underscored by the fact that, according to the U.S. Census Bureau, 30.0% of the population is foreign-born compared with 13.4% of the U.S. population.[34]

Economic Outlook

Economic growth in the United States, the State of California, and the Los Angeles CSA influences the demand for passenger and cargo services at the Airport. In addition, growth in airline traffic at the Airport is influenced by global economies. Consequently, economic assumptions that underlie the forecasts of enplaned passengers prepared for this 2021DE Report were based on a review of global, national, State, and regional economic forecasts, as well as analyses of historical socioeconomic trends and airline traffic trends.

Global Economy. In advanced economies, the successful development and distribution of COVID-19 vaccines has allowed the reopening of face-to-face services as the rates of new cases and hospitalizations have decreased. Indicators of economic activity and employment have strengthened. For example, the reopening of the U.S. economy, and consequent increase in U.S. imports, has helped exporters of manufactured goods in developing markets and promoted a recovery in world trade. However, global economic recovery is threatened by the spread of new coronavirus variants and poor access to vaccines in developing countries. The U.S. has an essential role in globally-coordinated efforts to accelerate vaccine distribution in developing economies. The International Monetary Fund (IMF) estimates that international cooperation on COVID-19 vaccines could speed world economic recovery while adding approximately $9 trillion to global income by 2025.[35] Data in Table 8 show that from 2020

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[34] 2015-2019 American Community Survey 5-Year Estimates, U.S. Census Bureau, Table B05002 Place of Birth by Nativity and Citizenship Status, accessed July 2021.

[35] Global Economic Prospects, 8 June 2021, World Bank, ttps://www.worldbank.org/en/publication/global-economic-prospects; World Economic Outlook: Managing Divergent Recoveries, April 2021, International Monetary Fund, https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021, accessed June 2021.

through 2027, the projected annual growth rate of real global GDP will rise to 3.4%, higher than the rate of growth between 2010 and 2019.

With continued progress on international vaccine distribution and recovery in global economic growth from 2021 through 2027, demand for business and leisure travel, including airline travel to the Los Angeles CSA, will likely increase.

Table 8

HISTORICAL AND PROJECTED GLOBAL REAL GROSS DOMESTIC PRODUCT GROWTH RATES

	Average annual real GDP growth	
Region/Country	Historical 2010-2019	Projected 2020-2027
China (including Hong Kong and Macau)	7.2%	5.5%
Asia (excluding China, Hong Kong, and Macau)	3.3	3.5
Africa	3.3	3.3
Middle East	3.1	3.2
Latin America	1.7	2.9
Canada	2.1	2.7
United States	2.3	2.6
Former Soviet Union	2.1	2.6
Europe	1.6	2.6
World	3.0	3.4

Source for historical and projected: U.S Department of Agriculture, Economic Research Service, *International Macroeconomic Data, Projected Real GDP Values*, updated January 7, 2021.

National Economy. Real GDP growth in the U.S. during the Forecast Period will be positive as the economy continues to reopen following greater control of the COVID-19 virus. The unemployment rate is expected to continue to decrease as discouraged workers rejoin the labor market. Job growth is anticipated to be strong for lower-wage workers and in virus-sensitive sectors such as leisure and hospitality. Higher pay, combined with government transfers and accumulated household savings, will support consumer spending. Supply chain disruptions and low inventories are expected to place upward pressure on core price inflation, though only on a transitory basis.

However, concerns about future higher inflation and lower employment growth are reflected in decreasing business confidence. Some business leaders question whether the recent upswing in prices is indeed transitory or if it will become an impediment to long-term economic expansion. Public health concerns, retirements, incentive effects from unemployment benefits, or delays in reopening schools and childcare may result in a slower rebound in labor force participation. This in turn may create labor market pressures that could push wages and prices higher.[36]

The most recently published forecast (May 2021) by business economists from the National Association for Business Economics (the NABE) indicates consensus for annual real U.S. GDP growth of 6.5% in 2021 and 4.4% in 2022. The NABE forecast also estimates an average annual U.S. unemployment rate of 5.6% in 2021 and 4.3% in 2022.[37]

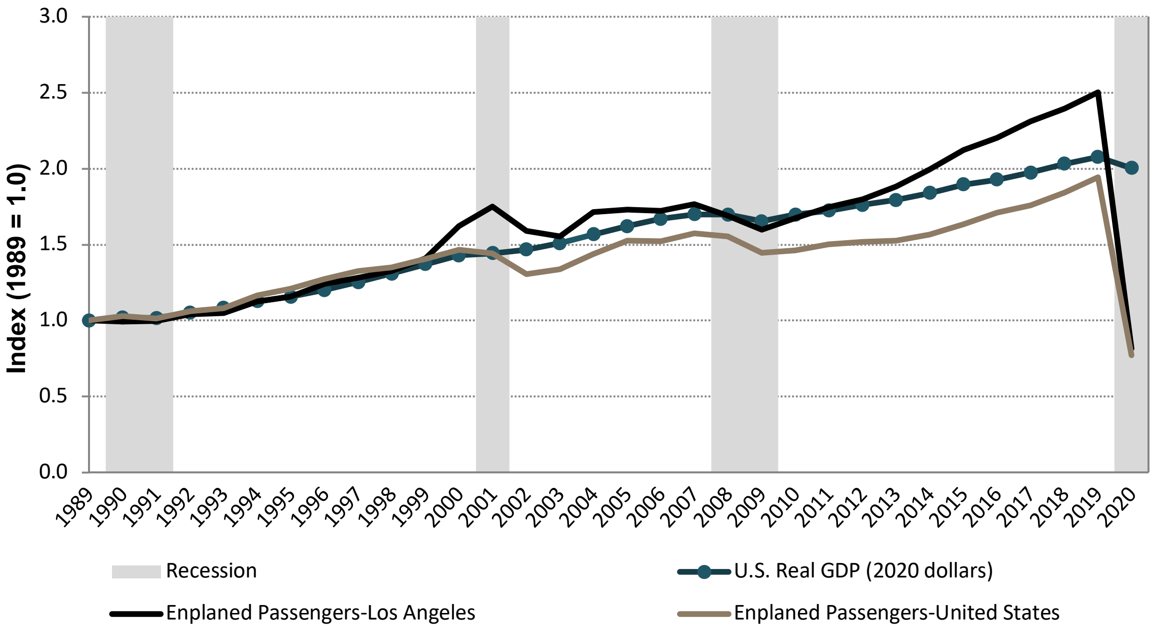
Figure 18 presents trends in U.S. real GDP (in 2020 dollars) and numbers of enplaned passengers at the Airport and in the nation in 1989 through 2020 (using 1989 as the index year). Trends in passenger traffic in the United States and at the Airport since 1989 have closely correlated with trends in real GDP, including decreases during the 1990-1991 and 2007-2009 recessions. From 1989 through 2019, U.S. real GDP increased an average of 2.5% per year, while the number of enplaned passengers increased at averages of 2.2% per year in the nation and 3.1% per year at the Airport. In 2020, U.S. real GDP decreased 3.5%; the number of enplaned passengers fell approximately 60% in the U.S. and 67% at the Airport.

During the 2007-2009 recession, the number of passengers enplaned at the Airport decreased 7.3% while enplaned passengers in the United States decreased 5.1%. As growth resumed in the national economy, the number of enplaned passengers increased 49.6% at the Airport and 33.0% in the U.S. between 2010 and 2019.

[36] Beige Book, 2 June 2021, Board of Governors of the Federal Reserve System, https://www.federal reserve.gov/monetarypolicy/beigebook202106.htm; Monetary Policy Report, 9 July 2021, Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/monetarypolicy/mpr_ default.htm; An Overview of the Economic Outlook: 2021 to 2031, February 2021, Congressional Budget Office, https://www.cbo.gov/ publication/56982; Economic Indicators, United States – Business Confidence, June 2021, Moody's Analytics, https://www.economy.com/united-states/business-confidence/seasonally-adjusted, accessed July 2021.
[37] Source: National Association for Business Economics, *NABE Outlook*, May 2021.

Figure 18

TRENDS IN U.S. REAL GROSS DOMESTIC PRODUCT AND ENPLANED PASSENGERS

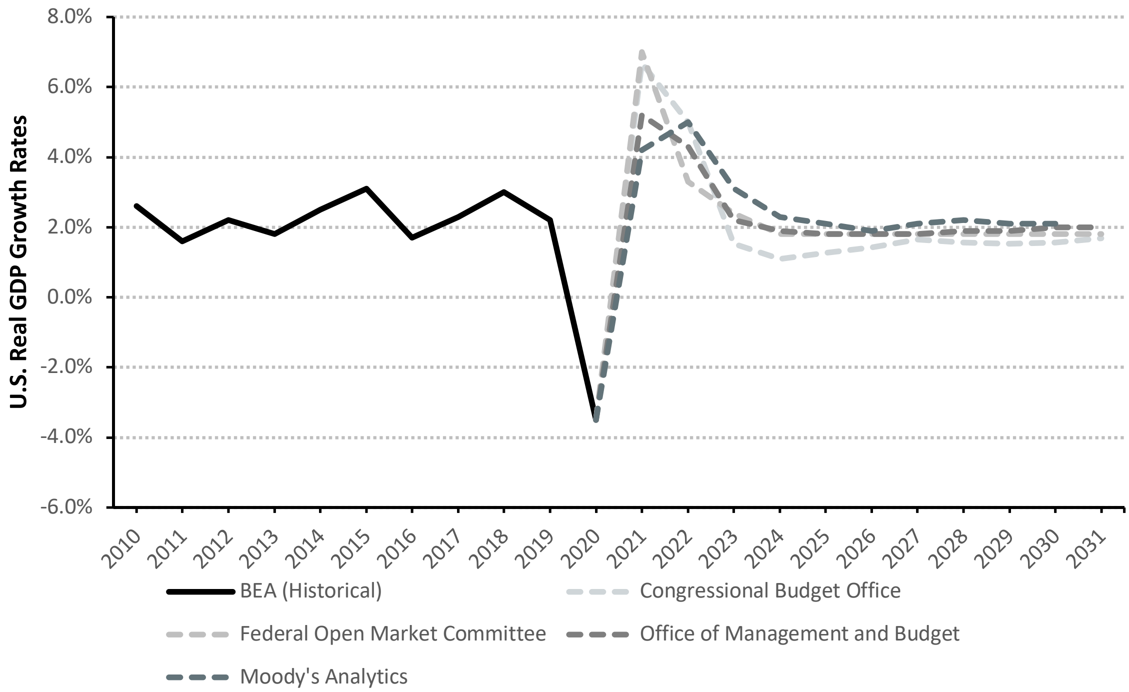


Sources: U.S. GDP—U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed July 2021.
Los Angeles International Airport enplaned passengers—Department management records.
U.S. enplaned passengers—U.S. Department of Transportation, Federal Aviation Administration, Preliminary CY 2020 Passenger Boarding Data, accessed July 2021.

2021-2031 Real GDP Growth Rate Forecasts. Figure 19 shows historical real U.S. gross domestic product (GDP) growth from the Bureau of Economic Analysis (BEA) and growth forecasts for the U.S. between 2021-2031 from the Congressional Budget Office (CBO), Federal Reserve Open Market Committee (FOMC), and Moody's Analytics. The decrease in real U.S. GDP in 2020 (-3.5%) was a result of the lockdowns, business closures, and extensive unemployment caused by the COVID-19 pandemic.

The 2021 real GDP growth forecasts shown on Figure 19 range from 4.2% (Moody's Analytics) to 7.0% (FOMC). The forecasts predict 2022 growth rates between 3.3% (FOMC) and 5.0% (CBO and Moody's). All the forecasts project lower real GDP growth in 2023, 2024, and 2025 compared to 2022. From 2026-2031, the forecasts expect real GDP growth in the U.S. to average approximately 2.0%.

Figure 19
2021-2031 U.S. REAL GDP GROWTH RATE FORECASTS



Sources: Bureau of Economic Analysis, Annual Real Gross Domestic Product, Chained 2012 Dollars, July 2021; Congressional Budget Office, Budget and Economic Data, 10-Year Economic Projections, July 2021; Board of Governors of the Federal Reserve System, Federal Open Market Committee, Summary of Economic Projections, June 2021; Office of Management and Budget, Budget of the U.S. Government Fiscal Year 2021, February 11, 2020; Moody's Analytics, U.S. Real Gross Domestic Product Forecast, May 2021.

California Economy. California has a diverse and vibrant economy that accounts for approximately 14.7% of U.S. GDP and ranks as the fifth largest economy globally (between Germany and the United Kingdom).[38] Real gross state product in California fell by less than one percent in 2020 (-0.6%) indicating significant economic resiliency given that in 2020 California had the highest number of COVID-19 pandemic cases (2,426,078) and deaths (32,068) of any state. U.S. GDP growth in 2020 was -3.5%.[39]

Employment in California rebounded significantly between May 2020 and May 2021 with an 8.2% increase in total nonagricultural employment; employment growth in the U.S. overall was

[38] World Development Indicators, The World Bank, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true, accessed July 2021; Woods & Poole Economics, Inc., June 2021.
[39] U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov; *2021 Economic Forecast*, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf; COVID Data Tracker, Centers for Disease Control and Prevention, https://covid.cdc.gov/covid-data-tracker/#compare-trends_totalcases, accessed July 2021.

9.0% during the same period. Regardless of California's job gains over the past year, its total nonagricultural employment is still 7.4% below its February 2020 peak and lags behind national jobs recovery. Total nonagricultural employment in the U.S. is 4.9% below its February 2020 peak.[40]

However, comparisons between California's economic recovery and the U.S. overall must account for the state's higher level of pandemic restrictions, including mask mandates, business closures, and prohibitions of large gatherings. Full recovery in California's leisure and hospitality sector is not expected to occur until travel and tourism return to pre-pandemic levels. Nevertheless, job gains are anticipated in leisure/hospitality as well as professional and business services, information, education/health, transportation/warehousing, and construction. Combined, these six sectors are expected to account for approximately 94% of employment gains in California from 2021 through 2022.[41]

Los Angeles CSA Economy. Data on Figure 20 shows that the Los Angeles CSA economy ranks second among U.S. metro areas with a gross regional product of more than $1.3 trillion. As in other metro regions throughout the U.S., economic activity in the Los Angeles CSA experienced a dramatic reduction in 2020 with the spread of COVID-19. Stay-at-home orders, business closures, travel restrictions, prohibitions against large gatherings, and other safety measures resulted in a rapid decrease in consumer spending and employment.

The impact of the COVID-19 pandemic on the Los Angeles CSA's job market has varied considerably based on the industry. For example, some office and knowledge workers quickly transitioned to remote work. In some industries, working from home has proved so popular among employees and so cost-effective for businesses that the COVID-19 pandemic has possibly changed the nature and place of work permanently. Conversely, there has been a high rate of small business closures and job losses for low-income workers employed in non-essential service industries that rely on person-to-person interaction. In addition, a large percentage of women have left the labor force because of a lack of childcare options and the prevalence of women working in service jobs that have been negatively affected by the pandemic.[42]

Regardless of these challenges, a recent report published by the Los Angeles Economic Development Corporation (LAEDC) Institute of Applied Economics shows employment gains in the Los Angeles CSA in leisure/hospitality, transportation/warehousing, information,

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[40] U.S. Department of Labor, Bureau of Labor Statistics; California Employment Development Department, Labor Market Information Division, July 2021.

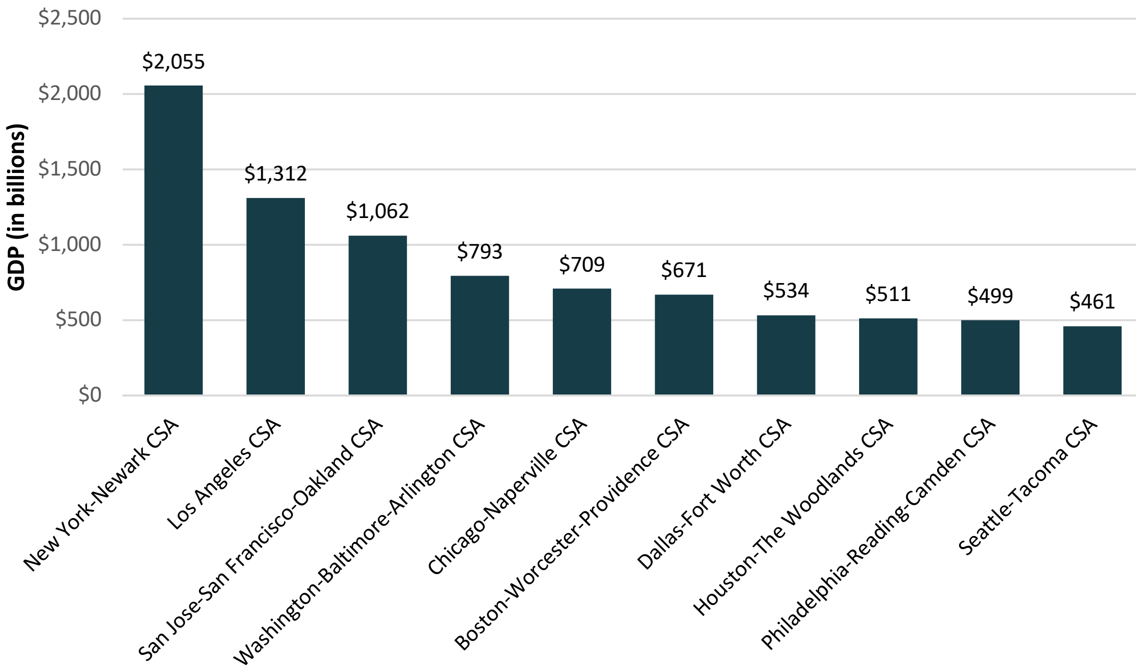
[41] California Economic Outlook, 28 April 2021, Bank of the West, https://www.bankofthewest.com/alpha/wealth-management/insights/economic-report/california-economic-outlook-april-2021.html; "UCLA Anderson Forecast Anticipates Near-Record Growth as Economic Recovery Continues," 10 March 2021, UCLA Newsroom, https://newsroom.ucla.edu/releases/anderson-forecast-anticipates-robust-growth-march-2021; Beige Book, Federal Reserve Bank of San Francisco, 2 June 2021, Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/monetarypolicy/beigebook202106.htm; *2021 Economic Forecast*, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf, accessed July 2021.

[42] California Economic Outlook, 28 April 2021, Bank of the West, https://www.bankofthewest.com/alpha/wealth-management/insights/economic-report/california-economic-outlook-april-2021.html; *2021 Economic Forecast*, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf, accessed July 2021.

professional and business services, and education/health. In total, these five sectors are anticipated to account for approximately 83% of job gains in the Los Angeles CSA from 2021 through 2022.[43]

Figure 20

2020 GROSS REGIONAL PRODUCT FOR TOP 10 METRO REGIONS



Note: Amounts shown in 2020 dollars.
Source: Woods & Poole Economics, Inc., June 2021.

[43] *2021 Economic Forecast*, 20 June 2021, LAEDC Institute of Applied Economics, LAEDC-2021-Economic-Forecast_Final.pdf, accessed July 2021.

PASSENGER TRAFFIC AND AIRLINE SERVICE TRENDS

Trends in the number of enplaned passengers and airline service at the Airport are discussed in this section. The airlines serving the Airport, airline shares of enplaned passengers, top O&D markets for the Airport, and airline fares and yields are also discussed.

Airlines Serving the Airport

Table 9 lists the passenger airlines serving the Airport as of September 2021. A total of 15 U.S. flag airlines provided scheduled passenger service, including 5 network airlines, 4 regional airlines, and 6 low-cost airlines. Scheduled international passenger service was provided by 38 foreign-flag airlines, including 11 European airlines, 12 Asian airlines, 4 Middle Eastern airlines, 3 South Pacific airlines, 3 Latin American/Caribbean airlines, 3 Mexican airlines, and 2 Canadian airlines. In addition, 23 airlines provided scheduled all-cargo service as of September 2021.

Table 9
PASSENGER AIRLINES SERVING LOS ANGELES INTERNATIONAL AIRPORT
September 2021

U.S.- flag airlines	Foreign-flag airlines		
Network Airlines	***Asia***	***Latin America***	***Middle East/Africa***
Alaska Airlines	Air China	Avianca Airlines *(c)*	El Al Israel
American Airlines	All Nippon Airways	Copa	Emirates
Delta Air Lines	Asiana Airlines	LATAM Airlines *(d)*	Qatar Airways
Hawaiian Airlines	Cathay Pacific Airways		Turkish Airlines
United Airlines	China Airlines	***Europe***	
	China Southern Airlines	Aeroflot	***Mexico***
Regional Airlines	EVA Airways	Air France	Aeroméxico
Boutique Air	Japan Airlines Co.	British Airways	VivaAerobus
Horizon Air *(a)*	Korean Air Lines	Finnair	Volaris *(e)*
SkyWest *(b)*	Philippine Airlines	Iberia	
Southern Airways Express	Singapore Airlines	KLM	***Canada***
	Xiamen Airlines	LOT	Air Canada
Low-Cost Airlines		Lufthansa	WestJet
Allegiant Air	***South Pacific***	SAS	
Frontier Airlines	Air New Zealand	SWISS	
JetBlue Airways	Air Tahiti Nui	Virgin Atlantic Airways	
Southwest Airlines	Fiji Airways		
Spirit Airlines			
Sun Country Airlines			

Note: Airlines providing scheduled service are shown.
(a) Horizon Airlines flies for Alaska Airlines.
(b) SkyWest Airlines flies for Alaska Airlines, American Airlines, Delta Air Lines, and United Airlines.
(c) Avianca Airlines includes Avianca Costa Rica and Avianca El Salvador.
(d) Includes LATAM Peru.
(e) Includes Volaris Costa Rica.
Source: OAG schedules accessed September 2021.

Enplaned Passenger Trends

Table 10 shows domestic and international enplaned passengers as well as originating and connecting passengers at the Airport from FY 2000 through FY 2020. The table also includes the March – December period for 2019 and 2020 to demonstrate the impact of the COVID-19 pandemic on passenger travel at the Airport.

Growth in the number of enplaned passengers at the Airport has exceeded national averages. From FY 2014 through FY 2019, growth in the number of enplaned passengers at the Airport increased on average 5.2% per year. During the same period, the number of enplaned passengers in the U.S. increased an average of 4.2% per year[44].

During 2020, the Airport experienced a 75% decrease in the number of international enplaned passengers, falling from 12.9 million in 2019 to 3.2 million in 2020. By the end of FY 2020, domestic passengers accounted for 71.5% of total enplaned passengers at the Airport, while international passengers accounted for 28.5% of the total. Although passenger volumes decreased in 2020 like most other airports in the nation, the Airport continued to mark its sixth consecutive year of growth in originating passenger share, where it grew from 76.4% in FY 2014 to an estimated 82.4% by the end of FY 2020, enhancing its position as the busiest O&D airport in the U.S., which is supported by regional economic drivers discussed earlier.

Prior to the COVID-19 pandemic, the Airport's number of enplaned passengers increased an average of 5.2% per year between FY 2014 and FY 2019. The growth in the number of enplaned passengers in FY 2019 was partially the result of strong growth in new airline service and additional seat capacity introduced by airlines at the Airport in recent years. From FY 2014 through FY 2019, the number of scheduled seats at the Airport increased by an average of 2.0% per year, which is higher than the average for the U.S. (1.7% for the same period[45]). Between FY 2018 and FY 2019, the number of scheduled seats at the Airport increased 1.2%. Factors contributing to the expansion of airline capacity at the Airport include growing competition among domestic airlines that have been competing for passenger market share at the Airport, as well as the entry of several new foreign-flag airlines and new service on several international routes.

[44] U.S. Department of Transportation, T100 Database; represents average annual growth in the total number of U.S. enplaned passengers from the 12-months ended June 2014 through the 12-months ended June 2019.
[45] OAG schedules.

Table 10

HISTORICAL ENPLANED PASSENGERS AND ORIGINATING AND CONNECTING PASSENGERS

	Enplaned Passengers			Annual Percent Change			Enplaned passengers		Percent of Total	
Fiscal Year	Domestic	Int'l	Total	Domestic	Int'l	Total	Originating	Connecting	Originating	Connecting
2000	24,880,727	8,350,995	33,231,722	-%	-%	-%	25,409,525	7,822,197	76.5%	23.5%
2005	22,143,442	8,404,809	30,548,251	4.2	7.2	5.0	24,339,886	6,208,365	79.7	20.3
2006	22,030,697	8,624,449	30,655,146	(0.5)	2.6	0.3	24,253,196	6,401,950	79.1	20.9
2007	22,374,333	8,429,137	30,803,470	1.6	(2.3)	0.5	24,149,520	6,653,950	78.4	21.6
2008	22,427,379	8,714,960	31,142,339	0.2	3.4	1.1	24,633,456	6,508,883	79.1	20.9
2009	20,662,591	7,666,428	28,329,019	(7.9)	(12.0)	(9.0)	22,530,522	5,798,497	79.5	20.5
2010	21,127,610	7,875,532	29,003,142	2.3	2.7	2.4	22,736,952	6,266,190	78.4	21.6
2011	22,151,724	8,128,847	30,280,571	4.8	3.2	4.4	23,304,564	6,976,007	77.0	23.0
2012	23,019,627	8,497,290	31,516,917	3.9	4.5	4.1	24,063,472	7,453,445	76.4	23.6
2013	23,855,876	8,668,302	32,524,178	3.6	2.0	3.2	24,983,829	7,540,349	76.8	23.2
2014	25,016,409	9,316,116	34,332,525	4.9	7.5	5.6	26,213,331	8,119,194	76.4	23.6
2015	26,237,839	9,883,929	36,121,768	4.9	6.1	5.2	27,957,630	8,164,138	77.4	22.6
2016	28,070,161	10,888,408	38,958,569	7.0	10.2	7.9	30,906,141	8,052,428	79.3	20.7
2017	29,510,834	12,091,290	41,602,124	5.1	11.2	6.8	33,045,970	8,556,154	79.4	20.6
2018	30,604,926	12,948,089	43,553,015	3.7	7.1	4.7	35,103,730	8,449,285	80.6	19.4
2019	31,170,044	13,037,420	44,207,464	1.8	0.7	1.5	36,403,735	7,803,729	82.3	17.7
2020	22,483,684	8,945,773	31,429,457	(27.9)	(31.4)	(28.9)	25,884,614	5,544,834	82.4	17.6
	Effect of the COVID-19 Pandemic									
Mar-Dec 2019	26,849,095	11,033,776	37,882,871				31,359,315	6,523,556	82.8	17.2
Mar-Dec 2020	6,769,368	1,475,673	8,245,041	(74.8)	(86.6)	(78.2)	7,338,287	906,754	89.0	11.0
	Average annual percent increase (decrease)									
2000-2005	(2.3%)	0.1%	(1.7%)				(0.9%)	(4.5%)		
2005-2010	(0.9)	(1.3)	(1.0)				(1.4)	0.2		
2009-2019	4.2	5.5	4.6				4.9	3.0		
2014-2019	4.5	7.0	5.2				6.8	(0.8)		

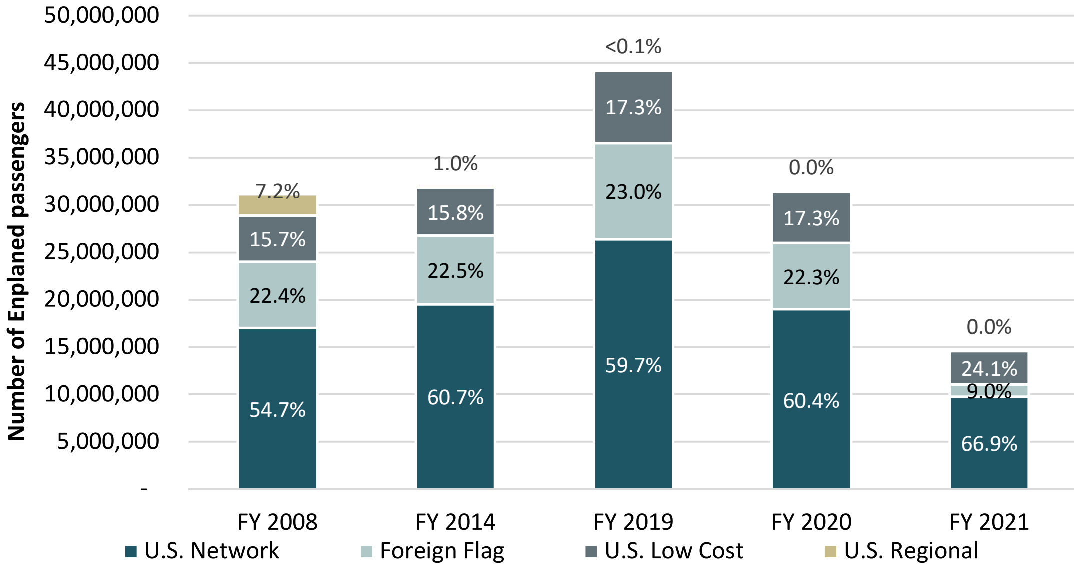
Sources: Department records; U.S. Department of Transportation O&D Survey Data accessed via AirlineData, Inc., accessed July 2021.

The percentage of connecting passengers at the Airport has been slowly decreasing over the past 10 years (FY 2009 through FY 2019), and in FY 2018 the number of connecting passengers represented less than 20% of the number of enplaned passengers at the Airport for the first time. In FY 2020, the percentage of connecting passengers at the Airport decreased further to an estimated low of 17.6% of the number of enplaned passengers (5.5 million), while originating passengers accounted for an estimated 82.4% of enplaned passengers (25.9 million), as carriers reduced their network due to the pandemic and focused on connecting passengers at their main hub airports elsewhere in the U.S.

Enplaned passenger traffic at the Airport by airline type in FY 2008, FY 2014, FY 2019, FY 2020, and FY 2021 is shown on Figure 21. U.S. network airlines continue to account for the largest share of enplaned passengers at the Airport. In FY 2019, the U.S. network and regional airlines accounted for approximately 59.7% of total enplaned passengers, while the foreign-flag airlines and U.S. low-cost airlines (LCCs) accounted for 23.0% and 17.3% of total enplaned passengers at the Airport, respectively. However, the pandemic has shifted airline type shares in FY 2020 and FY 2021 given the lack of international nonstop services offered by foreign flag carriers. This resulted in U.S. LCCs increasing their share of enplaned passengers at the Airport in FY 2021 by 6.8%, compared to FY 2019. In FY 2021, U.S. Network carrier shares increased by 7.2% compared to FY 2019, while foreign flag carriers decreased the greatest from 23.0% to 9.0%, a reduction of 14.0% from FY 2019 and FY 2021.

In comparison, the U.S. network airlines, foreign-flag airlines, U.S. low-cost, and U.S. regional airlines accounted for 54.7%, 22.4%, 15.7%, and 7.2% of total enplaned passengers at the Airport, respectively, in FY 2008. Between FY 2008 and FY 2019, the U.S. regional airlines' share of enplaned passengers at the Airport decreased from approximately 7.2% to less than 0.1%. This decrease reflects a reduced reliance by the U.S. network airlines on their regional affiliates that provide service for the network airlines using smaller regional aircraft.

Figure 21
HISTORICAL ENPLANED PASSENGERS BY AIRLINE TYPE
Los Angeles International Airport



Notes: Excludes nonscheduled airlines. Totals may not add to 100.0% due to rounding.
Sources: Department records.

Enplaned Passenger Market Shares

Airline service at the Airport is diverse and highly competitive, with no single airline accounting for more than 22.1% of total enplaned passengers in FY 2021. Table 11 presents a comparison of FY 2019 (pre-Covid) and FY 2021 enplaned passengers at the Airport by airline.

As shown on Figure 22 and Table 11, Delta Air Lines was the busiest airline at the Airport in terms of number of enplaned passengers in FY 2021, accounting for 22.1% of enplaned passengers at the Airport. American Airlines has the second largest market share of enplaned passengers at the Airport, accounting for 20.2% of enplaned passengers. Prior to FY 2021, American Airlines had been the busiest airline at the Airport in terms of number of enplaned passengers with approximately 19.0% of total enplaned passengers at the Airport since FY 2015. United Airlines has the third largest market share of enplaned passengers at the Airport, accounting for 14.9% of enplaned passengers in FY 2021. U.S. low-cost airline Southwest Airlines is the fourth busiest airline at the Airport, accounting for 10.4% of total enplaned passengers in FY 2021.

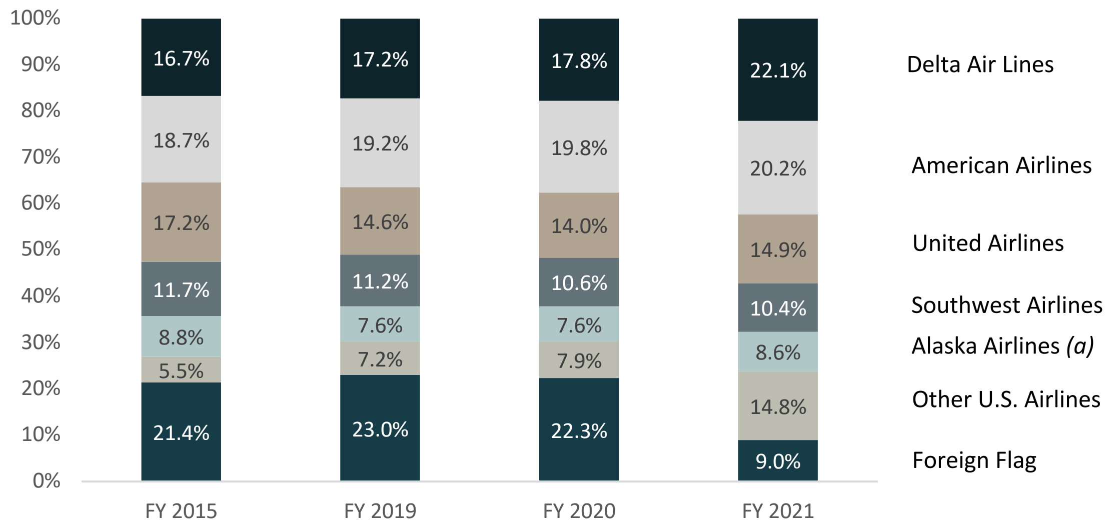
The majority of U.S. airlines at the Airport increased their market share of enplaned passengers between FY 2019 and FY 2021 as international airlines significantly reduced service as a result of the COVID-19 pandemic.

Table 11
ENPLANED PASSENGERS BY AIRLINE
Los Angeles International Airport

	Enplaned passengers		Percent of Airport total	
	FY 2019	FY 2021	FY 2019	FY 2021
U.S.-FLAG AIRLINES				
Network and regional airlines				
Delta Air Lines	7,624,050	3,220,176	17.2%	22.1%
American Airlines	8,470,061	2,947,247	19.2	20.2
United Airlines	6,444,715	2,170,164	14.6	14.9
Alaska Airlines	3,343,980	1,254,373	7.6	8.6
Hawaiian Airlines	518,062	173,243	1.2	1.2
All other	14,693	6,512	0.0	0.0
Subtotal – network and regionals	26,415,561	9,771,715	59.8%	67.0%
Low-cost airlines				
Southwest Airlines	4,955,873	1,523,531	11.2%	10.4
Spirit Airlines	1,257,930	935,538	2.8	6.4
JetBlue Airways	920,655	675,008	2.1	4.6
Frontier Airlines	146,362	186,000	0.3	1.3
All other	350,497	195,696	0.8	1.3
Subtotal – low-cost carriers	7,631,317	3,515,773	17.3%	24.1%
Total – U.S.-flag airlines	34,046,878	13,287,488	77.0%	91.0%
FOREIGN-FLAG AIRLINES *(a)*				
Volaris	421,391	234,033	1.0%	1.6%
Aeroméxico	400,446	110,998	0.9	0.8
Avianca	324,083	80,099	0.7	0.5
VivaAerobus	57,729	73,849	0.1	0.5
Turkish Airlines	114,626	67,351	0.3	0.5
Qatar Airways	77,960	56,305	0.2	0.4
Lufthansa	315,443	51,415	0.7	0.4
Air France	309,134	45,401	0.7	0.3
Korean Airlines	251,471	44,591	0.6	0.3
Emirates	140,969	43,256	0.3	0.3
China Southern	224,701	41,383	0.5	0.3
Philippine Airlines	225,634	38,636	0.5	0.3
All other	7,296,999	418,986	16.5	2.9
Total – foreign-flag airlines	10,160,586	1,306,303	23.0%	9.0%
Airport total	44,207,464	14,593,791	100.0%	100.0%

Notes: The U.S. network airlines include associated regional affiliates. Columns may not add to totals shown due to rounding.
Source: Department records.
(a) In FY 2021, certain foreign airlines ceased or substantially reduced service to the Airport as a result of the negative effects of the COVID-19 pandemic.

Figure 22
AIRLINE MARKET SHARES OF ENPLANED PASSENGERS
Los Angeles International Airport

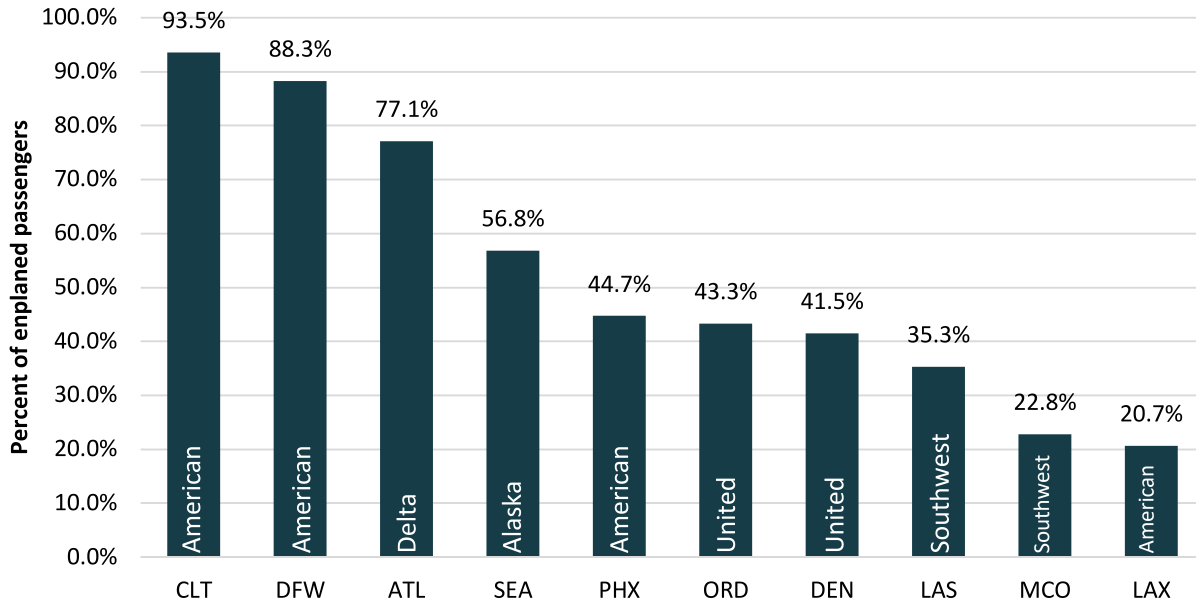


Notes: U.S. network airlines include associated regional affiliates. Totals may not add to 100.0% due to rounding.
Source: Department records.
(a) Reflects the consolidation of Virgin America and Alaska Airlines.

As shown on Figure 23, during the 12-month period ending December 2020 (the most recent domestic and international traffic data available), the share of enplaned passengers carried by the largest airline at the Airport, American Airlines[46] (20.7% share of total enplaned passengers in 2020), is less than the busiest airlines at the other top 10 U.S. airports. Among the Airport's top 10 large hub U.S. airport peers, the Airport offers the greatest diversity of air carriers and does not rely solely on a single carrier's hub strategy for growth, unlike Charlotte Douglas International, Dallas Fort Worth International, and Hartsfield-Jackson Atlanta International airports, which are major hub airports for American Airlines and Delta Air Lines that rely on high passenger connecting rates and account for greater than 75% of total enplanements in 2020.

[46] Since December 2020 Delta Air Lines has become the largest airline at the airport in terms of enplaned passenger market share, as indicated on Table 11 and Figure 22.

Figure 23
SHARE OF PASSENGERS CARRIED BY LARGEST AIRLINE AT TOP 10 U.S. AIRPORTS
2020



CLT = Charlotte Douglas International
DFW = Dallas/Fort Worth International
ATL = Hartsfield-Jackson Atlanta International
SEA = Seattle-Tacoma International
PHX = Phoenix Sky Harbor International
ORD = Chicago O'Hare International
DEN = Denver International
LAS = McCarran Las Vegas International
MCO = Orlando International
LAX = Los Angeles International

Notes: Top 10 airports based on total enplaned passengers in 2020. Results on Figure 23 are different than shown in Table 11 due to the use of different data sources.
Source: U.S. Department of Transportation, T100 database, accessed July 2021 through AirlineData Inc., for the airports shown.

Domestic Origin-Destination Market

For the 12 months ended March 2021 (the latest available domestic O&D traffic data), the top 20 domestic passenger markets accounted for 70.7% of domestic O&D passengers at the Airport, as shown in Table 12. New York and Dallas/Ft. Worth were the top two destination markets for O&D passengers accounting for 7.3% and 6.3%, respectively, of domestic O&D passengers at the Airport. Other major markets at the Airport include Chicago, Miami, and Atlanta. Each of the top 20 domestic markets has nonstop service offered by at least two airlines, according to OAG forward September 2021 schedules.

Table 12
DOMESTIC ORIGIN-DESTINATION MARKETS AND AIRLINE SERVICE
Los Angeles International Airport

					Average daily scheduled nonstop departures		Number of airlines providing nonstop service	
Rank	Market	O&D passengers (000s)	Percent of domestic O&D passengers	Air miles from LAX	2019	2021	2019	2021
1	New York *(a)*	989.4	7.3%	2,469	50	35	6	6
2	Dallas/Fort Worth *(b)*	846.7	6.3%	1,237	28	23	5	5
3	Chicago *(c)*	788.9	5.8%	1,746	28	23	5	4
4	Miami *(d)*	628.3	4.7%	2,342	12	14	4	4
5	Atlanta	595.2	4.4%	1,946	17	15	5	3
6	San Francisco *(e)*	581.4	4.3%	329	81	68	6	7
7	Denver	541.1	4.0%	862	24	24	6	6
8	Houston *(f)*	540.0	4.0%	1,382	18	20	4	5
9	Washington *(g)*	532.1	3.9%	2,305	20	13	6	6
10	Las Vegas	529.8	3.9%	236	38	29	8	7
11	Seattle	421.7	3.1%	954	29	22	4	4
12	Orlando	397.5	2.9%	2,217	6	8	4	4
13	Phoenix	335.8	2.5%	370	23	22	4	4
14	Austin	283.1	2.1%	1,067	12	14	5	7
15	Detroit	273.5	2.0%	1,744	8	7	2	2
16	Boston	265.7	2.0%	2,611	14	12	5	4
17	Salt Lake City	264.5	2.0%	590	16	18	5	6
18	Minneapolis/St. Paul	248.7	1.8%	1,536	9	8	3	3
19	Philadelphia	238.6	1.8%	2,401	8	6	3	2
20	Nashville	232.3	1.7%	1,494	6	8	4	4
	Cities listed	9,534.0	70.7%		445	389		
	Other cities	3,959.9	29.3%		235	201		
	All cities	13,493.9	100.0%		680	590		

Notes: O&D passenger data for the 12 months ended March 2021. Columns may not add to totals shown due to rounding. Nonstop departure schedules reference the month of September.
(a) Newark Liberty International, LaGuardia, and John F. Kennedy International airports.
(b) Dallas-Fort Worth International Airport and Love Field.
(c) Chicago O'Hare and Chicago Midway international airports.
(d) Miami and Fort Lauderdale Hollywood international airports.
(e) San Francisco, Oakland, and Mineta San José international airports.
(f) Bush Intercontinental Airport/Houston and William P. Hobby Airport.
(g) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
Sources: U.S. Department of Transportation, O&D Survey; OAG schedules.

International Origin-Destination Market

For the 12 months ended May 2021 (the latest available international data), the busiest 20 international passenger markets accounted for 63.9% of total international O&D passengers at the Airport, as shown in Table 13.

Table 13
INTERNATIONAL ORIGIN-DESTINATION MARKETS AND AIRLINE SERVICE
Los Angeles International Airport

Rank	Market	O&D Passengers (000s) 2019	O&D Passengers (000s) 12-months ending May 2021	Variance (%)	Percent of international O&D passengers (2021)	Average daily scheduled nonstop departures 2019	Average daily scheduled nonstop departures 2021	Number of airlines providing nonstop service 2019	Number of airlines providing nonstop service 2021
1	Guadalajara	866.6	479.1	-45%	12.4%	9	9	5	4
2	San Jose del Cabo	522.4	333.2	-36%	8.6%	4	7	4	6
3	Mexico City *(a)*	666.5	281.5	-58%	7.3%	10	9	5	5
4	Cancun	531.1	281.4	-47%	7.3%	3	5	4	5
5	Puerto Vallarta	360.7	198.8	-45%	5.2%	4	5	4	5
6	San Salvador	337.9	156.7	-54%	4.1%	4	5	2	4
7	Seoul *(b)*	734.5	98.6	-87%	2.6%	4	4	2	2
8	Guatemala City	268.3	96.8	-64%	2.5%	2	3	3	4
9	Manila	627.0	76.5	-88%	2.0%	2	1	1	1
10	London *(c)*	1,233.4	58.7	-95%	1.5%	10	5	6	3
11	San Jose	191.1	54.3	-72%	1.4%	1	2	2	3
12	San Juan	94.4	48.5	-49%	1.3%	-	-	-	-
13	Guangzhou	198.2	46.6	-76%	1.2%	1	0	1	1
14	Tokyo *(d)*	873.0	41.0	-95%	1.1%	9	4	6	4
15	Taipei *(e)*	383.7	38.0	-90%	1.0%	4	2	2	2
16	Liberia	99.8	37.9	-62%	1.0%	1	1	2	3
17	Paris *(f)*	779.7	37.6	-95%	1.0%	5	3	5	2
18	Istanbul	84.1	33.6	-60%	0.9%	1	2	1	1
19	Tehran	64.2	33.3	-48%	0.9%	-	-	-	-
20	Dubai	96.7	33.0	-66%	0.9%	1	1	1	1
	Cities listed	9,013.2	2,465.1	-73%	63.9%	75	68		
	Other cities	14,555.7	1,394.1	-90%	36.1%	95	43		
	All cities	23,569.0	3,859.2	-84%	100.0%	171	111		

Notes: O&D passenger data for 2019 and 12 months ended May 2021. Data are for international O&D passengers. Columns may not add to totals shown due to rounding.
(a) Mexico City (Benito Juarez) and Toluca international airports.
(b) Incheon and Gimpo international airports.
(c) Heathrow, Gatwick, Stansted, Luton, and London City airports.
(d) Tokyo International Airport/Haneda and Tokyo Narita International Airports.
(e) Taoyuan International and Sungshan airports.
(f) Charles de Gaulle and Orly international airports.
Sources: International Air Transport Association Airport; OAG schedules.

Seven of the top 10 international markets are located in nearby Mexico and Central America. Guadalajara was the busiest O&D market accounting for 12.4% of total international O&D passengers, followed by San Jose del Cabo (8.6%), Mexico City (7.3%), Cancun (7.3%), and Puerto Vallarta (5.2%). Many of the nearby Latin American markets are expected to return and even exceed the 2019 number of average daily nonstop service, given the relatively faster paced recovery evidenced in those markets. Most demand to Mexico has already recovered more than 50% of 2019 levels, especially among leisure destinations. London, which was the busiest O&D market in CY 2019, is ranked tenth as of 12-months ending May 2021, where traffic demand continues to remain nearly non-existent at about 95% below 2019 levels.

Airfares

Table 14 provides a comparison of average domestic one-way airfares[47] paid by passengers using the Airport and the four closest commercial service airports in the Los Angeles CSA, using data for the 12-months ended March 2021. While the Airport's overall domestic airfare for all cities on a weighted average basis is the highest among the Los Angeles CSA airports, this higher average fare is primarily driven by the high fares and large traffic volume in the premium Los Angeles–New York O&D passenger market, likely the result of business travel between those two markets. When comparing fares in other top domestic passenger markets, the Airport's airfares are competitive to airline service offered at other Los Angeles CSA airports.

The Airport accounted for approximately 89.7% of Los Angeles CSA domestic O&D passengers in all of its top 10 long-haul markets (1,500 miles or more) through the 12 months ended March 2021 (the latest available data). This reflects the Airport's role in the Los Angeles CSA providing service on longer haul domestic trips. The Airport accounted for more than 66.1% of domestic O&D passengers in most of the top medium-haul markets in the Los Angeles CSA. In short-haul markets, the Airport accounted for approximately 49.4% share of Los Angeles CSA domestic O&D passengers.

Scheduled Airline Service

In September 2021, the airlines serving the Airport are expected to provide scheduled services to 88 domestic destinations and 66 international destinations. This compares to 87 domestic destinations and 87 international destinations as of September 2019. On average, 678 daily departures are scheduled, which includes 570 daily domestic departures and 108 daily international departures.

International service was provided to seven international regions—Europe, the Middle East, Asia, the South Pacific, Canada, Mexico, and Latin America/the Caribbean—as shown on Figure 24.

[47] The airfares that airlines report to the U.S. Department of Transportation are exclusive of many ancillary charges (fees for checked baggage and preferred aircraft seating, for example) and may understate the passenger's actual cost of airline travel given the increased implementation of such fees beginning in 2008.

Table 14

COMPARISON OF AIRFARES IN LOS ANGELES' TOP 20 DOMESTIC O&D MARKETS

Los Angeles CSA Air Carrier Airports

Rank	Market	LAX O&D passengers (000s)	Air miles from LAX	Length of haul	LAX Share of Los Angeles CSA	Average one-way domestic airfare paid: LAX	John Wayne	LA/ Ontario	Burbank	Long Beach
1	New York *(a)*	989.4	2,469	Long	94%	$218	$188	$162	$114	$184
2	Dallas/Fort Worth *(b)*	846.7	1,237	Medium	75%	$87	$173	$136	$154	$79
3	Chicago *(c)*	788.9	1,746	Long	89%	$96	$183	$154	$140	$69
4	Miami *(d)*	628.3	2,342	Long	95%	$142	$179	$152	$133	$85
5	Atlanta	595.2	1,946	Long	86%	$152	$224	$197	$175	$112
6	San Francisco *(e)*	581.4	329	Short	45%	$74	$82	$81	$76	$71
7	Denver	541.1	862	Medium	57%	$59	$88	$69	$100	$48
8	Houston *(f)*	540.0	1,382	Medium	83%	$94	$164	$146	$121	$92
9	Washington *(g)*	532.1	2,305	Long	88%	$141	$162	$154	$141	$106
10	Las Vegas	529.8	236	Short	60%	$46	$68	$72	$63	$48
11	Seattle	421.7	954	Medium	53%	$105	$126	$116	$126	$76
12	Orlando	397.5	2,217	Long	87%	$104	$173	$126	$145	$77
13	Phoenix	335.8	370	Short	44%	$66	$81	$82	$76	$64
14	Austin	283.1	1,067	Medium	77%	$84	$143	$122	$124	$72
15	Detroit	273.5	1,744	Long	88%	$149	$195	$172	$138	$149
16	Boston	265.7	2,611	Long	90%	$203	$179	$184	$108	$138
17	Salt Lake City	264.5	590	Medium	52%	$109	$164	$115	$120	$120
18	Minneapolis/St. Paul	248.7	1,536	Long	86%	$100	$203	$143	$118	$94
19	Philadelphia	238.6	2,401	Long	85%	$140	$167	$159	$141	$92
20	Nashville	232.3	1,494	Medium	72%	$106	$126	$123	$102	$92
	Cities listed	9,534.0			72%	$116	$121	$112	$94	$76
	Other cities	3,959.9			63%	$155	$140	$138	$122	$101
	All cities	13,493.9			69%	$128	$128	$124	$104	$85

Note: Short-haul flights are 500 miles or less, medium-haul flights are 501 to 1,500 miles, and long-haul flights are more than 1,500 miles. Data reflects the 12 months ended March 2021.

(a) Newark Liberty International, LaGuardia, and John F. Kennedy International airports.

(b) Dallas-Fort Worth International Airport and Love Field.

(c) Chicago O'Hare and Chicago Midway international airports.

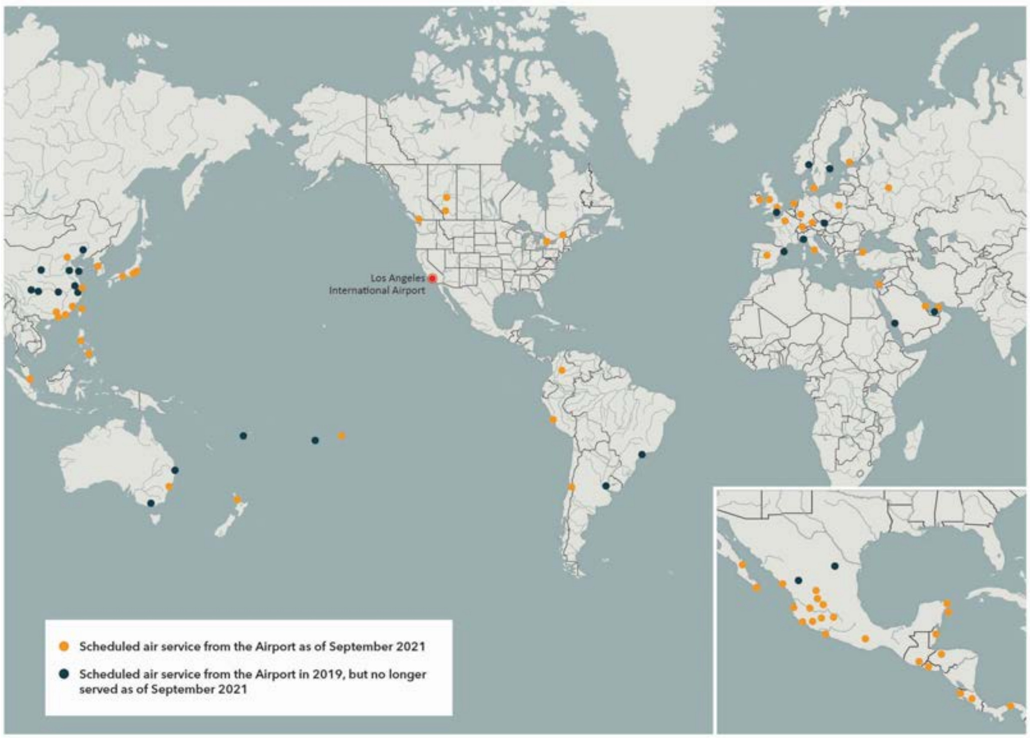
(d) Miami and Fort Lauderdale Hollywood international airports.

(e) San Francisco, Oakland, and Mineta San José international airports.

(f) Bush Intercontinental Airport/Houston and William P. Hobby Airport.

(g) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports. Sources: U.S. Department of Transportation, O&D Survey via AirlineData, Inc.

Figure 24
SCHEDULED INTERNATIONAL AIRLINE SERVICE IN SEPTEMBER 2021
Los Angeles International Airport



ASIA

China
- Beijing
- Guangzhou
- Hong Kong
- Shanghai
- Shenzhen
- Xiamen

Japan
- Osaka
- Tokyo (Haneda)
- Tokyo (Narita)

Philippines
- Cebu
- Manila

Seoul, South Korea
Singapore, Singapore
Taipei, Taiwan

SOUTH PACIFIC

Auckland, New Zealand
Sydney, Australia
Tahiti, French Polynesia

LATIN AMERICA

Costa Rica
- Liberia
- San Jose

Belize City, Belize
Bogota, Colombia
Guatemala City, Guatemala
Lima, Peru
Panama City, Panama
San Pedro Sula, Honduras
San Salvador, El Salvador
Santiago, Chile

NORTH AMERICA

Canada
- Calgary
- Edmonton
- Montreal
- Toronto
- Vancouver

Mexico
- Aguascalientes
- Cancun
- Cozumel
- Guadalajara
- Ixtapa/Zihuatanejo
- Leon/Guanajuato
- Loreto
- Manzanillo
- Mazatlan
- Mexico City
- Morelia
- Oaxaca
- Puerto Vallarta
- San Jose del Cabo
- Uruapan
- Zacatecas

EUROPE

United Kingdom
- London
- Manchester

Germany
- Frankfurt
- Munich

Amsterdam, Netherlands
Copenhagen, Denmark
Dublin, Ireland
Helsinki, Finland
Istanbul, Turkey
Madrid, Spain
Moscow, Russia
Paris, France
Rome, Italy
Warsaw, Poland
Zurich, Switzerland

MIDDLE EAST

Doha, Qatar
Dubai, United Arab Emirates
Tel Aviv, Israel

Source: OAG schedules accessed July 2021.

FARE REVENUE AT LARGE HUB AIRPORTS

The Airport is a highly desirable market for both domestic and international airlines. Table 15 shows that during the 12-month period ending March 2021, the airlines serving the Airport generated $1.7 billion in fare revenue, which is 14.6% more fare revenue than the next largest airport (Hartsfield-Jackson Atlanta International Airport or ATL) and the most fare revenue of all the large hub U.S. airports.

Table 15
DOMESTIC AIRLINE FARE REVENUE AT LARGE HUB U.S. AIRPORTS

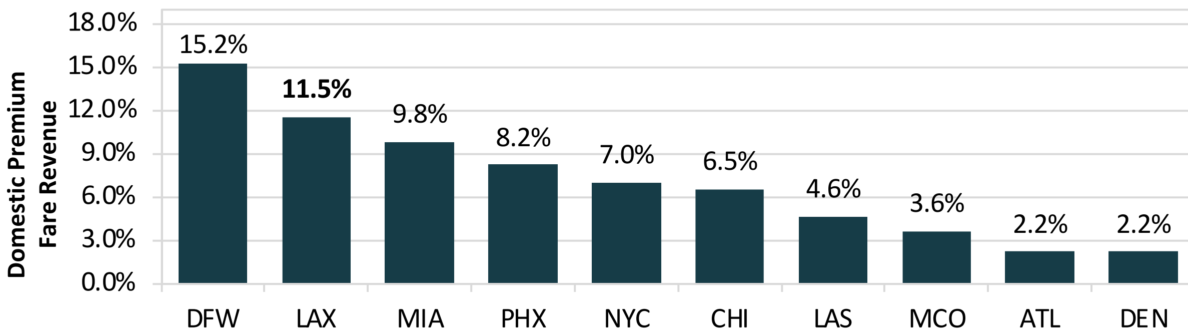
Revenue rank	O&D passengers rank	Airport	Fare revenue ($ millions)	Revenue rank	O&D passengers rank	Airport	Fare revenue ($ millions)
1	**4**	**Los Angeles - LAX**	**$1,721**	16	14	Minneapolis - MSP	792
2	5	Atlanta - ATL	1,502	17	15	Detroit - DTW	788
3	1	Denver - DEN	1,485	18	19	San Diego - SAN	762
4	6	Phoenix - PHX	1,431	19	18	Boston - BOS	742
5	7	Dallas/Ft Worth - DFW	1,327	20	13	Miami - MIA	733
6	2	Orlando - MCO	1,219	21	25	New York - JFK	656
7	3	Las Vegas - LAS	1,206	22	24	Charlotte - CLT	633
8	10	Seattle - SEA	1,165	23	17	Philadelphia - PHL	633
9	8	Chicago - ORD	1,074	24	22	Baltimore - BWI	529
10	20	Salt Lake City - SLC	897	25	23	Nashville - BNA	521
11	21	San Francisco - SFO	847	26	27	LaGuardia - LGA	443
12	11	New York - EWR	827	27	26	Chicago - MDW	356
13	9	Ft Lauderdale - FLL	824	28	28	Washington - IAD	346
14	16	Houston - IAH	814				
15	12	Tampa - TPA	798				

Source: U.S. Department of Transportation, O&D Survey, 12-months ending March 2021 through AirlineData Inc., for the airports shown.

Premium airline revenue, which includes fare revenue generated by passengers that traveled in business class or first class, is a desirable and profitable market to serve and is a very large segment of the market served at the Airport.

Figure 25 shows that the Airport ranks second among the busiest 10 U.S. large hub airport O&D markets in terms of the percent of total domestic fare revenues that each airport generated from domestic premium fare revenues. The combination of a large O&D passenger market and large percentage of premium fare passengers makes the Airport one of the most valuable airports to serve in the U.S.

Figure 25
DOMESTIC PREMIUM FARE REVENUES AS A PERCENT OF TOTAL DOMESTIC FARE REVENUE AT THE BUSIEST 10 U.S. LARGE HUB AIRPORT O&D MARKETS



*Markets with multiple airports:
NYC= EWR, JFK, and LGA
MIA = FLL and MIA
DFW = DAL and DFW
CHI = MDW and ORD

LAX = Los Angeles International
MCO = Orlando International
LAS = McCarran Las Vegas International
PHX = Phoenix Sky Harbor International
DEN = Denver International
ATL = Hartsfield-Jackson Atlanta International

Source: U.S. Department of Transportation, O&D Survey, 12-months ending March 2021 through AirlineData Inc., for the airports shown.

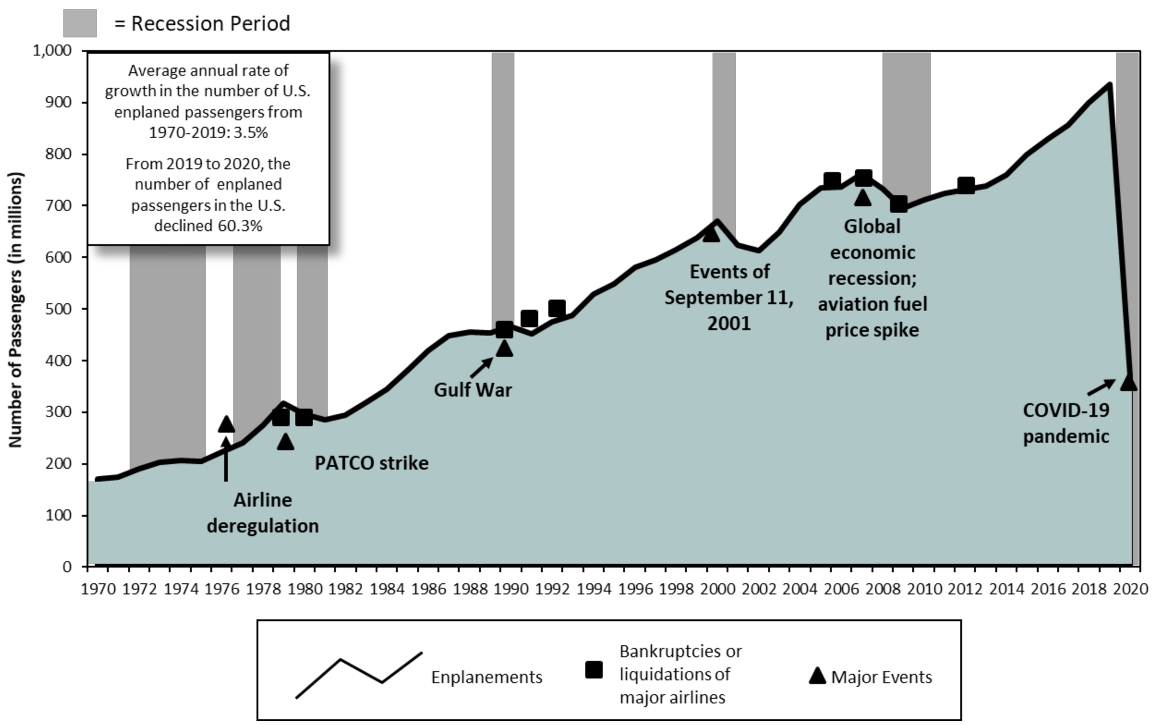
KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As shown on Figure 26, recessions in the U.S. economy in 2001 and 2008-2009 contributed to a reduction in airline travel in those years, likely as a result of high unemployment and reduced discretionary income. However, the aviation industry has recovered from prior recessions and passenger traffic has increased. From 1970 through 2020, the total numbers of domestic and international enplaned passengers in the United States increased an average of 3.5% per year. From 2019 to 2020, the total number of passenger traffic in the United States decreased by 60.3% as the result of the negative effects on air travel from the COVID-19 pandemic, which was the largest single year decrease in passenger traffic from 1970 through 2020.

The Airport has consistently rebounded from external events and periods of weak demand in aviation activity. After the events of September 11, 2001, similar to other airports across the nation, the Airport was affected by significant passenger and seat capacity reductions associated with airline bankruptcy reorganizations and sharply rising fuel prices. By FY 2008, approximately 7 years after the events of September 11, 2001, the number of enplaned passengers at the Airport were approximately 90.0% of the pre-September 11, 2001 number of enplaned passengers of 33.8 million in FY 2001. However, in FY 2009, the number of enplaned passengers at the Airport decreased to 28.3 million as the recession in 2008-2009 resulted in decreasing airline travel demand at the Airport, the nation and internationally. As a result of the 2008-2009 recession and the recovery from that event, the number of enplaned passengers at the Airport did not reach pre-September 11, 2001, numbers at the Airport until FY 2014.

Figure 26

TOTAL U.S. ENPLANED PASSENGERS



Note: PATCO = Professional Air Traffic Controllers Organization.

Source: Airlines for America (formerly Air Transport Association of America) through 1997; thereafter, U.S. Department of Transportation Bureau of Transportation Statistics.

The number of enplaned passengers at the Airport in each year FY 2012 through FY 2020 exceeded the number of enplaned passengers at the Airport during the recession in 2008-2009, in part due to a strong O&D market and continued growth in the numbers of domestic and international passengers using the Airport.

As a result of the COVID-19 pandemic starting in or around March 2020, significant decreases in aviation activity and seat capacity occurred at the Airport, in the United States, and globally as a result of, among other reasons, widespread travel restrictions, border closures, quarantines, and concerns regarding the exposure to and transmission of COVID-19. From 2019 to 2020, the number of enplaned passengers at the Airport decreased by 67.4% and 60.3% for the nation.

In December 2020, vaccines to protect against COVID-19 became available and vaccinations against COVID-19 started to occur. As of the date of this 2021DE Report, the rate of full vaccination[48] was approximately 54.0% in the United States and 29.6% worldwide. As a result of the availability of COVID-19 vaccines and loosening travel restrictions, domestic air travel at the Airport and the United States has increased during the first five months of 2021 as compared to the same period of 2020[49].

The major factors that continue to affect the airline industry and that are expected to influence airline service and traffic levels at the Airport during the Forecast Period are discussed below.

Airline Bankruptcies and Consolidation, Alliances, and New Entrants

Since the terrorist attacks of September 11, 2001, American Airlines, Delta Air Lines, Southwest Airlines and United Airlines have transformed their business models through a combination of bankruptcy, mergers, and the formation of new or strengthening alliances with domestic and global airlines. The domestic airline industry, which includes the addition of two new airlines in 2021, will continue to evolve as it emerges from the negative effects of the COVID-19 pandemic through, potentially, higher airfares, limited domestic seat capacity growth, or by focusing on premium business and leisure passengers to generate more revenue.

U.S. Airline Bankruptcies and Consolidation. The events of September 11, 2001, and the difficult operating conditions caused by high fuel prices and a global recession led to a number of airline bankruptcies and mergers over the past two decades. Between 2002 and 2011, all of the major U.S. network airlines (US Airways, United Airlines, Northwest Airlines, Delta Air Lines, and American Airlines) filed for Chapter 11 bankruptcy protection to reorganize and lower operating costs.

The U.S. airline industry has been moving toward consolidation, with many high-profile mergers and acquisitions. Mergers among the U.S. network airlines have included: Delta Air Lines and Northwest Airlines (October 2008), United Airlines and Continental Airlines (August 2010), and American Airlines and US Airways (December 2013). Other mergers included low-cost airline Frontier Airlines and regional airline Midwest Airlines in April 2010, Southwest Airlines and AirTran Airways in April 2011, and Alaska Airlines and Virgin America (December 2016).

As a result of airline mergers, seat capacity has become more concentrated among fewer airlines. The three largest U.S. network airlines, as measured by numbers of enplaned passengers (American Airlines, Delta Air Lines, and United Airlines), currently have a strong presence at the Airport, as shown in Table 11, and as indicated in FY 2019 and FY 2021, respectively: American Airlines (19.2% and 20.2%), Delta Air Lines (17.2% and 22.1%), and United Airlines (14.6% and 14.9%).

Airline Alliances. Airlines worldwide have sought to increase revenues, share costs, and expand the reach of their route networks by developing international partnerships through

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[48] Data accessed on September 9, 2021, www.google.com.

[49] 2019 traffic levels were not used for purposes of this comparison since the first 3-months of 2019 did not experience substantial decreases in aviation activity due to the COVID-19 pandemic.

multilateral alliances or joint ventures. The three busiest airline alliances accounted for approximately 67.3% of total enplaned passengers at the Airport in FY 2019 (prior to the COVID-19 pandemic), which amount increased to 71.2% in FY 2021. In recent years, antitrust immunity has been granted to a number of joint ventures within the global alliances, allowing airlines to more closely coordinate operations, including pricing, and increase cost savings in international markets.

In February 2021, American Airlines (the busiest airline at the Airport as measured by the number of enplaned passengers in FY 2020) and JetBlue Airways (the seventh busiest airline at the Airport as measured by the number of enplaned passengers in FY 2020) received regulatory approval for and started a new Northeast-focused alliance whereby JetBlue is flying certain domestic routes previously flown by American Airlines and each airline is providing passengers with reciprocal mileage earning benefits.

In March 2021, Alaska Airlines (the fifth busiest airline at the Airport as measured by the number of enplaned passengers in FY 2020) joined the oneworld alliance with American Airlines and, similar to the JetBlue Airways and American Airlines Northeast-focused alliance, passengers on Alaska Airlines will have reciprocal mileage earning benefits with American and oneworld partners.

New Entrants. In 2021, Avelo Airlines and Breeze Airways began service in markets that have been largely ignored or underserved by larger airlines (e.g., Southwest Airlines, United Airlines). In July 2021, Avelo had 49 total scheduled departures per week with Boeing 737-800 aircraft and Breeze had 91 total scheduled departures per week with Embraer E195 and E190 aircraft. Only Avelo Airlines provides service to an airport in the Los Angeles CSA other than Los Angeles International Airport.

A number of domestic and international airlines have filed for bankruptcy protection (e.g., Virgin Australia, Avianca Holdings, LATAM and others) or have ceased operations (Miami Air International, Trans State Airlines, Compass Airlines, and others) as a result of substantial decreases in air travel resulting from the COVID-19 pandemic.

Given the Airport's diverse air service market and large O&D market, any future U.S. airline consolidation caused by bankruptcies or mergers, or airlines ceasing operations is not anticipated to have a detrimental long-term effect on airline service at the Airport and any introduction of new airline service at the Airport will strengthen an already diverse and competitive air service market.

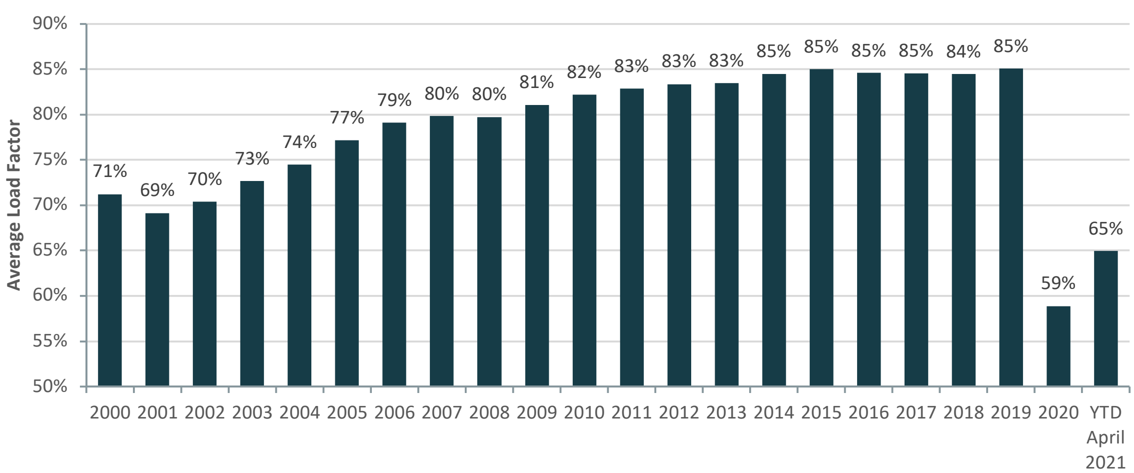
Airline Capacity Discipline

A new focus on capacity discipline among U.S. airlines emerged from the 2008-2009 national recession and financial crises as the network airlines and the low-cost airlines substantially reduced seat capacity and withdrew service from less profitable and low passenger demand markets. Large-hub airports, such as the Airport, have experienced fewer decreases in seat capacity as compared to smaller regional markets across the United States, which have lost commercial service as a result. Airline emphasis has shifted from increasing market share to managing supply-and-demand on specific routes. Airlines are expected to maintain capacity discipline in the near term, emphasizing slower capacity growth and the use of right-sized aircraft to serve their markets.

Seat capacity reductions in the U.S. in 2008 and 2009, as well as the current airlines' emphasis on seat capacity control, have resulted in an all-time high in passenger load factors. Figure 27 shows the upward trend in U.S. domestic airline aircraft load factors since 2000. The average domestic airline aircraft load factor was approximately 71% in 2000. The decrease in the average load factor in 2001 occurred as passenger traffic decreased faster than the airlines could adjust to the effects of September 11, 2001 by reducing capacity. Following 2001, load factors in the United States rose steadily to approximately 85% in 2014 and have remained level through 2019. From FY 2014 through FY 2019, the average domestic load factors at the Airport were slightly higher than the national averages for the same years.

Seat capacity reductions in the U.S. in 2020 and for the first four months of 2021 (the latest available data) decreased as a result of the economic closures, travel restrictions, border closures, and public health concerns associated with the COVID-19 pandemic. The load factor in 2020 was 59%, the lowest amount in the past 20 years.

Figure 27
HISTORICAL U.S. DOMESTIC AIRLINE SERVICE AIRCRAFT LOAD FACTORS



Note: Includes scheduled airline service only.
Sources: U.S. Department of Transportation, T100 Onboard Data.

Low-Cost Airline Growth

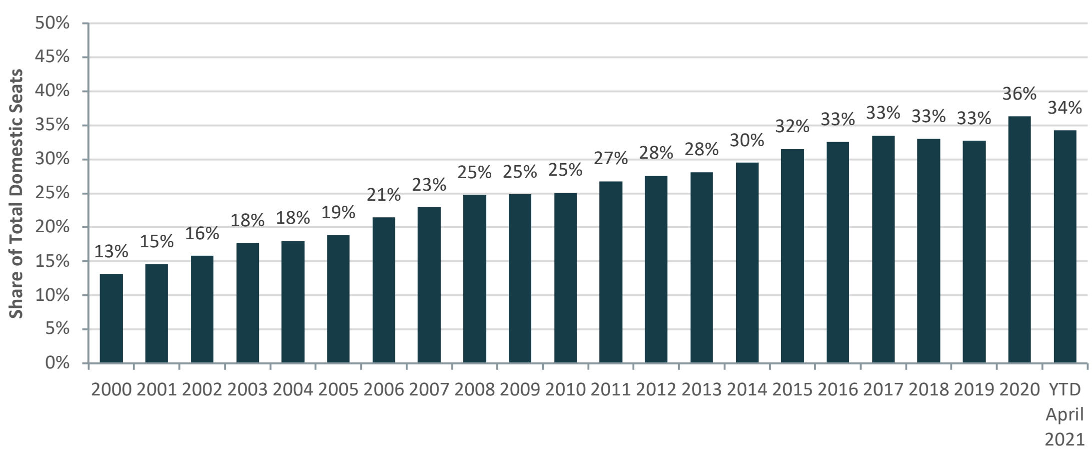
In the early 2000s, U.S.-flag low-cost airlines expanded rapidly and increased their market shares of passenger traffic in the U.S. The low-cost airlines, including Allegiant Air, Frontier Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines popularized the no frills, low-cost business model. As shown on Figure 28, low-cost airlines provided approximately 13.0% of U.S. domestic seat capacity in 2000. By 2020, low-cost airlines accounted for approximately 33.0% of overall U.S. domestic seat capacity.

While rising fuel prices and the economic downturn forced network airlines to reduce domestic seat capacity and focus on more profitable international routes, the low-cost airlines increased their domestic market shares of passengers. Between 2003 and 2009, the low-cost airlines (including Allegiant Air, Frontier Airlines, JetBlue Airways, Southwest Airlines, and Spirit Airlines) added approximately 84 billion domestic seat miles to their route systems. In comparison, American Airlines, Delta Air Lines, and United Airlines experienced a 20% average reduction in mainline domestic seat capacity over the same period, for a combined reduction of 85 billion domestic seat miles.

A similar shift occurred since March 2020 when the negative effects of the COVID-19 pandemic started to occur where low-cost airlines such as Southwest Airlines, JetBlue Airways and Allegiant Air expanded service in their route systems while American Airlines, Delta Air Lines, and United Airlines reduced their overall seat capacity. From 2019 to 2020, low-cost airlines reduced total seat capacity by 31%, while network airlines such as American Airlines, Delta Air Lines, and United Airlines reduced total seat capacity by 41%.

Figure 28

LOW-COST AIRLINE SHARES OF TOTAL U.S. DOMESTIC AIRLINE AIRCRAFT SEATS



Sources: Official Airline Guides schedules; Innovata schedules.

In recent years, there have been fewer distinctions between the low-cost airlines and the network airlines. The lowering of the network airline cost structures and consolidation of airline networks has allowed the network airlines to compete more effectively with the low-cost airlines. In addition, most of the network airlines have begun to offer fare classes that directly compete with the low-cost airlines. With these fare classes, the network airlines are able to offer a similar level of service to the low-cost airlines in their existing mainline aircraft and compete at a similar price point.

The low-cost airlines have also begun to expand into international markets once dominated by U.S. network airlines and foreign flag airlines. JetBlue Airways has built a strong presence in the Caribbean and Latin America, and recently started to serve London Heathrow Airport from John F. Kennedy International Airport in New York, where JetBlue Airways is based. With the acquisition of Air Tran Airways in 2011, Southwest Airlines started serving Caribbean and Mexican routes, and now serves certain destinations in Central America.

The market share of enplaned passengers on low-cost airlines at the Airport continued to increase during the COVID-19 pandemic from approximately 17.3% in FY 2019 to 24.1% in FY 2021 (see Table 11), due, in part, to increases in service by Spirit Airlines and JetBlue Airways.

In October 2020, JetBlue Airways moved its base of operations from Long Beach Airport to Los Angeles International Airport where it is looking to significantly increase the number of domestic destinations served from the Airport as well as to start international service. The market share of enplaned passengers on JetBlue increased from 2.1% in FY 2019 (pre-COVID) to 4.6% in FY 2021 (after its relocation to the Airport), and the market share of Spirit Airlines (another low-cost airline) increased from 2.8% in FY 2019 to 6.4% in FY 2021.

It is expected that the low-cost airlines will continue to increase domestic service at the Airport and expand service to international markets in the coming years.

Fuel Cost Impacts

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Figure 29 shows the historical fluctuation in fuel prices since 2000. Beginning in 2003, fuel prices rapidly increased from political unrest in Iraq and other oil-producing countries, as well as other factors influencing the demand for and supply of oil. In 2008, a spike in crude oil prices drove up jet fuel prices to an unprecedented high of $3.82 per gallon, forcing many airlines to introduce fuel surcharges. Fuel prices fell sharply in the second half of 2008 but rose again in 2011. The price of fuel increased to such high levels that fuel represented the largest operating expense for airlines, accounting for between 30% and 40% of expenses for most airlines in 2011 through 2014.

Figure 29
HISTORICAL AVIATION FUEL PRICES

Sources: U.S. Department of Transportation, Bureau of Transportation Statistics, Airline Fuel Cost and Consumption (U.S. Carriers - Scheduled), January 2000 - June 2019, www.transtats.bts.gov.

From June 2014 to June 2017, the average price of aviation fuel decreased by approximately 50%, reflecting continued growth in U.S. oil production, strong global supply, and weakening outlooks for growth in the global economy and oil demand. Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. Continued low fuel prices could result in dramatic changes in the aviation industry, such as lower airline operating costs potentially resulting in lower passenger ticket prices, which would likely result in increased travel demand.

From August 2017 through the end of 2019 aviation fuel prices rose steadily but remained below the highs in 2008 and between 2011 and 2015. Beginning in January 2020, aviation fuel prices began to decrease as demand was reduced because of the economic slowdown caused by the COVID-19 pandemic. Aviation fuel prices reached a low point in May 2020 at $1.03 per gallon and have been steadily rising since.

Fuel prices have been and will likely continue to be volatile and may increase over the long term as global energy demand increases in the face of finite oil supplies.

Aircraft Trends

Between 2001 and 2007, many airlines transferred a number of less profitable routes to their regional airline partners to reduce costs. Trends at the Airport mirrored the national trend, with an increase in the number of regional aircraft operations.

Beginning with the fuel price spike in 2008, airlines began to reduce the number of 50-seat regional jets in their fleets, which aircraft had been widely used as feeder aircraft for the network airlines. Airlines such as Delta Air Lines, United Airlines, and American Airlines have recently grounded or sold hundreds of these small regional jets and have transitioned towards larger, more fuel-efficient aircraft.

Aircraft such as the Boeing 777, the Boeing 787, and Airbus A350 with technology such as, but not limited to, new airframe, engine, and wing designs continue to improve aircraft range and fuel efficiency and will continue to result in new nonstop service around the world, providing service to markets that may lack significant feeder traffic from a hub carrier.

Trends in nonstop service continue to emerge in the narrow body aircraft segment as well, with improved economics of service on smaller routes. In early 2019, Airbus began delivering their small narrow body jet aircraft, the Airbus A220 (previously known as Bombardier's CSeries), providing fuel efficient and comfortable aircraft that serve the 100-135 seat market. The Airbus A321LR and A321XLR aircrafts provide fuel-efficient longer-range operations in the 180-220 seat market. JetBlue Airways uses the A321LR in its flights from John F. Kennedy International Airport to London Heathrow Airport, which started in August 2021.

After the accidents on foreign carriers Lion Air in 2018 and Ethiopian Airlines in 2019 involving the Boeing 737 MAX, the FAA and world aviation regulators grounded all Boeing 737 MAX aircraft, impacting U.S. carriers that rely on this aircraft, including Southwest Airlines, United Airlines, and American Airlines. This resulted in significant flight cancellations until the Boeing 737 MAX returned to service in late 2020. Although the Boeing 737 MAX flights were grounded, the Boeing 737 MAX only represented 1.0% of Southwest Airlines U.S. daily flights, 0.3% of American Airlines U.S. daily flights, and 0.2% of United Airlines U.S. daily flights in 2019. Other aircraft in the fleets of the affected airlines at the Airport replaced the grounded Boeing 737 MAX flights.

As an initial response to reduced demand for air travel caused by the COVID-19 pandemic, many airlines accelerated planned aircraft retirements. By the end of 2020, however, total commercial aircraft retirements were flat compared to 2019[50]. Instead, many airlines focused on placing portions of their aircraft fleet in storage to reduce short-term operating costs while allowing for the aircraft to be re-introduced as air travel demand returns[51].

Throughout 2020, the growth in domestic air travel has exceeded the growth in international air travel. In response to the more rapid growth in demand for domestic air travel, airlines have responded by using widebody aircraft that would normally be used for international service, such as the Boeing 777 or the Airbus A330, to service domestic routes. As a result, the number of scheduled U.S. domestic flights during the second quarter of 2021 on widebody aircraft was 40% greater than during the second quarter of 2019. As demand for international travel returns, it is likely, although not certain, that many airlines will re-deploy their widebody fleets away from domestic service and back toward more profitable international routes.

[50] Source: https://aviationweek.com/air-transport/aircraft-retirements-due-covid-19-not-prevalent-expected
[51] Source: https://www.wsj.com/articles/planes-grounded-by-covid-19-largely-avoid-the-junkyardfor-now-11622799001

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at the Airport will also depend on the capacity of the Airport itself. The forecasts in this 2021DE Report are based on the assumptions that, during the Forecast Period, neither available airfield, terminal capacity, nor demand management initiatives will constrain traffic growth at the Airport.

AIRLINE TRAFFIC FORECASTS

Forecasts of enplaned passengers and landed weight at the Airport are discussed in this section.

Historically, the forecast of aviation activity has been based on analyses of historical trends in airline service and traffic at the Airport, historical and forecast socioeconomic growth in the Los Angeles CSA, forecast GDP growth in the United States and other world regions, and expected future trends in airline traffic, as discussed in earlier sections.

The forecast of airline traffic at the Airport is based on (1) assumptions about when the numbers of enplaned passengers at the Airport are expected to reach FY 2019 levels, which is based, in part, on recent positive trends in passenger levels at the Airport and the U.S. and (2) an assumed rate of growth in the number of enplaned passengers at the Airport after FY 2019 levels are reached and during the remaining years of the Forecast Period.

It was assumed that airline service at the Airport will not be constrained by the availability or cost of aviation fuel, long-term limitations in airline aircraft fleet capacity, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth.

Underlying Assumptions

During the Forecast Period, it was assumed that:

General Assumptions

- The U.S. economy will experience sustained GDP growth averaging approximately 2.6% per year.[52]
- COVID-19 vaccines to treat COVID-19 and its variants will continue to be produced and made available to the public, and the rate of vaccination in the U.S. and internationally will increase.
- Economic closures, travel restrictions or other similar actions will be less impactful on the propensity of people to use air travel as compared to the months following the widespread emergence of the COVID-19 pandemic.

[52] U.S Department of Agriculture, Economic Research Service, International Macroeconomic Data, Projected Real GDP Values, updated January 7, 2021.

- The use of video technology during and after the COVID-19 pandemic for business purposes will continue but will not have a material effect on business travel.
- Despite the recent emergence of the Delta variant of COVID-19, there will be no major disruption of airline service or passenger travel behavior as a result of airline bankruptcies or liquidations, international hostilities, terrorist acts or threats, or public health crises such as, but not limited to, pandemics similar to COVID-19.

Airport-Specific Assumptions

- The Los Angeles CSA will continue to be a major destination market for U.S. leisure and business travelers and a top global destination for tourism, meetings, and conventions, despite economic closures, travel restrictions, and significant decreases in business and leisure travel at the Airport during most of the COVID-19 pandemic.
- Despite recent business closures and travel restrictions from the COVID-19 pandemic, Los Angeles will remain a major economic center and the Airport will maintain its role as a leading O&D passenger airport and one of the largest international gateway airports in the U.S., which will attract additional domestic and international airline service and passenger traffic.
- International travel restrictions and border closures will be lessened or removed, and the busiest international markets (as measured by passenger numbers) served from the Airport will be similar to levels experienced in FY 2019 (the year prior to the COVID-19 pandemic).
- Competition among the airlines serving the Airport will ensure the continued availability of competitive airfares, with no significant increase in airline concentration.
- The mix of airlines serving the Airport will continue to be diverse and sufficient to accommodate O&D passenger demand at the Airport and in the Los Angeles CSA.
- Average one-way airfares charged by airlines at the Airport on major routes will continue to be lower than or competitive to the fares at competing airports within the Los Angeles CSA.
- The percentage of passengers connecting at the Airport will not change materially.
- Airlines providing scheduled service at the Airport will continue to add seat capacity to meet increasing passenger demand at the Airport and industry trends reflecting increased aircraft load factors and the use of larger aircraft will continue.

Enplaned Passengers

Total enplaned passengers at the Airport are forecast to reach FY 2019 levels by FY 2025 as a result of the forecast rate of recovery in domestic enplaned passengers, which are forecast to reach FY 2019 levels by FY 2024, and the forecast rate of recovery to FY 2019 levels by international enplaned passengers, which are forecast to reach FY 2019 levels by FY 2025. After FY 2025, the number of enplaned passengers are assumed to increase at 1.7% per year through the remaining years of the Forecast Period, which rate of growth is equal to the actual 20-year (FY 1999 - FY 2019) average annual rate of growth in domestic and international passenger traffic at the Airport that includes the following economic and other major events:

- The events of September 11, 2001.
- The recession and financial crisis in 2008-2009.
- Economic growth prior to and after 2001 and 2008-2009.

In addition to the underlying assumptions described in the section above, the following other assumptions were made regarding the rate of growth in domestic and international enplaned passengers.

Domestic Enplaned Passengers. The forecast of domestic enplaned passengers was based on the following assumptions:

- FY 2022 was assumed to decrease 27.6% relative to FY 2019, the actual decrease in domestic enplaned passengers in June 2021 (the latest available data) relative to June 2019. The decrease in June 2021 relative to June 2019 was used because it reflects the most recent month when vaccination rates in the nation are at the highest point since COVID-19 vaccines were made available and is representative of the propensity of people to travel as well as the widespread reduction or elimination of business and travel destination closures.
- FY 2023 was assumed to decrease 14.0% relative to FY 2019. The 14.0% decrease relative to FY 2019 is equal to even monthly increases in domestic enplaned passengers from the end of FY 2022 to the beginning of FY 2024.
- After FY 2024 (the year domestic enplaned passengers are equal to the number of domestic enplaned passengers in FY 2019), domestic enplaned passengers are assumed to increase at 1.4% per year, which is equal to the actual 20-year (FY 1999 - FY 2019) average annual rate of growth in domestic enplaned passengers at the Airport that includes the major events described above.

International Enplaned Passengers. It was assumed that international enplaned passengers would reach FY 2019 levels by FY 2025 using the following assumptions:

- FY 2022 is assumed to decrease 67.9% relative to FY 2019, the actual decrease in international enplaned passengers in June 2021 relative to June 2019. The decrease in June 2021 relative to June 2019 was used because it has the highest rate of international vaccinations since vaccinations became available, it reflects the opening of certain countries and the lessening of travel restrictions resulting from the widespread availability of COVID-19 vaccines, but it also reflects the continued closure of other countries given concerns about the COVID-19 pandemic.
- FY 2023 and FY 2024 are assumed to decrease 50.5% and 17.9% respectively, relative to FY 2019. The 50.5% and 17.9% decreases relative to FY 2019 result from

even monthly increases from the end of FY 2022 to the beginning of FY 2025 when it has been assumed in this 2021DE Report that the international rate of vaccination would increase and economic closures, travel restrictions and other barriers to international travel would be reduced or eliminated.

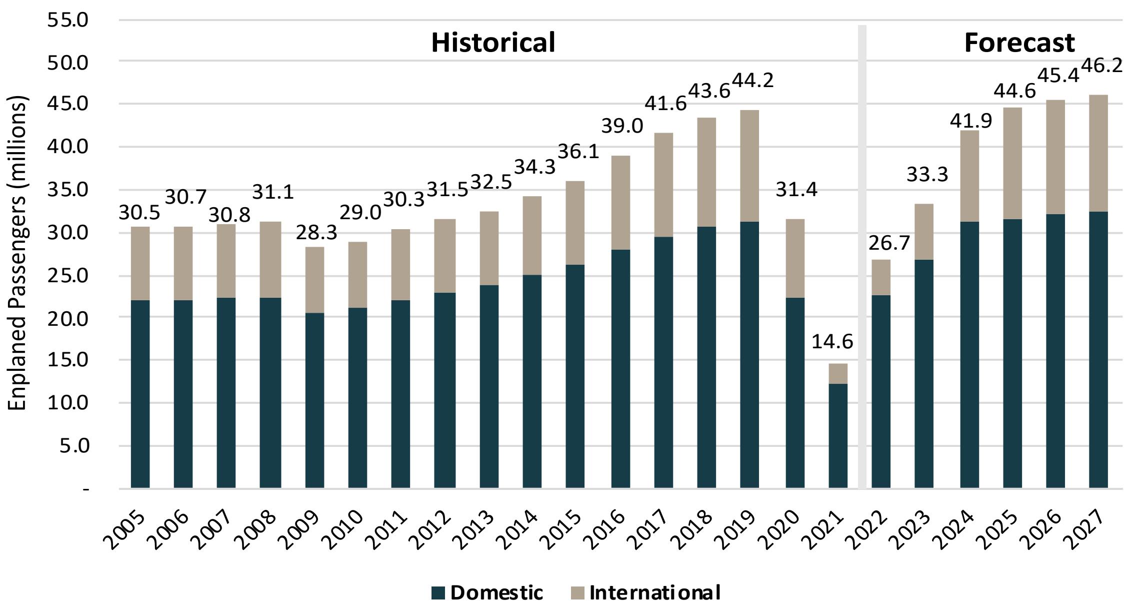
- After FY 2025 (the year international enplaned passengers are equal to the number of international enplaned passengers in FY 2019), the number of international enplaned passengers are assumed to increase at 2.6% per year, which is equal to the actual 20-year (FY 1999 – FY 2019) average annual rate of growth in international enplaned passengers at the Airport that includes the major events described above.

From FY 2019 (pre-COVID-19 pandemic) through FY 2027, the total number of enplaned passengers at the Airport is forecast to increase an average of 0.6% per year, from 44.2 million to approximately 46.2 million, as shown on Figure 30 and in Table 16.

Figure 30

HISTORICAL AND FORECAST ENPLANED PASSENGERS

Los Angeles International Airport



Note: For Fiscal Years ending June 30.

Sources: Los Angeles International Airport records; WJ Advisors LLC.

Table 16

AIRLINE TRAFFIC FORECASTS

Los Angeles International Airport

	Historical			Forecast						Average annual growth FY 2019-FY 2027
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	
ENPLANED PASSENGERS										
Domestic	31,170,044	22,483,684	12,385,980	22,565,799	26,810,405	31,170,044	31,597,580	32,030,979	32,470,324	0.5%
International	13,037,420	8,945,773	2,207,811	4,180,713	6,458,650	10,709,870	13,037,420	13,380,981	13,733,595	0.7%
Total enplaned passengers	44,207,464	31,429,457	14,593,791	26,746,513	33,269,055	41,879,914	44,635,000	45,411,960	46,203,919	0.6%
Annual percent increase (decrease)	1.5%	(28.9%)	(53.6%)	83.3%	24.4%	25.9%	6.6%	1.7%	1.7%	

Notes: For Fiscal Years ending June 30. Columns may not add to totals shown due to rounding.
Sources: Historical, Department records. Forecast: WJ Advisors LLC.

SECTION 2

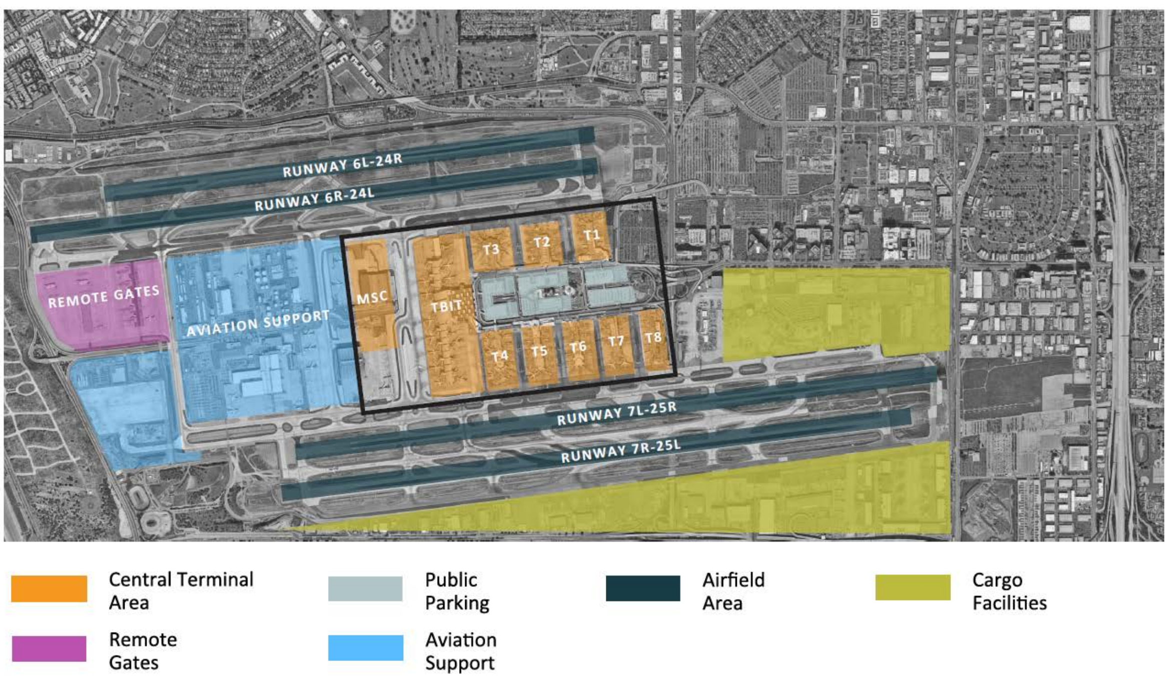
AIRPORT FACILITIES AND CAPITAL PROGRAM

AIRPORT FACILITIES AND CAPITAL PROGRAM

AIRPORT FACILITIES

The Airport occupies approximately 3,800 acres of land and is located approximately 15 road miles from downtown Los Angeles. The primary Airport facilities, as shown on Figure 31, include: nine passenger Terminals (collectively, the CTA), public parking facilities, the Airfield Area, the aviation support area, remote gates, and cargo facilities. As discussed later in this section of this 2021DE Report and shown on Figure 35, the Department is in the process of constructing a new APM System between the CTA and a new ConRAC, which, when both projects are completed, would be part of the Airport's facilities.

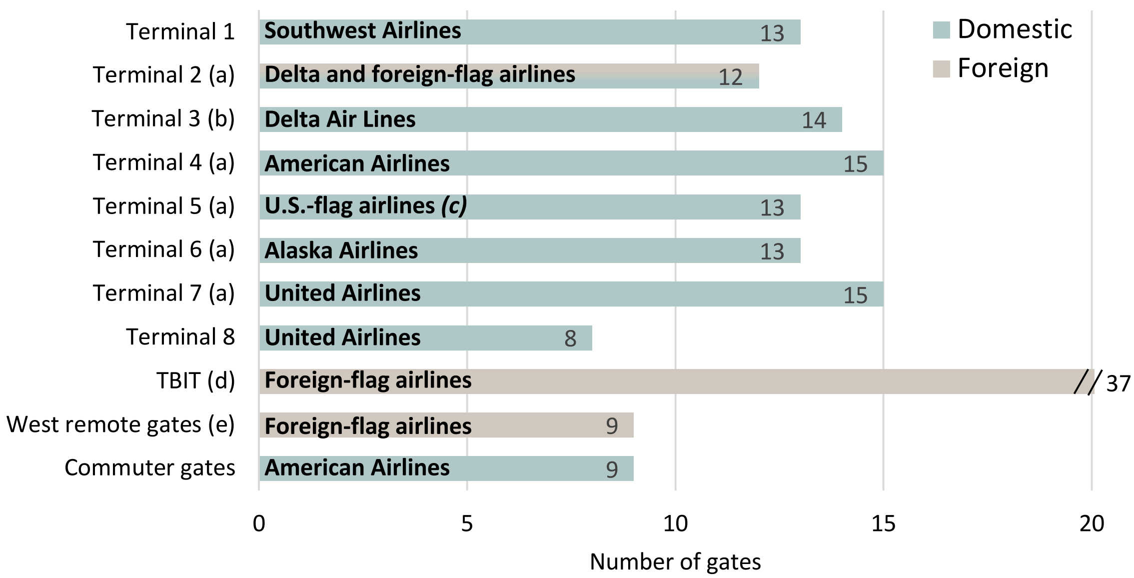
Figure 31
PRIMARY FACILITIES
Los Angeles International Airport



The CTA is accessed via upper- and lower-level roadways. As shown on Figure 32, eight of the nine Terminals primarily accommodate domestic airline service while the TBIT primarily accommodates international airline service.

West of the aviation support area are 9 remote gates used by airlines when no gates are available in the CTA. Passengers are bused between the remote gates and certain Terminals.

Figure 32
AIRPORT TERMINALS AND GATES
Los Angeles International Airport



Note: All information as of August 2021.
(a) Primarily domestic with some international flights.
(b) Terminal 3 is currently closed for construction. The Department expects to open Terminal 3 in 2022.
(c) American Airlines, Spirit Airlines, JetBlue Airways, Hawaiian Airlines, Frontier Airlines, Allegiant Air, and Sun Country Airlines.
(d) Includes TBIT and Midfield Satellite Concourse – North gates.
(e) Does not include hard stand positions without boarding bridges.
Source: Department records.

Public parking facilities at the Airport include close-in and remote parking, as listed on Table 17:

Table 17
EXISTING PUBLIC PARKING FACILITIES
Los Angeles International Airport

Public parking facility	Spaces
Close-in parking	
Central Terminal Area garages	7,718
Remote parking *(a)*	
Cell phone waiting surface lot	21
Airport total	7,739

Source: Department records.
(a) Does not include 2,690 public parking spaces in economy parking Lot E that the Department closed in April 2020. Also does not include approximately 4,300 remote economy public parking spaces the Department expects to open in October 2021 as part of the ITF West facility.

As shown on Figure 31, the Airport has four east-west parallel runways, configured in two pairs. Runways 6L-24R and 6R-24L are located north of the CTA and Runways 7L-25R and 7R-25L are located south of the CTA. Each of the four runways is equipped with an instrument landing system for arrivals.

Cargo facilities are located in two primary areas at the Airport: east of the CTA and south of Runway 7R-24L. These facilities provide more than 2 million square feet of storage and cargo handling space for the all-cargo airlines and for the passenger airlines that provide belly cargo services. Directly west of the CTA is the aviation support area consisting of miscellaneous aircraft maintenance facilities, Department buildings, and FAA facilities.

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 forecast airline traffic, available funding sources, project priorities, and other relevant information that is available to the Department when the Airport Capital Program is developed.

Currently the Department’s published capital program totals $14.9 billion. This $14.9 billion includes certain projects that are outside of the Forecast Period, have already been completed, and includes APM System and ConRAC Developer milestone payments. Table 18 summarizes the differences between the Airport published capital program of $14.9 billion and the $11.5 billion Airport Capital Program included in this 2021DE Report.

Table 18

AIRPORT CAPITAL PROGRAM COST RECONCILIATION

Los Angeles International Airport

(in billions)

	Estimated Cost
Published Airport Capital Program	$14.9
Less: APM System and ConRAC Developer Milestone Payments	(1.3)
Less: Portion of Terminal 4 Project Outside of Forecast Period	(0.6)
Less: Projects Already Completed, VNY Projects, and Facility Maintenance Program	(1.6)
Plus: Estimated APM Relief Event Payment	0.1
Equals: Airport Capital Program Included on Exhibit A	$11.5

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

The Airport Capital Program, which is estimated to cost approximately $11.5 billion, was initiated in or around FY 2016 and is currently expected to be completed by the end of FY 2026. According to the Department, approximately $6.1 billion of the Airport Capital Program was completed through the end of FY 2021. Of the $11.5 billion in Airport Capital Program project costs, approximately $5.4 billion is ongoing or is expected to be initiated and completed by the end of FY 2026.

While the Department continues to review the Airport Capital Program and may delay the timing or reduce the scope and cost of individual projects included in the Program given the substantial reduction in the number of enplaned passengers due to the COVID-19 pandemic, it was assumed in this 2021DE Report that the Department will implement and complete the remaining $5.4 billion of projects in the Airport Capital Program by the end of FY 2026.

Certain projects in the Airport Capital Program are expected to be undertaken and initially funded by one or more airlines serving the Airport. 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.

The financial forecasts included in this 2021DE 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.

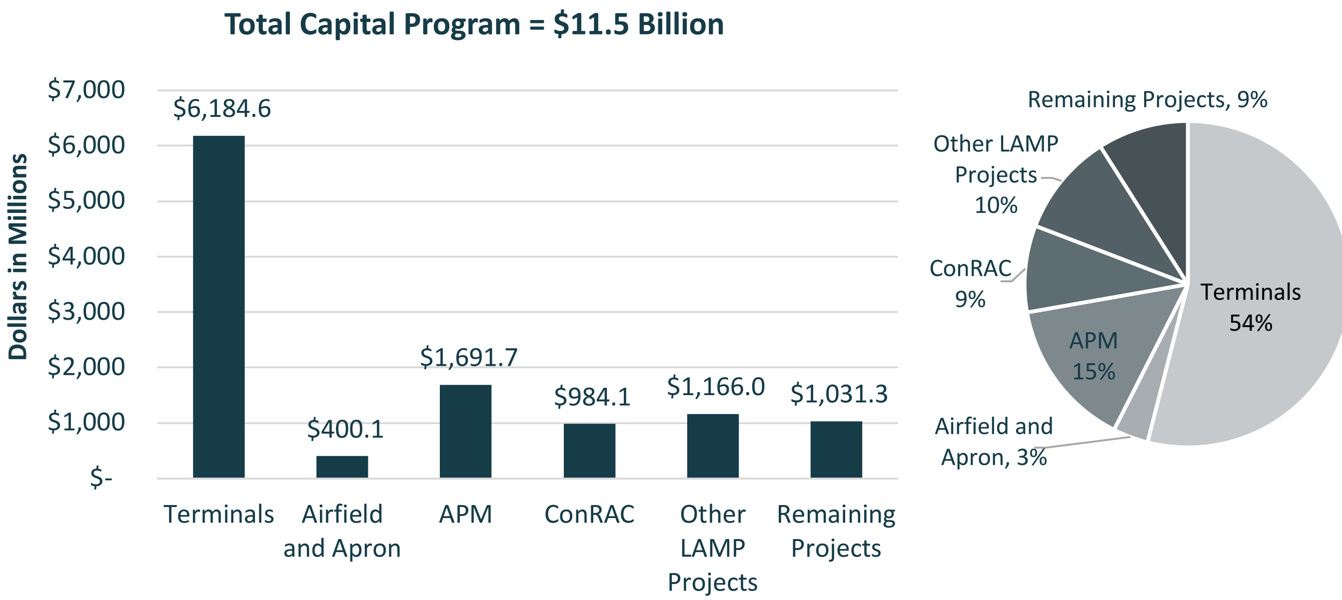
Exhibit A, provided at the end of this 2021DE Report along with all financial exhibits, presents the anticipated funding sources for the approximate $11.5 billion[53] Airport Capital Program.

Terminals

- **MSC – North Project.** This project was completed and operational in FY 2021 and 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 can 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).
- **North Terminal Improvement Program – Delta Air Lines.** 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; approximately $92.3 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2021D Bonds. This project is expected to be completed by the end of FY 2024.

[53] Excludes the portion of the Terminal 4 project that occurs after FY 2026, APM and ConRAC developer milestone payments, VNY projects, facility maintenance program costs, and completed projects (e.g., Terminal 1 and Terminal 6/7/8) that, when included, equal $3.4 billion.

Figure 33
AIRPORT CAPITAL PROGRAM BY AREA
Los Angeles International Airport



Note: Pie chart may not total 100% due to rounding.
Source: Department records.

- **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 $1.1 billion; approximately $105.2 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2021D Bonds. This project is expected to be completed by the end of FY 2026. American Airlines is providing construction funding and undertaking these improvements, which are to be acquired by the Department when the project is completed and has been included in the forecast Terminal Buildings Rate.

  The Department currently expects that an additional $612.0 million in improvements to Terminal 4 may be required to complete the renovation of that terminal, but that the $612.0 million of additional improvements would be completed after the Forecast Period in this 2021DE Report. Additional Pledged Revenues, LAX M&O Expenses, annual debt service payments, and other costs associated with the $612.0 million of future Terminal 4 project costs are not included in the financial forecasts in this 2021DE 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 boarding 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 $232.6 million; approximately $81.0 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2021D Bonds. This project is expected to be completed by the end of FY 2024.
- **Terminal 1.5 Project.** This project was completed and operational in FY 2021 and consists of the development of a new terminal building between Terminal 1 and Terminal 2 that links the two terminals directly, resulting in a single unified facility. Southwest Airlines provided construction funding and undertook these improvements, which are to be acquired by the Department and are included in the annual calculation of the Terminal Buildings Rate. This project is estimated to cost $497.2 million; approximately $56.3 million of net proceeds from the sale of the proposed Series 2021D Bonds is expected to be used to retire commercial paper previously used for this project.
- **TBIT Core and APM System 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, the cost of this project will be allocated to the Airport's Terminal cost center. This project is estimated to cost $277.7 million; approximately $88.9 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2021D Bonds. This project is expected to be completed by the end of FY 2023.
- **MSC/Bradley West Baggage Project.** This project includes construction of outbound baggage systems supporting the combined operations of both the TBIT and the MSC – 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. An airline consortium is providing construction funding and undertaking these improvements, which are to be acquired by the Department when the project is completed and has been included in the forecast Terminal Buildings Rate. This project is currently estimated to cost $264.0 million; approximately $116.0 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2021D Bonds. This project is expected to be completed by the end of FY 2025.
- **Terminal 5 Core and APM System 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 $214.5 million; approximately $65.7 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2021D Bonds. This project is expected to be completed by the end of FY 2023.

- **Other Terminal Projects.** These projects consist of the south terminal power upgrade, central terminal area (CTA) fire, water, pipe replacement, closed circuit television improvements, other baggage system projects, future terminal planning, and other miscellaneous terminal improvements. These projects are estimated to cost $325.8 million and are expected to be completed during the Forecast Period.

Airfield and Apron

- **Taxiway P Construction (formerly known as Taxiway C14).** 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 $120.2 million and is expected to be completed by the end of FY 2022.
- **Runway 7R-25L Reconstruction.** This project includes the reconstruction of Runway 7R-25L and associated exit taxiways. This project is estimated to cost $25.6 million and is expected to be completed by the end of FY 2022.
- **Other Airfield and Apron Projects.** These projects consist of the bus yard parking lot relocation, cargo complex electrification, storm water improvements, maintenance facility relocation, a new fire drill training facility, and other miscellaneous airfield improvements. These improvements are estimated to cost $61.9 million and are expected to be completed during the Forecast 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 following airline areas: Terminals, Airfield, and Apron.

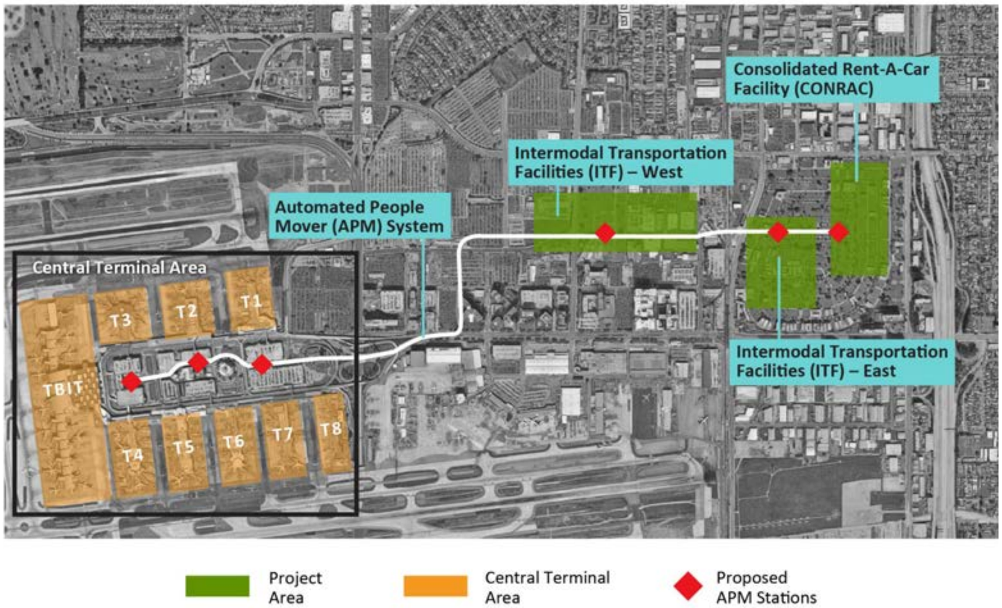
APM System

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 34 and Figure 35, will be 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 34
DEPICTION OF APM SYSTEM
Los Angeles International Airport

Figure 35
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) expected to occur in FY 2024, plus certain other APM System costs paid by the Department, the Department is currently expected to fund approximately $1.7 billion of the estimated APM System project costs (which includes an estimated relief event payment by LAWA to the Developer of approximately $97.0 million).

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 2025, the first full Fiscal Year after APM DBO, APM M&O APs are estimated to be $33.0 million and APM Capital APs are estimated to be $70.7 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[54] 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, the Series 2020D Senior Bonds, and a portion of the Series 2021B Subordinate Bonds issued by the Department, and debt service on Future Bonds expected to be issued by the Department to fund certain 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.

Consolidated Rent-a-Car Facility

The ConRAC will be located east of the CTA (see Figure 31) and is expected to open at the end of FY 2023 (ConRAC DBO).

The ConRAC is depicted on Figure 36 and 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 is 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 as measured by gross revenues in FY 2019 (prior to the negative effects of the COVID-19 pandemic) and is expected to enhance the customer experience and safety with an easy-to-find consolidated location 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.

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[54] 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.

Figure 36
DEPICTION OF CONSOLIDATED RENT-A-CAR FACILITY
Los Angeles International Airport

The Department executed a concession lease and agreement (the CLA) in 2018 with each of the Airport rental car concessionaires (the Concessionaires) that provides, 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)[55] Contributions, and other payments.

Two of the Concessionaires that executed the CLA filed for Chapter 11 bankruptcy in May 2020: Hertz, including its brands Dollar/Thrifty and Advantage, including its brand EZ Rent A Car. Hertz (including each of its brands) represented approximately 27.6% of the rental car gross revenue market share at the Airport for the 12-month period ending May 2021. Hertz emerged from bankruptcy on June 30, 2021, and assumed the CLA, and will use and lease space starting at ConRAC DBO. As of February 2020, Advantage ceased operating at the Airport.

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.

[55] In the CLA, the CTS is the 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.

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 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[56] 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 2021 and are expected to be collected by the Department from FY 2022 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), the maximum amount allowable CFC per rental car transaction in the State of California

- **Department Funds.** A small portion of the cost of the ConRAC will be funded from Department Funds.

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[56] 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.

In this 2021DE 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 $45.0 million.

Use of CFC Revenues. Figure 37 shows the currently expected use of forecast CFC revenue starting on ConRAC DBO. Annual CFC revenues remaining after paying annual ConRAC Capital Costs plus annual Concessionaire 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. 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 decrease 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 37 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.

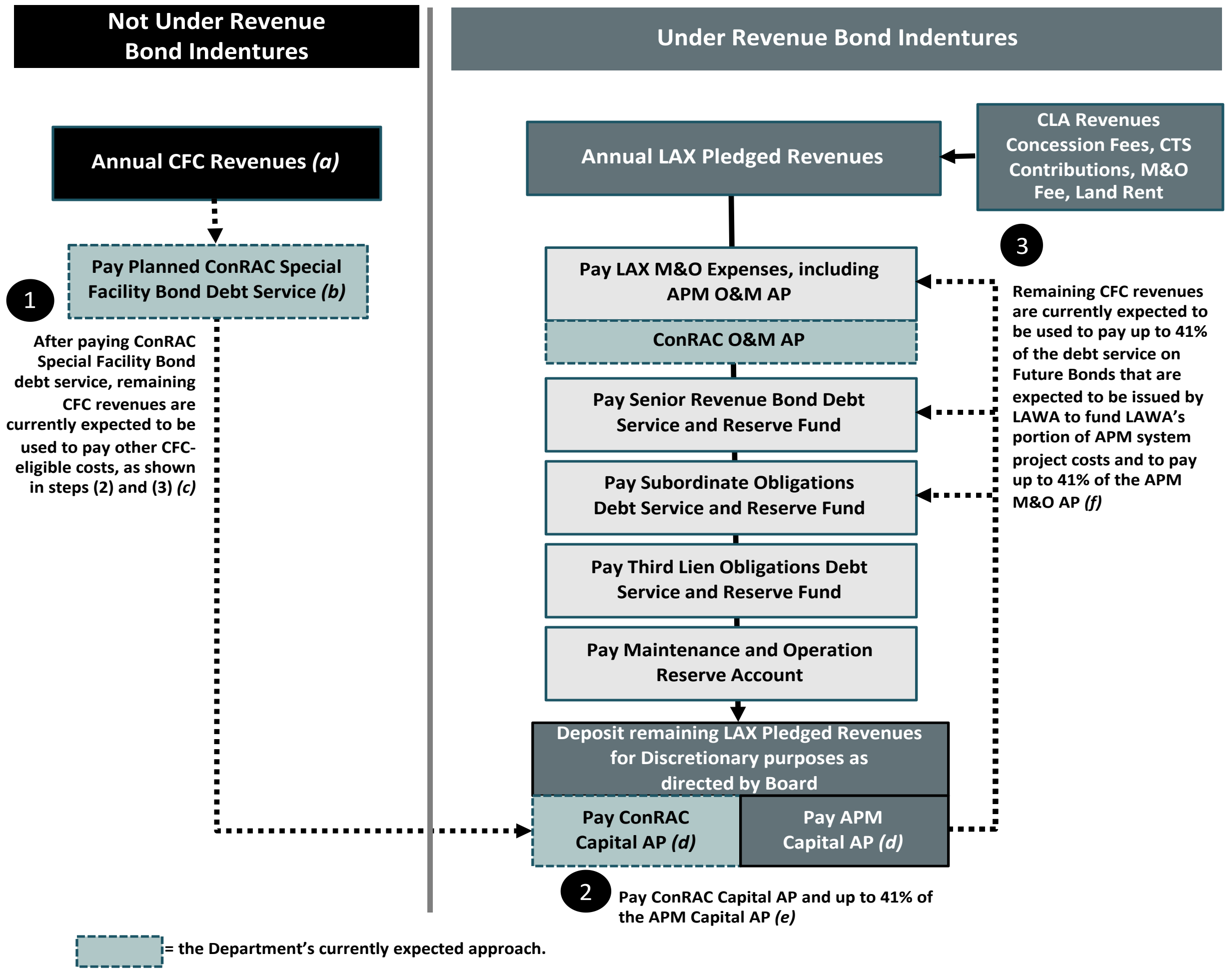
At the request of the Department, the ConRAC Developer may undertake certain other projects, including, but not limited to, the construction of a new Airport employee parking lot, the cost of which is currently expected to be paid from Department Funds and not from CFC or other revenues pursuant to the CLA.

Figure 37

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 this 2021DE 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.

(f) In addition to certain net proceeds of the issuance of the Series 2018E Bonds, Series 2019E Bonds, Series 2020D Bonds, and Series 2021B 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.

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 2022. Phase 2, which is expected to include space for up to 3,000 additional vehicles, may be constructed after the Forecast 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 $296.1 million. The Department will also build an ITF-East in the future (after the Forecast 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 $695.8 million and is expected to be completed by the end of FY 2026.

- **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 certain remaining projects (discussed below). The project is estimated to cost $174.1 million and is expected to be completed by the end of FY 2024.

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 $384.1 million and is expected to be completed during the Forecast Period.

- **Airport 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 $217.3 million and to be completed by the end of FY 2022.

- **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 $158.7 million; approximately $47.6 million of this cost is expected to be funded with net proceeds from the sale of the proposed Series 2021D Bonds. This project is expected to be completed by the end of FY 2024.
- **Other:** These projects include a range of infrastructure, information technology, security, and other projects estimated to cost $271.1 million and are expected to be completed during the Forecast 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 Exhibit A and Figure 38, as discussed below. 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.

Airport Revenue Bonds

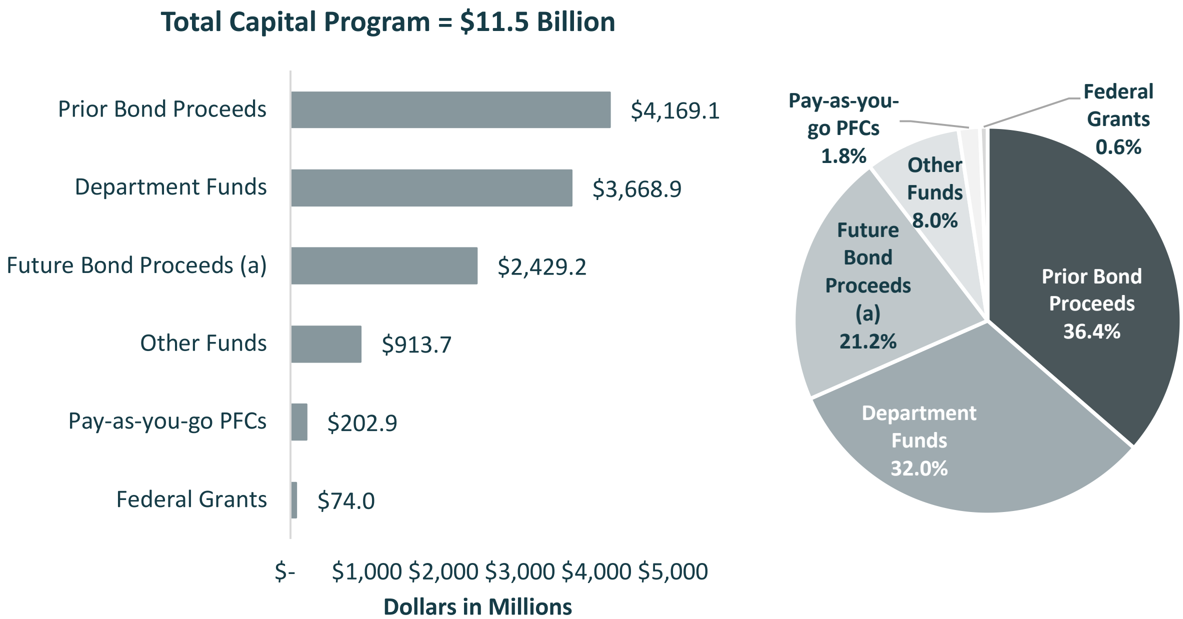
As shown in Exhibit A, the net proceeds of the proposed Series 2021D Bonds, Future Bond proceeds, and prior bond proceeds are expected to fund $6.6 billion or 57.6% of Airport Capital Program project costs. Details of the proposed Series 2021D Bonds and proposed Series 2021E Bonds, Future Bond proceeds, and prior bond proceeds are discussed below. Exhibit B presents the estimated sources and uses of the proposed Series 2021DE Bonds, as provided by the Department's Co-Financial Advisor.

Proposed Series 2021D Bond Proceeds. As shown in Exhibit A, approximately $652.9 million of the proposed Series 2021D Bond proceeds are expected to be used to fund certain Airport Capital Program project costs and reimburse the Department for certain project expenditures previously paid with Department Funds.

In addition to funding a portion of the costs of the Airport Capital Program, the net proceeds from the sale of the proposed Series 2021D Bonds would also be used to:

- Make a deposit to the Subordinate Debt Service Reserve Fund.
- Refund $2.3 million in outstanding Subordinate Commercial Paper used to pay the interest portion of debt service on certain Airport Capital Program projects.
- Pay the costs of issuance, including underwriters' discount and financing, legal, and other costs for issuance of the proposed Series 2021D Bonds.

Figure 38
FUNDING THE AIRPORT CAPITAL PROGRAM
Los Angeles International Airport



Note: See Exhibit A for additional Information.
Source: Department records.
(a) Includes the Series 2021D bond proceeds. Does not include the Series 2021E bond proceeds discussed below.

Proposed Series 2021E Bond Proceeds. The proposed Series 2021E Bonds are being issued to refund the interest on certain outstanding Senior Bonds and Subordinate Bonds and to:

- Make a deposit to the Subordinate Debt Service Reserve Fund.
- Pay the costs of issuance, including underwriters' discount and financing, legal, and other costs for issuance of the proposed Series 2021E Bonds.

Future Bond Proceeds. As shown in Exhibit A, approximately $1.4 billion of future Senior Bond proceeds and approximately $336.6 million of future Subordinate Obligation proceeds (for a total of approximately $1.8 billion) are expected to be used to fund a portion of Airport Capital Program project costs.

Exhibit B presents the estimated sources and uses of funds for Future Bonds, as provided by the Department's Co-Financial Advisor—based on the assumption that Future Bonds issued to fund projects in the airfield or apron, and the Department's share of APM System project costs will be Subordinate Obligations, and that Future Bonds issued for all other projects in the Airport

Capital Program will 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 are assumed to be used to:

- Pay certain Airport Capital Program costs.
- Pay capitalized interest.
- Make deposits to the Senior Debt or Subordinate Debt Service Reserve Funds.
- Pay the issuance costs of Future Bonds.

Prior Bond Proceeds. As shown in Exhibit A, approximately $4.2 billion of prior revenue bond proceeds are expected to fund a portion of Airport Capital Program project costs.

Department Funds

As reflected in Exhibit A, Department Funds are expected to fund approximately $3.7 billion or 32.0% 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 can be used for any lawful purpose.

The estimated use of Department funds reflected in Exhibit A 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 (1) annual LAX M&O Expenses plus (2) Senior Aggregate Annual Debt Service plus (3) Subordinate Aggregate Annal Debt Service[57].

Other Funds

As reflected in Exhibit A, approximately $913.7 million of other funding (including pay-as-you-go CFC revenues, special facility obligations proceeds, and Department of Water and Power funds) is expected to be used to fund the Airport Capital Program.

Passenger Facility Charge Revenues

As reflected in Exhibit A, PFC revenues on a pay-as-you-go basis are expected to fund approximately $202.9 million or 1.8% of Airport Capital Program project costs.

The Department also expects to use PFC revenues in each Fiscal Year of the Forecast Period to pay a portion of the debt service on certain outstanding Bonds that were issued to finance all or

[57] Senior Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service is (1) net of PFC revenues, CFC revenues, and Coronavirus Relief Grants used to pay debt service and (2) excludes APM Capital APs and ConRAC Capital APs. See the "Financial Performance" section of this 2021DE Report for additional information.

a portion of the costs of PFC-eligible projects. For more detail see the “Financial Performance” section of this 2021DE Report.

The overall Airport Capital Program funding plan, forecast airline revenues, and other key financial results reflected in this 2021DE Report assume that the current $4.50 PFC level at the Airport will remain in effect throughout the Forecast 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 Coronavirus Relief Grants)

The Department receives varying amounts of FAA grants-in-aid under the federal Airport Improvement Program (AIP) for the costs of eligible projects. As shown in Exhibit A, the Department expects to receive approximately $74.0 million in AIP grant funds which is expected to fund approximately 0.6% of Airport Capital Program project costs.

See the “Financial Performance” section of this 2021DE Report for information regarding the Department’s current expectations to use Coronavirus Relief Grants to pay certain LAX M&O Expenses and Debt Service.

PROJECTS NOT INCLUDED IN THE AIRPORT 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 Forecast 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 (the Board), 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, 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 an expansion to the south of the 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 LAWA 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 LAX 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[58] 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 would 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 would constitute LAX M&O Expenses under the Revenue Bond Indentures, and if certain capital costs related to the Other Projects would be funded with the net proceeds from the sale of Senior Bonds or Subordinate Obligations under the Revenue Bond Indentures.

The use of any combination of capital sources from those described above to finance Other Projects would 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
- Forecast airline costs per enplaned passenger and debt service coverage requirements for the Airport

[58] These bonds would be in addition to the Future Bonds assumed in this 2021DE Report.

SECTION 3

FINANCIAL PERFORMANCE

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.

The financial forecasts presented in this 2021DE Report reflect the Department's expected course of action during the Forecast Period to generate Pledged Revenues sufficient to meet the Senior Bond Rate Covenant and the Subordinate Obligations Rate Covenant.

Under the Senior Bond 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 2021DE Report for the purposes of calculating debt service coverage requirements.

An overview of recent historical Airport financial results is provided in this section and the assumptions used as the basis for forecasting Pledged Revenues, LAX M&O Expenses, 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.

FINANCIAL EFFECTS OF THE COVID-19 PANDEMIC ON THE AIRPORT

The COVID-19 global pandemic resulted in substantial reductions in flights and passengers at the Airport beginning March 2020. As a point of reference, FY 2021 was fully impacted by the COVID-19 pandemic; the last four months of FY 2020 were impacted; and FY 2019 was the last full year prior to any COVID-19 impacts. Given the unprecedented nature and uncertainty surrounding the COVID-19 pandemic, the Department took a series of operational, commercial, and financial actions to prioritize strong cash liquidity and debt service coverage, and also assist airline and nonairline tenants serving the Airport.

Department actions included, but were not limited to, (1) reducing LAX M&O Expenses, (2) implementing temporary tenant payment relief programs, and (3) establishing a recovery task force. Targeted LAX M&O Expense reductions included a hiring freeze; 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; implementing a retirement incentive program. These targeted LAX M&O Expense reductions resulted in FY 2021 LAX M&O Expense savings of $24.5 million (3.1% lower) than budget or $95.0 million lower (11%) than FY 2020 actual M&O Expenses.

In 2020, the Department also 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 to apply for payment relief. Key elements of the Passenger Airline Temporary Relief Program were 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 were required to be made over a six-month period, starting July 1, 2020, to be paid in equal monthly installments. For airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts were to be fully repaid on or before August 1, 2020.
- On June 18, 2020, the LAWA Board approved keeping landing fees and apron fees unchanged through CY 2020.

All deferrals as part of the Passenger Airline Temporary Relief Program have been repaid by the eligible passenger air carriers.

Despite recent and widespread domestic COVID-19 vaccinations and recent increases in the number of enplaned passengers using the Airport, Department management implemented a series of new multi-year strategic objectives to strengthen the competitive position of the Airport in the route network of domestic and international airlines during and after the COVID-19 pandemic. The multiyear plan, referred to as the “Airline Cost Stabilization and Recovery

Plan" (the Plan) is focused on the continued stability of Airport financial operations during and after the negative effects of the COVID-19 pandemic and strengthening the competitive position of the Airport by:

- Lowering the annual fixed costs of the Airport through a restructuring of annual Debt Service payments, deferral of annual amortization charges and use of Coronavirus Relief Grants in the near term, which results in lower annual costs and associated airline rates and charges associated with the Terminals, Airfield/Apron, and certain other airline-used facilities at the Airport to better match current and near-term airline passenger levels with the use of those facilities during the effects of the COVID-19 pandemic.
- Transitioning the operation and management of certain common-use baggage and passenger boarding bridge equipment (collectively, the Common Use Equipment) from an airline consortium to the Department, which allows the Department to lower the airline cost of using the Common Use Equipment.

For nonairline tenants, the Department adopted a fee relief program for Airport concessionaires and service providers (the Concessionaires and Services Temporary Relief Program). The Concessionaires and Services Temporary Relief Program permitted concessionaires and service providers to apply for relief.

During the first program (from April 1, 2020, to June 30, 2020), the Department only required payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable, deferred receipt of in-terminal concession storage rent. For off-airport rental car companies, the Department only required payment of the lesser of (1) 10% of gross sales, or (2) the specified license fee. Accrued amounts were required to be remitted to the Department 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.

On October 1, 2020, a Second Relief Program was put in place after the LAWA Board approved the Second Letter Agreements for the Concessionaire Relief Program to (1) abate or adjust the MAG through June 30, 2021 for certain concession agreements (collectively, the Concession Agreements), (2) defer storage rent through December 31, 2020 and allow the payback of deferred storage rent to commence January 1, 2021 for certain concession agreements (collectively, the In-Terminal Concession Agreements), (3) extend the current expiration dates of the respective individual In-Terminal Concession Agreements (as conditioned in the applicable Second Letter Agreements) and Terminal Media Operator Agreement (TMO Agreement) by 24 months, and (4) authorize the Chief Executive Officer to have two consecutive twelve-month options to delay the required mid-term refurbishment dates for the respective individual In-Terminal Concession Agreements at his or her sole discretion.

In May 2020, the Department created a COVID-19 Recovery Task Force that includes seven work streams to address LAWA's operations and communications during the pandemic. The

Recovery Task Force comprises seven work streams, each of which is led by one or more Deputy Executive Director (DED):

- Bringing Employees Back to Work
- Getting Passengers Back to the Airport
- Improving Fiscal Position
- Completing Construction and Repairs Faster
- Setting LAWA up for Success
- Making LAWA Airports Safer
- Engaging and Communicating with Stakeholders

In addition to Department actions, the federal government passed the following legislation which, among other things, includes the award of certain grants to the operators of all U.S. airports to assist with managing the financial effects of the COVID-19 pandemic: the CARES Act, the Coronavirus Response and Relief Supplemental Appropriation Act (the CRRSA Act), and most recently, the American Rescue Plan Act (the ARP Act) and collectively, the Coronavirus Relief Grants).

Table 19 summarizes the Coronavirus Relief Grants awarded to the Department, expenditures, and the remaining grant amounts expended by the Department.

Table 19

CORONAVIRUS RELIEF GRANTS AWARDED TO LOS ANGELES WORLD AIRPORTS

Los Angeles International Airport

(in millions)

Source of Funds	Award	Amount Expended through FY 2021	Remaining Award Amount to Be Expended
CARES Act	$323.6	$323.6	$0.0
CRRSA Act	72.3	0.0	72.3
ARP Act	303.8	0.0	303.8
Total	$699.7	$323.6	$376.1

Source: Department records.

Under the Revenue Bond Indentures, the Coronavirus Relief Grants are not included in the definition of Pledged Revenues. However, any LAX M&O Expenses and Debt Service paid using grants, including Coronavirus Relief Grants, can be excluded from the calculation of Debt Service coverage pursuant to the Revenue Bond Indentures.

In connection with the Airline Cost Stabilization and Recovery Plan described earlier in this 2021DE Report, the Department used a total of $323.6 million of the Coronavirus Relief Grants to pay operating expenses and Debt Service in FY 2020 and FY 2021, costs that would have otherwise been paid by the airlines or by other operating revenues of the Airport. This helped to (1) substantially reduce airline costs at the Airport and (2) replace lost nonairline revenues due to reductions in the number of passengers using the Airport.

The Department currently expects to use CRRSA Act and ARP Act grants in FY 2022 and FY 2023 to (1) substantially reduce airline costs at the Airport, (2) replace lost nonairline revenues due to reductions in passengers, (3) reduce near-term costs of certain airline common use equipment as discussed later in this 2021DE Report, and (4) pay certain LAX M&O Expenses and/or Debt Service.

PLEDGED REVENUES

Exhibit C presents actual and forecast Pledged Revenues for the Airport. Actual FY 2021 results are preliminary, unaudited and subject to change.

Pledged Revenues decreased 10.6% in FY 2020 and 23.3% in FY 2021. Pledged Revenues in FY 2021 were 31.5% lower than FY 2019 Pledged Revenues. Pledged Revenues are forecast to increase 28.4% from FY 2021 to FY 2022.

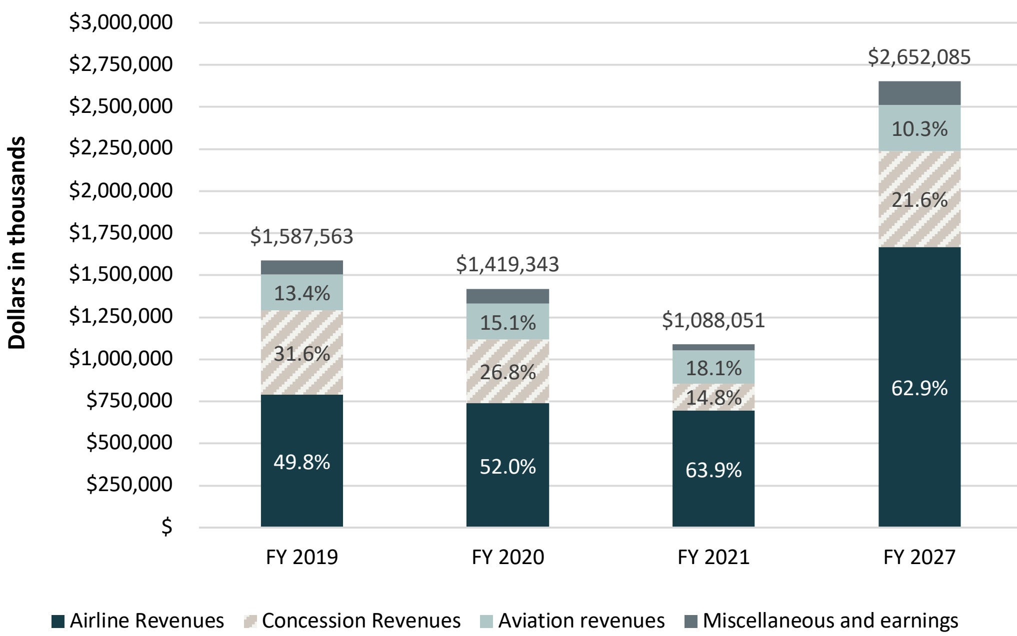
Figure 39 presents the major sources of Pledged Revenues for the Airport from FY 2019 through FY 2021 and forecast from FY 2022 through FY 2027.

Airline revenues and concession revenues accounted for 81.4%, 78.8%, and 78.7% of Pledged Revenues in FY 2019, FY 2020, and FY 2021 respectively. 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.

Pledged Revenues totaled approximately $1.6 billion in FY 2019, $1.4 billion in FY 2020 and $1.1 billion in FY 2021 and are forecast to increase to approximately $2.7 billion by FY 2027, an average increase of 6.6% per year between FY 2019 (pre-COVID-19) and FY 2027. The forecast increase in airline revenues is primarily driven by significant Department capital investments in airline areas and the cost-recovery basis for calculating annual airline rates and charges.

The major sources of Pledged Revenues and the assumptions used to forecast Pledged Revenues are discussed below.

Figure 39
ACTUAL FY 2019, 2020, 2021 AND FORECAST FY 2027 PLEDGED REVENUES
Los Angeles International Airport



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, 4.8% and 1.3%, respectively, in FY 2020, 1.9% and 1.3%, respectively, in FY 2021 and are forecast to account for 2.4% and 2.9%, respectively, in FY 2027. Columns may not total 100% due to rounding.

Airline Revenues

Overview. Forecast airline terminal building rentals, landing fees, and apron fees, in total and expressed on a per enplaned passenger basis, are shown on Exhibit C-1. Airline revenues (including airline lounge payments) totaled approximately $790.8 million in FY 2019 (accounting for 49.8% of Pledged Revenues), $737.8 million in FY 2020 (accounting for 52.0% of Pledged Revenues), $694.8 million in FY 2021 (accounting for 63.9% of Pledged Revenues), and are forecast to be approximately $1.7 billion in FY 2027 (accounting for 62.9% of Pledged Revenues), as shown on Exhibit C.

Forecasts of airline terminal building rentals, landing fees, and apron fees incorporated in this 2021DE Report were calculated pursuant to the methodologies in the Tariff, Rate Agreement, prior terminal leases, and the Air Carrier Operating Permits, as discussed in the following paragraphs.

In connection with the implementation of the Airline Cost Stabilization and Recovery Plan, certain changes were required to the Tariff and the Rate Agreement, which changes required airline approval (Tariff changes) and amendments (Rate Agreement changes) to become effective. All Department changes to the Tariff and Rate Agreement were adopted by the LAWA Board in June 2021.

In general, the changes to the Tariff and Rate Agreement were mostly related to transitioning the calculation of certain airline rates, fees, and charges from (1) a calendar year to fiscal year basis and (2) from the previous year's actual LAX M&O Expenses, certain Pledged Revenues, and aviation activity in the calculation of airline rentals, rates, fees, and charges to using budgeted Fiscal Year data. With these changes, all airline rentals, rates, fees, and charges at the Airport are to be recalculated by the Department each year, becoming effective on July 1 and will be based on the Department's annual operating budget not prior year's actual results.

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 LAWA Board. As noted above, certain changes were made to the Tariff in June 2021. 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 Rate** – An equalized rate per square foot calculated by the Department by dividing the total of all capital costs and LAX M&) Expenses allocated by the Department to the passenger terminals at the Airport by the total rentable areas in the Terminals.
- **Federal Inspection Services (FIS) Rate** – An equalized rate calculated by the Department by dividing the total of all capital costs and LAX M&O Expenses allocated by the Department to FIS areas at the Airport by the number of international passengers passing through the FIS facilities.
- **Common Use Area Rates and Charges** – Rates and charges calculated by the Department based on the airlines' use of common areas in the terminals, such as baggage claim systems, holdrooms, outbound baggage systems, passenger boarding bridges, , and ticket counters.
- **Terminal Special Charges** – Charges 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 and terminal airline support systems.

Rate Agreement. All airlines currently serving the Airport have entered into the Rate Agreement with the Department, as discussed more fully below. As noted above, certain changes were made to the Rate Agreement and adopted by the LAWA Board in June 2021. Airlines that do not enter into a Rate Agreement will be subject to the Tariff described above and 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 Forecast 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 $139.2 million annually or a maximum unused fund balance of $556.7 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 Rate 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.

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.

Forecast of Airline Revenues. The forecast of airline revenues is presented in Exhibit C-1 (along with the calculation of airline cost per enplaned passenger). The forecast of airline revenues is based on:

- The rate-setting principles in the Rate Agreement and the Air Carrier Operating Permit.
- The forecast 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. The forecast of LAX M&O Expenses includes the APM M&O APs to the APM Developer, the ConRaC M&O APs to the ConRAC

Developer along with the estimated future impacts of Terminal and Airfield and Apron projects reflected on Exhibit D.

- Assumptions regarding the amount of new terminal space associated with the completion of certain projects in the Airport Capital Program during the Forecast Period.
- Additional revenues from the transition of Common Use Equipment from the Airline Consortium to the Department to offset the increase in LAX M&O Expenses from the transition.

Exhibit C-2 presents forecast airline Terminal rentals through FY 2027. 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.

Exhibit C-3 presents forecast landing and apron fee revenues, 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. Aviation Revenues in FY 2019, FY 2020, and FY 2021 accounted for 13.4%, 15.1%, and 18.1% of Pledged Revenues, respectively. For purposes of this 2021DE Report, inflation was assumed to equal 2.0% per year.

Land Rentals. The Department leases land to multiple aviation users of the Airport. Uses of the land include aircraft maintenance, cargo facilities, automobile parking[59], and the ConRAC, starting at ConRAC DBO.

Land rentals in FY 2019, FY 2020, and FY 2021 accounted for 7.4%, 8.1% and 10.1% of Pledged Revenues, respectively. Land rentals decreased from $118.1 million in FY 2019 to $115.5 million in FY 2020 and $109.6 million in FY 2021, as a result of certain previously leased property that is being re-purposed for certain Airport capital projects.

[59] The Department owns the Skyview Center parking facilities and collects rent from the operator of the facilities. All other revenue associated with automobile parking is reflected in Automobile Parking in Exhibit C.

Land rental revenue for FY 2022 through FY 2027 is forecast based, in part, on the Department's estimates of changes to existing land rental agreements and expected new land rental agreements other than new ground rent from the rental car Concessionaires using and occupying the new ConRAC when it opens. Land rental revenue (excluding revenue from the new ConRAC) is estimated to increase at an average annual rate of 3.2% between FY 2022 and FY 2027.

Starting at ConRAC DBO, additional land rent revenue has been included in the financial forecasts presented in this 2021DE Report, and is based on the following assumptions: (1) the estimated square footage of the ConRAC site (excluding any square footage associated with non-rental car purposes, such as an Airport employee parking lot), (2) the forecast land rent rate, and (3) increases in the land rent rate to account for inflation and fair market value assessments.

Total land rental revenue is forecast to increase at an average annual rate of 6.1% between FY 2022 and FY 2027.

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. Building rentals in FY 2019, FY 2020, and FY 2021 accounted for 5.5%, 6.5%, and 7.3% of Pledged Revenues, respectively. Building rentals increased from $86.9 million in FY 2019 to $91.7 million in FY 2020 and decreased to $79.7 million in FY 2021 as a result of reductions in rent for buildings, hangars, and warehouses on land that is being re-purposed for certain Airport capital projects.

Building rental revenue for FY 2022 through FY 2027 is forecast based, in part, on the Department's estimates of changes to existing building rental agreements and expected new building rental agreements. Building rental revenue is estimated to increase at an average annual rate of 1.4% between FY 2022 and FY 2027.

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. Other aviation revenues in FY 2019, FY 2020, and FY 2021 accounted for 0.5%, 0.5%, and 0.7% of Pledged Revenues, respectively. Other aviation revenues are forecast to increase with inflation, except for those subcategories related to aircraft activity (e.g., aircraft parking and fuel flowage fees), which are driven by inflation plus the forecast growth in landed weight.

Concession Revenues

Concession revenues totaled $501.2 million in FY 2019 (accounting for 31.6% of Pledged Revenues), $380.3 million in FY 2020 (accounting for 26.8% of Pledged Revenues), and $161.4 million in FY 2021 (accounting for 14.8% of Pledged Revenues). Concession revenues are forecast to be $257.3 million in FY 2022 (accounting for 18.4% of Pledged Revenues). Concession revenues are forecast to total approximately $572.1 million in FY 2027 as presented in Exhibit C (accounting for 21.4% 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.

In this section of the 2021DE Report, certain sources of concession revenue are shown on a per originating passenger basis—a reasonable approximation of the amount that each originating passengers spends on concessions. Because FY 2021 originating passenger data are not available as of the date of this 2021DE Report, the percentage of actual originating passengers to total enplaned passengers in FY 2020 has been assumed and, when multiplied by enplaned passengers in FY 2021, was used to estimate the number of originating passengers at the Airport in FY 2021.

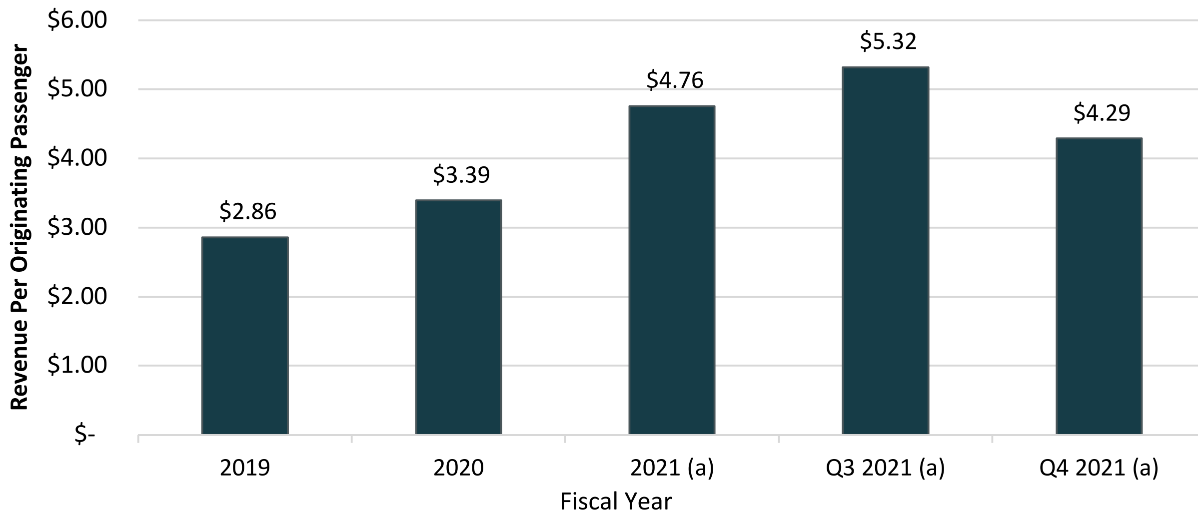
Automobile Parking Revenues. Automobile parking is currently provided in the CTA garages and a cell phone waiting lot. For the five years from FY 2014 to FY 2019, annual automobile parking revenues increased at an average annual growth rate of 5.5%. In FY 2019, automobile parking revenues totaled $104.3 million, and accounted for 6.6% of Pledged Revenues.

Automobile parking revenues were lower in FY 2020 due to the reduction in the number of passengers using the Airport caused by the COVID-19 pandemic. On March 30, 2020, the Department closed the Economy Lot E due to the decrease in demand. As a result of reduced passenger traffic and parking lot closure, public parking revenue in FY 2020 decreased by $16.5 million, from $104.3 million in FY 2019 to $87.8 million in FY 2020. In FY 2021, automobile parking revenues decreased by another $30.5 million to $57.3 million and accounted for 5.3% of Pledged Revenues.

Figure 40 shows average automobile parking revenue per originating passenger for FY 2019, FY 2020, FY 2021, and the most recent quarterly automobile parking revenue per originating passenger in FY 2021. Public parking revenue per originating passenger was $2.86 in FY 2019, $3.39 in FY 2020 and $4.76 in FY 2021.

As passenger traffic at the Airport has recovered, revenues per originating passenger have increased in quarters three and four of FY 2021, likely as a result of longer parking durations and increased use of parking facilities at the Airport as compared to other modes of transportation (e.g., taxis).

Figure 40
AUTOMOBILE PARKING REVENUE PER ORIGINATING PASSENGER
Los Angeles International Airport



Source: Department management records.
(a) Results based on preliminary, unaudited, financial results and originating passenger estimates for FY 2021 as described above.

Table 20 lists the public parking facilities at the Airport[60], as well as the number of spaces and current parking rates.

Parking facilities in the CTA are operated for the Department by ABM Onsite Services-West under a 7-year management contract that became effective June 1, 2021, and has two 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 LAWA Board approved a plan for the Department to implement demand-based parking rates, with discounts for pre-booking, as reflected in Table 20. The Department currently expects to implement the new rates in FY 2022**,** but the forecast of public parking revenues presented in this 2021DE Report does not assume that the Department will implement the new rates during the Forecast Period.

The Department also intends to implement a series of enhancements to its public parking facilities through its current parking operator ABM Onsite Services-West, including, but not limited to, use of smart parking technologies that are focused on enhancing customer service and experience when using Airport parking facilities. The Department currently expects that the

[60] The Department owns the Skyview Center parking facilities; however, these facilities are managed under a separate operating agreement and the revenue is recorded under Land Rent in Exhibit C.

implementation of these and other types of enhancements to its public parking facilities will result in increases in revenue per originating passenger and total public parking revenues. In this 2021DE Report, the forecast of public parking revenues does not include any such increases.

Table 20
EXISTING PUBLIC PARKING FACILITIES AND RATES
Los Angeles International Airport

Public Parking	Number of Spaces	24-hour rate	Hourly rate
Close-in parking			
CTA garages	7,718	Current: $40.00	Current: $5.00 first hour, $4.00 each 30-minutes thereafter
		LAWA Board approved rates (a): General = $50-$60 with up to 70% online pre-booking discount	LAWA Board approved rates (a): General = $7-$11 first hour, $6-$10 each 30-minutes thereafter, with up to 70% online pre-booking discount
		Premium/Valet = $60-$80 with up to 70% online pre-booking discount	Premium/Valet = $9-$13 first hour, $8-$12 each 30-minutes thereafter, with up to 70% online pre-booking discount
Remote parking (b)			
Cell phone waiting lot	21	n.a.	n.a.
Airport total	7,739		

Note: n.a. = not applicable.
Source: Department records.
(a) LAWA Board approved rates, but not effective as of the date of this 2021DE Report.
(b) Does not include 2,690 public parking spaces in economy parking Lot E that the Department closed in April 2020. Also does not include approximately 4,300 remote economy public parking spaces the Department expects to open in October 2021 as part of the ITF West facility.

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.

The forecast of public parking revenues is based on information provided in the Department's forecast of public parking revenues and the following assumptions: (1) the number of available parking spaces by public parking facility during the Forecast Period[61], (2) the historical and forecast amount of revenue per parking space, (3) approximately 4,300 remote public parking spaces will open at the ITF West facility in October 2021, and (4) assumed annual inflation starting in FY 2024 to account for expected future increases in public parking rates.

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 exercised its right to extend the Existing Rental Car Agreements through the 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 minimum annual guarantee, whichever is greater. The rental car concession revenues are shown in the Concession Revenues section of Exhibit C at the end of this 2021DE Report. In FY 2021, rental car concession revenues accounted for 3.1% of Pledged Revenues, which was based on a concession fee equal to 10.0% of annual gross revenues.

Figure 41 presents the Existing Rental Car Concessionaires' market shares of gross revenues in FY 2021.

The following companies and their brands have Existing Rental Car agreements with the Department: Alamo, Avis[62], Budget, Dollar, Enterprise, Fox, Hertz, National, Sixt, and Thrifty. These companies operate rental car facilities on and off-Airport property and transport their passengers to and from the CTA on their own branded shuttle buses.

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).

Between FY 2014 and FY 2019, rental car concession revenues increased an average growth rate of 1.5% per year. However, during this time rental car concession revenues per originating passenger decreased on average by 4.8% per year. The decreases in on-Airport rental car concession revenues per originating passenger were likely the result of the number of

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[61] During the Forecast Period, the number of available public parking spaces are currently expected to change due to the construction of certain projects included in the Capital Program as well as the opening of the ITF-West Phase 1 parking garage by the end of FY 2022.
[62] Avis also operates the brand Zipcar

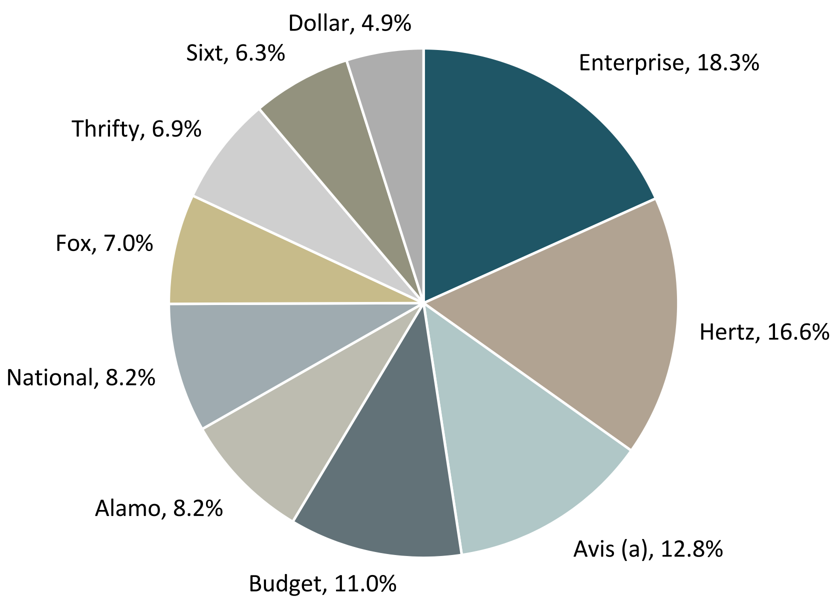
originating passengers increasing at a greater rate than rental car transactions and concession revenues as well as the introduction of Transportation Network Companies (the TNCs) such as Uber and Lyft at the Airport during the same period.

In FY 2019, rental car concession revenues totaled $82.6 million, and accounted for 5.2% of Pledged Revenues. Rental car concession revenues were lower in FY 2020 due to the reduction in the number of enplaned passengers using the Airport caused by the COVID-19 pandemic and by the payment deferrals pursuant to the Department's Concessionaires and Services Temporary Relief Program, which resulted in a $17.4 million reduction in revenues to $65.2 million in FY 2020. In FY 2021, rental car concession revenues decreased by $31.5 million to $33.7 million and accounted for 3.1% of Pledged Revenues.

Figure 41

ON-AIRPORT RENTAL CAR COMPANY SHARES OF FY 2021 GROSS REVENUES

Los Angeles International Airport



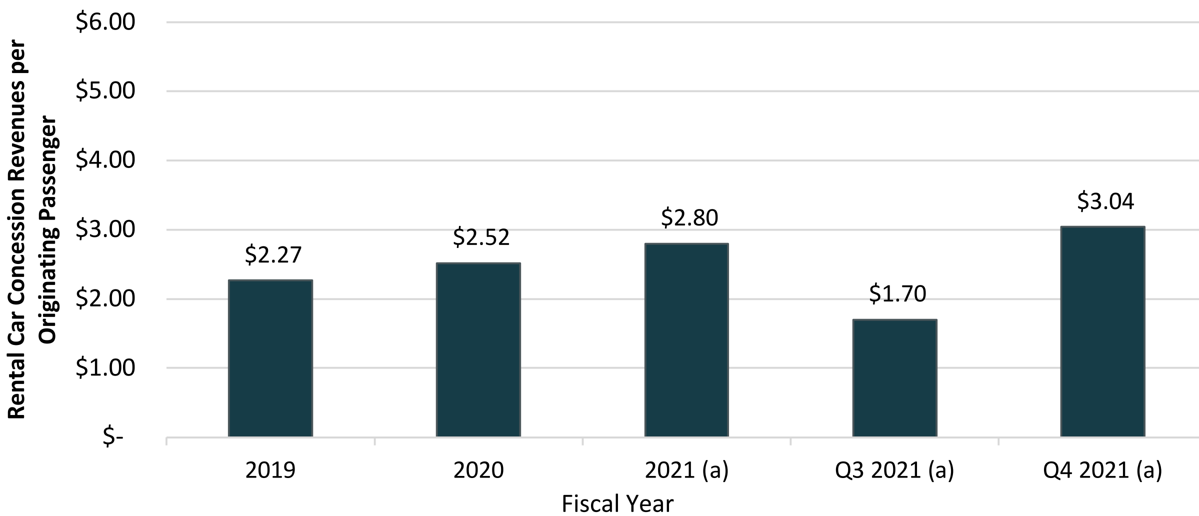
Notes: The sector shares may not total 100% due to rounding.

(a) Avis includes Zipcar

Source: Department records.

Figure 42 shows rental car concession revenue per originating passenger for FY 2019, FY 2020, FY 2021, and recent quarterly rental car concession revenue per originating passenger in FY 2021. Rental car concession revenue per originating passenger was $2.27 in FY 2019, $2.52 in FY 2020 and $2.80 in FY 2021.

Figure 42
ON-AIRPORT RENTAL CAR CONCESSION REVENUES PER ORIGINATING PASSENGER
Los Angeles International Airport



Source: Department records.
(a) Results based on preliminary, unaudited, financial results and originating passenger estimates for 2021 as described above.

As passenger traffic at the Airport has recovered, rental car concession revenue per originating passenger fluctuated in quarters three and four of FY 2021, potentially as a result of seasonal passenger traffic patterns and the availability of rental cars.

Two of the Concessionaires that executed the CLA filed for Chapter 11 bankruptcy following the COVID-19 pandemic: Hertz, including its brands Dollar/Thrifty, and Advantage, including its brand EZ Rent A Car. Hertz (including each of its brands) represented approximately 28.4% of the rental car gross revenue market share at the Airport for FY 2021. Hertz emerged from bankruptcy on June 30, 2021, and has assumed the CLA and will use and lease space in the ConRAC starting at ConRAC DBO. In February 2020, Advantage ceased operating at the Airport.

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.

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 minimum annual guarantee 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.

Forecast revenues from items 1 through 4 above have been included in the financial forecasts presented in this 2021DE Report (see Exhibit C), starting at ConRAC DBO. Rental car concession revenues are including in the Concession Revenues section of Exhibit C. ConRAC land rental revenues are included in the Land Rentals line in the Aviation Revenues section of Exhibit C. Revenues associated with items 3 and 4 are included in the Miscellaneous Revenues section of Exhibit C.

In addition to the payments described above, the Existing Rental Car Concessionaires (and the Concessionaires under the CLA) are required to collect a CFC that is approved by the LAWA 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 2021DE 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 LAWA Board approval) require off-Airport companies to (1) pick up and drop off their customers at the new 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. Because the amount of the Transportation fee has not been established by the Department, no such forecast Transportation fee revenue has been included in the financial Forecasts presented in this 2021DE Report.

The forecast of concession fees under the Existing Rental Car Agreement and new CLA was based on the following assumptions:

- The estimated number of arriving passengers, which was based on the forecast of enplaned passengers presented earlier in this 2021DE Report.
- The estimated number of transactions per arriving passenger was assumed to be flat during the Forecast Period with the exception of a 5.0% increase in FY 2024 (the first full year of ConRAC operation).

- The estimated amount of concession fees per transaction was assumed to be flat through ConRAC DBO, increasing with inflation thereafter.

Rental car concession fees are forecast to increase from $58.4 million in FY 2022 to $96.4 million in FY 2027.

Revenues pursuant to the new CLA other than concession fees were forecast on the basis of:

- **Land Rent.** The land rent rate was assumed to increase at 2.5% per year (the minimum annual adjustment in the CLA) with an assumed fair market value adjustment every 5 years. The square footage of the ConRAC site was assumed to remain unchanged during the Forecast Period.
- **M&O Fee.** The M&O Fee was assumed to be equal to annual ConRAC M&O Costs, which, for purposes of this 2021DE Report, is equal to the annual ConRAC O&M AP.
- **Concessionaire CTS Contribution.** The annual Concessionaire CTS Contribution was assumed to increase by 2.5% per year, as stipulated in the CLA. Other adjustments to the amount of the annual Concessionaire CTS Contribution are included in the new CLA but were not considered in this 2021DE Report since the adjustments would occur beyond the Forecast Period.

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 minimum annual guarantee, plus 10% of any gross sales in excess of $175 million.

As a result of the reduced passenger traffic, duty free revenues in FY 2020 decreased by $29.2 million, from $84.9 million (5.3% of Pledged Revenues) in FY 2019 to $55.7 million (3.9% of Pledged Revenues) in FY 2020. In FY 2021, duty free revenues decreased by another $50.6 million to $5.1 million and accounted for 0.5% of Pledged Revenues. As a result of a forecast increase in the number of enplaned passengers using the Airport in FY 2022, duty free revenues are forecast to increase to $12.5 million (0.9% of Pledged Revenues) in FY 2022.

Duty free revenues are forecast to increase based, in part, on growth in the number of international passengers at the Airport and inflation.

Terminal Concession 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 2025. These concessionaires pay the Department the greater of either a percentage of gross receipts or a minimum annual guarantee.

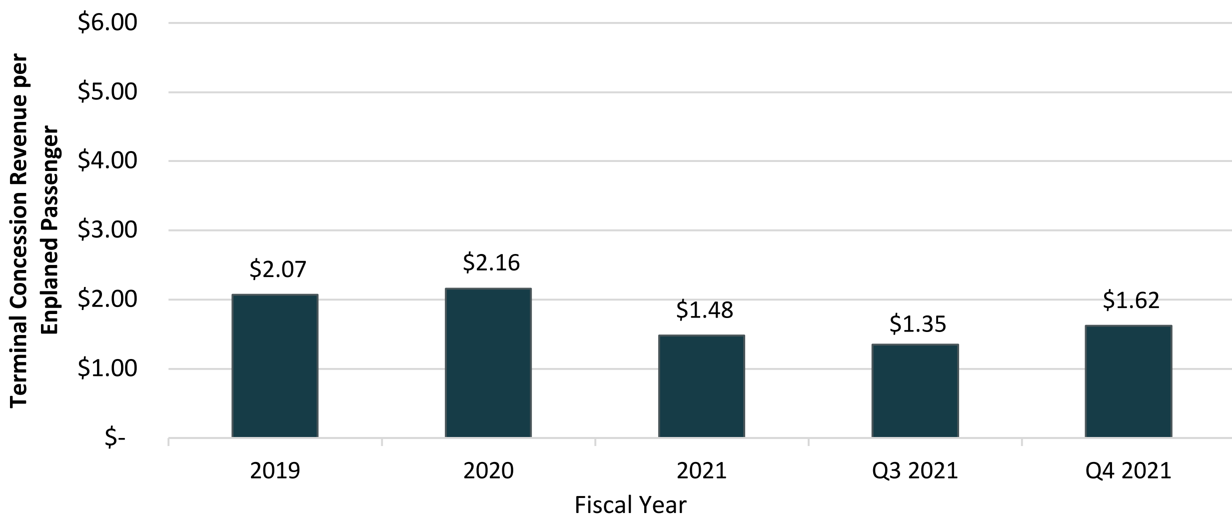
- **Terminal Commercial Manager Concessions**–These concessions are operated under two separate concession agreements that the Department has entered into with Westfield Airports, LLC (Westfield). One agreement is for Terminal 2, TBIT, and MSC North. The second agreement is for Terminals 1, 3, and 6. 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 2034. Under the Department's agreements with URW, the Department receives the greater of a minimum annual guarantee or rent (consisting of a base percentage of URW's revenues plus a contingent percentage additional rent if gross sales exceed certain benchmarks).

For the five years from FY 2014 to FY 2019, annual terminal concession revenues increased at an average annual growth rate of 6.4%. In FY 2019, terminal concession revenues totaled $91.4 million, and accounted for 5.8% of Pledged Revenues.

Terminal concession revenues were lower in FY 2020 due to the reduction in the number of enplaned passengers at the Airport caused by the COVID-19 pandemic and by payment deferrals pursuant to the Concessionaires and Services Temporary Relief Program, which resulted in a $23.6 million reduction in revenues to $67.9 million in FY 2020. In FY 2021, Terminal concession revenues decreased by $46.3 million to $21.5 million and accounted for 2.0% of Pledged Revenues.

Figure 43 shows average terminal concession revenue per enplaned passenger for FY 2019, FY 2020, FY 2021 and recent quarterly terminal concession revenue per originating passenger in FY 2021. Terminal concession revenue per enplaned passenger was $2.07 in FY 2019, $2.16 in FY 2020 and $1.48 in FY 2021.

Figure 43
TERMINAL CONCESSION REVENUE PER ENPLANED PASSENGER
Los Angeles International Airport



Source: Department management records.

As passenger traffic at the Airport has recovered, terminal concession revenue per enplaned passenger has been lower relative to prior Fiscal Years, likely as a result of limited concession openings and reduced service hours.

The forecasts of retail and food and beverage concession revenues and terminal commercial management revenues were developed together based, in part, on the Department's FY 2022 budget and combined per passenger spend rates for the three categories along with traffic recovery. It was assumed that as the Department's existing retail concession agreements and existing food and beverage concession agreements expire during the Forecast Period, new agreements would be executed with similar terms and conditions and financial performance.

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. Terminal advertising revenue in FY 2019, FY 2020, and FY 2021 accounted for 2.0%, 2.0%, and 0.9% of Pledged Revenues, respectively. The agreement with JCDecaux is scheduled to expire in December 2023.

For purposes of this 2021DE Report, it was assumed that following expiration of the agreement with JCDecaux, a new agreement would be executed with similar terms and conditions and financial performance. Terminal advertising revenues are forecast to increase with 2.0% inflation.

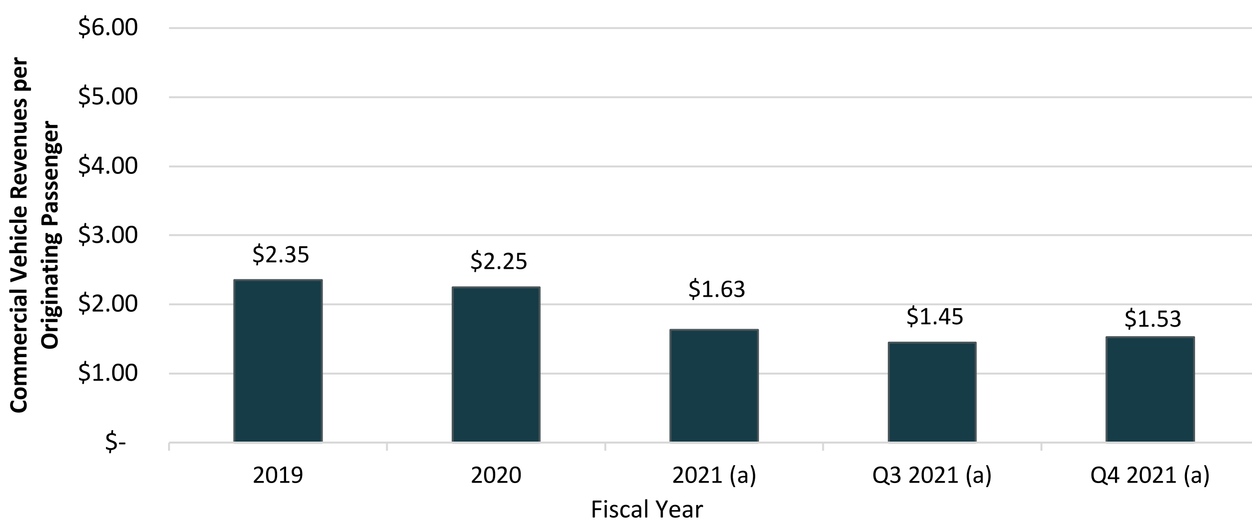
Commercial Vehicle Revenues. The Department generates revenues from a per trip fee on all bus, limousine, and taxicab operators, as well as TNCs such as Uber and Lyft. For the five years from FY 2014 to FY 2019, commercial vehicle revenues increased at an average annual growth rate of 33.1% driven by the introduction of TNC's at the Airport.

Commercial vehicle revenues benefited from the introduction of TNC's at the Airport when 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.

Commercial vehicle revenues were lower in FY 2020 due to the reduction in the number of passengers using the Airport caused by the COVID-19 pandemic. As a result of the reduced passenger traffic, commercial vehicle revenue in FY 2020 decreased by $27.3 million, from $85.6 million in FY 2019 to $58.3 million in FY 2020. In FY 2021, commercial vehicle revenues decreased by $31.2 million to $27.1 million and accounted for 2.5% of Pledged Revenues.

Figure 44 presents the trend of commercial vehicle revenues paid to the Department per originating passenger at the Airport for FY 2019, FY 2020 and FY 2021 and recent quarterly commercial vehicle revenue per originating passenger in FY 2021. Commercial vehicle revenue per originating passenger was $2.35 in FY 2019, $2.25 in FY 2020 and $1.63 in FY 2021. Commercial vehicle revenue per originating passenger remains below pre-COVID levels.

Figure 44
COMMERCIAL VEHICLE REVENUES PER ORIGINATING PASSENGER
Los Angeles International Airport



Source: Department records.
(a) Results based on a preliminary, unaudited, financial results and originating passenger estimates for FY 2021 as described above.

Commercial vehicle revenues, including revenues from Uber and Lyft, are forecast to increase with inflation and passenger growth.

Other Concession Revenue. Revenues in this category primarily include fees generated from foreign exchange, telecommunications, luggage carts, and automated teller machine transactions. Other concession revenue in FY 2019, FY 2020, and FY 2021 accounted for 1.3%, 1.2%, and 0.6% of Pledged Revenues, respectively. Other concession revenue is forecast to increase with inflation and enplaned passenger growth.

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. Investment earnings in FY 2019, FY 2020, and FY 2021 accounted for 3.9%, 4.8% and 1.9% of Pledged Revenues, respectively. The forecast of investment earnings is based on an assumed increase in the investment earnings rate and estimated increases in LAX Revenue Fund, Debt Service Reserve Fund, and M&O Reserve Fund balances during the Forecast Period.

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 in the "Rental Car Revenues" section of this 2021DE Report. Miscellaneous revenues accounted for 1.3% of Pledged Revenues in FY 2019, FY 2020, and FY 2021.

The forecast of the BABs subsidies is based on (1) the assumption that federal sequestration will continue, (2) debt service schedules for the associated BABs, and (3) historical subsidies.

The forecast of Concessionaire CTS Contributions for FY 2023 through FY 2027 was based on the forecast Concessionaire CTS Contribution at ConRAC DBO and 2.5% growth in FY 2025 through FY 2027, each as specified in the CLA. The M&O Fee is assumed to be equal to annual ConRAC M&O Costs, which for purposes of this 2021DE Report is equal to the annual ConRAC O&M AP. All other miscellaneous revenues are forecast based on assumed rates of inflation.

LAX M&O EXPENSES

Exhibit D presents LAX M&O Expenses by expense type and by Airport cost center. 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.

FY 2022 Budget LAX M&O Expenses

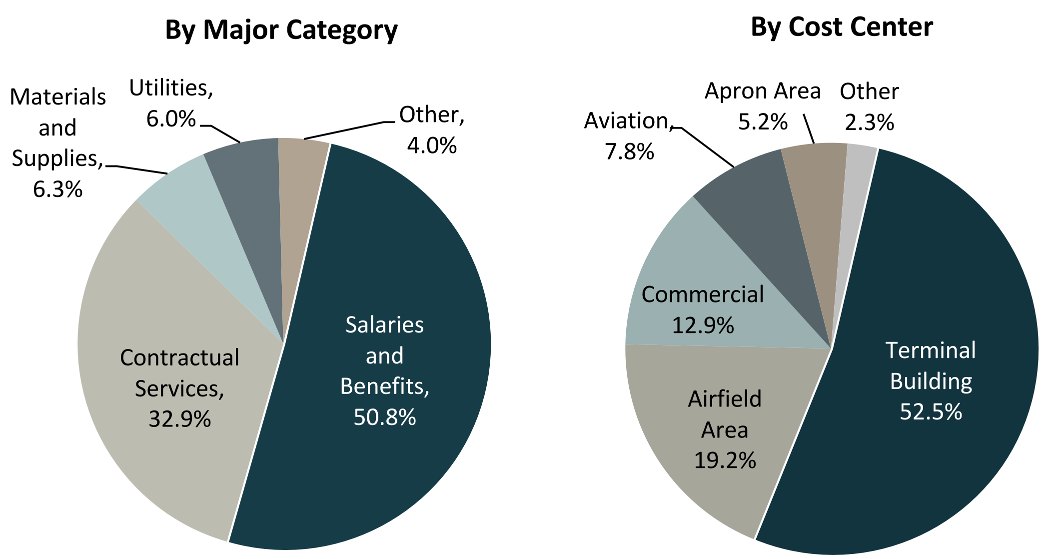
The Department's LAX M&O Expenses budget for FY 2022 was used as the basis for forecasting LAX M&O Expenses.

Historically, salaries and benefits have represented the single largest category of expense at the Airport, which is typical of most U.S. airports, and is expected to be the case in FY 2022 (approximately 50.7%) and during each Fiscal Year of the Forecast Period at the Airport. The next largest category of expense at the Airport is contractual services, which includes expenses associated with various technical, professional service, management, and other contracts. Other categories of LAX M&O Expenses include materials and supplies, utilities, and other operating expenses[63].

The major categories of budgeted FY 2022 LAX M&O Expenses and the allocation to Airport cost centers are shown on Figure 45.

The Department's LAX M&O Expenses budget for FY 2022 includes expenses related to the transition of the operation and management of certain Common Use Equipment from an airline consortium to the Department.

Figure 45
FY 2022 BUDGET LAX MAINTENANCE AND OPERATION EXPENSES



Notes: The percentages by major category in this figure are prior to adjustments to exclude M&O Expenses associated with administrative expenses allocated to other airports operated by the Department and LAX M&O Expenses paid from grants. The sector shares may not add to 100.0% due to rounding.
Source: The Department's FY 2022 budget.

[63] Includes expenses associated with administrative services and advertising and public relations.

Forecast LAX M&O Expenses

Forecast LAX M&O Expenses in FY 2023 through FY 2027 are based on (1) the Department's FY 2022 budget and its plans for operating Airport facilities throughout the Forecast Period, (2) assumed inflationary and real (net of inflation) increases in the costs of labor, services, utilities, and supplies, and (3) estimates of additional expenses associated with new or expanded Airport facilities included in the Airport Capital Program to be placed in service during the Forecast Period (as described below).

The Department expects that certain projects in the Airport Capital Program, including but not limited to, the APM System project, and the ConRAC project will result in additional increases in LAX M&O Expenses during the Forecast Period.

LAX M&O Expenses are forecast to increase from a budget of approximately $861.7 million in FY 2022 to approximately $1.2 billion in FY 2027, an average annual increase of 6.3% per year. The forecast 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.

As reflected on Exhibit D, as part of the Airline Cost Stabilization and Recovery Plan discussed previously, the Department used approximately $258.9 million of Coronavirus Relief Grants to pay certain LAX M&O Expenses in FY 2020 and FY 2021 and expects to use an additional $125.1 million in FY 2022 and FY 2023 to substantially reduce airline costs at the Airport and replace lost nonairline revenues due to reductions in passengers. LAX M&O Expenses paid using grants, including Coronavirus Relief Grants, can be excluded from the calculation of Debt Service coverage pursuant to the Revenue Bond Indentures.

DEBT SERVICE

Exhibit E presents Senior Bond Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service for outstanding Senior Bonds and Subordinate Obligations, respectively, as well as for the proposed Series 2021DE Bonds and Future Bonds.

Principal of and interest on Senior Bonds or Subordinate Obligations paid with PFC revenues, CFC revenues, and Coronavirus Relief Grants 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. Exhibit E reflects PFC revenues, CFC revenues, and Coronavirus Relief Grants expected to be used by the Department each Fiscal Year to pay debt service. The actual amount of PFC revenues, CFC revenues, and Coronavirus Relief Grants that the Department will use to pay debt service may vary from year to year.

As shown in Exhibit E, Senior Bond Aggregate Annual Debt Service is projected to increase from approximately $52.1 million in FY 2021 to approximately $299.6 million in FY 2027. Subordinate Aggregate Annual Debt Service is projected to increase from approximately $123.8 million in FY 2021 to approximately $340.6 million in FY 2027.

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 September 1, 2021, the Department's current outstanding Commercial Paper Notes balance is approximately $241.9 million including the Series A, Series B, Series C, and Series D Subordinate Commercial Paper Notes. As reflected on Exhibit E, the Commercial Paper Notes are expected to be repaid with Future Bonds, with the exception of certain Commercial Paper Notes previously used to pay for the Skywest property acquisition which are assumed to remain outstanding during the Forecast Period.

Proposed Series 2021DE Bonds

Debt service on the proposed Series 2021DE Bonds was estimated by the Department's Co-Financial Advisor. The proposed Series 2021DE Bonds are assumed to be issued as fixed-rate bonds with a final maturity date of May 2051. An all-in true interest cost of approximately 3.07% on the proposed Series 2021DE Subordinate Bonds was assumed by the Co-Financial Advisor.

Future Senior Bonds and Subordinate Obligations

Debt service projected for future Senior Bonds and Subordinate Obligations expected to be issued during the Forecast Period (as shown in Exhibit E) was also provided by the Co-Financial Advisor, based on the following assumptions:

- An assumed fixed interest rate of 6.00% for both future Senior Bonds and future Subordinate Obligations.
- Capitalized interest and other costs of issuance to be funded from the net proceeds of Future Bonds; debt service on Future Bonds included in the financial forecasts presented in this 2021DE Report is net of capitalized interest.
- The Future Bonds for each project will be amortized over the lower of the project's expected useful life or 30 years, whichever occurs first.
- Future Bonds issued to pay for airfield, apron, or LAMP projects will be Subordinate Obligations.
- Future Bonds issued for all other projects in the Airport Capital Program will be Senior Bonds.

USE OF PFC AND CFC REVENUES DURING FORECAST PERIOD

PFC Revenues

In addition to using PFC revenues on a pay-as-you-go basis to help fund certain Airport Capital Program projects (as reflected on Exhibit A), the Department uses PFC revenues 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 Revenue Bond Indentures. For purposes of meeting the Rate Covenants, the portion of principal and interest on Senior Bonds and 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.

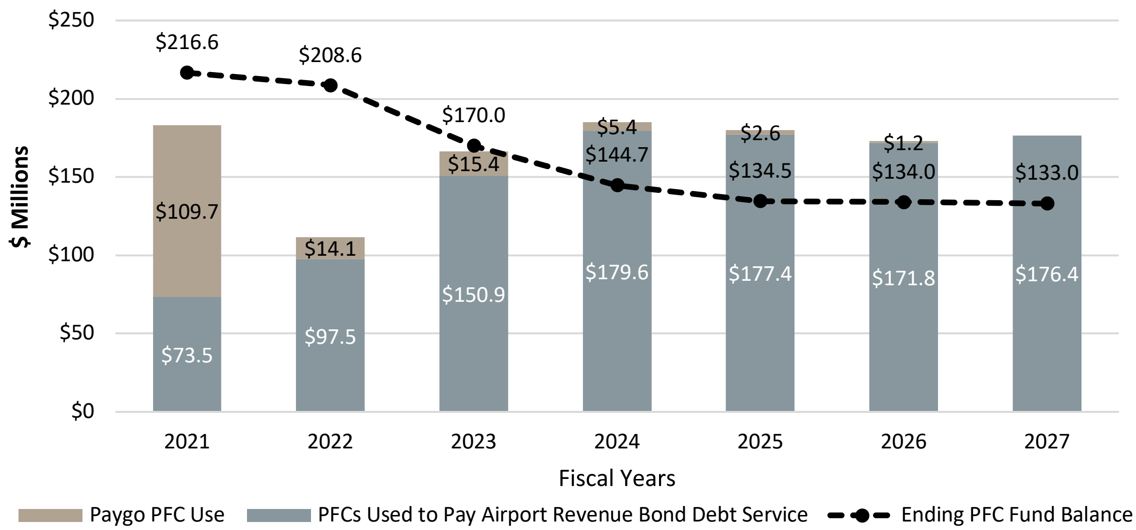
To date, the FAA has authorized the Department to collect and use $6.0 billion in PFC revenues at the Airport at the $4.50 PFC level for approved projects. As previously discussed, the Department expects to seek FAA approval for additional PFC authorization to pay a portion of PFC-eligible annual APM System Capital Costs. As of June 30, 2021, the Department had collected a total of $3.0 billion in PFC revenues (including interest income) and expended approximately $2.8 billion on FAA-approved PFC-eligible projects.

Figure 46 presents the Department's currently expected use of PFC revenues to (1) pay revenue bond debt service and (2) pay for certain Airport Capital Program costs on a pay-as-you-go basis through the Forecast Period, and also reflects the estimated ending PFC Fund balance. The Department currently plans to maintain approximately 75% of annual PFC revenues used to pay debt service in the PFC Fund each Fiscal Year to have a reserve for potential future passenger traffic downturns at the Airport.

The overall Airport Capital Program funding plan, forecast airline revenues, and other key financial results presented in this 2021DE Report assume that the current $4.50 PFC level at the Airport will remain in effect during the Forecast Period and that the Department will submit and receive approval for future PFC applications to use PFC revenues to pay PFC-eligible costs of certain projects in the Airport Capital Program.

As reflected on Exhibit E, the Department currently expects to use between $63.4 million and $113.8 million of annual PFC revenues to pay Senior Debt Service between FY 2022 to FY 2027, and between $34.1 million and $88.4 million of annual PFC revenues to pay Subordinate Obligation Debt Service between FY 2022 to FY 2027.

Figure 46
USE OF PFC REVENUES AND ENDING PFC FUND BALANCE
Los Angeles International Airport



CFC Revenues

As discussed in detail in the "Consolidated Rent-A-Car Facility" section of this 2021DE Report, the Department currently collects revenue from a $9.00 CFC per rental car transaction day (up to a 5-day maximum), the maximum amount allowable CFC per rental car transaction in the State of California. The Department currently expects 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 has collected $539.4 million of CFC Revenues through FY 2021 and has expended $448.2 million on ConRAC-related project costs through FY 2021.

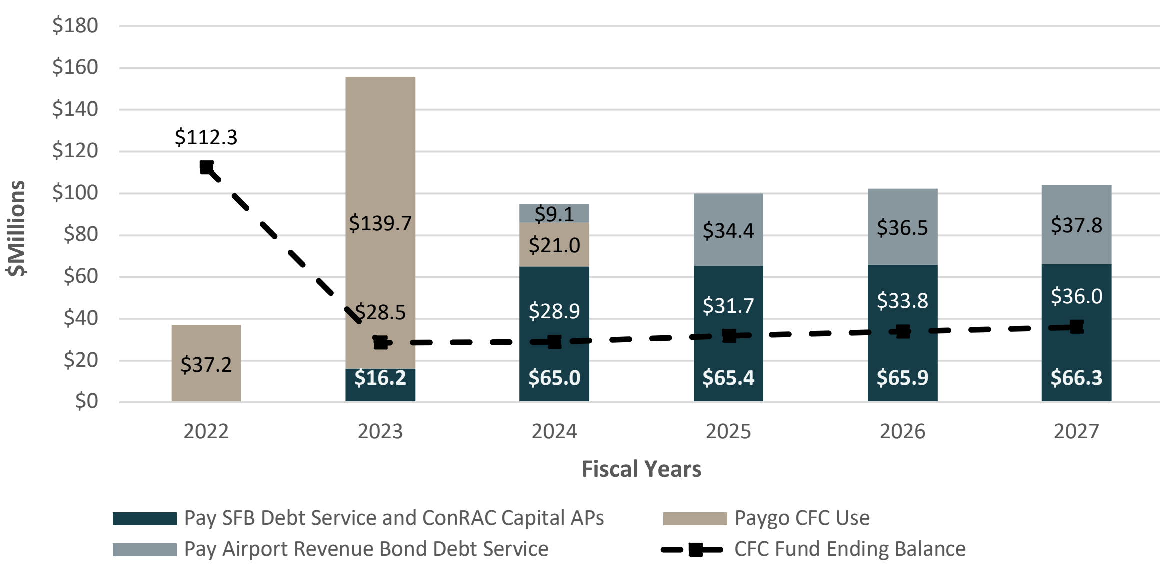
After ConRAC DBO, the Department currently expects to use CFC Revenues to (1) pay debt service on ConRAC Special Facility Obligations, (2) pay ConRAC Capital APs, and (3) maintain a minimum balance in the CFC Fund equal to annual ConRAC Special Facility Obligations debt service. The Department expects to use remaining CFC Revenues to help pay up to 41% of Senior Revenue Bond Debt Service and Subordinate Obligation Debt Service associated with the APM System. CFC Revenues expected to be used to pay Senior Revenue Bond Debt Service and Subordinate Obligation Debt Service is presented on Exhibit E.

CFC Revenues are not included in the definition of Pledged Revenues under the Revenue Bond Indentures. For purposes of meeting the Rate Covenants, the portion of principal and interest on Senior Bonds or Subordinate Obligations paid with CFC Revenues are excluded from the calculation of Senior Bond Aggregate Annual Debt Service and Subordinate Obligations Aggregate Annual Debt Service.

Figure 47 presents the Department's currently expected use of CFC revenues to (1) pay ConRAC project costs during construction on a pay-as-you-go basis, (2) pay ConRAC Special Facility Obligation debt service through the Forecast Period, (3) pay ConRAC Capital APs through the Forecast Period, and (4) to pay a portion of estimated Senior Bond or Subordinate Obligation debt service (as reflected on Exhibit E—Debt Service). Figure 47 also reflects the forecast ending CFC Fund balance, which provides a reserve for potential future passenger traffic downturns at the Airport.

As reflected on Exhibit E, the Department expects to use between \$0.2 million and \$37.8 million of annual CFC revenues to pay Subordinate Obligation Debt Service between FY 2022 to FY 2027.

Figure 47
USE OF CFC REVENUES AND ENDING CFC FUND BALANCE
Los Angeles International Airport



Coronavirus Relief Grants

As discussed earlier, the Department currently expects to use CRSSA Act and ARP Act grants in FY 2022 and FY 2023 to (1) substantially reduce airline costs at the Airport, (2) replace lost nonairline revenues due to reductions in the number of passengers using the Airport, (3) reduce near-term costs of certain airline Common Use Equipment, and (4) pay certain Debt Service.

Coronavirus Relief Grants are not included in the definition of Pledged Revenues under the Revenue Bond Indentures. For purposes of meeting the Rate Covenants, the portion of principal and interest on Senior Bonds or Subordinate Obligations paid with Coronavirus Relief Grants are excluded from the calculation of Senior Bond Aggregate Annual Debt Service and Subordinate Obligations Aggregate Annual Debt Service.

FLOW OF FUNDS AND DEBT SERVICE COVERAGE UNDER THE REVENUE BOND INDENTURES

Exhibit F presents the forecast application of Pledged Revenues 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.

The Senior Bond Rate Covenant is forecast to be met in each Fiscal Year of the Forecast Period:

- As reflected in Exhibit F, Pledged Revenues are forecast to exceed the amount of required deposits to various funds and accounts under the Senior Revenue Bond Indenture during each Fiscal Year of the Forecast Period, and
- As reflected in Exhibit F and on Figure 48, Net Pledged Revenues are forecast to equal at least 125% of the Senior Bond Aggregate Annual Debt Service, taking into account outstanding Senior Bonds and future Senior Bonds (and assuming no Transfers).

Under the Senior Revenue Bond Indenture, any Transfer taken into account for purposes of meeting the Senior Bond Rate Covenant shall not exceed 25% of Senior Bond Aggregate Annual Debt Service on outstanding Senior Bonds. No Transfers were assumed during the Forecast Period for the purposes of calculating Senior debt service coverage requirements.

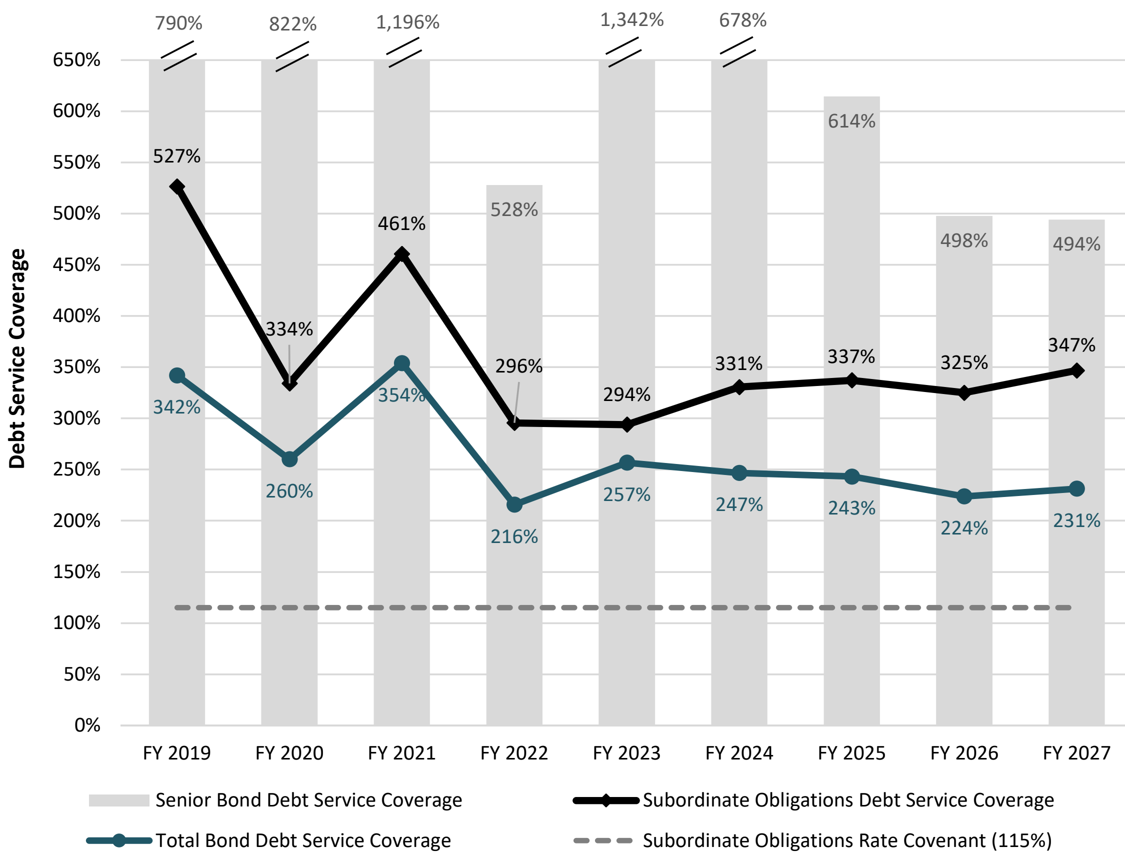
The Subordinate Obligations Rate Covenant is forecast to be met in each Fiscal Year of the Forecast Period:

- As reflected in Exhibit F, Subordinate Pledged Revenues are forecast to exceed the amount of required deposits to various funds and accounts under the Subordinate Revenue Bond Indenture during each Fiscal Year of the Forecast Period, and
- As reflected in Exhibit F and on Figure 48, Subordinate Pledged Revenues are forecast to equal at least 115% of the Subordinate Aggregate Annual Debt Service, taking into account outstanding Subordinate Obligations, and future Subordinate Obligations.

Under the Subordinate Revenue Bond Indenture, any Transfer taken into account for purposes of meeting the Subordinate Obligations Rate Covenant shall not exceed 15% of Subordinate Aggregate Annual Debt Service on outstanding Subordinate Obligations. No Transfers were assumed during the Forecast Period for the purposes of calculating Subordinate Obligations debt service coverage requirements.

Table 15 of the Official Statement for the proposed Series 2021DE Bonds provides historical data on debt service coverage for Senior Bonds and Subordinate Obligations.

Figure 48
FORECAST DEBT SERVICE COVERAGE UNDER THE REVENUE BOND INDENTURES
Los Angeles International Airport



Note: Includes debt service on Senior Bonds, existing Subordinate Obligations, including existing Subordinate Commercial Paper Notes, and estimated debt service on the proposed Series 2021DE Subordinate Bonds, Future Bonds, and future Subordinate Commercial Paper Notes. Debt service is net of capitalized interest, if any.
Source of Debt Service: Co-Financial Advisor.

PROJECTION OF DEBT SERVICE AND AVAILABILITY PAYMENT COVERAGE

A projection of coverage was prepared for informational purposes only to demonstrate the ability of the Department to meet all of its secured and unsecured obligations, which includes (a) all Debt Service on existing Senior and Subordinate Bonds, the proposed Series 2021DE Bonds, and Future Bonds and (b) the annual APM Capital AP and the annual ConRAC Capital AP, both of which are unsecured obligations of the Department that are not required to be included in the calculation of debt service coverage under the Revenue Bond Indentures.

The total annual revenues used to calculate coverage for informational purposes only are equal to (1) forecast annual Net Pledged Revenues plus (2) forecast annual CFC revenues that are currently expected by the Department to be used to pay the ConRAC Capital APs.

The projection of coverage (including the annual APM Capital AP and ConRAC Capital AP) is shown at the bottom of Exhibit F and ranges from 196% to 252% between FY 2023 and FY 2027.

SENSITIVITY ANALYSIS

The forecast financial results presented in this 2021DE Report were tested to determine the sensitivity of the forecast financial results in the last year of the Forecast Period assuming that the numbers of enplaned passengers at the Airport do not return to FY 2019 levels in FY 2025 but are delayed in returning to 2019 levels by 1 (2026) to 2 (2027) years.

	Forecast 2027		
Sensitivity Analyses (Enplaned Passengers recovering to FY 2019 levels)	Base (2025)	+1 Year (2026)	+2 Years (2027)
CPE	$33.56	$34.58	$35.28
Net Revenues Remaining[64] ($ millions)	$713.1	$695.2	$685.4
Senior Revenue Bond Debt Service Coverage	494%	489%	486%
Subordinate Obligation Debt Service Coverage	347%	340%	336%
Overall Indenture Debt Service Coverage	231%	228%	226%

Under the sensitivity analyses, forecast debt service coverage exceeds the Revenue Bond Rate Covenant and the Subordinate Obligation Rate Covenant.

[64] Net Revenues Remaining equals Net Pledged Revenues less Senior Aggregate Annual Debt Service less Subordinate Aggregate Annual Debt Service less any required reserve deposits under the Revenue Bond Indentures.

Exhibit A

ESTIMATED CAPITAL PROGRAM COSTS AND SOURCES OF FUNDS (a)

Los Angeles International Airport

(dollars in thousands)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Sources of Funds								
							Series 2021D	Future Bond Proceeds		
	Estimated Project Costs	AIP Grants	Pay-as-you-go PFCs	Department Funds	Other Funds (b)	Prior Bond Proceeds	Subordinate Bond Proceeds	Subordinate	Senior	Total
TERMINAL PROJECTS										
Midfield Satellite Concourse -- North Project	$ 1,497,994	$ -	$ 5,960	$ 296,017	$ -	$ 1,196,017	**$ -**	$ -	$ -	$ 1,497,994
Acquisition of Tenant Managed Terminal Projects										
North Terminal Improvement Program - Delta Air Lines (c)	$ 1,817,920	$ -	$ -	$ 262,949	$ -	$ 439,832	**$ 92,264**	$ -	$ 1,022,874	$ 1,817,920
Terminal 4 Project - American Airlines (c)(d)	1,056,930	-	-	324,580	-	446,485	**105,224**	-	180,640	1,056,930
Terminal 6 Project - Alaska Airlines (c)	232,556	-	-	7,550	-	10,700	**80,964**	-	133,342	232,557
Acquisition of Tenant Managed Terminal Projects Total	$ 3,107,406	$ -	$ -	$ 595,080	$ -	$ 897,018	**$ 278,453**	$ -	$ 1,336,856	$ 3,107,406
Terminal 1.5 Project (c)	$ 497,219	$ -	$ -	$ 2,397	$ -	$ 438,567	**$ 56,255**	$ -	$ -	$ 497,219
Midfield Satellite Concourse/Bradley West Baggage Project (c)	263,979	-	-	89,708	-	58,308	**115,963**	-	-	263,979
TBIT Core and APM System Interface (c)	277,701	-	-	25,287	-	134,441	**88,902**	-	29,071	277,701
Terminal 5 Core and APM System Interface (c)	214,524	-	-	19,411	-	129,363	**65,749**	-	-	214,524
Other Terminal Projects (e)	325,782	-	-	325,782	-	-	**-**	-	-	325,782
TERMINAL PROJECTS TOTAL	**$ 6,184,605**	**$ -**	**$ 5,960**	**$ 1,353,683**	**$ -**	**$ 2,853,714**	**$ 605,322**	**$ -**	**$ 1,365,927**	**$ 6,184,605**
AIRFIELD AND APRON PROJECTS										
Midfield Satellite Concourse -- North Apron Project	$ 192,387	$ -	$ -	$ 46,868	$ -	$ 145,519	**$ -**	$ -	$ -	$ 192,387
Taxiway P Construction (formerly Taxiway C-14)	120,224	60,200	-	12,431	-	47,594	**-**	-	-	120,224
Runway 7R-25L Reconstruction	25,565	-	-	6,018	-	19,547	**-**	-	-	25,565
Other Airfield and Apron Projects (f)	61,890	-	-	61,890	-	-	**-**	-	-	61,890
AIRFIELD AND APRON PROJECTS TOTAL	**$ 400,066**	**$ 60,200**	**$ -**	**$ 127,206**	**$ -**	**$ 212,660**	**$ -**	**$ -**	**$ -**	**$ 400,066**
LANDSIDE ACCESS MODERNIZATION PROGRAM										
APM System (g)(h)	$ 1,691,699	$ -	$ -	$ 491,040	$ -	$ 864,075	**$ -**	$ 336,583	$ -	$ 1,691,699
Consolidated Rent-a-Car Facility (ConRAC) (i)	984,118	-	-	95,373	888,745	-	**-**	-	-	984,118
LAMP Enabling Project (h)	695,769	-	-	670,769	25,000	-	**-**	-	-	695,769
Intermodal Transportation Facility (ITF-West Ph.1) (by LAWA) (j)	296,149	-	-	296,149	-	-	**-**	-	-	296,149
LAMP Right of Way Acquisitions & Relocations (h)	174,052	-	-	174,052	-	-	**-**	-	-	174,052
LANDSIDE ACCESS MODERNIZATION PROGRAM TOTAL	**$ 3,841,787**	**$ -**	**$ -**	**$ 1,727,384**	**$ 913,745**	**$ 864,075**	**$ -**	**$ 336,583**	**$ -**	**$ 3,841,787**
REMAINING PROJECTS										
Noise Mitigation and Soundproofing	$ 384,079	$ 13,750	$ 196,939	$ 173,391	$ -	$ -	**$ -**	$ -	$ -	$ 384,079
Airport Police Station & Facilities	217,335	-	-	16,038	-	201,296	**-**	-	-	217,335
Power Distribution Facility (c)	158,723	-	-	-	-	37,358	**47,568**	-	73,796	158,723
Infrastructure (k)	20,802	-	-	20,802	-	-	**-**	-	-	20,802
Landside (l)	50,614	-	-	50,614	-	-	**-**	-	-	50,614
Miscellaneous (m)	199,749	-	-	199,749	-	-	**-**	-	-	199,749
REMAINING PROJECTS TOTAL	**$ 1,031,301**	**$ 13,750**	**$ 196,939**	**$ 460,593**	**$ -**	**$ 238,654**	**$ 47,568**	**$ -**	**$ 73,796**	**$ 1,031,301**
TOTAL CAPITAL PROGRAM	**$ 11,457,759**	**$ 73,950**	**$ 202,899**	**$ 3,668,866**	**$ 913,745**	**$ 4,169,103**	**$ 652,891**	**$ 336,583**	**$ 1,439,723**	**$ 11,457,759**

(a) Only includes projects expected to be completed by FY 2026 to show one full year of financial forecasts following completion of the Capital Program. The Department's published Capital Program of $14.9 billion includes $3.4 billion of completed projects, developer payments, and projects after FY 2026 that are not reflected in this Exhibit A.

(b) For ConRAC, includes (1) pay-as-you-go CFC revenues and (2) proceeds of special facility obligations expected to be issued by the Department and secured by CFC revenues. For Enabling Projects, includes $25 million of Dept. of Water & Power funds.

(c) To be partially funded with the net proceeds of the Series 2021DE Subordinate Bonds.

(d) The Department expects that a future phase associated with this project will be constructed after the Forecast Period and be completed by the end of FY 2028. The Department currently expects the future phase to cost approximately $612 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 Forecast Period and Future Bond proceeds issued after the Forecast Period.

(e) Includes closed circuit television improvements, pipe replacement in the CTA, utilities improvements, bag system improvements, certain future terminal planning costs, and other miscellaneous terminal improvements.

(f) Includes improvements to stormwater connections, a replacement of the fire drill training facility, utilities improvements, and other miscellaneous airfield improvements.

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

(h) This project is assumed to be an Access Cost Center project.

(i) Does not include costs to be paid by ConRAC Developer during construction.

(j) This project is assumed to be allocated to the Commercial Cost Center.

(k) Includes drainage and utility improvements.

(l) Includes projects for landside accessibility, auxiliary curb project, Bradley West traffic mitigations, and parking structure improvements.

(m) Includes settlements with local jurisdictions, site preparation, safety, communications, security, and other miscellaneous improvements.

Source: City of Los Angeles, Department of Airports.

Exhibit B

ESTIMATED SOURCES AND USES OF BOND FUNDS

Los Angeles International Airport

(dollars in thousands)

	Proposed Series 2021DE Subordinate Bonds	Future Series 2022	Future Series 2023	Future Series 2024	Future Series 2025	Future Series 2026	Total Future Bond Series	Total Series 2021DE Subordinate Bonds and Future Bond Series
SENIOR BONDS								
Sources of funds								
Par amount		$ 870,080	$ 838,070	$ 260,790	$ 89,075	$ 65,535	$ 2,123,550	$ 2,123,550
Interest income		-					-	-
Reoffering premium		-	-				-	-
Total sources of funds	**$ -**	**$ 870,080**	**$ 838,070**	**$ 260,790**	**$ 89,075**	**$ 65,535**	**$ 2,058,015**	**$ 2,123,550**
Uses of funds								
Project costs funded with bond proceeds		$ 608,914	$ 600,286	$ 184,652	$ 44,772	$ 1,098	$ 1,439,723	$ 1,439,723
Restructured debt service		22,883	47,491	-	-	-	70,374	70,374
Repayment of Commercial Paper Notes used to pay capitalized interest		49,024	24,461	16,671	21,931	47,336	159,423	159,423
Capitalized interest		111,279	89,829	36,273	14,559	11,316	263,256	263,256
Debt service reserve fund deposit		69,273	67,618	20,583	6,918	5,129	169,521	169,521
Costs of issuance		4,350	4,190	1,304	445	328	10,618	10,618
Underwriters discount		4,350	4,190	1,304	445	328	10,618	10,618
Contingency		6	3	3	4	1	17	17
Total uses of funds	**$ -**	**$ 870,080**	**$ 838,070**	**$ 260,790**	**$ 89,075**	**$ 65,535**	**$ 2,058,015**	**$ 2,123,550**
SUBORDINATE BONDS								
Sources of funds								
Par amount	$ 681,120	$ 166,710	$ 169,580	$ 276,640	$ -	$ -	$ 612,930	$ 1,294,050
Interest income	-	-	-	-	-	-	-	-
Reoffering premium	92,281	-	-	-	-	-	-	92,281
Total sources of funds	**$ 773,401**	**$ 166,710**	**$ 169,580**	**$ 276,640**	**$ -**	**$ -**	**$ 612,930**	**$ 1,386,331**
Uses of funds								
Project costs funded with bond proceeds	$ 652,891	$ 85,420	$ 136,381	$ 114,782	$ -	$ -	$ 336,583	$ 989,474
Restructured debt service	73,961	51,864	6,900	-	-	-	58,764	132,725
Repayment of Commercial Paper Notes used to pay capitalized inte	2,299	-	-	134,923	-	-	134,923	137,222
Capitalized interest	-	13,935	10,952	2,121	-	-	27,008	27,008
Debt service reserve fund deposit	42,169	13,817	13,645	22,045	-	-	49,507	91,676
Costs of issuance	609	834	848	1,383	-	-	3,065	3,674
Underwriters discount	1,469	834	848	1,383	-	-	3,065	4,534
Contingency	3	7	6	3	-	-	16	19
Total uses of funds	**$ 773,401**	**$ 166,710**	**$ 169,580**	**$ 276,640**	**$ -**	**$ -**	**$ 612,930**	**$ 1,386,331**

Source: Public Resources Advisory Group.

Note: Columns or rows may not add to totals shown because of rounding.

Exhibit C

PLEDGED REVENUES

Los Angeles International Airport

Fiscal Years Ending June 30

(dollars in thousands)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual	Actual	Preliminary Actual Unaudited	Forecast					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Airline Revenues									
Terminal Building rentals (a)	$ 495,033	$ 479,762	$ 472,378	$ 598,434	$ 687,776	$ 891,153	$ 1,052,978	$ 1,107,132	$ 1,144,489
Landing and apron fees	295,724	258,013	222,412	266,893	350,527	422,745	486,605	509,464	522,651
Total Airline Revenues	**$ 790,758**	**$ 737,776**	**$ 694,789**	**$ 865,327**	**$ 1,038,303**	**$ 1,313,898**	**$ 1,539,583**	**$ 1,616,595**	**$ 1,667,141**
Annual increase/(decrease)		-6.7%	-5.8%	24.5%	20.0%	26.5%	17.2%	5.0%	3.1%
Aviation Revenues (b)									
Land rentals (c)	$ 118,145	$ 115,523	$ 109,556	$ 126,282	$ 128,061	$ 158,062	$ 158,460	$ 164,133	$ 170,084
Building rent (d)	86,913	91,715	79,704	86,622	83,979	86,145	88,356	90,677	92,995
Aircraft parking	1,943	2,375	2,035	1,925	2,203	2,538	2,674	2,751	2,830
Fuel fees	981	641	1,095	1,146	1,311	1,510	1,591	1,637	1,684
Other aviation revenue (e)	4,466	4,318	4,616	3,987	4,563	5,257	5,539	5,699	5,864
Total Aviation Revenues	**$ 212,448**	**$ 214,572**	**$ 197,006**	**$ 219,962**	**$ 220,117**	**$ 253,512**	**$ 256,620**	**$ 264,897**	**$ 273,457**
Annual increase/(decrease)		1.0%	-8.2%	11.7%	0.1%	15.2%	1.2%	3.2%	3.2%
Concession Revenues									
Auto parking (f)	$ 104,274	$ 87,789	$ 57,259	$ 80,520	$ 107,976	$ 142,739	$ 154,815	$ 160,505	$ 166,416
Rental cars	82,607	65,181	33,686	58,441	64,697	82,349	89,521	92,901	96,412
Duty free	84,912	55,732	5,140	12,542	24,220	50,203	85,558	89,569	93,768
Duty paid terminal concessions									
Food & beverage	$ 25,464	$ 18,819	$ 7,148	$ 13,100	17,762	24,371	26,494	27,494	28,533
Retail	12,185	9,462	5,982	10,963	11,644	12,564	12,498	12,970	13,460
Terminal commercial management	53,794	39,606	8,419	15,430	26,871	47,356	51,481	53,424	55,443
Duty paid terminal concessions total	$ 91,443	$ 67,888	$ 21,549	$ 39,493	$ 56,277	$ 84,291	$ 90,473	$ 93,888	$ 97,436
Commercial vehicles revenue (g)	85,601	58,336	27,130	43,664	45,329	57,062	60,815	61,874	62,953
Foreign exchange	11,769	8,995	1,025	-	3,000	7,321	11,769	12,214	12,676
Telecommunications	1,729	1,074	853	678	915	1,235	1,667	1,730	1,795
Other concession revenue (h)	7,156	7,459	5,108	3,550	4,438	5,548	6,935	7,197	7,469
Terminal advertising	31,676	27,876	9,672	18,450	22,140	26,568	31,882	32,520	33,170
Total Concession Revenues	**$ 501,167**	**$ 380,331**	**$ 161,423**	**$ 257,339**	**$ 328,992**	**$ 457,315**	**$ 533,435**	**$ 552,398**	**$ 572,095**
Annual increase/(decrease)		-24.1%	-57.6%	59.4%	27.8%	39.0%	16.6%	3.6%	3.6%

Exhibit C (Page 2 of 2)
PLEDGED REVENUES
Los Angeles International Airport
Fiscal years ending June 30th
(dollars in thousands)

	Actual	Actual	Prelim. Actual	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Miscellaneous Revenues									
Build America Bonds subsidy (Series 2009C)	$ 5,980	$ 5,719	$ 5,779	$ 5,828	$ 5,592	$ 5,345	$ 5,089	$ 4,820	$ 4,541
Build America Bonds subsidy (Series 2010C)	1,369	1,465	1,379	1,465	1,465	1,465	1,465	1,465	1,465
Other Airport sales & services	3,639	4,082	3,737	6,473	6,602	6,734	6,868	7,006	7,147
Common Transportation System Contributions (i)	-	-	-	-	-	22,224	45,279	46,411	47,571
ConRAC Concessionaire M&O Fee (j)	-	-	-	-	1,810	7,295	7,463	7,634	7,810
Miscellaneous revenues (k)	9,720	7,178	3,654	6,458	6,587	6,719	6,853	6,991	7,130
Total Miscellaneous Revenues	**$ 20,708**	**$ 18,444**	**$ 14,549**	**$ 20,224**	**$ 22,056**	**$ 49,783**	**$ 73,016**	**$ 74,327**	**$ 75,664**
Annual increase/(decrease)		-10.9%	-21.1%	39.0%	9.1%	125.7%	46.7%	1.8%	1.8%
Investment Earnings	$ 62,483	$ 68,220	$ 20,283	$ 41,299	$ 40,964	$ 43,935	$ 47,816	$ 54,006	$ 63,728
Total Pledged Revenues	**$ 1,587,563**	**$ 1,419,343**	**$ 1,088,051**	**$ 1,404,151**	**$ 1,650,431**	**$ 2,118,443**	**$ 2,450,471**	**$ 2,562,223**	**$ 2,652,085**
Annual increase/(decrease)		-10.6%	-23.3%	29.1%	17.5%	28.4%	15.7%	4.6%	3.5%

(a) Net of Tier 2 Revenue Sharing credits. Additional common use fees are included starting in FY 2022 associated with transition of certain common use facilities from airline consortium to the Department.
(b) Other than Airline Terminal rentals, landing fees, and apron fees.
(c) Includes revenues associated with the Park One property and Skyview. Starting in FY 2023, includes additional land rent from the ConRAC Concessionaires. Decreases in FY 2020 and FY 2021 related to previously-leased land that was re-purposed for certain Airport capital projects.
(d) Includes (1) passenger terminal building rents from entities other than airlines and (2) rents from buildings other than the passenger terminals. Decrease in FY 2021 related to previously-leased buildings, hangars, warehouses on land that was re-purposed for certain Airport capital projects.
(e) Includes certain TSA revenues and other aviation fees.
(f) Forecast reflects (1) various increases and decreases in spaces by facility related to construction of Airport projects, (2) new ITF-West phase 1 parking garage estimated to open October 2021, and (3) expected ITF West parking rate increase when APM system opens.
(g) Includes bus, limousine, taxi cab, and transportation network company (e.g. Uber/Lyft) revenues.
(h) Includes, among other items, luggage carts and automated teller machine revenue.
(i) ConRAC Concessionaire Common Transportation System Contributions used to pay a portion of annual estimated APM operating and capital costs.
(j) Payment from ConRAC Concessionaires to the Department for the ConRAC M&O AP. Excludes the variable M&O expenses of the ConRAC (also to be paid by the ConRAC Concessionaires).
(k) Includes certain other TSA revenues.

Exhibit C-1

AIRLINE REVENUES AND COST PER ENPLANED PASSENGER

Los Angeles International Airport

Fiscal Years Ending June 30

(amounts in thousands, except cost per enplaned passenger)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and

	Actual	Actual	Estimated	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
AIRLINE REVENUES									
Airline Terminal Rentals	$ 495,033	$ 501,964	$ 472,378	$ 598,434	$ 687,776	$ 891,153	$ 1,058,840	$ 1,147,519	$ 1,166,942
Less: Tier Two Revenue Sharing (a)	-	(22,201)	-	-	-	-	(5,862)	(40,388)	(22,453)
Net Airline Terminal Rentals	$ 495,033	$ 479,762	$ 472,378	$ 598,434	$ 687,776	$ 891,153	$ 1,052,978	$ 1,107,132	$ 1,144,489
Less: Airline Lounge Payments	$ (32,250)	$ (27,215)	$ (33,330)	$ (44,694)	$ (48,520)	$ (55,649)	$ (64,357)	$ (67,730)	$ (68,845)
Net Airline Terminal Payments -- Aeronautical	$ 462,783	$ 452,547	$ 439,048	$ 553,739	$ 639,256	$ 835,504	$ 988,621	$ 1,039,401	$ 1,075,644
Signatory Airline Landing and Apron Fees	295,172	257,698	222,260	266,893	350,527	422,745	486,605	509,464	522,651
Subtotal Signatory Airline Revenues	$ 757,955	$ 710,245	$ 661,308	$ 820,632	$ 989,784	$ 1,258,249	$ 1,475,227	$ 1,548,865	$ 1,598,296
Non-Signatory landing fees (b)	553	315	151	-	-	-	-	-	-
Less: Landing Fees associated with all-cargo carriers	(28,233)	(36,253)	(72,357)	(47,960)	(58,034)	(63,648)	(65,880)	(60,865)	(47,837)
Total Passenger Airline Revenues	**$ 730,274**	**$ 674,307**	**$ 589,103**	**$ 772,672**	**$ 931,750**	**$ 1,194,601**	**$ 1,409,346**	**$ 1,488,000**	**$ 1,550,459**
Enplaned passengers	44,207	31,429	14,594	26,747	33,269	41,880	44,635	45,412	46,204
Airline cost per enplaned passenger	**$ 16.52**	**$ 21.45**	**$ 40.37**	**$ 28.89**	**$ 28.01**	**$ 28.52**	**$ 31.57**	**$ 32.77**	**$ 33.56**

(a) Pursuant to the Rate Agreement, the following amounts, if any, are credited to Signatory Airlines as Tier Two Revenue Sharing: (1) amounts in the Terminal Renewal and Improvement Fund above the maximum balance specified in the Rate Agreement and (2) Net Terminal Cash Flow generated each year above the annual maximum specified in the Rate Agreement.

(b) None assumed after FY 2021.

Exhibit C-2

AIRLINE TERMINAL RENTALS

Los Angeles International Airport

Fiscal Years Ending June 30

(dollars in thousands)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Forecast					
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
Demised Premises	$ 393,124	$ 428,175	$ 493,504	$ 598,735	$ 658,210	$ 669,044
Common Use Fees	84,811	107,109	184,279	235,247	254,235	258,330
Federal Inspection Service Fees	108,329	140,077	200,901	212,120	222,052	226,249
Terminal Special Charges	12,170	12,415	12,469	12,739	13,022	13,320
Total airline terminal rentals	**$ 598,434**	**$ 687,776**	**$ 891,153**	**$ 1,058,840**	**$ 1,147,519**	**$ 1,166,942**

Note: Total airline terminal rentals above are before Tier 2 revenue sharing is credited to the airlines, and differs from the amount shown on Exhibit C. Tier 2 revenue sharing can be seen on Exhibit C-1.

Exhibit C-3
LANDING AND APRON FEES
Los Angeles International Airport
Fiscal Years Ending June 30
(in thousands, except for rates)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Forecast					
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
LANDING FEES						
Operating Expense	$ 166,406	$ 177,832	$ 193,282	$ 206,168	$ 216,231	$ 226,791
Amortization Expense	31,760	35,363	51,318	58,931	59,794	58,062
Senior Debt Service	1,705	2,586	5,280	5,645	5,957	6,023
Subordinate Debt Service	19,393	60,951	73,267	93,619	99,764	99,494
Less: Credit for Build America Bonds subsidy (Series 2009C)	(11,655)	(5,592)	(5,345)	(5,089)	(4,820)	(4,541)
Less: Credit for Build America Bonds subsidy (Series 2010C)	(2,931)	(1,465)	(1,465)	(1,465)	(1,465)	(1,465)
Debt Service Coverage (a)	-	-	-	-	-	-
APM AP-C	-	-	10,632	21,901	22,559	23,235
M&O Reserve	-	3,001	3,910	3,244	2,676	2,766
Van Nuys Reliever Net Costs	3,271	3,676	4,111	4,576	5,074	5,605
Total Airfield Requirement (Fees)	**$ 207,949**	**$ 276,351**	**$ 334,989**	**$ 387,531**	**$ 405,768**	**$ 415,971**
APRON FEES						
Operating Expense	$ 45,224	$ 47,301	$ 50,185	$ 53,393	$ 56,010	$ 58,758
Amortization Expense	8,876	9,471	12,537	14,240	14,660	14,505
Senior Debt Service	3,730	3,838	5,401	5,654	5,917	6,133
Subordinate Debt Service	1,114	12,768	16,316	20,209	21,537	21,542
Debt Service Coverage (a)	-	-	-	-	-	-
APM AP-C	-	-	2,298	4,734	4,876	5,022
M&O Reserve	-	798	1,018	845	697	720
Total Apron Requirement (Fees)	**$ 58,944**	**$ 74,176**	**$ 87,756**	**$ 99,074**	**$ 103,696**	**$ 106,680**
TOTAL LANDING AND APRON FEES	**$ 266,893**	**$ 350,527**	**$ 422,745**	**$ 486,605**	**$ 509,464**	**$ 522,651**

(a) Debt service coverage is 0.25x for Senior Debt Service and 0.15x for Subordinate Debt Service. Only debt service coverage above and beyond amortization expenses, if any, is included in the Landing Fee and Apron Fee calculations.

Exhibit D

LAX MAINTENANCE AND OPERATION EXPENSES

Los Angeles International Airport

Fiscal Years Ending June 30

(dollars in thousands)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Actual	Actual	Preliminary Actual Unaudited	Budget	Forecast				
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
BY TYPE OF EXPENSE									
Salaries and Benefits (b)	$ 456,948	$ 532,563	$ 484,582	$ 439,246	$ 469,093	$ 497,399	$ 521,335	$ 547,825	$ 575,216
Contractual Services (c)	220,990	230,647	189,612	284,572	305,692	345,636	378,210	396,316	415,029
Administrative Services (d)	4,250	5,608	(220)	3,111	3,322	3,522	3,692	3,879	4,073
Materials and Supplies	53,414	55,493	43,751	54,777	58,413	61,885	64,874	68,165	71,573
Utilities	46,191	47,334	40,788	51,714	55,207	58,526	61,345	64,461	67,684
Advertising and Public Relations	3,851	3,167	1,012	2,257	2,410	2,555	2,678	2,815	2,955
Other Operating Expenses	15,457	15,944	17,877	29,044	30,974	32,815	34,399	36,146	37,953
Subtotal	$ 801,102	$ 890,756	$ 777,401	$ 864,721	$ 925,110	$ 1,002,339	$ 1,066,533	$ 1,119,605	$ 1,174,482
Less: Administrative expenses allocated to other airports	(2,728)	(3,088)	(3,016)	(3,064)	(3,095)	(3,126)	(3,157)	(3,189)	(3,221)
Operating Expenses	$ 798,374	$ 887,668	$ 774,385	$ 861,657	$ 922,015	$ 999,213	$ 1,063,376	$ 1,116,416	$ 1,171,261
Less: Other adjustments (d)	(11,455)	(33,368)	(59,441)	-	-	-	-	-	-
LAX M&O Expenses before use of Coronavirus Relief Grants	**$ 786,919**	**$ 854,300**	**$ 714,944**	**$ 861,657**	**$ 922,015**	**$ 999,213**	**$ 1,063,376**	**$ 1,116,416**	**$ 1,171,261**
Annual increase/(decrease)	0.3%	8.6%	-16.3%	20.5%	7.0%	8.4%	6.4%	5.0%	4.9%
Use of Coronavirus Relief Grants to pay M&O Expenses	-	(9,670)	(249,226)	(20,000)	(105,100)	-	-	-	-
LAX M&O Expenses after use of Coronavirus Relief Grants	**$ 786,919**	**$ 844,630**	**$ 465,718**	**$ 841,657**	**$ 816,915**	**$ 999,213**	**$ 1,063,376**	**$ 1,116,416**	**$ 1,171,261**
Equipment/Vehicles (e)				5,229	5,584	5,921	6,206	6,522	6,848
Total LAX M&O Expenses after use of Coronavirus Relief Grants + Equipment/Vehicles				**$ 846,886**	**$ 822,500**	**$ 1,005,134**	**$ 1,069,582**	**$ 1,122,938**	**$ 1,178,109**
SUMMARY BY COST CENTER									
Terminal Building				$ 455,302	$ 496,650	$ 528,082	$ 561,700	$ 590,410	$ 619,721
Apron Area				45,224	47,301	50,185	53,393	56,010	58,758
Airfield Area				166,406	177,832	193,282	206,168	216,231	226,791
Aviation				67,582	64,646	62,937	67,733	70,989	74,404
Commercial				112,211	120,000	148,419	157,248	164,791	172,702
Other / Exclusions				20,162	21,170	22,228	23,340	24,507	25,732
Less: Use of CARES grants				(20,000)	(105,100)	-	-	-	-
Total LAX M&O Expenses after use of Coronavirus Relief Grants + Equipment/Vehicles				**$ 846,886**	**$ 822,500**	**$ 1,005,134**	**$ 1,069,582**	**$ 1,122,938**	**$ 1,178,109**

(a) Source: City of Los Angeles, Department of Airports. LAX M&O Expenses + Equipment/Vehicles does not tie exactly to the Department's Adopted Budget due to certain adjustments related to capitalized salaries and benefits and other similar adjustments. As a result these numbers do not match exactly to Table 11 of the Official Statement.

(b) Actual FY 2019, FY 2020, and FY 2021 includes $11.3 million, $33.4 million, and $59.4 million respectively for GASB 68 pension liability amount that is deducted below in the "other adjustments" line, and is only shown through FY 2021 so that Operating Expenses are consistent with Table 11 of the Official Statement. The GASB 68 pension liability amount or corresponding deduction below is not forecast (not reflected in FY 2022-FY 2027).

(c) Starting in FY 2022, includes costs associated with common use equipment transitioned from airline consortium to the Deparment. Starting in FY 2024, includes the estimated APM M&O AP and ConRAC M&O AP. FY 2025 reflects the first full Fiscal Year for those items. The ConRAC M&O AP included in this exhibit does not include the variable M&O expenses of the ConRAC to be paid by ConRAC Concessionaires.

(d) Includes expenses excluded from LAX M&O Expenses, including certain expenses paid with grants/other sources. Actual FY 2019, FY 2020, and FY 2021 amounts also includes the deduction of $11.3 million, $33.4 million, and $59.4 million of GASB 68 pension liability. Other adjustments are not forecast as they are not expected to have a material impact on future LAX M&O Expenses.

(e) Includes equipment/vehicle expenses under $100K. Equipment/vehicle expenses over $100K paid for by Department funds and amortized over the useful life of the asset.

Exhibit E

DEBT SERVICE

Los Angeles International Airport

Fiscal Years Ending June 30

(dollars in thousands)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Actual	Actual	Actual	Forecast					
		2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
SENIOR BOND DEBT SERVICE (a)										
Existing Senior Bond Debt Service										
Series 2009A		$ 27,591	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Series 2010A		58,651	54,903	6,171	-	-	-	-	-	-
Series 2010D		52,044	39,764	5,874	-	-	-	-	-	-
Series 2012A		11,261	9,884	6,587	6,588	6,595	6,592	6,594	11,010	11,015
Series 2012B		9,074	9,072	9,072	9,073	9,071	9,070	9,070	4,649	4,649
Series 2012C		10,143	-	-	-	-	-	-	-	-
Series 2013A		8,534	8,534	6,222	8,534	8,534	15,154	15,158	15,156	15,156
Series 2015A		17,565	17,573	15,161	17,563	17,564	17,567	17,569	17,567	17,569
Series 2015B		3,139	3,138	3,140	3,136	3,136	3,139	3,135	3,140	3,136
Series 2015D		20,511	20,512	19,276	20,518	20,514	20,513	20,513	20,518	20,511
Series 2015E		2,148	2,153	2,149	2,151	2,145	2,148	2,150	2,148	2,148
Series 2016C		16,041	25,353	8,871	25,749	25,746	5,753	5,753	5,753	5,753
Series 2018B		12,363	11,325	5,544	11,325	11,325	27,905	28,166	28,173	28,170
Series 2020A		-	6,565	22,466	49,810	42,531	41,693	46,550	51,080	47,171
Series 2020B		-	-	15,427	26,038	26,038	57,598	52,950	48,671	57,644
Series 2020C		-	-	5,649	12,373	15,589	23,429	25,590	25,896	25,899
Series 2020D		-	-	-	-	-	7,352	8,032	8,036	8,033
Total Existing Senior Bond Debt Service	[A]	$ 249,065	$ 208,776	$ 131,608	$ 192,858	$ 188,789	$ 237,913	$ 241,231	$ 241,795	$ 246,851
Future Senior Bond Debt Service										
Future Senior Bond Debt Service		$ -	$ -	$ -	$ -	$ 5,590	$ 36,722	$ 98,370	$ 140,453	$ 140,815
Senior Bond Debt Service to be restructured		-	-	-	(22,883)	(47,491)	-	-	-	-
Total Future Senior Bond Debt Service	[B]	$ -	$ -	$ -	$ (22,883)	$ (41,901)	$ 36,722	$ 98,370	$ 140,453	$ 140,815
Total Senior Bond Debt Service	**[C]=[A]+[B]**	**$ 249,065**	**$ 208,776**	**$ 131,608**	**$ 169,975**	**$ 146,888**	**$ 274,635**	**$ 339,600**	**$ 382,248**	**$ 387,666**
Less: PFC revenues used to pay Senior Bond Debt Service (b)	**[D]**	$ (147,680)	$ (138,857)	$ (69,012)	$ (63,424)	$ (84,794)	$ (109,590)	$ (113,839)	$ (91,793)	$ (88,034)
Less: Coronavirus Relief Grants used to pay Senior Debt Service		-	-	(10,544)	-	-	-	-	-	-
Senior Aggregate Annual Debt Service (a)	**[E]=[C]+[D]**	**$ 101,385**	**$ 69,919**	**$ 52,052**	**$ 106,551**	**$ 62,093**	**$ 165,045**	**$ 225,762**	**$ 290,455**	**$ 299,632**
Allocation to Direct Cost Centers										
Terminal Building		$ 86,481	$ 66,879	$ 59,634	$ 99,324	$ 53,853	$ 150,369	$ 209,567	$ 273,058	$ 281,956
Apron Area		1,016	294	285	3,730	3,838	5,401	5,654	5,917	6,133
Airfield Area		3,606	1,042	1,009	1,705	2,586	5,280	5,645	5,957	6,023
Aviation		3,932	1,074	1,062	1,068	984	1,906	2,038	2,114	2,112
Commercial		6,350	629	605	725	833	2,089	2,857	3,409	3,408
Less: Coronavirus Relief Grants used to pay Senior Debt Service		-	-	(10,544)	-	-	-	-	-	-
Senior Aggregate Annual Debt Service	**=[E]**	**$ 101,385**	**$ 69,919**	**$ 52,052**	**$ 106,551**	**$ 62,094**	**$ 165,045**	**$ 225,762**	**$ 290,455**	**$ 299,632**

Exhibit E (page 2 of 2)
DEBT SERVICE
Los Angeles International Airport
Fiscal Years Ending June 30 (dollars in thousands)

		Actual	Actual	Actual	Forecast					
		2019	2020	2021	2022	2023	2024	2025	2026	2027
SUBORDINATE OBLIGATIONS DEBT SERVICE (a)										
Existing Subordinate Obligations Debt Service										
Series 2008C		$ 6,005	-	-	-	-	-	-	-	-
Series 2009C		27,446	27,267	114	26,900	26,661	26,423	26,174	25,908	25,629
Series 2009E		4,796	4,793	-	-	-	-	-	-	-
Series 2010B		6,734	6,734	2,828	-	-	-	-	-	-
Series 2010C		4,187	4,187	-	4,187	4,187	4,187	4,187	4,187	4,187
Series 2013B		5,274	5,274	3,205	5,270	5,270	5,274	5,272	5,274	5,274
Series 2015C		9,785	15,979	-	15,978	14,404	14,399	14,402	14,399	14,402
Series 2016A		20,434	20,431	20,431	20,434	20,429	20,434	20,434	20,433	20,429
Series 2016B		15,520	17,862	17,600	29,597	29,599	29,595	29,596	29,605	29,596
Series 2017A		6,402	6,405	6,403	16,471	16,472	16,474	16,475	16,476	16,476
Series 2017B		6,432	6,432	-	6,432	6,432	6,430	6,428	6,430	6,429
Series 2018A		5,897	10,657	9,827	23,260	24,995	25,240	24,621	25,236	25,239
Series 2018C		7,149	23,581	30,780	30,779	30,788	30,786	30,792	30,780	30,788
Series 2018D		4,610	23,103	21,916	32,374	32,375	32,375	32,372	32,380	32,375
Series 2018E		-	-	-	-	-	7,350	11,352	11,351	11,351
Series 2019A		206	2,224	1,474	13,524	13,522	13,546	13,522	13,522	13,000
Series 2019B		136	1,129	-	3,366	3,414	3,407	3,408	3,411	3,411
Series 2019C		1,655	17,915	19,659	17,586	17,590	17,776	17,577	17,588	13,321
Series 2019D		-	-	-	4,584	10,752	11,175	11,174	11,169	11,176
Series 2019E		-	-	-	5,569	8,218	14,733	18,364	18,364	18,365
Series 2019F		-	-	-	21,101	25,896	25,908	25,899	25,887	25,889
Series 2021A		-	-	-	21,714	18,753	20,036	27,150	27,141	27,146
Series 2021B			-	-	4,181	4,567	12,159	28,515	28,512	28,522
Series 2021C			-	-	1,689	1,358	1,358	10,823	10,837	10,836
Commercial Paper Notes		126	5,703	5,469	5,469	5,469	5,469	5,469	5,469	5,469
Total Existing Subordinate Obligations Debt Service	[F]	$ 132,790	$ 199,674	$ 139,706	$ 310,465	$ 321,149	$ 344,531	$ 384,006	$ 384,356	$ 379,309
Future Subordinate Bond Debt Service										
Future Subordinate Bond Debt Service		-	-	-	3,721	14,572	23,239	58,408	87,607	87,584
Subordinate Debt Service to be restructured (after 2021ABC)		-	-	-	(125,825)	(6,900)	-	-	-	-
Total Future Subordinate Bond Debt Service		$ -	$ -	$ -	$ (122,104)	$ 7,672	$ 23,239	$ 58,408	$ 87,607	$ 87,584
Total Subordinate Obligations Debt Service		**$ 132,790**	**$ 199,674**	**$ 139,706**	**$ 188,361**	**$ 328,822**	**$ 367,770**	**$ 442,414**	**$ 471,963**	**$ 466,893**
Less: PFC Revenues used to pay Subordinate Debt Service (b)--APM		-	-	-	-	-	(25,000)	(25,000)	(30,000)	(30,000)
Less: PFC Revenues used to pay Subordinate Debt Service (b)--Terminal		-	(5,859)	(4,495)	(34,083)	(66,089)	(44,978)	(38,512)	(50,026)	(58,407)
Less: CFC Revenues used to pay Subordinate Debt Service		-	-	-	-	(235)	(9,142)	(34,351)	(36,499)	(37,838)
Less: Coronavirus Relief Grants used to pay Subordinate Debt Service		-	(42,753)	(11,400)	-	-	-	-	-	-
PFCs, CFCs and CARES used to pay Subordinate Debt Service	[G]	$ -	$ (48,612)	$ (15,895)	$ (34,083)	$ (66,324)	$ (79,120)	$ (97,863)	$ (116,525)	$ (126,246)
Subordinate Aggregate Annual Debt Service (a)	**[H]=[F]+[G]**	**$ 132,790**	**$ 151,062**	**$ 123,811**	**$ 154,277**	**$ 262,497**	**$ 288,650**	**$ 344,551**	**$ 355,438**	**$ 340,647**
Allocation to Direct Cost Centers										
Terminal Building		$ 61,574	$ 108,521	$ 110,936	$ 118,510	$ 173,300	$ 192,590	$ 220,575	$ 223,967	$ 200,783
Apron Area		7,527	9,247	5,091	1,114	12,768	16,316	20,209	21,537	21,542
Airfield Area		60,425	61,426	4,686	19,393	60,951	73,267	93,619	99,764	99,494
Aviation		2,390	2,389	2,390	2,497	2,461	4,264	6,074	7,258	6,924
Commercial		873	12,232	12,108	12,763	13,017	2,213	4,075	2,912	11,904
Less: Coronavirus Relief Grants used to pay Subordinate Debt Service		-	(42,753)	(11,400)	-	-	-	-	-	-
Subordinate Aggregate Annual Debt Service	**=[H]**	**$ 132,790**	**$ 151,062**	**$ 123,811**	**$ 154,277**	**$ 262,497**	**$ 288,650**	**$ 344,551**	**$ 355,438**	**$ 340,647**
TOTAL DEBT SERVICE	**=[E]+[H]**	**$ 234,176**	**$ 220,981**	**$ 175,863**	**$ 260,829**	**$ 324,591**	**$ 453,694**	**$ 570,313**	**$ 645,893**	**$ 640,279**

(a) As defined in the Senior and Subordinate Indentures, for purposes of meeting the Senior and Subordinate Rate Covenants, Senior Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service is net of PFC Revenues, CFC Revenues, and Coronavirus Relief Grants used to pay debt service, and is also net of capitalized interest.

(b) The amount of PFC revenues reflected on this exhibit to pay debt service is based on (1) existing approvals from the FAA and (2) the assumption that the Department will apply for and receive FAA approval to use PFC revenues for debt service associated with certain future projects.

Sources: Existing series debt service, PFCs and CFCs used to pay debt service: the Department. Future series debt service: Public Resources Advisory Group.

Exhibit F

FLOW OF FUNDS AND DEBT SERVICE COVERAGE

Los Angeles International Airport

Fiscal Years Ending June 30

(amounts in thousands, except coverage ratios)

The forecasts presented in this exhibit were prepared using information from the sources identified and assumptions provided by, or reviewed with and agreed to by, Department management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Actual	Actual	Preliminary Actual Unaudited	Forecast					
		2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
FLOW OF FUNDS										
Pledged Revenues										
Airline Revenues		$ 790,758	$ 737,776	$ 694,789	$ 865,327	$ 1,038,303	$ 1,313,898	$ 1,539,583	$ 1,616,595	$ 1,667,141
Aviation Revenues		212,448	214,572	197,006	219,962	220,117	253,512	256,620	264,897	273,457
Concession Revenues		501,167	380,331	161,423	257,339	328,992	457,315	533,435	552,398	572,095
Miscellaneous Revenues		20,708	18,444	14,549	20,224	22,056	49,783	73,016	74,327	75,664
Investment Earnings		62,483	68,220	20,283	41,299	40,964	43,935	47,816	54,006	63,728
Total Pledged Revenues	**[A]**	**$ 1,587,563**	**$ 1,419,343**	**$ 1,088,051**	**$ 1,404,151**	**$ 1,650,431**	**$ 2,118,443**	**$ 2,450,471**	**$ 2,562,223**	**$ 2,652,085**
LAX M&O Expenses before use of Coronavirus Relief Grants		786,919	854,300	714,944	861,657	922,015	999,213	1,063,376	1,116,416	1,171,261
Use of Coronavirus Relief Grants		-	(9,670)	(249,226)	(20,000)	(105,100)	-	-	-	-
LAX M&O Expenses after use of Coronavirus Relief Grants	[B]	**$ 786,919**	**$ 844,630**	**$ 465,718**	**$ 841,657**	**$ 816,915**	**$ 999,213**	**$ 1,063,376**	**$ 1,116,416**	**$ 1,171,261**
Net Pledged Revenues	**[C]=[A]-[B]**	**$ 800,644**	**$ 574,713**	**$ 622,333**	**$ 562,494**	**$ 833,516**	**$ 1,119,231**	**$ 1,387,095**	**$ 1,445,807**	**$ 1,480,823**
Remaining Flow of Funds costs										
Senior Aggregate Annual Debt Service (a)	[D]	$ 101,385	$ 69,919	$ 52,052	$ 106,551	$ 62,094	$ 165,045	$ 225,762	$ 290,455	$ 299,632
Subordinate Aggregate Annual Debt Service (b)	[E]	132,790	151,062	123,811	154,277	262,497	288,650	344,551	355,438	340,647
M&O Reserve	[F]	14,122	13,924	-	-	14,969	19,173	15,907	13,120	13,563
Total - Remaining Flow of Funds costs	[G]=[D]+[E]+[F]	$ 248,297	$ 234,905	$ 175,863	$ 260,829	$ 339,560	$ 472,867	$ 586,220	$ 659,012	$ 653,842
APM Capital AP	[H]	-	-	-	-	-	34,296	70,650	72,769	74,953
ConRAC Capital AP	[I]	-	-	-	-	9,378	37,653	38,083	38,518	38,959
Net revenues remaining (c)	**[K=C-G-H-I-J]**	**$ 552,346**	**$ 339,808**	**$ 446,470**	**$ 301,665**	**$ 484,578**	**$ 574,415**	**$ 692,142**	**$ 675,507**	**$ 713,070**

Exhibit F (page 2 of 2)

FLOW OF FUNDS AND DEBT SERVICE COVERAGE

Los Angeles International Airport

Fiscal Years Ending June 30 (dollars in thousands)

		Actual	Actual	Preliminary Actual Unaudited	Forecast					
		2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
DEBT SERVICE COVERAGE PURSUANT TO INDENTURES										
Senior Bond Debt Service Coverage										
Pledged Revenues	=[A]	$ 1,587,563	$ 1,419,343	$ 1,088,051	$ 1,404,151	$ 1,650,431	$ 2,118,443	$ 2,450,471	$ 2,562,223	$ 2,652,085
LAX M&O Expenses after use of CARES grants	=[B]	786,919	844,630	465,718	841,657	816,915	999,213	1,063,376	1,116,416	1,171,261
Net Pledged Revenues	[C]=[A]-[B]	$ 800,644	$ 574,713	$ 622,333	$ 562,494	$ 833,516	$ 1,119,231	$ 1,387,095	$ 1,445,807	$ 1,480,823
Senior Aggregate Annual Debt Service (a)	=[D]	101,385	69,919	52,052	106,551	62,094	165,045	225,762	290,455	299,632
Senior Bond Debt Service Coverage (d)	**= [C] / [D]**	**7.90**	**8.22**	**11.96**	**5.28**	**13.42**	**6.78**	**6.14**	**4.98**	**4.94**
Subordinate Obligation Debt Service Coverage										
Net Pledged Revenues	=[C]	$ 800,644	$ 574,713	$ 622,333	$ 562,494	$ 833,516	$ 1,119,231	$ 1,387,095	$ 1,445,807	$ 1,480,823
Less: Senior Aggregate Annual Debt Service	=[D]	101,385	69,919	52,052	106,551	62,094	165,045	225,762	290,455	299,632
Net Subordinate Pledged Revenues	[H]=[C]-[D]	$ 699,259	$ 504,794	$ 570,281	$ 455,943	$ 771,422	$ 954,186	$ 1,161,334	$ 1,155,352	$ 1,181,192
Subordinate Aggregate Annual Debt Service (b)	=[E]	$ 132,790	$ 151,062	$ 123,811	$ 154,277	$ 262,497	$ 288,650	$ 344,551	$ 355,438	$ 340,647
Subordinate Obligation Debt Service Coverage (d)	**= [H] / [E]**	**5.27**	**3.34**	**4.61**	**2.96**	**2.94**	**3.31**	**3.37**	**3.25**	**3.47**
Total Debt Service Coverage										
Net Pledged Revenues	=[C]	$ 800,644	$ 574,713	$ 622,333	$ 562,494	$ 833,516	$ 1,119,231	$ 1,387,095	$ 1,445,807	$ 1,480,823
Senior and Subordinate Aggregate Annual Debt Service	[I]=[D]+[E]	$ 234,175	$ 220,981	$ 175,863	$ 260,829	$ 324,591	$ 453,694	$ 570,313	$ 645,893	$ 640,279
Total Debt Service Coverage Pursuant to Indentures (d)	**= [C] / [I]**	**3.42**	**2.60**	**3.54**	**2.16**	**2.57**	**2.47**	**2.43**	**2.24**	**2.31**

	2023	2024	2025	2026	2027
DEBT SERVICE COVERAGE INCLUDING APM AND CONRAC CAPITAL AP FOR INFORMATIONAL PURPOSES ONLY					
Net Pledged Revenues	$ 833,516	$ 1,119,231	$ 1,387,095	$ 1,445,807	$ 1,480,823
Add CFC Revenues used to pay ConRAC AP-C (not included in Pledged Revenues)	9,378	37,653	38,083	38,518	38,959
Adjusted Net Pledged Revenues	$ 842,894	$ 1,156,884	$ 1,425,178	$ 1,484,325	$ 1,519,782
Senior Aggregate Annual Debt Service	$ 62,094	$ 165,045	$ 225,762	$ 290,455	$ 299,632
Subordinate Aggregate Annual Debt Service	262,497	288,650	344,551	355,438	340,647
Plus: APM Capital AP	-	34,296	70,650	72,769	74,953
Plus: ConRAC Capital AP	9,378	37,653	38,083	38,518	38,959
Debt Service including APM Capital AP and ConRAC Capital AP	$ 333,969	$ 525,644	$ 679,046	$ 757,180	$ 754,190
Total Debt Service Coverage including APM and ConRAC Capital AP for Informational Purposes Only (d)	**2.52**	**2.20**	**2.10**	**1.96**	**2.02**

(a) Senior Aggregate Annual Debt Service is (i) net of PFC revenues and Coronavirus Relief Grants used to pay Senior Debt Service, and (ii) net of capitalized interest.

(b) Subordinate Aggregate Annual Debt Service is (i) net of PFC revenues, CFC revenues, and Coronavirus Relief Grants used to pay Subordinate Obligation Debt Service, and (ii) net of capitalized interest.

(c) These amounts are available to the Department to use for discretionary purposes.

(d) No Transfers were assumed for purposes of calculating debt service coverage ratios.

APPENDIX C

ANNUAL FINANCIAL REPORT OF
LOS ANGELES WORLD AIRPORTS
(DEPARTMENT OF AIRPORTS OF
THE CITY OF LOS ANGELES, CALIFORNIA)
LOS ANGELES INTERNATIONAL AIRPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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LAX

LOS ANGELES INTERNATIONAL AIRPORT

Annual Financial Report

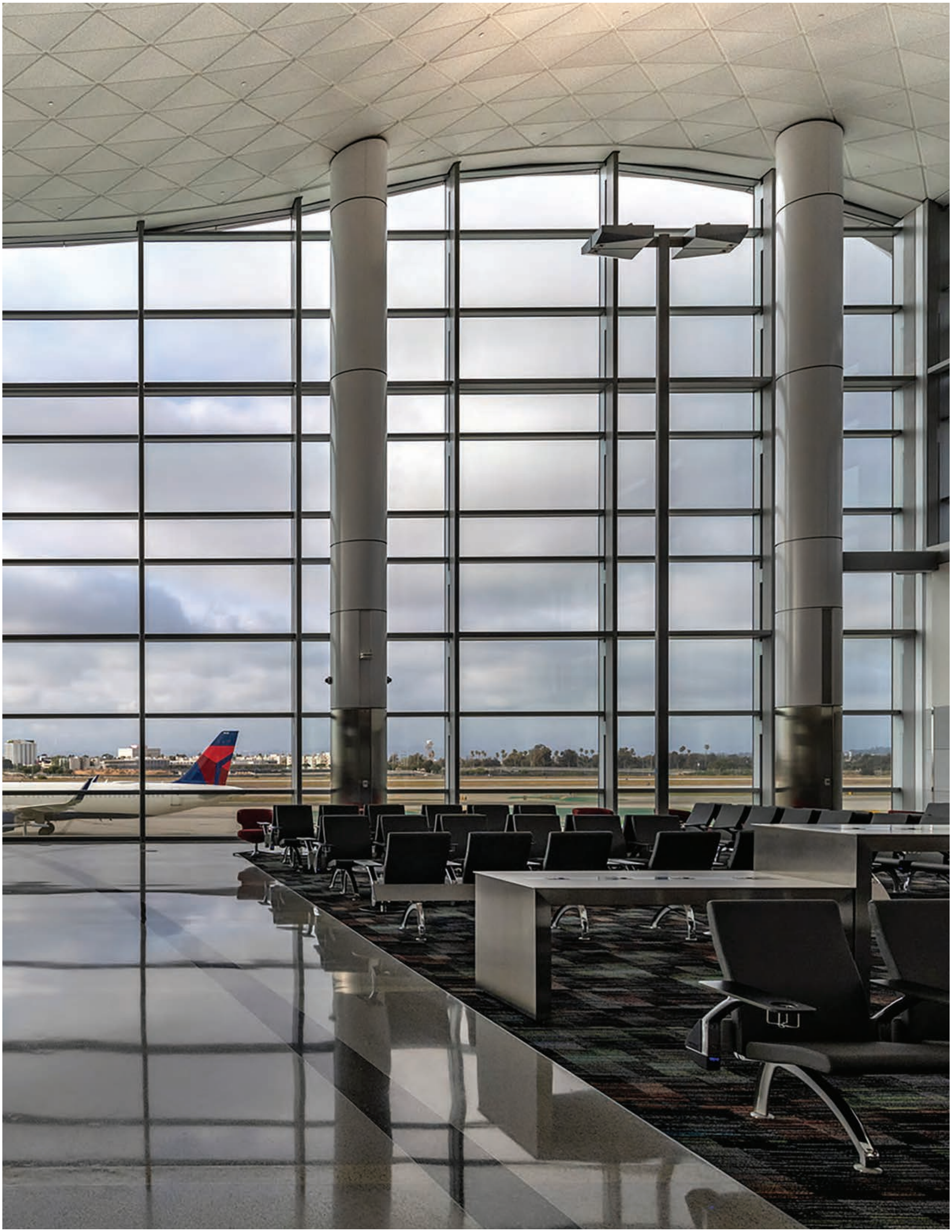
Fiscal Years Ended
June 30, 2021 and 2020

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, 2021 and 2020



Board of Airport Commissioners, Elected City Officials, and Los Angeles World Airports Executive Staff

						
Beatrice C. Hsu President	Valeria C. Velasco Vice President	Gabriel L. Eshaghian Commissioner	Cynthia A. Telles Commissioner[1]	Sean O. Burton Commissioner	Nicholas Roxborough Commissioner	Karim Webb Commissioner

Justin Erbacci
Chief Executive Officer

CITY OF LOS ANGELES ELECTED OFFICIALS

Eric Garcetti, Mayor[2]
Michael N. Feuer, City Attorney
Ron Galperin, City Controller

CITY COUNCIL

Gilbert Cedillo, District 1
Paul Krekorian, District 2
Bob Blumenfield, District 3
Nithya Raman, District 4
Paul Koretz, District 5
Nury Martinez, District 6
Monica Rodriguez, District 7
Marqueece Harris-Dawson, District 8
Curren D. Price, Jr., District 9
Mark Ridley-Thomas, District 10
Mike Bonin, District 11
John Lee, District 12
Mitch O'Farrell, District 13
Kevin De Leon, District 14
Joe Buscaino, District 15

LOS ANGELES WORLD AIRPORTS EXECUTIVE STAFF

Justin Erbacci, Chief Executive Officer
Tatiana Starostina, Chief Financial Officer
Vacant, Chief Corporate Strategy and Affairs Officer
Samantha Bricker, Chief Sustainability and Revenue Management Officer
Vacant, Chief Development Officer
Michael Christensen, Deputy Executive Director, Operations and Maintenance
Cecil W. Rhambo Jr., Acting Deputy Executive Director, Law Enforcement and Homeland Security
Jacob Adams, Deputy Executive Director, Landside Access Modernization Program Executive
Becca Doten, Deputy Executive Director, Public and Government Affairs
Robert Falcon, Deputy Executive Director, Planning and Development Group
Aura Moore, Deputy Executive Director, Information Technology
David Reich, Deputy Executive Director, Mobility Planning and Strategy
Hans Thilenius, Deputy Executive Director, Terminal Development and Improvement Program
David Jones, Deputy Executive Director, Commercial Development
Brian C. Ostler, General Counsel

[1] *On June 15, 2021, President Biden nominated Dr. Telles for Ambassador Extraordinary and Plenipotentiary to the Republic of Costa Rica. If confirmed by the U.S. Senate, Dr. Telles is expected to vacate her board seat to serve as ambassador.*
[2] *On July 9, 2021, President Biden nominated Mr. Garcetti for Ambassador Extraordinary and Plenipotentiary to the Republic of India. If confirmed by the U.S. Senate, Mr. Garcetti is expected to resign to serve as ambassador. The City Council would then have the option to appoint an interim mayor or call a special election.*

Message from the Chief Executive Officer

I am pleased to present Los Angeles International Airport's (LAX) Annual Financial Report for the fiscal year ended June 30, 2021.

Moss Adams LLP, Certified Public Accountants (Moss Adams), audited LAX's financial statements. Based upon its audit, Moss Adams rendered an unmodified opinion that LAX's financial statements, as of and for the fiscal years ended June 30, 2021 and 2020, were fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). Moss Adams' report is on pages 1 and 2.

Moss Adams conducted an additional audit to determine LAX's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAX complied in all material respects with the requirements that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2021. Moss Adams' report is on pages 129 and 130.

Moss Adams also conducted a third audit to determine LAX's compliance with the requirements described in the California Civil Code Section 1939, as amended by Assembly Bill 2051, and concluded that LAX complied in all material respects with the requirements applicable to and that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2021. Moss Adams' report is on pages 135 and 136. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is on pages 5 through 39.

The financial condition of LAX depends largely upon the demand for air transportation within the geographical area (the Air Trade Area) served by LAX and management decisions regarding operations and capital investment as they relate to market demand for travel. The Air Trade Area comprises the following five counties: Los Angeles, Orange, Riverside, San Bernardino, and Ventura. LAX is the largest airport in the Air Trade Area. Passenger and cargo traffic at LAX depend on the demographic characteristics and economic activity of the Air Trade Area. LAX is part of a system of Southern California airports - along with Van Nuys Airport and property retained for future aeronautical uses in the City of Palmdale - that are owned and operated by Los Angeles World Airports.

No airline dominates in shares of enplaned passengers or provides formal 'hubbing' activity at LAX. Delta Air Lines and American Airlines accounted for 22.1% and 20.2%, respectively, of all enplaned passengers at LAX for fiscal year 2021. For fiscal year 2020, an estimated 82.4% of passengers at LAX represented originating and destination (O&D) passengers (that is, all passengers beginning or ending their trips at LAX). The remaining estimated 17.6% of passengers represented connections to or from regional markets as well as domestic connections to or from international markets. Historically, the level of connecting passengers at LAX is due primarily to: (i) LAX's role as a major gateway to numerous international markets; (ii) the geographical location of LAX in relation to numerous markets along the west coast of the United States; (iii) the significant number of nonstop flights to and from domestic markets; and (iv) the alliances among airlines serving LAX.

COVID-19 Pandemic Issues and Impacts

The outbreak of COVID-19, the disease caused by the novel coronavirus SARS-CoV2, and related restrictions and measures adopted to contain the spread of the virus have had a negative impact on both international and domestic travel and travel-related industries, including airlines serving LAWA and LAWA's concessionaires, and have caused unemployment and a contraction of global and national economies. In the first several months of the pandemic, airlines reported an unprecedented decrease in domestic and international air traffic, causing the cancellation of numerous flights, as well as expectations for continued reduced levels of traffic. Many of LAWA's retail concessionaires temporarily closed or reported substantial declines in sales. These concession arrangements include gross sales payment mechanisms and, accordingly, such reductions in sales reduced LAWA's revenues from these concessionaires. The concession arrangements also include minimum annual guarantee (MAG) payments, some of which were temporarily waived by LAWA. In addition to the impact on concessionaires, the reduction in air travel had an adverse effect on parking, transportation network companies (TNC), ground transportation (such as taxi and limousine) and rental car revenues throughout LAWA. LAX traffic has been gradually coming back since the initial disruption, and as of the end of fiscal year 2021, LAX passenger traffic was 29.1 million passengers, which is 53.7% below fiscal year 2020 and 67.0% below the pre-pandemic level in fiscal year 2019.

The widespread distribution of effective vaccines is expected to have a positive impact on demand for domestic and international air travel. The length of the pandemic itself will likely depend on the effectiveness of the COVID-19 vaccine roll-outs in the United States and abroad. LAWA cannot predict the ultimate impact of the COVID-19 vaccines and other vaccines on domestic or international air travel.

LAWA management has taken proactive measures to mitigate the financial and operational impacts of COVID-19 pandemic and has also implemented a series of new multiyear strategic objectives to stabilize LAX's financial operations and strengthen the competitive position of LAX in the route network of domestic and international airlines during and after the COVID-19 pandemic. In addition to LAWA's actions, the federal government passed the following legislation which, among other things, includes the award of certain grants to the operators of all U.S. airports to assist with managing the financial effects of the COVID-19 pandemic: Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriation Act, and the American Rescue Plan Act.

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

LAWA was allocated approximately $323.6 million of federal grant assistance for LAX under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which became law on March 27, 2020. As of June 30, 2021, LAWA had drawn all $323.6 million CARES Act grant funds for LAX to pay LAX maintenance and operation expenses and debt service.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which became law on December 27, 2020, provides additional direct aid for airports. This includes a total of $1.75 billion in federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens), and debt service payments, and a total of $200.0 million for airports to provide relief from rent and MAG to on-airport car rental, on-airport parking, and in-terminal airport concessions located at 'primary' airports, such as LAX. The funding for concessions relief is to be distributed based on the eligible concession's proportionate share of total rent for all eligible concessions, with prioritization given to minority-owned businesses. On February 12, 2021, the FAA announced that LAX was eligible to receive up to $72.3 million in Airport Coronavirus Response Grant Program funds pursuant to CRRSAA. The Airport Coronavirus Response Grant Program funds may be drawn from the FAA on a reimbursement basis for eligible expenditures as described above. The Airport Coronavirus Response Grant Program funds may also be used to reimburse airports for rent and MAG relief programs for concessions as described above, and LAWA may retain up to two percent of the allocation amount for relief program administration costs. Of the total $72.3 million in CRRSAA grant funding for which LAX is eligible, $63.1 million must be used for operational relief and $9.2 million for concessions relief. As of June 30, 2021, LAWA has not drawn any of the $72.3 million in CRRSAA grant funding.

The American Rescue Plan Act (ARPA), which became law on March 11, 2021, provides additional direct aid for airports. On June 22, 2021, the FAA announced $8 billion in Airport Rescue Grants under ARPA to keep U.S. airport workers employed and construction projects going and to help U.S. airports recover from the impacts of the COVID-19 pandemic. The FAA also announced that LAX is eligible to receive $303.8 million in American Rescue Grants pursuant to ARPA. Closely paralleling the structure and requirements of the Airport Coronavirus Response Grant Program, American Rescue Grants may be drawn from the FAA on a reimbursement basis for eligible expenditures, such as costs for operations, personnel, cleaning, sanitization, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens) and debt service payments. The American Rescue Grants also allow for the reimbursement to airports of rent relief programs targeted to in-terminal airport concessions. Unlike CRRSAA, on-airport car rental and parking concessionaires are not eligible for rent relief under ARPA; provided that, per the FAA, an on-airport car rental concessionaire may be eligible for rent relief under ARPA if it has a service desk located within the terminal. Furthermore, ARPA does not provide for the reimbursement of administrative expenses for providing relief to airport concessionaires, though such expenses are eligible for reimbursement under CRRSAA. Of the total $303.8 million in American Rescue grant funding for which LAX is eligible, $267 million must be used for operational relief and $36.8 million for concessions relief. As of June 30, 2021, LAWA has not drawn any of the $303.8 million in American Rescue grant funding.

Economic Relief Grant Allocations from the Federal Aviation Administration to LAX:

Federal Program	Amount (in millions)
CARES Act	$ 323.6
CRRSAA	72.3
ARPA	303.8
Total	$ 699.7

LAWA must draw down and spend its Airport Coronavirus Response Grant Program funds awarded pursuant to CRRSAA and its American Rescue Grants awarded pursuant to ARPA within four years. As noted above, LAWA has already drawn all of its LAX CARES Act grant funds to pay LAX maintenance and operation expenses and debt service.

Airports in the United States have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic activity reductions resulting from the COVID-19 pandemic. Airlines serving LAX have reduced or cancelled flights and curtailed their overall capacity due to the drop in demand for both domestic and international air travel in an attempt to match capacity to the modified demand for air travel. Passenger traffic at LAX decreased by 53.7% in fiscal year 2021 as compared to fiscal year 2020. The continuing impact of the COVID-19 pandemic on air travel through LAX and on LAX's operations, budget and finances will heavily depend on future events outside of the control of LAWA. As a result of these uncertainties, LAWA expects to regularly review revenue projections and make adjustments throughout fiscal year 2022.

Passenger and other traffic activity highlights at LAX, together with analysis of LAX's financial activities during the last three fiscal years, are discussed in the MD&A.

LAWA's Mitigation Measures in Response to COVID-19

In response to the COVID-19 pandemic, LAWA has implemented measures intended to mitigate operational and financial impacts, including: hiring limits, except for specific critical positions; deferring non-essential discretionary spending; limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks; limiting overtime to those activities that are necessary for safety, critical operations or emergency management; encouraging voluntary furloughs or reduced work schedules for certain hourly employees; collaborating with the CDC on enhanced screening and increasing sanitation procedures at LAX. LAWA was one of the first U.S. airports to implement austerity and other measures in response to the COVID-19 pandemic. LAWA also implemented a Separation Incentive Program (SIP) as part of the fiscal year 2021 budget plan to manage headcount. Under the SIP, cash payments were provided for eligible LAWA employees who chose to voluntarily retire from the City of Los Angeles. A total of 334 employees chose to participate in the program to voluntarily terminate their employment with LAWA, and departed by the end of April 2021.

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

LAWA provided temporary relief to airlines and concessionaires and service providers at LAX. A temporary terminal and airfield fee relief program with respect to passenger airlines serving LAX (Passenger Airline Temporary Relief Program) permitted eligible passenger air carriers subject to a terminal lease or the Airport Terminal Tariff to apply for relief, which relief included deferral of terminal and airfield fees payable from April through May 2020. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program. LAWA also implemented a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program), which provided for the waiver of the minimum annual guarantees (MAGs), lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

Airline Cost Stabilization and Recovery Plan

LAWA has developed a multi-year plan (Airline Cost Stabilization and Recovery Plan) to enhance the competitive position of LAX during and after the COVID-19 pandemic by lowering annual fixed costs at LAX through, among other things, a restructuring of certain debt service costs and managing rates and charges at LAX from calendar year 2020 through fiscal year 2023. The key objectives of the Airline Cost Stabilization and Recovery Plan are to: (i) mitigate the increase in rates and charges for airlines due to reduced activity; (ii) harmonize common use costs across LAX; and (iii) achieve stability in LAX financial operations. Specifically, the proposed annual fixed cost reductions and corresponding reductions in airline rates and charges would be achieved by: (i) using some of the U.S. government stimulus funds to pay certain LAX maintenance and operation expenses and other eligible costs such as debt service, (ii) refunding and restructuring approximately $379.7 million in outstanding principal and interest on the outstanding existing senior bonds and existing subordinate bonds, and (iii) deferring and restructuring annual amortization charges of LAWA cash that has been spent on capital projects in airline cost centers.

Debt Service Restructuring

Through the Airport Terminal Tariff or terminal leases, LAWA passes through debt service, among certain other costs, to its aeronautical users. The restructuring of certain debt service costs allows LAWA to lower, for certain periods, the annual cost and related airline rates and charges associated with terminal buildings, airfields, and other airline-used facilities at LAX to better match the current and anticipated-near term utilization levels of those facilities.

Other Cost Management Measures

The Airline Cost Stabilization and Recovery Plan included LAWA's completion of the transition of a lease between LAWA and an airline consortium to a third-party service contract, which occurred in May 2021. This transition gives LAWA control of the rates and fees charged for the use of certain common facilities, reduces near-term costs, unifies the baggage system cost rate for domestic and international aeronautical users and eliminates the current system of rates which differs amongst terminals. Unifying the baggage system cost rate also allows LAWA to coordinate airline use in the terminals and facilitate growth in aviation activity.

COVID-19 Recovery Task Force

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

LAX's operations are supported solely by revenues generated by the department. LAX strives to balance revenues generated from cost recovery formulas applied to aeronautical users and those generated from fluctuating non-aeronautical revenues driven by passenger traffic and commercial opportunities. At the same time, management must control operating expenses in order to achieve the levels of net revenues outlined in financial forecasts provided to investors sufficient to cover obligations for debt service and fund planned capital expenditures.

In April 2019, LAWA started an environmental review process on an Airfield and Terminal Modernization Project (ATMP). On Oct 7, 2021, the Board certified the Final Environmental Impact Report (FEIR) for the ATMP, adopted the associated documents; approved the LAX Specific Plan Compliance Review Determination; and approved the LAX ATMP as described in the FEIR. The environmental review process of the ATMP is expected to conclude in December 2021. The ATMP would be designed to elevate the passenger experience and to increase efficiency and safety within the north airfield at LAX. The ATMP includes several individual components, including, among others, reconfiguration of taxiways, a new terminal and a new concourse. Specifically, the proposed terminal improvements could include the construction of (i) Concourse “0” as an easterly extension of Terminal 1; (ii) Terminal 9, a new passenger terminal located south of Century Boulevard and east of Sepulveda Boulevard; (iii) new arrival and departures roadways; and (iv) a new station on the planned APM System. If approved, these new projects could be targeted for completion by 2028.

Justin Erbacci
Chief Executive Officer
November 8, 2021

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)
Los Angeles International Airport

Annual Financial Report
Fiscal years ended June 30, 2021 and 2020

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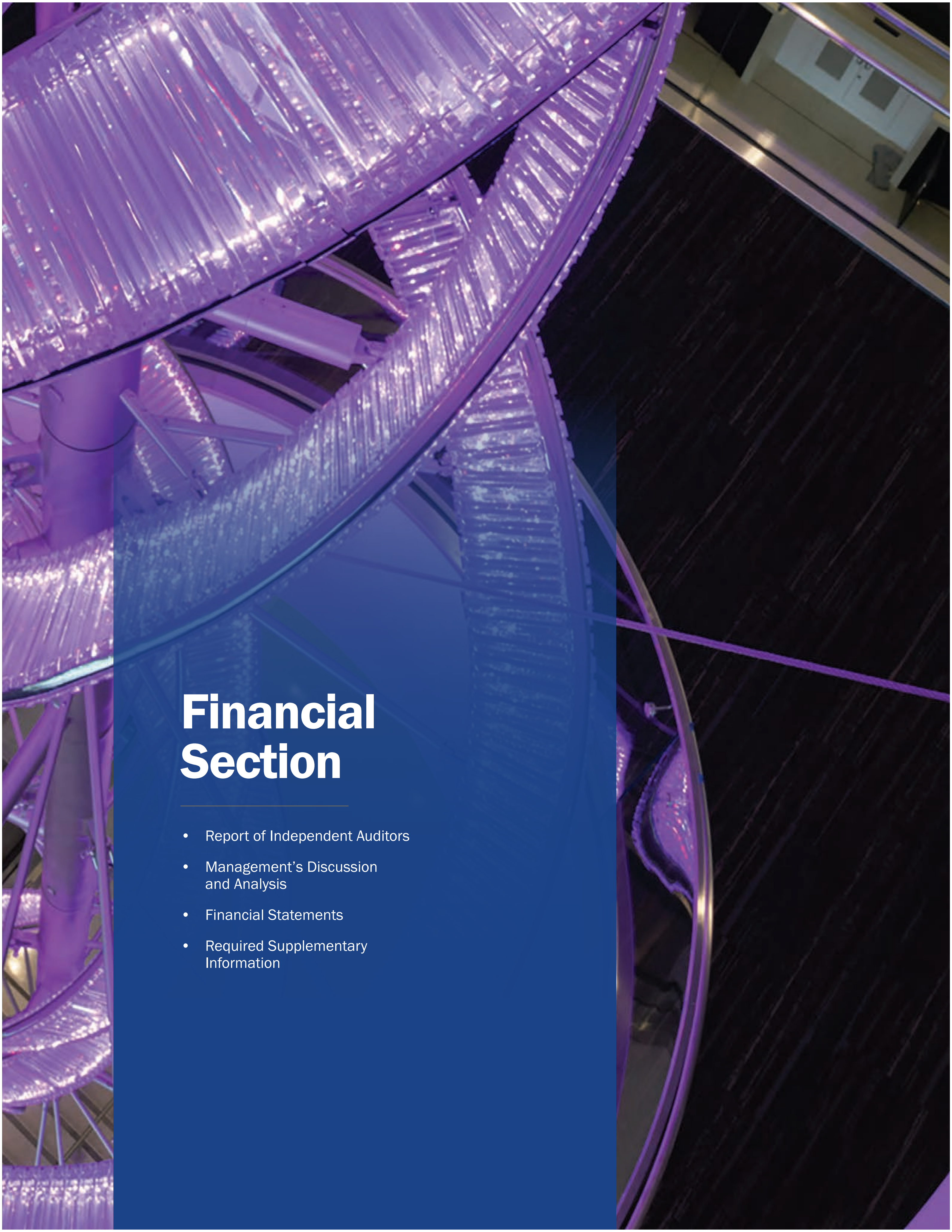
Financial Section

2021 Annual Financial Report
Los Angeles International Airport



Financial Section

- Report of Independent Auditors
- Management’s Discussion and Analysis
- Financial Statements
- Required Supplementary Information

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 statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of LAX as of June 30, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Basis of Presentation

As discussed in Note 1, the financial statements of LAX are intended to present the net position, the changes in net position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAX. They do not purport to, and do not, present fairly the net position of LAWA or the City as of June 30, 2021 and 2020, the changes in City's net position, or, where applicable, City's cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of LAX's proportionate share of the net pension liability, the schedule of contributions – pension, the schedule of LAX's proportionate share of the net other postemployment benefit (OPEB) liability, and the schedule of contributions – OPEB be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of LAX. The accompanying compliance section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of LAX's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LAX's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAX's internal control over financial reporting and compliance.

Moss Adams LLP

Los Angeles, California
November 8, 2021

Management's Discussion and Analysis (Unaudited)

2021 Annual Financial Report
Los Angeles International Airport

Management's Discussion and Analysis (Unaudited)

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

Los Angeles World Airports (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles, California (City). LAWA is an enterprise fund that owns and operates Los Angeles International Airport (LAX) and Van Nuys Airport (VNY). LAWA also owns approximately 17,750 acres of land located east of United States Air Force (USAF) Plant 42 in the City of Palmdale, and retains the rights for future development of the Palmdale property. The management of LAWA presents the following narrative overview of LAX's financial activities for the fiscal years ended June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with LAX's financial statements that begin on page 43.

Using This Financial Report

LAX's financial report consists of this management's discussion and analysis (MD&A), and the financial statements that follow after the MD&A. The financial statements include:

The *Statements of Net Position* present information on all of LAX's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2021 and 2020. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAX's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAX's operations and information showing the changes in net position for the fiscal years ended June 30, 2021 and 2020. These statements can, among other things, be useful indicators of how LAX recovered its costs through rates and charges. All changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded and reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. Consequently, only transactions that affect LAX's cash and cash equivalents accounts are recorded in these statements. At the end of the statements, a reconciliation is provided to assist in understanding the difference between operating income and cash flows from operating activities.

The *Notes to the Financial Statements* present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of LAX's financial activities.

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

Passenger and Other Traffic Activity Highlights

The following table presents a summary of passenger and other traffic for the last three fiscal years:

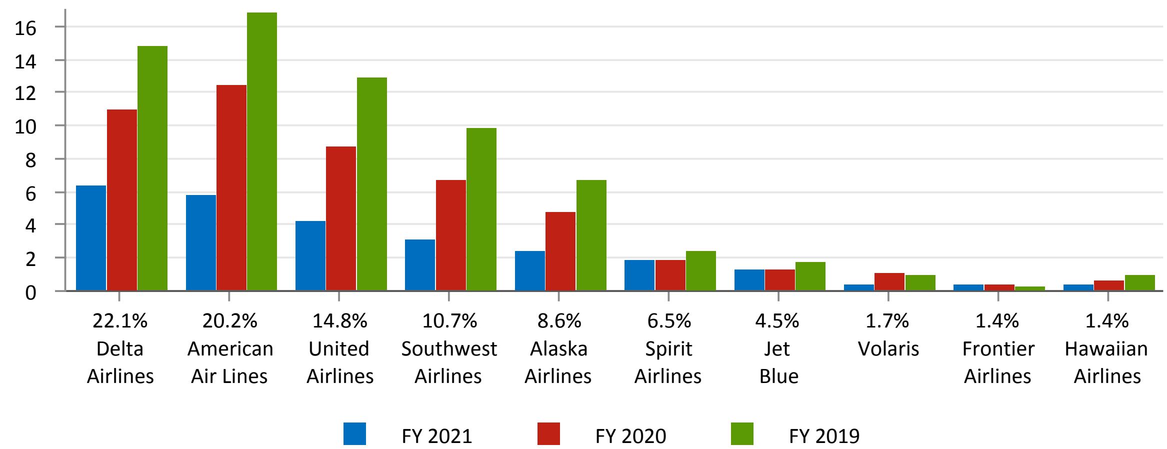
				% Change	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Total passengers	29,050,631	62,715,070	87,905,468	-53.7%	-28.7%
Domestic passengers	24,688,871	44,801,765	61,983,392	-44.9%	-27.7%
International passengers	4,361,760	17,913,305	25,922,076	-75.7%	-30.9%
Departing passengers	14,593,791	31,429,457	44,207,464	-53.6%	-28.9%
Arriving passengers	14,456,840	31,285,613	43,698,004	-53.8%	-28.4%
Passenger flight operations					
Departures	152,896	245,003	316,179	-37.6%	-22.5%
Arrivals	152,702	244,825	315,939	-37.6%	-22.5%
Landing weight					
(thousand lbs)	40,055,175	53,270,947	64,746,783	-24.8%	-17.7%
Air cargo (tons)					
Mail	130,952	134,515	117,094	-2.6%	14.9%
Freight	2,686,358	2,150,930	2,284,337	24.9%	-5.8%

Note: Prior years' data may change because of updated available information, however, in order to remain comparable and consistent with the published data, the passenger and other traffic numbers for prior fiscal years are not changed.

Passenger Traffic

The following chart presents the top ten airlines, by number of passengers, for fiscal year 2021 and the comparative passengers for fiscal years 2020 and 2019.

FY 2021 Top Ten Carriers and FY 2021 Percentage of Market Share
(passengers in millions)



Passenger Traffic, Fiscal Year 2021

Passenger traffic at LAX decreased by 53.7% in fiscal year 2021 as compared to fiscal year 2020. Of the 29.1 million passengers that moved in and out of LAX, domestic passengers accounted for 85.0%, while international passengers accounted for 15.0%. Delta Airlines ferried the largest number of passengers at 6.4 million with a 41.8% decrease in passenger traffic. American Airlines, ranked second with 5.9 million passengers posted a 52.8% decrease in passenger traffic. United Airlines, ranked third with 4.3 million passengers posted a 51.1% decrease in passenger traffic. Southwest Airlines (3.1 million and Alaska Airlines (2.5 million complete the top five air carriers operating at LAX. Volaris was the top foreign flag carrier with 0.5 million passengers and was ranked eighth overall.

The downturn in passenger traffic was mainly caused by the outbreak of COVID-19, a respiratory disease which was first reported in December 2019. The COVID-19 pandemic continued to cause significant disruptions to domestic and international passenger travel at LAX. Restrictions imposed by governments around the world, including, but not limited to, mandatory 14-day quarantine periods, proof of a negative COVID-19 test, or bans on non-essential travel have more severely curtailed international travel than domestic travel.

Passenger Traffic, Fiscal Year 2020

Passenger traffic at LAX decreased by 28.7% in fiscal year 2020 as compared to fiscal year 2019. Of the 62.7 million passengers that moved in and out of LAX, domestic passengers accounted for 71.4%, while international passengers accounted for 28.6%. American Airlines ferried the largest number of passengers at 12.5 million with a 26.0% decrease in passenger traffic. Delta Airlines, ranked second with 11.0 million passengers posted a 26.2% decrease in passenger traffic. United Airlines, ranked third with 8.8 million passengers posted a 31.8% decrease in passenger traffic. Southwest Airlines (6.7 million and Alaska Airlines (4.8 million complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.1 million passengers and was ranked eighth overall.

The downturn in passenger traffic was mainly caused by the outbreak of COVID-19. The COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the United States State Department and the Centers for Disease Control and Prevention (CDC, and the issuance of 'stay at home' or 'shelter in place' orders by many state and local governments in the United States and governments abroad. Accordingly, LAX has been acutely impacted by the reductions in passenger volumes and flight operations.

Passenger Flight Operations, Fiscal Year 2021

Departures and arrivals at LAX decreased by 184,230 flights or 37.6% during fiscal year 2021 when compared to fiscal year 2020. Revenue landing pounds were down 24.8%. The top three carriers in terms of landing pounds were Delta Airlines, American Airlines and United Airlines. In total, these three airlines contributed 36.6% of the total revenue pounds at LAX.

Passenger Flight Operations, Fiscal Year 2020

Departures and arrivals at LAX decreased by 142,290 flights or 22.5% during fiscal year 2020 when compared to fiscal year 2019. Revenue landing pounds were down 17.7%. The top three carriers in terms of landing pounds were American Airlines, Delta Airlines, and United Airlines. In total, these three airlines contributed 39.8% of the total revenue pounds at LAX.

Air Cargo (tons), Fiscal Year 2021

Freight and mail cargo at LAX increased by 23.3% in fiscal year 2021 as compared to fiscal year 2020. Freight was up by 535,428 tons, and mail was down by 3,563 tons. Domestic cargo was up by 199,245 tons or 23.3% and international cargo was up by 332,620 tons or 23.3%. Federal Express was the top air freight carrier accounting for 13.7% of total freight cargo, followed by Kalitta Air LLC with 9.9%. Kalitta Air LLC was the top mail carrier accounting for 42.9% of total mail cargo.

Air Cargo (tons), Fiscal Year 2020

Freight and mail cargo at LAX decreased by 4.8% in fiscal year 2020 as compared to fiscal year 2019. Freight was down by 133,407 tons and mail was up by 17,421 tons. Domestic cargo was down by 48,853 tons or 5.4% and international cargo was down by 67,133 tons or 4.5%. Federal Express was the top air freight carrier accounting for 15.9% of total freight cargo, followed by Kalitta Air LLC with 5.1%. Kalitta Air LLC was the top mail carrier accounting for 45.1% of total mail cargo.

Overview of LAX's Financial Statements

Financial Highlights, Fiscal Year 2021

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.7 billion.
- Bonded debt had a net increase of $1.5 billion.
- Operating revenue totaled $1.0 billion.
- Operating expenses (including depreciation and amortization of $439.3 million) totaled $1.2 billion.
- Net nonoperating expenses totaled $214.9 million.
- Federal and other government capital grants totaled $313.0 million (including CARES Act grant of $271.2 million).
- Net position decreased by $64.8 million.

Financial Highlights, Fiscal Year 2020

- LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.8 billion.
- Bonded debt had a net increase of $261.8 million.
- Operating revenue totaled $1.3 billion.
- Operating expenses (including depreciation and amortization of $445.9 million) totaled $1.3 billion.
- Net nonoperating expenses totaled $6.4 million.
- Federal and other government capital grants totaled $86.0 million (including CARES Act grant of $52.4 million).
- Net position increased by $86.7 million.

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

Net Position Summary

A condensed summary of net position for fiscal years as of June 30, 2021, 2020, and 2019 is presented below:

Condensed Net Position
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Assets					
Unrestricted current assets	$ 1,595,567	$ 1,228,523	$ 1,067,124	$ 367,044	$ 161,399
Restricted current assets	1,316,887	2,110,235	2,997,978	(793,348)	(887,743)
Capital assets, net	14,255,646	12,086,167	10,799,574	2,169,479	1,286,593
Other noncurrent assets	—	21,204	28,179	(21,204)	(6,975)
Total assets	17,168,100	15,446,129	14,892,855	1,721,971	553,274
Deferred outflows of resources					
Loss on debt refundings	33,681	35,732	37,806	(2,051)	(2,074)
Pension and OPEB	320,967	181,271	211,160	139,696	(29,889)
Total deferred outflows of resources	354,648	217,003	248,966	137,645	(31,963)
Liabilities					
Current liabilities payable from unrestricted assets	771,240	577,838	441,547	193,402	136,291
Current liabilities payable from restricted assets	232,619	209,432	212,876	23,187	(3,444)
Noncurrent liabilities	9,598,211	8,105,706	7,828,006	1,492,505	277,700
Net pension liability	1,006,766	807,685	773,419	199,081	34,266
Net OPEB liability	80,411	68,484	77,769	11,927	(9,285)
Total liabilities	11,689,247	9,769,145	9,333,617	1,920,102	435,528
Deferred inflows of resources					
Gain on debt refundings	40,508	24,271	3,681	16,237	20,590
Pension and OPEB	55,399	67,305	88,810	(11,906)	(21,505)
Total deferred inflows of resources	95,907	91,576	92,491	4,331	(915)
Net Position					
Net investment in capital assets	5,205,879	4,940,094	4,782,855	265,785	157,239
Restricted for capital projects	335,431	788,862	814,098	(453,431)	(25,236)
Restricted for operations and maintenance reserve	236,443	240,776	221,137	(4,333)	19,639
Restricted for federally forfeited property & protested funds	2,242	1,978	1,526	264	452
Unrestricted	(42,401)	(169,299)	(103,903)	126,898	(65,396)
Total net position	$ 5,737,594	$ 5,802,411	$ 5,715,713	$ (64,817)	$ 86,698

Net Position, Fiscal Year 2021

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2021 and 2020, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.7 billion and $5.8 billion, respectively, representing a decrease of 1.1% or $64.8 million.

The largest portion of LAX's net position ($5.2 billion or 90.7%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($574.1 million or 10.0%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position increased by $126.9 million from $(169.3) million in fiscal year 2020 to $(42.4) million in fiscal year 2021.

Unrestricted current assets increased by $367.0 million or 29.9%, from $1.2 billion at June 30, 2020 to $1.6 billion at June 30, 2021. The increase was primarily driven by an increase in cash and pooled investments held in City Treasury of $501.6 million or 50.9%, and an increase in unbilled receivables of $35.9 million, offset by a decrease in accounts receivable balance of $91.9 million or 90.7%, and a decrease in grants receivable of $69.2 million or 94.5%, in fiscal year 2021.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2021) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions and transfers to fiscal agents for debt service.

The increase in cash and pooled investments held in City Treasury of $501.6 million was due to higher cash inflows than outflows in fiscal year 2021. The decrease in accounts receivable of $91.9 million at June 30, 2021 was a result of LAX's mitigation measures in response to COVID-19. Unbilled receivables, which represented the year-end accrual for unbilled revenue, increased as a result of higher passenger level in June 2021 as compared to June 2020. Also, accrual activities were minimal at June 30, 2020 due to LAWA's mitigation measures in response to COVID-19.

In response to the COVID-19 pandemic, LAWA has implemented measures intended to mitigate operational and financial impacts, including: hiring limits, except for specific critical positions; deferring non-essential discretionary spending; limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks; limiting overtime to those activities that are necessary for safety, critical operations or emergency management; encouraging voluntary furloughs or reduced work schedules for certain hourly employees; collaborating with the CDC on enhanced screening and increasing sanitation procedures at LAX. LAWA was one of the first U.S. airports to implement austerity and other measures in response to the COVID-19 pandemic. LAWA also implemented a Separation Incentive Program (SIP)[3] as part of the fiscal year 2021 budget plan to manage headcount. Under the SIP, cash payments were provided for eligible LAWA employees who chose to voluntarily retire from the City of Los Angeles. A total of 334 employees chose to participate in the program to voluntarily terminate their employment with LAWA, and departed by the end of April 2021.

[3] *LAWA made cash payments totaling $17.6 million (LAX recognized $17.3 million) under the SIP through June 30, 2021. There was no other SIP in fiscal year 2021.*

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

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

LAWA also implemented a fee relief program for LAX concessionaires and service providers at LAX (Concessionaires and Services Temporary Relief Program), which provided for the waiver of the minimum annual guarantees (MAGs), lower fees and deferrals. The Concessionaires and Services Temporary Relief Program ended on June 30, 2021. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

The decrease in grants receivable of $69.2 million at June 30, 2021 was primarily a result of the fully drawdown of grants awarded under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. LAX was awarded CARES Act grants in the amount of $323.6 million, payable on a reimbursement basis. In LAX, the amount of $271.2 million was fully drawn in fiscal year 2021 whereas the amount of $52.4 million was recognized as grants receivable in fiscal year 2020.

Restricted current assets include cash and investments (including reinvested cash collateral in 2021) held in the City Treasury for future capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred at LAX and for bond principal and interest payments.

Restricted current assets decreased by $793.3 million or 37.6%, from $2.1 billion at June 30, 2020 to $1.3 billion at June 30, 2021. The decrease was primarily driven by a decrease in restricted cash and pooled investments held in City Treasury of $423.6 million, or 40.3%, and a decrease in year-end investment portfolio held by fiscal agents of $390.0 million, or 37.0%.

The decrease in restricted cash and pooled investments held in City Treasury of $423.6 million, or 40.3% from $1.1 billion in fiscal year 2020 to $627.5 million in fiscal year 2021 was due to higher cash outflows than inflows in fiscal year 2021. The decrease in year-end investment portfolio held by fiscal agents of $390.0 million, or 37.0% from $1.1 billion in fiscal year 2020 to $664.8 million in fiscal year 2021 was mainly due to higher drawdown to reimburse on-going construction activities at LAX in fiscal year 2021.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by $2.2 billion, or 18.0%. Ongoing construction and improvements to modernize LAX terminals and facilities, and the Landside Access Modernization Program (LAMP) including the construction of Automated People Mover System (APM) and Consolidated Rental Car Facility (ConRAC), together with the completed Bradley West Gates (formerly known as Midfield Satellite Concourse) were the primary reasons for the increase.

Other noncurrent assets decreased by $21.2 million or 100.0% primarily due to the early payoff of the receivable from Ontario International Airport Authority (OIAA) in fiscal year 2021. Based on the Ontario International Airport (ONT) Settlement Agreement in 2016, LAX was to receive $70.0 million (before discount for early repayment) from ONT, over a period of approximately 10 years. The total outstanding OIAA receivable balance was approximately $30.6 million as of June 30, 2020.

Current liabilities payable from unrestricted assets increased by $193.4 million or 33.5%. This was mainly due to an increase of $170.0 million or 40.1% in contracts and accounts payable, and an increase of $35.1 million or 55.6% in commercial paper, an increase of $11.5 million or 37.5% in other current liabilities, and an increase of $5.3 million or 83.3% in obligations under securities lending transactions, offset by a decrease of $29.8 million or 77.2% in accrued salaries. The increase in contracts and accounts payable was primarily due to the year-end accruals of capital expenditures for the on-going construction projects including the APM milestones payment of $149.6 million made in July 2021. The increase in commercial paper notes was primarily due to the increase in interim financing for the on-going construction projects. The increase in other current liabilities was primarily a result of the settlement of $9.4 million credit memo issued in fiscal year 2020 as part of America Airlines' tenant acquisition, and an increase in LAWA's share of the City Treasury's year-end pending investment trade of $22.8 million in fiscal year 2021**.** The decrease in accrued salaries was primarily a result of lower number of working days for accrual in fiscal year 2021, in addition to the accruals of $17.0 million incentive payment for the SIP in fiscal year 2020 and none in fiscal year 2021.

Current liabilities payable from restricted assets increased by $23.2 million or 11.1%. This was mainly due to an increase of $15.9 million in accrued interest payable, an increase in LAWA's share of the City Treasury's year-end pending investment trade of $6.5 million, and an increase of $3.2 million in current maturities of bonded debt, offset by a decrease of $2.4 million or 37.0% in obligations under securities lending transactions in fiscal year 2021. The increase in accrued interest payable was primarily due to the $2.0 billion bond issuances in fiscal year 2021.

The increase in noncurrent liabilities was $1.7 billion or 19.0%. This was primarily a result of bond issuances of $2.0 billion with net change in premium of $433.1 million, offset by partial refunding and defease all of the outstanding Series 2010A senior revenue bonds, Series 2010B subordinate revenue bonds and Series 2010D senior revenue bonds in the amount of $316.9 million, $134.7 million and $315.8 million, respectively; in addition to the recognition of $144.2 million as current bonded debt in fiscal year 2021. The increase was also attributable to the recognition of additional proportionate share of net pension liability (NPL) of $199.1 million or 24.6%, and net OPEB liability (NOL) of $11.9 million or 17.4% in fiscal year 2021. The increase in additional proportionate share of NPL and NOL was primarily due to a return on the market value of retirement plan assets of 2.05% during fiscal year 2020 that was less than the assumption of 7.25% used in the June 30, 2019 valuation, and changes in the actuarial assumptions from 7.25% to 7.00% along with a reduction of inflation rate from 3.00% to 2.75% in fiscal year 2021.

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

Net Position, Fiscal Year 2020

As noted earlier, net position may serve as a useful indicator of LAX's financial condition. At the close of fiscal years 2020 and 2019, LAX's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.8 billion and $5.7 billion, respectively, representing an increase of 1.5% or $86.7 million.

The largest portion of LAX's net position ($4.9 billion or 85.1%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAX's net position ($1.0 billion or 17.8%) represents resources that are subject to various restrictions on how they may be used. Unrestricted net position decreased by $65.4 million from $(103.9) million in fiscal year 2019 to $(169.3) million in fiscal year 2020.

Unrestricted current assets increased by $161.4 million or 15.1%, from $1.1 billion at June 30, 2019 to $1.2 billion at June 30, 2020. The increase was primarily driven by an increase in cash and pooled investments held in City Treasury of $64.3 million or 7.0%, an increase in accounts receivable balance of $97.5 million or 2,578.6%, and an increase in grants receivable of $56.3 million or 331.8%, offset by a decrease in unbilled receivables of $49.8 million or 100.0% in fiscal year 2020.

Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2020) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions, and transfers to fiscal agents for debt service.

The increase in cash and pooled investments held in City Treasury of $64.3 million was due to higher cash inflows than outflows in fiscal year 2020. The increase in accounts receivable of $97.5 million at June 30, 2020 was a result of LAX's mitigation measures in response to COVID-19. Unbilled receivables, which represented the year-end accrual for unbilled revenue, was reduced accordingly as such accrual activities were minimal at June 30, 2020 due to LAWA's mitigation measures in response to COVID-19.

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

- Deferral of terminal and airfield fees payable from April through May 2020.
- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.
- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees included in accounts receivable was approximately $93.0 million.

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

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

- LAX only required payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable, deferred receipt of in-terminal concession storage rent.
- In the case of off-airport rental car companies, LAX only required payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.
- Accrued amounts are required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six-month payment period.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments included in accounts receivable was approximately $3.0 million.

The increase in grants receivable of $56.3 million at June 30, 2020 was primarily a result of the grants awarded under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. LAX was awarded CARES Act grants in the amount of approximately $323.6 million, payable on a reimbursement basis. LAX has drawn approximately $52.4 million of CARES Act moneys in fiscal year 2020 to stabilize cost increases in airline rates at LAX, while preserving the majority of the funds, approximately $271.2 million, for fiscal year 2021. The drawn amount of $52.4 million was recognized as grants revenue in fiscal year 2020.

Restricted current assets include cash and investments (including reinvested cash collateral in 2020) held in the City Treasury for future capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for capital expenditures incurred and for bond principal and interest payments. Restricted current assets decreased by $887.7 million or 29.6%, from $3.0 billion at June 30, 2019 to $2.1 billion at June 30, 2020. The decrease in year-end investment portfolio held by fiscal agents of $879.5 million, or 45.5% from $1.9 billion in fiscal year 2019 to $1.1 billion in fiscal year 2020 was mainly due to higher unspent bond proceeds in fiscal year 2019 as a result of the issuance of LAX subordinate revenue bond Series 2019 D and E on June 27, 2019.

LAX's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue, and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by $1.3 billion or 11.9%. Ongoing construction and improvements to modernize LAX terminals and facilities, construction of Bradley West Gates (formerly known as Midfield Satellite Concourse), and the LAMP including the construction of APM and ConRAC were the primary reasons for the increase.

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(continued)

Other noncurrent assets decreased by $7.0 million or 24.8% primarily due to the shift of the long-term receivable from OIAA to current assets. Based on the ONT Settlement Agreement in 2016, LAX was to receive $70.0 million (before discount for early repayment) from ONT, over a period of approximately 10 years. The total outstanding OIAA receivable balance was approximately $30.6 million and $37.6 million as of June 30, 2020 and 2019, respectively.

Current liabilities payable from unrestricted assets increased by $136.3 million or 30.9%. This was mainly due to an increase of $148.3 million or 53.7% in contracts and accounts payable, an increase of $15.4 million or 66.6% in accrued salaries, an increase of $12.5 million or 69.4% in other current liabilities; offset by a decrease of $36.6 million or 36.7% in commercial paper, and a decrease of $3.5 million or 35.2% in obligations under securities lending transactions. The increase in contracts and accounts payable was primarily due to the year-end accruals of capital expenditures for the on-going construction projects. The increase in accrued salaries was primarily due to accruals of $17.0 million incentive payment for the SIP in fiscal year 2020. The increase in other current liabilities was primarily a result of $9.4 million credit memo issued in fiscal year 2020 as part of America Airlines' tenant acquisition, and an increase in LAWA's share of the City Treasury's year-end pending investment trade of $2.2 million in fiscal year 2020**.** The decrease in commercial paper notes was primarily due to refinancing of $83.4 million from the bond proceeds of the issuance of LAX's subordinate revenue bonds Series 2019F.

Current liabilities payable from restricted assets decreased by $3.4 million or 1.6%. This was mainly due to a decrease of $1.7 million or 10.3% in contracts and accounts payable, a decrease of $2.2 million in current maturities of bonded debt, and a decrease of $3.8 million or 36.5% in obligations under securities lending transactions; offset by an increase of $2.3 million in accrued interest payable, and an increase in LAX's share of the City Treasury's year-end pending investment trade of $2.3 million in fiscal year 2020.

The increase in noncurrent liabilities was $0.3 billion or 3.5%. This was primarily a result of bond issuances of $1.2 billion with net change in premium of $238.6 million, offset by partial refunding of $983.7 million LAX senior revenue bonds Series 2010A and 2010D, and the recognition of $141.0 million as current bonded debt in fiscal year 2020. The increase was also attributable to the recognition of additional proportionate share of NPL of $34.3 million or 4.4%, offset by the decrease in NOL of $9.3 million or 11.9% in fiscal year 2020.

Changes in Net Position Summary

A condensed summary of LAX's changes in net position for fiscal years ended June 30, 2021, 2020, and 2019 is presented below:

Condensed Changes in Net Position
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Operating revenue	$ 1,047,208	$ 1,340,723	$ 1,514,367	$ (293,515)	$ (173,644)
Less- Operating expenses	770,785	887,668	798,374	(116,883)	89,294
Operating income before depreciation and amortization	276,423	453,055	715,993	(176,632)	(262,938)
Less- Depreciation and amortization	439,347	445,887	402,646	(6,540)	43,241
Operating income	(162,924)	7,168	313,347	(170,092)	(306,179)
Other nonoperating revenue (expenses), net	(214,925)	(6,448)	85,172	(208,477)	(91,620)
Federal and other government grants	313,032	85,978	29,864	227,054	56,114
Changes in net position	(64,817)	86,698	428,383	(151,515)	(341,685)
Net position, beginning of year	5,802,411	5,715,713	5,287,330	86,698	428,383
Net position, end of year	$ 5,737,594	$ 5,802,411	$ 5,715,713	$ (64,817)	$ 86,698

Operating Revenue

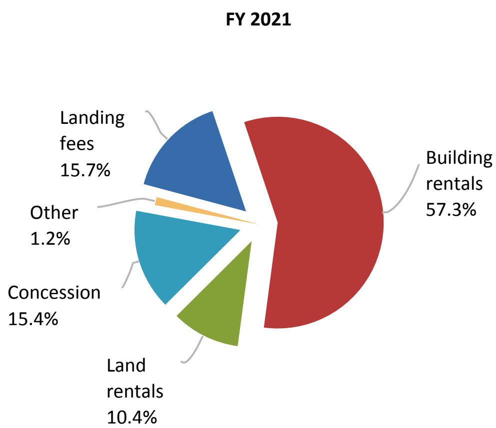
LAX derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2021, 2020, and 2019:

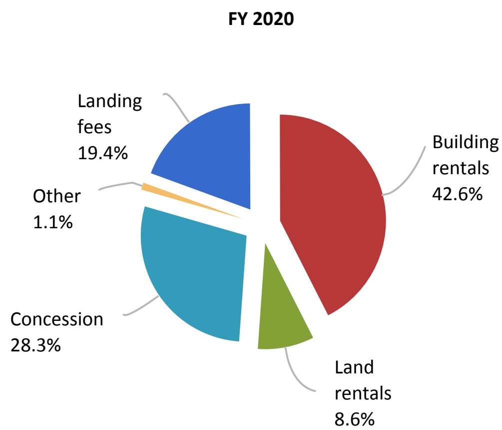
Summary of Operating Revenue
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Aviation revenue					
Landing fees	$ 164,693	$ 259,185	$ 295,724	$ (94,492)	$ (36,539)
Building rentals	600,399	571,478	581,946	28,921	(10,468)
Land rentals	109,556	115,523	118,145	(5,967)	(2,622)
Other aviation revenue	7,746	7,334	7,390	412	(56)
Total aviation revenue	882,394	953,520	1,003,205	(71,126)	(49,685)
Concession revenue	161,423	380,331	501,167	(218,908)	(120,836)
Other operating revenue	4,647	8,044	9,995	(3,397)	(1,951)
Total operating revenue before reliever fee	1,048,464	1,341,895	1,514,367	(293,431)	(172,472)
Reliever airport fee (landing fees offset)	(1,256)	(1,172)	—	(84)	(1,172)
Total operating revenue	$ 1,047,208	$ 1,340,723	$ 1,514,367	$ (293,515)	$ (173,644)

Operating Revenue, Fiscal Year 2021

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fee, for fiscal years ended June 30, 2021 and 2020. Other aviation and other operating revenue were added and labeled "Other."





For the fiscal year ended June 30, 2021, total operating revenue before reliever airport fees was $1.0 billion, a decrease of $293.4 million or 21.9% from the prior fiscal year. Aviation related revenue decreased by $71.1 million or 7.5%. Non-aviation revenue decreased by $222.3 million or 57.2%, including a decrease in concession of $218.9 million or 57.6%, and a decrease in other operating revenue of $3.4 million, or 42.2%. The downturn in total operating revenue was mainly caused by the outbreak of COVID-19. The COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the CDC, and the issuance of 'stay at home' or 'shelter in place' orders by many state and local governments in the United States and governments abroad. Accordingly, LAX has been acutely impacted by the reductions in passenger volumes and flight operations.

As described in Note 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees for the fiscal year ended June 30, 2021 decreased by $94.5 million, or 36.5%. The decrease in landing fees was primarily due to 24.8% reduction in landed weights in fiscal year 2021 as impacted by COVID-19 described above, offset by the application of federal funds to the landing fee cost centers at LAX.

Building rental increased by $28.9 million or 5.1% from $571.5 million in fiscal year 2020 to $600.4 million in fiscal year 2021. The increase in building rentals was primarily attributable to increased costs of $49.9 million or 10.2% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement, offset by decreases in terminal use fees of $21.0 million or 24.7% as a result of the drop in passenger traffic as impacted by COVID-19 in fiscal year 2021, and reduction in common use activity.

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Land rental revenue decreased by $6.0 million or 5.2% from $115.5 million in fiscal year 2020 to $109.6 million in fiscal year 2021. The decrease in land rental revenue was primarily due to an overall decrease in leased areas in fiscal year 2021 due to lease terminations, including the leases that were terminated in order to accommodate LAX-it (the opening of the auxiliary curb for taxis and rideshare), LAMP and other projects in November 2019 .

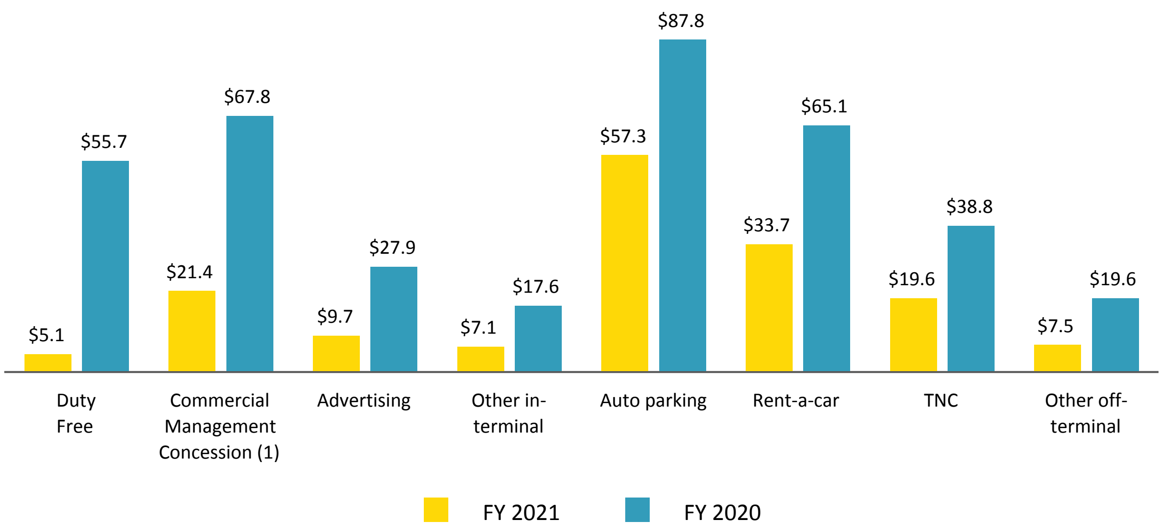
Total revenue from concessions was $161.4 million in fiscal year 2021, a 57.6% reduction from $380.3 million in fiscal year 2020. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental, and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, transportation network companies (TNC) and other commercial ground transportation operations.

In-terminal concession revenue in fiscal year 2021 had a net decrease of $125.7 million or 74.4% as compared to fiscal year 2020. Duty free revenues decreased by $50.6 million, or 90.8%; commercial management concession revenue[4] decreased by $46.4 million or 68.4%; other in-terminal revenue decreased by $10.5 million or 59.7%; and advertising revenue decreased by $18.2 million or 65.2%. The decreases in concession revenue were due to a waiver of minimum annual guarantees (MAGs) and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as impacted by the COVID-19 pandemic.

Off-terminal concession revenue at LAX in fiscal year 2021 was $118.1 million as compared to $211.3 million in fiscal year 2020, a decrease of $93.2 million or 44.1%. The decrease was primarily caused by a decrease in TNC revenue of $19.2 million or 49.5% from fiscal year 2020, a decrease in auto parking of $30.5 million, or 34.7% from fiscal year 2020, and a decrease in rent-a-car revenue of $31.4 million, or 48.2%. The decrease in TNC revenue was primarily due to the decline in ridership caused by the drop in passenger traffic as impacted by COVID-19. The decrease in auto parking revenue was primarily attributed to the decrease in passenger traffic. The decrease in rent-a-car revenue was due to a waiver of MAGs and a decrease in percentage rents based on sales due to passenger traffic reduction as impacted by the COVID-19 pandemic.

[4] *Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.*

Comparative concession revenue by type for fiscal years 2021 and 2020 are presented in the following chart (amounts in millions).



1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Other operating revenue, including airport sales and services, and other aviation and operating revenue, decreased by $3.4 million or 42.2% in fiscal year 2021. The decrease was primarily due to $2.1 million reduction in U.S. Customs and Border Protection (CBP) reimbursements caused by a lower passenger level as impacted by the COVID-19 pandemic.

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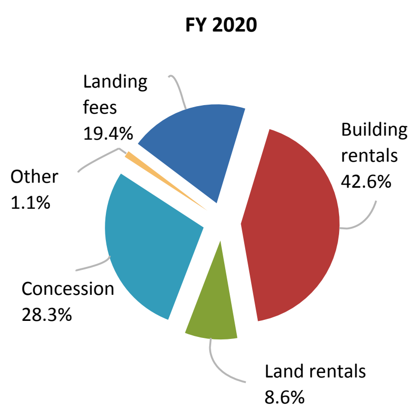
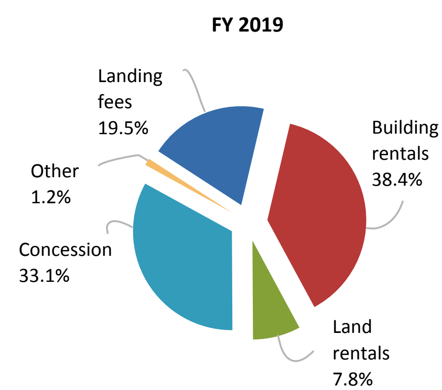
(continued)

Operating Revenue, Fiscal Year 2020

The following chart illustrates the proportion of sources of operating revenue, before reliever airport fees, for fiscal years ended June 30, 2020 and 2019. Other aviation and other operating revenue were added and labeled "Other."





For the fiscal year ended June 30, 2020, total operating revenue before reliever airport fees was $1.3 billion, a decrease of $172.5 million or 11.4% from the prior fiscal year. Aviation related revenue decreased by $49.7 million or 5.0%. Non-aviation revenue decreased by $122.8 million or 24.0%, including decrease in concession of $120.8 million or 24.1% and decrease in other operating revenue of $2.0 million, or 19.5%. The downturn in total operating revenue was mainly caused by the outbreak of COVID-19. The COVID-19 pandemic has resulted in a number of governmental actions, including travel restrictions and warnings domestically and internationally by the CDC, and the issuance of 'stay at home' or 'shelter in place' orders by many state and local governments in the United States and governments abroad. Accordingly, LAX has been acutely impacted by the reductions in passenger volumes and flight operations.

As described in Notes 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees for the fiscal year ended June 30, 2020 decreased by $36.5 million or 12.4%. The decrease in landing fees was primarily due to 17.7% reduction in landed weights in fiscal year 2020 as impacted by COVID-19 described above, offset by the increase in actual capital and operating expenses allocable to the landing fee cost centers at LAX.

Building rental decreased by $10.5 million or 1.8%, from $581.9 million in fiscal year 2019 to $571.5 million in fiscal year 2020. The decrease in building rentals was primarily attributable to decreases in terminal use fees of $32.3 million or 27.6% as a result of the drop in passenger traffic as impacted by COVID-19 in fiscal year 2020, and reduction in common use activity, offset by the increased costs of $21.8 million or 4.7% primarily attributable to the increased costs in improvements and refurbishments in the terminals recovered under the Terminal Rate Agreement.

Land rental revenue decreased by $2.6 million or 2.2%, from $118.1 million in fiscal year 2019 to $115.5 million in fiscal year 2020. The decrease in land rental revenue was primarily due to an overall decrease in leased areas due to lease terminations, including the leases that were terminated in order to accommodate LAX-it (the opening of the auxiliary curb for taxis and rideshare), LAMP and other projects in fiscal year 2020.

Total revenue from concessions was $380.3 million in fiscal year 2020, a 24.1% reduction from $501.2 million in fiscal year 2019. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, TNC and other commercial ground transportation operations.

In-terminal concession revenue during fiscal year 2020 had a net decrease of $59.7 million or 26.1% as compared to fiscal year 2019. Duty free revenues decreased by $29.2 million or 34.4%; commercial management concession revenue decreased by $23.6 million or 25.8%; other in-terminal revenue decreased by $3.1 million or 15.0%; and advertising revenue decreased by $3.8 million or 12.0%. The decreases in concession revenue were due to a waiver of MAGs and a decrease in percentage rents based on concessionaires' sales due to passenger traffic reduction as a result of the COVID-19 pandemic in fiscal year 2020.

Off-terminal concession revenue at LAX in fiscal year 2020 was $211.3 million as compared to $272.5 million in fiscal year 2019, a decrease of $61.2 million or 22.5%. The decrease was primarily caused by a decrease in TNC revenue of $20.8 million or 34.9% from fiscal year 2019, a decrease in auto parking of $16.5 million or 15.8% from fiscal year 2019, and a decrease in rent-a-car revenue of $17.5 million or 21.2%. The decrease in TNC revenue was a result of a one-time penalty fees of $4.7 million in fiscal year 2019 in addition to the decline in ridership caused by the drop in passenger traffic as impacted by COVID-19 in fiscal year 2020. The decrease in auto parking revenue was primarily attributed to decrease in passenger traffic offset by parking rates increase in the Central Terminal Area parking structures effective January 2019. The decrease in rent-a-car revenue was due to a waiver of MAGs and a decrease in percentage rents based on sales due to passenger traffic reduction as a result of the COVID-19 pandemic in fiscal year 2020.

Management's Discussion and Analysis (Unaudited)
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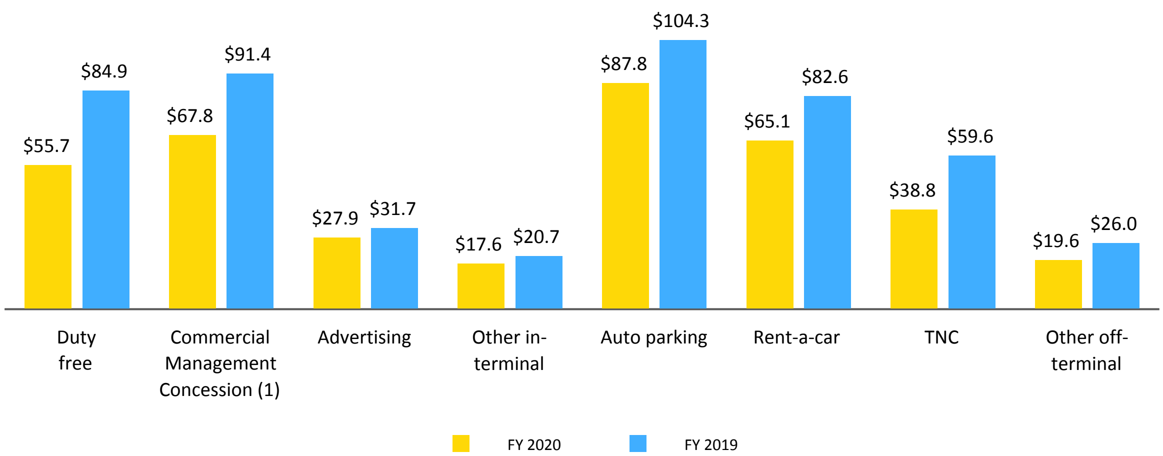
(continued)

Comparative concession revenue by type for fiscal years 2020 and 2019 are presented in the following chart (amounts in millions).



1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Other operating revenue, including airport sales and services, and other aviation and operating revenue, decreased by $2.0 million or 19.5% in fiscal year 2020. The decrease was primarily due to a drop in various reimbursements, refunds and penalty fees.

Operating Expenses

The following table presents a summary of LAX's operating expenses for the fiscal years ended June 30, 2021, 2020, and 2019. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

Summary of Operating Expenses
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Salaries and benefits	$ 484,581	$ 532,563	$ 456,948	$ (47,982)	$ 75,615
Contractual services	188,105	230,647	220,990	(42,542)	9,657
Materials and supplies	43,536	55,493	53,414	(11,957)	2,079
Utilities	39,007	47,334	46,191	(8,327)	1,143
Other operating expenses	18,465	24,719	23,559	(6,254)	1,160
Operating expenses before depreciation	773,694	890,756	801,102	(117,062)	89,654
Depreciation	439,347	445,887	402,646	(6,540)	43,241
Total operating expenses	1,213,041	1,336,643	1,203,748	(123,602)	132,895
Less- allocation to VNY and PMD	2,909	3,088	2,728	(179)	360
Net operating expenses	$ 1,210,132	$ 1,333,555	$ 1,201,020	$ (123,423)	$ 132,535

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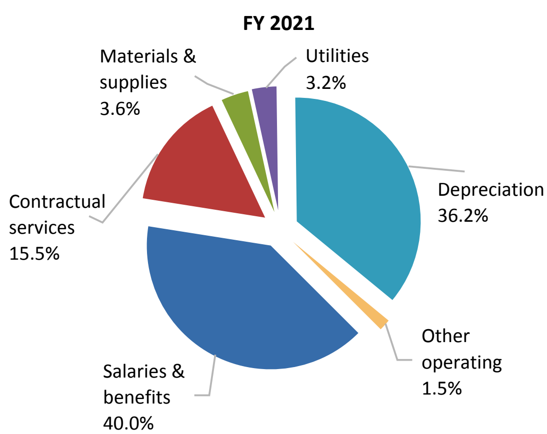
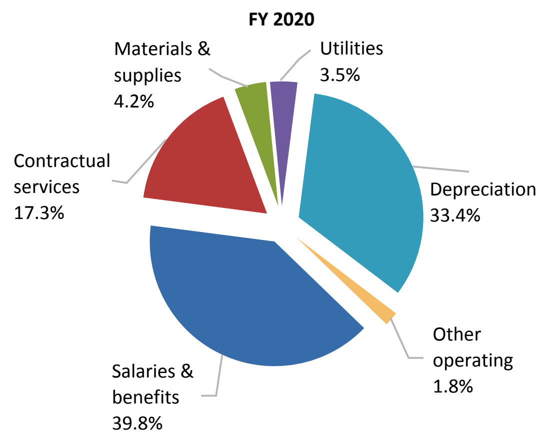
Operating Expenses, Fiscal Year 2021

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2021 and 2020.





For the fiscal year ended June 30, 2021, operating expenses before allocation to other airports were $1.2 billion, a $123.6 million or 9.2% decrease from the prior fiscal year. All expense categories experienced notable reduction including decrease in salaries and benefits of $48.0 million or 9.0%, decrease in contractual services of $42.5 million or 18.4%, decrease in materials and supplies of $12.0 million or 21.5%; decrease in utilities of $8.3 million or 17.6%;decrease in other operating expenses of $6.3 million or 25.3%, and decrease in depreciation of $6.5 million or 1.5%.

Salaries and benefits expenses decreased by $48.0 million or 9.0%. Within this category, salaries and overtime had a decrease of $64.5 million or 19.3%.The decrease was mainly due to reduction in headcount from 3,499 in fiscal year 2020 to 3,031 in fiscal year 2021 primarily driven by the SIP, in addition to the recognition of approximately $17.3 million under the SIP in fiscal year 2020. As a result of the reduction in headcount, the related benefits expenses were decreased. Retirement contributions decreased by $2.3 million or 2.3%; healthcare subsidy decreased by $3.2 million or 6.6%, and workers' compensation decreased by $4.0 million or 27.0%. Non-cash pension and OPEB expenses increased by $26.0 million to $59.4 million in fiscal year 2021.

Contractual services decreased by 42.5 million or 18.4%. The decrease was primarily across the board among all contractual expenses, with the exception of an increase in City services of $6.4 million caused by higher services provided by L.A. Fire Department and L.A. Police Department. Major contractual expenses experienced notable reduction include a decrease of $12.7 million in landside parking and shuttle services, a decrease of $6.8 million in ground transportation services for LAX-it (an auxiliary curb to provide a pickup area for taxis and ride apps), a decrease of $6.0 million in IT airport system services, a decrease of $4.1 million in merchant fees, a decrease of $3.7 million in operations and emergency consulting services, a decrease of $3.2 million in luggage carts and janitorial services, and a decrease of $3.1 million in Flyaway bus services in fiscal year 2021.

Materials and supplies expenses were $43.5 million and $55.5 million in fiscal year 2021 and 2020, respectively. Major materials and supplies expenses experienced notable reduction include a decrease of $2.2 million in automotive equipment expenses, a decrease of $1.6 million in recycling, trash and waste disposal, and a decrease of $1.7 million in fuel and petroleum services in fiscal year 2021.

Utilities expenses were $39.0 million and $47.3 million in fiscal year 2021 and 2020, respectively. The decrease in utilities was primarily driven by a decrease of $4.9 million in water expenses and $2.8 million in electricity as a result of lower passenger volume as impacted by COVID-19 and the shutdown of T3 for construction, in addition to a decrease of $1.4 million in telephone expenses as a result of cost-saving measures including the cancellation of duplicate phone lines in fiscal year 2021.

Other operating expenses were $18.5 million and $24.7 million in fiscal year 2021 and 2020, respectively. Major other operating expenses experienced notable reduction include a decrease of $3.9 million in bad debt expenses due to lower bad debt allowance driven by lower account receivable balance at year-end, a decrease of $2.0 million in advertising and public relations expenses due to lower level of advertising and marketing activities as impacted by COVID-19, and a decrease of approximately $1.0 million in property taxes due to the change of property usage to accommodate LAX-it. Within the other operating expenses categories, insurance expense increased by $1.1 million; and lease expense increased by $1.6 million primarily a result of a new lease of approximately $0.8 million to relocate staff, and Skyview leasing commissions was higher by $0.5 million in fiscal year 2021.

Depreciation charges decreased from $445.9 million to $439.3 million in fiscal year 2021. The decrease in depreciation charges was primarily due to a reduction of $20.9 million as a result of fully depreciated and retired assets including the City of Inglewood residential sound insulation program, County of Los Angeles sound insulation program, and Inglewood Unified School District Program, offset by an addition of $14.3 million in depreciation of newly capitalized assets including the Bradley West Gates (formerly known as Midfield Satellite Concourse) in fiscal year 2021.

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

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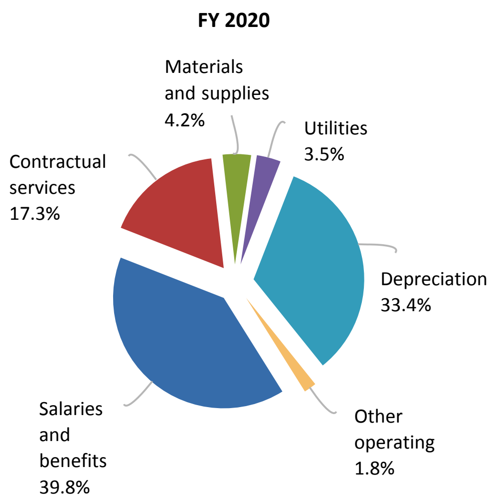
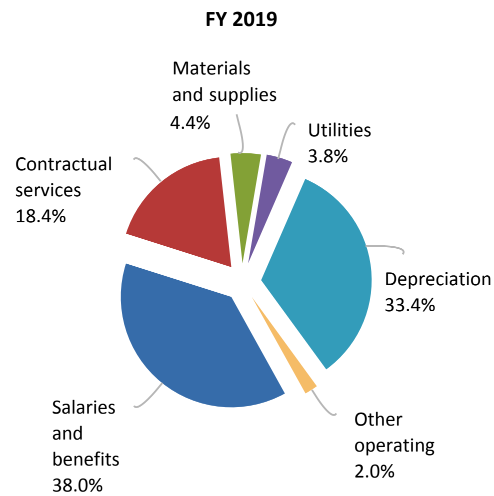
Operating Expenses, Fiscal Year 2020

The following chart illustrates the proportion of categories of operating expenses, before allocation to other airports, for fiscal years ended June 30, 2020 and 2019.





For the fiscal year ended June 30, 2020, operating expenses before allocation to other airports were $1.3 billion, a $132.9 million or 11.0% increase from the prior fiscal year. Expense categories that experienced notable changes were increase in salaries and benefits of $75.6 million or 16.5%, and increase in contractual services of $9.7 million or 4.4%. Expense categories with moderate increase were materials and supplies, an increase of $2.1 million or 3.9%; utilities, an increase of $1.1 million or 2.5%; and other operating expenses, an increase of $1.2 million or 4.9%. Depreciation increased by $43.2 million or 10.7%.

Salaries and benefits expenses increased by $75.6 million or 16.5%. Within this category, salaries and overtime before capitalized charges had an increase of $31.3 million or 9.5%. This increase was mainly due to the terms of bargaining agreements with employee unions, in addition to the recognition of $17.3 million under the SIP in fiscal year 2020. Retirement contributions increased by $13.8 million or 15.9%; and healthcare subsidy increased moderately by $0.7 million or 1.4%. Workers' compensation increased by $9.1 million or 163.8% as additional projected year-end liability was recognized in fiscal year 2020 based on the actuarial report. Non-cash pension and OPEB expenses increased by $22.0 million to $33.4 million in fiscal year 2020.

Contractual services increased by 9.7 million or 4.4%. The increase was mostly driven by the opening of the auxiliary curb, LAX-it, to provide a pickup area for taxis and ride apps in fiscal year 2020. Materials and supplies expenses were $55.5 million and $53.4 million in fiscal year 2020 and 2019, respectively. The increase in materials and supplies at LAX was mainly due to the rental of backup power generators in response to a power outage incident in the Central Terminal Area, and increased maintenance and services for the automated border control gates and kiosks. Utilities expenses were $47.3 million and $46.2 million in fiscal year 2020 and 2019, respectively. The increase in utilities expenses was mainly caused by an increase of $1.3 million in telephone and $2.4 million in water charges offset by a decrease in electricity of $2.2 million. Increase in telephone charges was due to higher usage. Increase in water charges was due to rate hikes and a sewage billing of $3.7 million in fiscal year 2020, of which $1.6 million was related to prior year usage. Decrease in electricity was a result of credit adjustments in fiscal year 2020 and lower usage due to Central Utility Plant (CUP) efficiency.

Other operating expenses were $24.7 million and $23.6 million in fiscal year 2020 and 2019, respectively. The increase in other operating expenses at LAX was mainly due to increase in bad debts of $2.0 million and increase in insurance of $2.1 million, offset by approximately $3.0 million in aggregate decreases in travel, advertising and marketing, and miscellaneous administrative expenses. Increase in bad debts was a result of higher year-end bad debt allowance driven by a higher year-end accounts receivable balances due to the rent deferral program in fiscal year 2020. Increase in insurance premium was caused by rate hike and additional cybersecurity coverage of $30.0 million in fiscal year 2020.

Depreciation charges increased from $402.6 million to $445.9 million in fiscal year 2020. The increase in depreciation charges was primarily due to capitalization of various terminals improvements and the Inglewood noise mitigation projects in fiscal year 2020.

A 15% burden rate of their operating costs is allocated to the other airports for central services costs that are paid for by LAX. Such central service costs include general administration, financial and human resource services among other costs.

Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services or producing and delivering goods in connection with LAX's ongoing operations. The following table presents a summary of these activities during fiscal years 2021, 2020, and 2019.

Summary of Nonoperating Transactions
(amounts in thousands)

	FY 2021	FY 2020	FY 2019	FY 2021 increase (decrease)	FY 2020 increase (decrease)
Nonoperating revenue					
Passenger facility charges	$ 68,748	$ 118,023	$ 173,100	$ (49,275)	$ (55,077)
Customer facility charges	32,606	65,621	80,248	(33,015)	(14,627)
Interest and investment income	(6,166)	119,938	109,323	(126,104)	10,615
Other nonoperating revenue	10,265	14,286	23,996	(4,021)	(9,710)
	$ 105,453	$ 317,868	$ 386,667	$ (212,415)	$ (68,799)
Nonoperating expenses					
Interest expense	$ 311,701	$ 320,892	$ 294,767	$ (9,191)	$ 26,125
Other nonoperating expenses	8,677	3,424	6,728	5,253	(3,304)
	$ 320,378	$ 324,316	$ 301,495	$ (3,938)	$ 22,821
Federal and other government grants	$ 313,032	$ 85,978	$ 29,864	$ 227,054	$ 56,114

Nonoperating Transactions, Fiscal Year 2021

PFCs decreased by $49.3 million or 41.8% from $118.0 million to $68.7 million as a result of the decrease of 53.7% passenger traffic in fiscal year 2021 as impacted by COVID-19. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, decreased by $33.0 million or 50.3% from $65.6 million to $32.6 million in fiscal year 2021. The decrease was primarily due to the decrease of passenger traffic as impacted by COVID-19.

Interest and investment income decreased by $126.1 million from $119.9 million to $(6.2) million in fiscal year 2021. This was mainly due to the lower interest rate and average balance of cash and pooled investments held in City Treasury, as well as the decrease driven by the downward year-end net adjustment to the fair value of investment securities. Interest expenses decreased by $9.2 million or 2.9% from $320.9 million to $311.7 million in fiscal year 2021. The decrease was mainly due to additional amortization of bond premium in the amount of $29.6 million, offset by an increase of $20.4 million bond interest expenses due to the net additional issuances of $1.2 billion revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by $4.0 million or 28.1% from $14.3 million to $10.3 million in fiscal year 2021 primarily due to $2.9 million reimbursement billing for USO tenant improvement project in fiscal year 2020.

Other nonoperating expenses increased by $5.3 million or 153.4% from $3.4 million to $8.7 million in fiscal year 2021. The increase was primarily due to an increase of $2.8 million in bond issuance expenses in addition to the recognition of $2.5 million loss in discount due to the early payoff of the OIAA receivable balance in fiscal year 2021.

Federal and other government grants increased by $227.1 million, or 264.1% from $86.0 million to $313.0 million. LAX was awarded CARES Act grants in the amount of approximately $323.6 million, payable on a reimbursement basis. The drawn amounts of $271.2 million and $52.4 million in LAX were recognized as grants revenue to stabilize cost increases in airline rates at LAX for fiscal year 2021 and 2020, respectively.

Nonoperating Transactions, Fiscal Year 2020

PFCs decreased by $55.1 million or 31.8%, from $173.1 million to $118.0 million as a result of the decrease of 28.7% passenger traffic in fiscal year 2020 as impacted by COVID-19. CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAX, decreased by $14.6 million or 18.2%, from $80.2 million to $65.6 million in fiscal year 2020. The decrease was primarily due to the decrease of passenger traffic as impacted by COVID-19.

Interest and investment income increased by $10.6 million or 9.7%, from $109.3 million to $119.9 million in fiscal year 2020. This was mainly due to the higher interest rate and average balance of cash and pooled investments held in City Treasury, as well as the increase driven by the upward year-end net adjustment to the fair value of investment securities. Interest expenses increased by $26.1 million or 8.9%, from $294.8 million to $320.9 million in fiscal year 2020 mainly due to the net additional issuances of $166.4 million revenue bonds (after refunding) to finance capital improvement projects at LAX.

Other nonoperating revenue decreased by $9.7 million or 40.5%, from $24.0 million to $14.3 million in fiscal year 2020 primarily due to $13.1 million noise mitigation funds returned to LAX in fiscal year 2019, offset by $2.9 million reimbursement billing for USO tenant improvement project in fiscal year 2020.

Other nonoperating expenses decreased by $3.3 million, or 49.1%, from $6.7 million to $3.4 million in fiscal year 2020. The decrease was mainly due to decrease in bond issuance expenses as a result of reduction in net bond issuance from $1.6 billion in fiscal year 2019 to $166.4 million in fiscal year 2020.

Federal and other government grants increased by $56.1 million or 187.9%, from $29.9 million to $86.0 million mainly due to the CARES Act grants of $52.4 million received in fiscal year 2020.

Long-Term Debt

As of June 30, 2021, LAX's outstanding long-term debt before unamortized premium was $8.2 billion. Issuances during the year amounted to $2.0 billion, redemption and refunding totaled $767.4 million, and payments for scheduled maturities were $123.2 million. Together with the unamortized premium, bonded debt of LAX increased by $1.5 billion to a total of $9.6 billion.

As of June 30, 2020, LAX's outstanding long-term debt before unamortized premium was $7.2 billion. Issuances during the year amounted to $1.2 billion, redemption and refunding totaled $983.7 million, and payments for scheduled maturities were $143.2 million. Together with the unamortized premium, bonded debt of LAX increased by $261.8 million to a total of $8.1 billion.

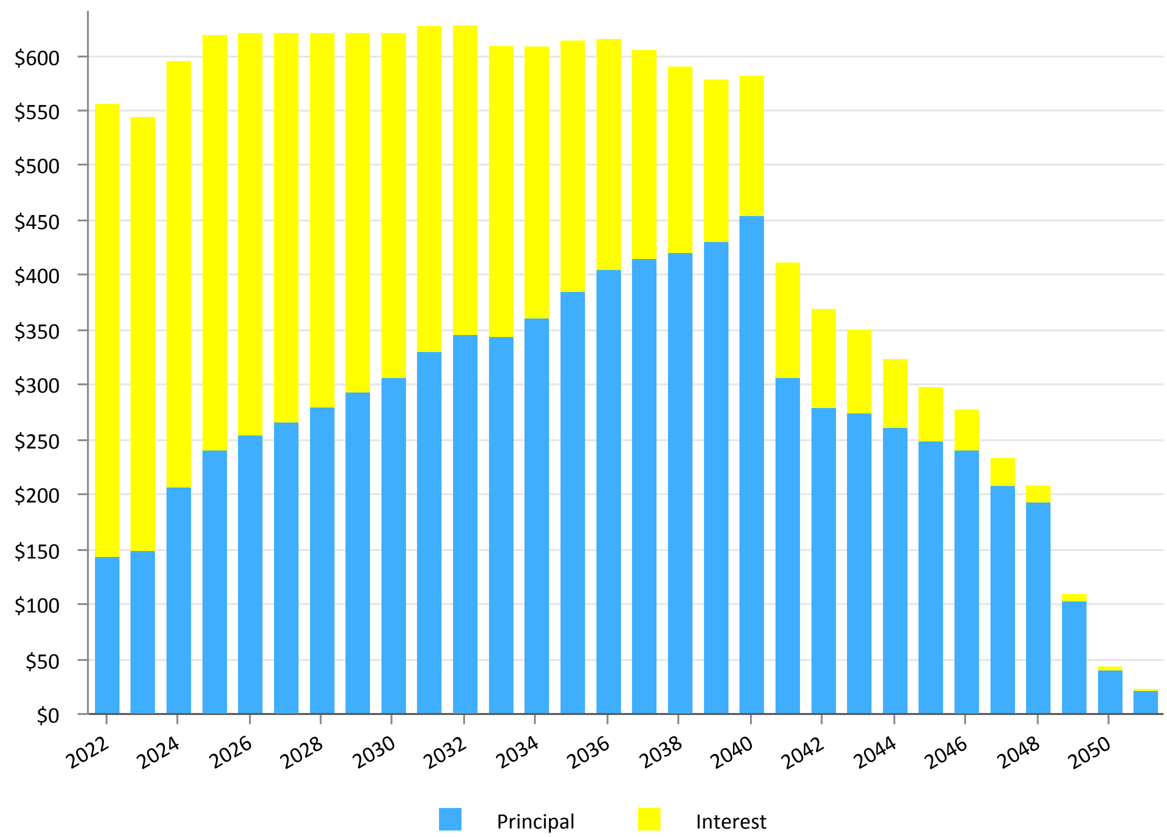
As of June 30, 2021 and 2020, LAX had $630.6 million and $701.2 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

LAX maintains credit ratings of AA, Aa2 and AA- on its senior revenue bonds and credit ratings of AA-, Aa3 and A+ on its subordinate revenue bonds from Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's Global Ratings (S&P), respectively. In August 2020, S&P downgraded LAX credit rating from AA to AA- for senior revenue bonds and from AA- to A+ for subordinate revenue bonds, while the other two agencies affirmed their ratings. According to S&P's press release, the downgrade was a result of the COVID-19 pandemic. It reflects S&P's outlook on the impact of the pandemic on the aviation industry overall and its effects on LAX, which is outside of management's control. In August 2021, Fitch revised the rating outlook, from negative to stable, and affirmed the ratings with respect to LAWA's outstanding senior bonds and subordinate bonds. Moody's and S&P maintain a stable rating outlook.

Additional information regarding LAX's bonded debt can be found in Note 6 of the notes to the financial statements.

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

Outstanding principal, plus scheduled interest as of June 30, 2021, is scheduled to mature as shown in the following chart (amounts in millions).



Capital Assets

LAX's investment in capital assets, net of accumulated depreciation, as of June 30, 2021 and 2020 were $14.3 billion and $12.1 billion, respectively. This investment, which accounts for 83.0% and 78.2% of LAX's total assets as of June 30, 2021 and 2020, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress. LAX's policy affecting capital assets can be found in Note 1f of the notes to the financial statements. Additional information can be found in Note 4 of the notes to the financial statements.

Capital Assets, Fiscal Year 2021

Major capital expenditure activities during fiscal year 2021 included:

- $827.6 million renovations at Terminals 1 to 8
- $477.7 million construction of Automated People Mover System (APM)
- $404.1 million construction of Consolidated Rental Car Facility (ConRAC)
- $187.4 million construction of Bradley West Gates (formerly known as Midfield Satellite Concourse)
- $166.2 million construction of Intermodal Transportation Facility - West
- $108.6 million construction of Airport Police Facility
- $105.9 million construction of runways and taxiways
- $103.5 million Baggage Optimization Project
- $78.7 million interior improvements and security upgrades at Tom Bradley International Terminal (TBIT) and Bradley West
- $43.5 million Receiving Station Project (RS-X)
- $43.4 million construction of Secured Area Access Post - Westside
- $28.4 million IT network and system projects

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.

Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020
(continued)

Capital Assets, Fiscal Year 2020

Major capital expenditure activities during fiscal year 2020 included:

- $430.0 million renovations at Terminals 1 to 8
- $383.0 million construction of Bradley West Gates (formerly known as Midfield Satellite Concourse)
- $200.1 million construction of APM
- $166.5 million project costs related to LAMP
- $139.8 million construction of ConRAC
- $53.6 million interior improvements and security upgrades at TBIT and Bradley West
- $44.7 million construction of runways and taxiways
- $26.1 million residential acquisition, soundproofing and noise mitigation
- $20.3 million IT network and system projects

Additional details of capital commitments can be found in Note 16a of the notes to the financial statements.

Landing Fees

The airline landing fees for fiscal year 2022, as approved by the LAWA Board of Commissioners on June 3, 2021 and became effective as of July 1, 2021, are as follows:

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	$70.00	$88.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	136.00	170.00
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds	3.98	4.98
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds	5.42	6.78

Due to the financial impact of COVID-19 and as part of LAX's Airline Cost Stability and Recovery Plan, the landing fee rates charged from July 1, 2020 to December 31, 2020 were increased effective from January 1, 2021 to June 30, 2021. These rates are subject to a final fiscal year-end reconciliation, based on all actual costs and reported landing weights by air carriers.

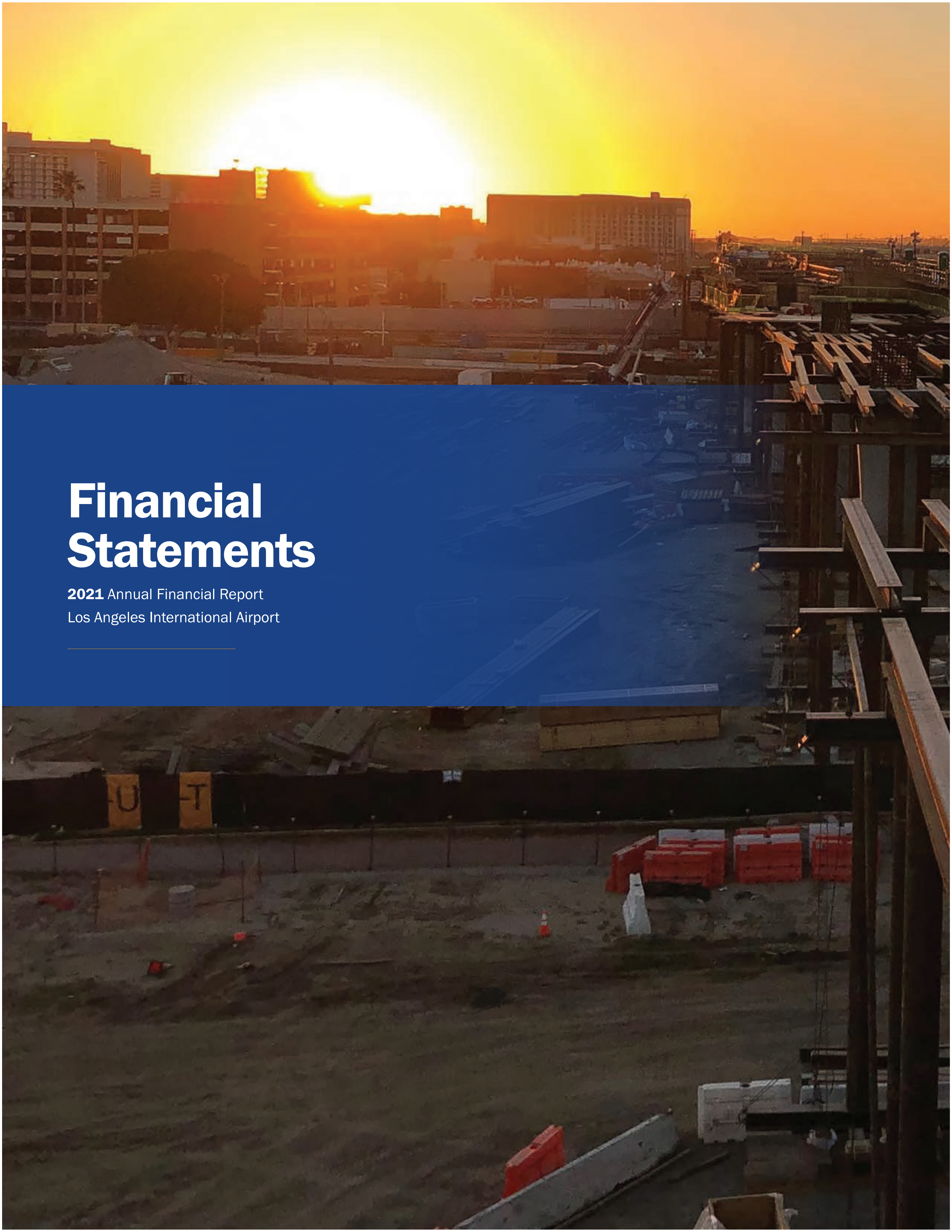
The airline landing fees for fiscal year 2021, which became effective as of January 1, 2021 are as follows:

	Permitted air carriers	Non-permitted air carriers
For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less	$93.00	$116.00
For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds	180.00	225.00
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds	5.61	7.01
Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds	7.19	8.99

Landing fee rates were based on budgeted operating expenses and revenues. Mid-year rates effective January 1, 2021 reflected the application of federal grants and capital restructuring pursuant to the Airline Cost Stability and Recovery Plan. Reconciliation between actual revenues and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

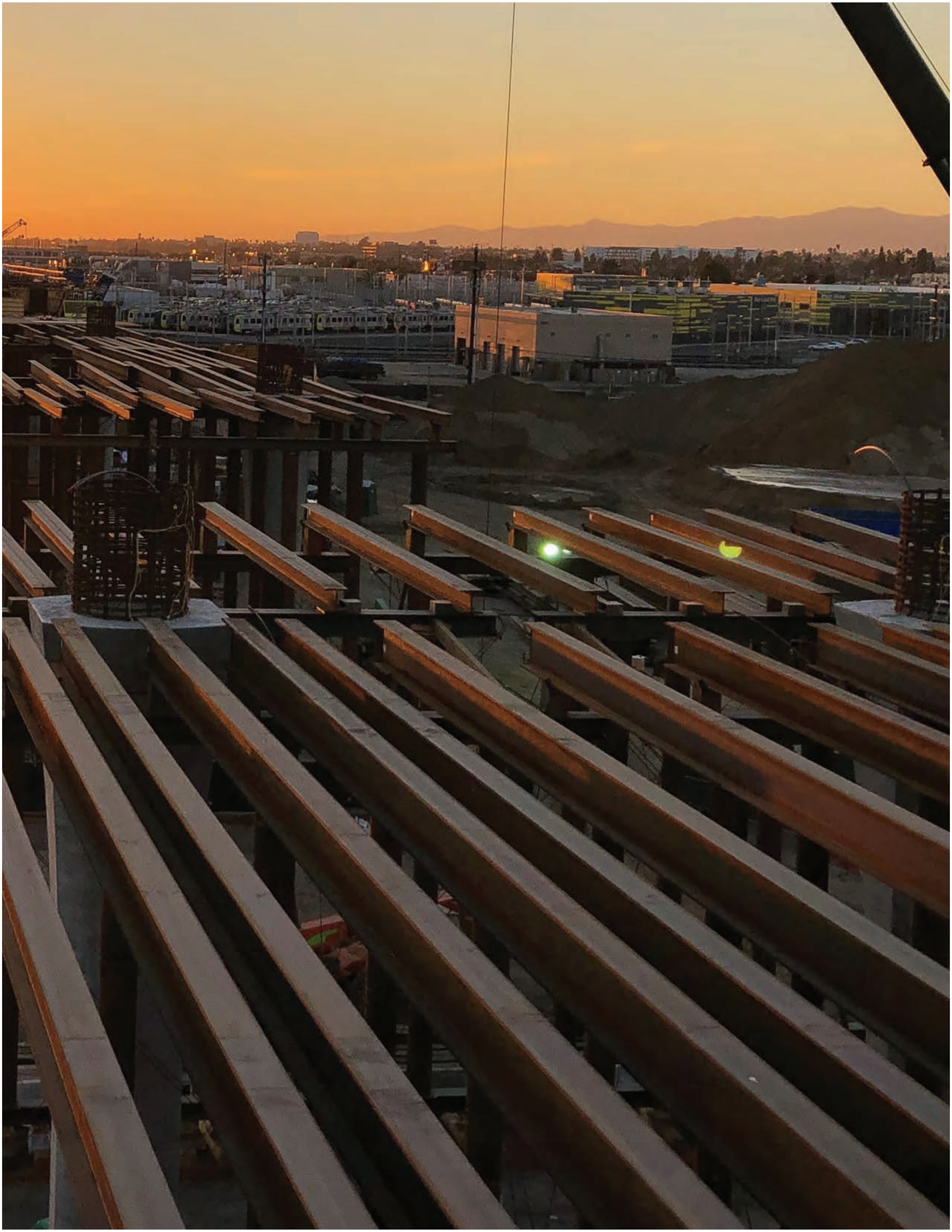
Request for Information

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.



Financial Statements

2021 Annual Financial Report
Los Angeles International Airport



Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Net Position

June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	$ 1,486,486	$ 984,838
Investments with fiscal agents	1,843	979
Accounts receivable, net of allowance for uncollectible accounts: 2021 - $193 ; 2020 - $2,069	9,416	101,306
Unbilled receivables	35,918	—
Accrued interest receivable	4,788	4,690
Grants receivable	4,011	73,230
Receivable from Ontario International Airport Authority (OIAA)	—	9,361
Due from other agencies	46,636	46,852
Prepaid expenses	5,094	5,885
Inventories	1,375	1,382
Total unrestricted current assets	1,595,567	1,228,523
Restricted current assets		
Cash and pooled investments held in City Treasury	627,517	1,051,139
Investments with fiscal agents, includes cash and cash equivalents, related to bonded debt: 2021 - $664,843; 2020 - $1,047,564	664,843	1,054,833
Accrued interest receivable	779	1,131
Passenger facility charges receivable	19,169	1,412
Customer facility charges receivable	4,579	1,720
Total restricted current assets	1,316,887	2,110,235
Total current assets	2,912,454	3,338,758
Noncurrent Assets		
Capital assets		
Not depreciated	5,808,273	4,924,128
Depreciated, net	8,447,373	7,162,039
Total capital assets	14,255,646	12,086,167
Other noncurrent assets		
Receivable from OIAA, net of current portion	—	21,204
Total other noncurrent assets	—	21,204
Total noncurrent assets	14,255,646	12,107,371
TOTAL ASSETS	17,168,100	15,446,129
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	33,681	35,732
Pension and OPEB	320,967	181,271
TOTAL DEFERRED OUTFLOWS OF RESOURCES	354,648	217,003

Statements of Net Position (continued)
June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	$ 594,473	$ 424,436
Accrued salaries	8,796	38,644
Accrued employee benefits	6,235	5,665
Estimated claims payable	9,643	8,912
Commercial paper	98,341	63,197
Obligations under securities lending transactions	11,654	6,359
Other current liabilities	42,098	30,625
Total current liabilities payable from unrestricted assets	771,240	577,838
Current liabilities payable from restricted assets		
Contracts and accounts payable	14,776	14,498
Current maturities of bonded debt	144,245	141,025
Accrued interest payable	60,530	44,630
Obligations under securities lending transactions	4,125	6,547
Other current liabilities	8,943	2,732
Total current liabilities payable from restricted assets	232,619	209,432
Total current liabilities	1,003,859	787,270
Noncurrent Liabilities		
Bonded debt, net of current portion	9,454,707	7,963,523
Accrued employee benefits, net of current portion	52,035	50,982
Estimated claims payable, net of current portion	90,584	90,315
Net pension liability	1,006,766	807,685
Net OPEB liability	80,411	68,484
Other long-term liabilities	885	886
Total noncurrent liabilities	10,685,388	8,981,875
TOTAL LIABILITIES	11,689,247	9,769,145
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	40,508	24,271
Pension and OPEB	55,399	67,305
TOTAL DEFERRED INFLOWS OF RESOURCES	95,907	91,576
NET POSITION		
Net investment in capital assets	5,205,879	4,940,094
Restricted for:		
Passenger facility charges eligible projects	238,703	352,440
Customer facility charges eligible projects	96,728	436,422
Operations and maintenance reserve	236,443	240,776
Federally forfeited property and protested funds	2,242	1,978
Unrestricted	(42,401)	(169,299)
TOTAL NET POSITION	$ 5,737,594	$ 5,802,411

See accompanying notes to the financial statements.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
OPERATING REVENUE		
Aviation revenue		
Landing fees	$ 164,693	$ 259,185
Reliever airport fee	(1,256)	(1,172)
Building rentals	600,399	571,478
Land rentals	109,556	115,523
Other aviation revenue	7,746	7,334
Total aviation revenue	881,138	952,348
Concession revenue	161,423	380,331
Other operating revenue	4,647	8,044
Total operating revenue	1,047,208	1,340,723
OPERATING EXPENSES		
Salaries and benefits	484,581	532,563
Contractual services	188,105	230,647
Materials and supplies	43,536	55,493
Utilities	39,007	47,334
Other operating expenses	18,465	24,719
Allocated administrative charges	(2,909)	(3,088)
Total operating expenses before depreciation and amortization	770,785	887,668
Operating income before depreciation and amortization	276,423	453,055
Depreciation and amortization	439,347	445,887
OPERATING INCOME (LOSS)	(162,924)	7,168
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	68,748	118,023
Customer facility charges	32,606	65,621
Interest and investment income (loss)	(6,166)	119,938
Interest expense	(311,701)	(320,892)
Other nonoperating revenue	10,265	14,286
Other nonoperating expenses	(8,677)	(3,424)
Total nonoperating expenses, net	(214,925)	(6,448)
INCOME (LOSS) BEFORE CAPITAL GRANTS	(377,849)	720
Federal and other government grants	313,032	85,978
CHANGE IN NET POSITION	(64,817)	86,698
NET POSITION, BEGINNING OF YEAR	5,802,411	5,715,713
NET POSITION, END OF YEAR	$ 5,737,594	$ 5,802,411

See accompanying notes to the financial statements.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,131,795	$ 1,304,798
Payments to suppliers	(167,999)	(186,081)
Payments for employee salaries and benefits	(451,635)	(468,642)
Payments for City services	(114,858)	(116,476)
Inter-agency receipts for services, net	2,909	3,088
Net cash provided by operating activities	400,212	536,687
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	10,129	10,860
Inter-agency transfers in	216	400
Net cash provided by noncapital financing activities	10,345	11,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	1,807,435	520,679
Principal paid on revenue bonds and commercial paper notes	(190,696)	(231,510)
Interest paid on revenue bonds and commercial paper notes	(368,932)	(362,113)
Revenue bonds issuance costs	(2,292)	(1,591)
Acquisition and construction of capital assets	(2,456,019)	(1,631,751)
Proceeds from passenger facility charges	50,991	143,537
Proceeds from customer facility charges	29,747	71,062
Capital contributed by federal agencies	382,251	29,707
Net cash used for capital and related financing activities	(747,515)	(1,461,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	29,386	78,735
Net change in fair value of investments	(35,706)	44,491
Cash collateral received (paid) under securities lending transactions	2,873	(7,209)
Sales of investments	29,305	4,495
Sales of investments held by fiscal agents	7,269	244,907
Net cash provided by investing activities	33,127	365,419
NET DECREASE IN CASH AND CASH EQUIVALENTS	(303,831)	(548,614)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,084,520	3,633,134
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,780,689	$ 3,084,520

	2021	2020
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	$ 1,486,486	$ 984,838
Investments with fiscal agents- unrestricted	1,843	979
Cash and pooled investments held in City Treasury- restricted	627,517	1,051,139
Investments with fiscal agents- restricted	664,843	1,047,564
Total cash and cash equivalents	$ 2,780,689	$ 3,084,520
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)/income	$ (162,924)	$ 7,168
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	439,347	445,887
Change in provision for uncollectible accounts	(1,876)	(1,987)
Other nonoperating (expenses) revenues, net	(1,701)	4,076
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	93,766	(95,537)
Unbilled receivables	(35,918)	49,795
Prepaid expenses and inventories	800	1,485
Notes receivable	30,565	7,078
Contracts and accounts payable	7,865	55,233
Accrued salaries	(29,848)	15,443
Accrued employee benefits	1,623	8,016
Other liabilities	(893)	6,665
Net pension and OPEB liability and related changes in deferred outflows and inflows of resources	59,406	33,365
Total adjustments	563,136	529,519
Net cash provided by operating activities	$ 400,212	$ 536,687
SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Acquisition of capital assets included in contracts and accounts payable	$ 431,465	$ 269,015
Revenue bonds proceeds received in escrow trust fund	679,895	926,983
Debt defeased and related costs paid through escrow trust fund with revenue bonds	(679,895)	(926,983)
Net change in grants receivable	69,219	(56,271)

See accompanying notes to the financial statements.

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Index to the Notes to the Financial Statements

The notes to the financial statements include disclosures that are necessary for a better understanding of the accompanying financial statements. An index to the notes follows:

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Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Notes to the Financial Statements
June 30, 2021 and 2020

1. Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Reporting Entity

Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles (the City) established pursuant to Article XXIV, Section 238 of the City Charter. LAWA operates and maintains Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) general aviation airport. In addition LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property.

LAWA is under the management and control of a seven-member Board of Airport Commissioners (the Board) appointed by the City Mayor and approved by the City Council. Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop, and operate all property, plant, and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated, or controlled by the City; and (c) fix, regulate, and collect rates and charges for the use of the Airport System. An Executive Director administers LAWA and reports to the Board.

The accompanying financial statements present the net position and changes in net position and cash flows of LAX. These financial statements are not intended to present the financial position and changes in financial position of LAWA or the City, or cash flows of LAWA or the City's enterprise funds.

b. Basis of Accounting

LAX is reported as an enterprise fund and maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. Separate funds are used to account for each of the two airports referred to above, and the Palmdale property.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

c. Cash, Cash Equivalents, and Investments

LAX's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAX's portion of the pool is presented on the statements of net position as 'Cash and Pooled Investments Held in City Treasury'. Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period. LAX considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAX has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

As permitted by the California Government Code, the City engages in securities lending activities. LAX's share of assets and liabilities arising from the reinvested cash collateral has been recognized in the statements of net position.

d. Accounts Receivables and Unbilled Receivables

LAX recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAWA's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAWA policy. This policy requires that 2% of outstanding receivables plus 80% of all bankruptcy accounts and all referrals to City Attorney be reserved as uncollectible through a provisional month-end charge to operating expense.

Unbilled receivables balances are the result of revenue accrued for services that exceed $5,000 each, but not yet billed as of year-end. This accrual activity occurs primarily at year-end when services provided in the current fiscal year period might not get processed through the billing system for up to sixty days into the next fiscal year.

e. Inventories

LAX's inventories consist primarily of general custodial supplies and are recorded at cost on a first-in, first-out basis.

f. Capital Assets

All capital assets are carried at cost, or at acquisition value when properties are acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAX has a capitalization threshold of $5,000 for all capital assets other than internally generated computer software where the threshold is $500,000.

Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are recorded in construction work in progress. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

Depreciation and amortization are computed on a straight-line basis. The estimated useful lives of the major property classifications are as follows: buildings and facilities, 10 to 40 years; airfield and other improvements, 10 to 35 years; equipment, 5 to 20 years; and computer software, 5 to 10 years. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed in service. Also, no depreciation is taken on land, air easements and emission reduction credits because they are considered inexhaustible.

g. Contracts Payable, Accounts Payable, and Other Liabilities

All transactions for goods and services obtained by LAX from City-approved contractors and vendors are processed for payment via its automated payment system. This procedure results in the recognition of expense in the period that an invoice for payment is processed through the system, or when a vendor first provided the goods and/or services. If the goods and/or services were received or if the invoice was received but not yet processed in the system, an accrual is made manually by journal voucher into the general ledger to reflect the liability to the vendor. When LAX makes agreements that require customers to make cash deposits, these amounts are then reflected as other current liabilities.

h. Operating and Nonoperating Revenues and Expenses

LAX distinguishes between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with LAX's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. LAX derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAX's major operating expenses include salaries and employee benefits, fees for contractual services including professional services, parking operations and shuttle services, and other expenses including depreciation and amortization, maintenance, insurance, and utilities.

i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX. Landing fees are calculated annually to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified using allocation methods of relevant costs attributable to those facilities. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following each fiscal year end.

j. Terminal Rates and Charges

On September 17, 2012, the Board approved a methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The rates, which will recover the costs of acquiring, constructing, operating and maintaining terminal facilities, are as follows: terminal building rate, federal inspection services area (FIS) rate, common use holdroom rate, common use baggage claim rate, common use outbound baggage system rate, common use ticket counter rate, and terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

The rates were effective January 1, 2013 to airlines and airline consortia (signatory airlines) agreeing to the methodology and executing a rate agreement with LAWA. Agreements with signatory airlines terminate on December 31, 2022. The rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period; this program expired in fiscal year 2018 for the calendar 2018 rate setting. Signatory airlines in good standing are also eligible to participate to rate agreement revenue sharing programs.

Prior to fiscal year 2019, airlines with existing leases that opted not to sign an agreement under the methodology (non-signatory tenant airlines) continued to pay rates and charges based on their legacy leases. During fiscal year 2019, all such remaining aeronautical leases were transitioned to the rate agreement methodology.

In December 2019, the Board approved a ten year extension of the Rate Agreement ("Amended and Restated Rate Agreement," or "Rate Agreement Amendment") which would, among other things: (i) extend the term and terms of the Rate Agreement through December 2032; (ii) require airlines executing a Rate Agreement Amendment to pay an "extraordinary debt service coverage charge" to LAWA designed to maintain a debt service coverage ratio equal to not less than 1.40X; and (iii) under certain circumstances, eliminate the requirement that a participating airline provide a performance guarantee and instead pay to LAWA a 'bad debt surcharge', a pooled surcharge designed to compensate LAWA for bad debt costs. A signatory airline choosing not to sign the Rate Agreement Amendment will be governed by its Rate Agreement (unmodified by the Rate Agreement Amendment) and at the expiration of such Rate Agreement airlines not agreeing to a Rate Agreement Amendment will be subject to the Airport Terminal Tariff. Passenger airlines and approved airline consortium not currently operating at LAX and commencing operations in the future will have an opportunity to sign the new agreement during or prior to their first 30 days of passenger service at LAX.

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

In addition, LAX developed an Airline Cost Stability and Recovery Plan (ACSRP) aimed at managing rates and charges at LAX through fiscal year 2023. The key objectives of this plan are to: 1) make LAX rates and charges more competitive; 2) mitigate the increase in rates and charges for airlines due to reduced activity; 3) harmonize common use costs across the airport; and 4) achieve stability in LAX financial operations. As part of the ACSRP, LAX has completed taking over the operations and maintenance and rate setting responsibilities for the common use facilities from the Tom Bradley International Terminal Equipment Company, an airline consortium. LAX completed the following actions according to the Plan: (1) amended the methodology for establishing rates and charges for the use of terminal facilities and equipment (Amended Rate Methodology); (2) amended and restated the Amended and Restated Rate Agreement (Further Amended and Restated Rate Agreement or FARRA); (3) revised terminal rates and charges to include costs previously collected by the consortium and cost reduction and deferral measures per the ACSRP; (4) revised landing and apron fees to include cost deferrals, per the ACSRP.

In June 2021, the Board adopted the Amended Rate Methodology and the FARRA. The FARRA, which extends the current Agreement to fiscal year 2033, implements the Amended Rate Methodology and streamlines LAX's common use rate structure. Passenger airlines and approved airline consortiums that are party to the current Amended and Restated Rate Agreement must execute and deliver the Further Amended and Restated Agreement to LAX by September 30, 2021. Majority of the airlines have executed the FARRA. After said date, signatories under the existing ARRA will continue to operate under that agreement until its expiration on December 31, 2032.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

k. Concession Revenue

Concession revenues are generated through LAX terminal concessionaires, tenants or airport service providers who pay monthly fees or rents for using or accessing airport facilities to offer their goods and services to the general public and air transportation community. Payments to LAX are typically based on negotiated agreements with these parties to remit amounts based on either a Minimum Annual Guarantee (MAG) or on gross receipts. Amounts recorded to revenue are determined by the type of revenue category set up in the general ledger system and integrated with the monthly accounts receivable billing process. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The tenants' operations report and payment are due to LAX in the month following the activity. The timing of concessionaire reporting and when revenue earned is recorded, will determine when or if accruals are required for each tenant agreement.

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

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, 2021 and 2020 are as follows (amounts in thousands):

Type of benefit	2021	2020
Accrued vacation leave	$ 36,416	$ 32,114
Accrued sick leave	21,853	24,533
Sub-total	58,269	56,647
Current portion	(6,235)	(5,665)
Noncurrent portion	$ 52,034	$ 50,982

As part of the 2021 budget plan to manage headcount, in May 2020, LAWA offered a Separation Incentive Program (SIP) that would provide cash payments for eligible LAWA employees who choose to voluntarily retire from the City of Los Angeles. A total of 334 employees have chosen to participate in the program to voluntarily terminate their employment with LAWA, with SIP departures beginning on June 6, 2020. LAX made cash payments totaling $17.3 million under the SIP through June 30, 2021. There was no other SIP in fiscal year 2021.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAX reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and won't be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that won't be recognized as an inflow of resources until then. LAX has deferred charges on debt refunding to account for gain/loss on bond refunding transactions, and deferred outflows/inflows of resources related to pensions and other postemployment benefit (OPEB).

For fiscal years ended June 30, 2021 and 2020, LAX reported total net pension liability, deferred outflows/inflows of resources related to pensions, and pension expenses for Los Angeles City Employees' Retirement System (LACERS) and City of Los Angeles Fire and Police Pensions (LAFPP) as follows (amounts in thousands)1

	2021	2020
Net pension liability		
LACERS - proportionate shares	$ 1,004,450	$ 806,117
LAFPP - proportionate shares	2,316	1,568
Total net pension liability	$ 1,006,766	$ 807,685
Deferred outflows of resources related to pensions		
LACERS - proportionate shares	$ 206,064	$ 147,072
LAFPP - proportionate shares	1,781	3,157
Total deferred outflows of resources related to pensions	$ 207,845	$ 150,229
Deferred inflows of resources related to pensions		
LACERS - proportionate shares	$ 24,280	$ 36,161
LAFPP - proportionate shares	11	115
Total deferred inflows of resources related to pensions	$ 24,291	$ 36,276
Pension expenses		
LACERS - proportionate shares	$ 127,447	$ 110,852
LAFPP - proportionate shares	1,994	1,271
Total pension expenses	$ 129,441	$ 112,123

For fiscal years ended June 30, 2021 and 2020, LAX reported total net OPEB liability, deferred outflows/ inflows of resources related to OPEB, and OPEB expenses for LACERS and LAFPP as follows (amounts in thousands):

	2021	2020
Net OPEB liability		
LACERS - proportionate shares	$ 79,788	$ 67,889
LAFPP - proportionate shares	623	595
Total net OPEB liability	$ 80,411	$ 68,484
Deferred outflows of resources related to OPEB		
LACERS - proportionate shares	$ 29,954	$ 29,924
LAFPP - proportionate shares	362	1,118
Total deferred outflows of resources related to OPEB	$ 30,316	$ 31,042
Deferred inflows of resources related to OPEB		
LACERS - proportionate shares	$ 30,746	$ 30,779
LAFPP - proportionate shares	362	250
Total deferred inflows of resources related to OPEB	$ 31,108	$ 31,029
OPEB expenses		
LACERS - proportionate shares	$ 11,679	$ 9,695
LAFPP - proportionate shares	714	504
Total OPEB expenses	$ 12,393	$ 10,199

o. Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as nonoperating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

p. Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds. At the time of bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable bond premium or discount.

LAX amortizes bond premiums or discounts using the effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond premiums or discounts is calculated using the effective market interest rate at the time of issuances versus the coupon rate used in straight-line method.

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.

2. New Accounting Standards

LAX adopted GASB Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance* (GASB 95), which provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. GASB 95 postponed the effective date of certain provisions in the Statements and Implementation Guides that first become effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions within the following pronouncements were postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93, *Replacement of Interbank Offered Rates*. The effective date for GASB Statement No. 87, Leases, was postponed by 18 months.

LAX implemented the following GASB statements included within GASB 95 in prior fiscal years:
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 90, *Majority Equity Interests*

LAX has elected to postpone the implementation of the following GASB Statements included within GASB 95 and has disclosed the expected implementation dates as described in the paragraphs below.
- Statement 87, *Leases*
- Statement 91, *Conduit Debt Obligations*
- Statement 92, *Omnibus 2020*
- Statement 93, *Replacement of Interbank Offered Rates* (Non-LIBOR provisions), as a portion of GASB 93 was effective and implemented in fiscal year 2021 as described below.

Implementation of the following GASB statement is effective fiscal year 2021.

Issued in March 2020, GASB Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. LAX implemented the non-LIBOR portion of this Statement in fiscal year 2021 without material impact.

Issued in October 2021, GASB Statement No. 98, *The Annual Comprehensive Financial Report,* establishes the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. LAX early implemented the Statement in fiscal year 2021.

Notes to the Financial Statements
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(continued)

The GASB has issued several pronouncements that have effective dates that may impact future presentations. LAX is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in June 2017, GASB Statement No. 87, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2022.

Issued in May 2019, GASB Statement No. 91, *Conduit Debt Obligations* clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Implementation of this statement is effective fiscal year 2023.

Issued in January 2020, GASB Statement No. 92, *Omnibus 2020* aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and include specific provisions about individual statements including Statement No. 87, *Leases*, Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 84, *Fiduciary Activities.* Implementation of this statement is effective fiscal year 2022.

Issued in March 2020, GASB Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. LAX implemented the non-LIBOR portion of this Statement in fiscal year 2021 without material impact.

Issued in March 2020, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement* improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Implementation of this statement is effective fiscal year 2023.

Issued in May 2020, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Implementation of this statement is effective fiscal year 2023.

Issued in June 2020, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this statement is effective fiscal year 2022.

3. Cash and Investments

a. Pooled Investments

Pursuant to the California Government Code and the Los Angeles City Council File No. 94-2160, the City Treasurer provides an Annual Statement of Investment Policy (the Policy) to the City Council. The Policy governs the City's pooled investment practices with the following objectives, in order of priority, safety of principal, liquidity, and rate of return. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted under California law.

Each investment transaction and the entire portfolio must comply with the California Government Code and the Policy. Examples of investments permitted by the Policy are obligations of the U.S. Treasury and government agencies, commercial paper notes, negotiable certificates of deposit, guaranteed investment contracts, bankers' acceptances, medium-term corporate notes, money market accounts, and the State of California Local Agency Investment Fund (LAIF).

LAX maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAX's share of $2.1 billion and $2.0 billion in the Pool as of June 30, 2021 and 2020 represented approximately 17.6% and 17.4%, respectively. There are no specific investments belonging to LAX. Included in LAX's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAX's allocated shares for fiscal years 2021 and 2020 were $33.9 million and $4.6 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are: safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility of the Investment Advisory Committee.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the fair value of the Pool is available for lending. The City receives cash, U.S. treasury securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 90 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

LAX participates in the City's securities lending program through the pooled investment fund. LAX recognizes its proportionate share of the cash collateral received for securities loaned and related obligation for the general investment pool. At June 30, 2021, LAX's portion of the cash collateral and the related obligation in the City's program was $15.8 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2021 was $15.8 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2021 was $41.2 million. At June 30, 2020, LAX's portion of the cash collateral and the related obligation in the City's program was $12.9 million. LAX's portion of the securities purchased from the reinvested cash collateral at June 30, 2020 was $12.9 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAX's portion of the noncash collateral at June 30, 2020 was $76.5 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102.0% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2021 and 2020 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

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(continued)

c. Investments with Fiscal Agents

The investment practices of the fiscal agents that relate to LAX's portfolio are similar as those of the City Treasurer, and have similar objectives. LAX's investments held by fiscal agents are for the following purposes as of June 30 (amounts in thousands):

	2021	2020
Unrestricted, current		
Commercial paper and cash at bank	$ 1,843	$ 979
Restricted, current and noncurrent		
Bond security funds	630,567	701,248
Construction funds	34,276	353,585
Subtotal	664,843	1,054,833
Total	$ 666,686	$ 1,055,812

The bond security funds are pledged for the payment or security of certain bonds. These investments are generally short-term securities and have maturities designed to coincide with required bond retirement payments. The construction funds are bond proceeds on deposit with the fiscal agents. They are used to reimburse LAX for capital expenditures incurred or to be incurred.

At June 30, 2021, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 516,224	$ 516,224	$ —
State of California LAIF	148,619	—	148,619
Subtotal	664,843	$ 516,224	$ 148,619
Bank deposit accounts	1,843		
Total	$ 666,686		

At June 30, 2020, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities	
	Amount	1 to 60 days	61 to 365 days
Money market mutual funds	$ 831,975	$ 831,975	$ —
State of California LAIF	215,589	—	215,589
U.S. Treasury securities	7,269	—	7,269
Subtotal	1,054,833	$ 831,975	$ 222,858
Bank deposit accounts	979		
Total	$ 1,055,812		

Fair Value Measurements

The investments are categorized into its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

At June 30, 2021, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds	$ 516,224	$ 516,224
Total investments by fair value level	516,224	$ 516,224
Investments not subject to fair value hierarchy		
State of California LAIF	148,619	
Bank deposit accounts	1,843	
Total	$ 666,686	

Notes to the Financial Statements
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(continued)

At June 30, 2020, 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	$ 831,975	$ 831,975
U.S. Treasury securities	7,269	7,269
Total investments by fair value level	839,244	$ 839,244
Investments not subject to fair value hierarchy		
State of California LAIF	215,589	
Bank deposit accounts	979	
Total	$ 1,055,812	

Interest Rate Risk. LAX adopts the City's policy that limits the maturity of investments to five years for U.S. Treasury and government agency securities. The policy allows funds with longer term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2021 and 2020, the money market mutual funds were rated AAAm by Standard and Poor's, and Aaa by Moody's.

Concentration of Credit Risk. The City's policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds or mortgage passthrough securities. The policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies.

As of June 30, 2021, LAX's investments in the LAIF held by fiscal agents totaled $148.6 million. The total amount invested by all public agencies in LAIF at that date was $37.1 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2021, the investments in the PMIA totaled $193.5 billion, of which 97.7% is invested in non-derivative financial products and 2.3% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 291 days as of June 30, 2021. LAIF is not rated. As of June 30, 2020, LAX's investments in the LAIF held by fiscal agents totaled $215.6 million. The total amount invested by all public agencies in LAIF at that date was $32.1 billion. The LAIF is part of the State's PMIA. As of June 30, 2020, the investments in the PMIA totaled $101.8 billion, of which 96.6% is invested in non-derivative financial products and 3.4% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 191 days as of June 30, 2020.

The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State statute. The Pooled Money Investment Board whose members are the State Treasurer, Director of Finance, and State Controller, has oversight responsibility for PMIA. The value of the pool shares in LAIF, which may be withdrawn anytime, is determined on a historical basis, which is different than the fair value of LAX's position in the pool. The bank deposit accounts are covered by Federal depository insurance up to a certain amount. Financial institutions are required under California law to collateralize the uninsured portion of the deposits by pledging government securities or first trust deed mortgage notes. The collateral is held by the pledging institution's trust department and is considered held in LAX's name.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

4. Capital Assets

LAX had the following activities in capital assets during fiscal year 2021 (amounts in thousands):

	Balance at July 1, 2020	Additions	Retirements & disposals	Transfers	Balance at 6/30/2021
Capital assets not depreciated					
Land and land clearance	$ 1,169,294	$ —	$ —	$ (980)	$ 1,168,314
Air easements	44,346	—	—	—	44,346
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	3,707,716	2,600,905	(220)	(1,715,560)	4,592,841
Total capital assets not depreciated	4,924,128	2,600,905	(220)	(1,716,540)	5,808,273
Capital assets depreciated					
Buildings	3,571,813	—	—	1,697,363	5,269,176
Improvements	6,526,293	2,273	—	17,802	6,546,368
Equipment and vehicles	341,797	5,870	(2,859)	1,375	346,183
Intangible assets	64,062	—	—	—	64,062
Total capital assets depreciated	10,503,965	8,143	(2,859)	1,716,540	12,225,789
Accumulated depreciation					
Buildings	(939,787)	(118,712)	—	—	(1,058,499)
Improvements	(2,189,675)	(291,450)	—	—	(2,481,125)
Equipment and vehicles	(170,337)	(23,269)	2,521	—	(191,085)
Intangible assets	(42,127)	(5,580)	—	—	(47,707)
Total accumulated depreciation	(3,341,926)	(439,011)	2,521	—	(3,778,416)
Capital assets depreciated, net	7,162,039	(430,868)	(338)	1,716,540	8,447,373
Total	$ 12,086,167	$ 2,170,037	$ (558)	$ —	$ 14,255,646

LAX had the following activities in capital assets during fiscal year 2020 (amounts in thousands):

	Balance at July 1, 2019	Additions	Retirements & disposals	Transfers	Balance at June 30, 2020
Capital assets not depreciated					
Land and land clearance	$ 1,167,839	$ —	$ —	$ 1,455	$ 1,169,294
Air easements	44,346	—	—	—	44,346
Emission reduction credits	2,772	—	—	—	2,772
Construction work in progress	2,213,910	1,685,626	—	(191,820)	3,707,716
Total capital assets not depreciated	3,428,867	1,685,626	—	(190,365)	4,924,128
Capital assets depreciated					
Buildings	3,571,813	—	—	—	3,571,813
Improvements	6,359,860	3,696	—	162,737	6,526,293
Equipment and vehicles	300,685	43,303	(3,844)	1,653	341,797
Intangible assets	38,087	—	—	25,975	64,062
Total capital assets depreciated	10,270,445	46,999	(3,844)	190,365	10,503,965
Accumulated depreciation					
Buildings	(827,149)	(112,638)	—	—	(939,787)
Improvements	(1,885,933)	(303,742)	—	—	(2,189,675)
Equipment and vehicles	(150,224)	(23,814)	3,701	—	(170,337)
Intangible assets	(36,432)	(5,695)	—	—	(42,127)
Total accumulated depreciation	(2,899,738)	(445,889)	3,701	—	(3,341,926)
Capital assets depreciated, net	7,370,707	(398,890)	(143)	190,365	7,162,039
Total	$ 10,799,574	$ 1,286,736	$ (143)	$ —	$ 12,086,167

5. Commercial Paper

As of June 30, 2021 and 2020, LAX had outstanding commercial paper (CP) notes of $98.3 million and $63.2 million, respectively. The respective average interest rates in effect as of June 30, 2021 and 2020 were 0.11% and 0.96%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAX entered into letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Barclays Bank PLC (Barclays) for $228.9 million, to expire on September 8, 2023; Sumitomo Mitsui Banking Corporation (Sumitomo); acting through its New York Branch for $218.0 million, to expire on September 9, 2022; and Bank of America for $98.1 million, to expire on September 9, 2021. LAX secured a new LOC with Bank of America for $98.1 million on September 8, 2021, to expire on September 6, 2024.

As of June 30, 2021, LAX had undrawn LOC balances of $228.9 million from Barclays, $203.0 million from Sumitomo, and $14.8 million from Bank of America. As of June 30, 2020, LAX had undrawn LOC balances of $109.0 million from Barclays, $218.0 million from Sumitomo, and $154.8 million from Wells Fargo Bank.

In fiscal year 2021, LAX paid the LOC banks an annual commitment fee ranging from 0.80% and 0.85% on the stated amount of the LOC. In fiscal year 2020, LAX paid the LOC banks an annual commitment fee ranging from 0.30% and 0.32% on the stated amount of the LOC. LOC fees of $3.7 million and $1.8 million were paid for fiscal years 2021 and 2020, respectively.

LAX had the following CP activity during fiscal year 2021 (amounts in thousands):

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021
Series A	$ 25,749	$ 26,426	$ —	$ 52,175
Series B	4,562	40,226	(26,663)	18,125
Series C	32,886	36,038	(40,883)	28,041
Total	$ 63,197	$ 102,690	$ (67,546)	$ 98,341

LAX had the following CP activity during fiscal year 2020 (amounts in thousands):

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020
Series A	$ 4,345	$ 21,404	$ —	$ 25,749
Series B	58,147	29,834	(83,419)	4,562
Series C	37,299	438	(4,851)	32,886
Total	$ 99,791	$ 51,676	$ (88,270)	$ 63,197

6. Bonded Debt

Bonds issued by LAX are payable solely from revenues of LAX and are not general obligations of the City.

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2021 and 2020 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	FY of last scheduled maturity	Original principal	Outstanding principal 2021	Outstanding principal 2020
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	$ 307,350	$ 252,970	$ 262,845
Issue of 2010, Series A	4/8/10	3.000% - 5.000%	2040	930,155	—	316,935
Issue of 2010, Series B	11/4/10	5.000%	2040	134,680	—	134,680
Issue of 2010, Series C	11/4/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	—	315,775
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	54,560	58,235
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	120,545	124,010
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	59,480	61,675
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	243,185	248,405
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	43,385	44,360
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2038	181,805	163,855	171,270
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	265,050	271,960
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	23,330	24,295
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	260,275	267,615
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	434,445	441,945
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	186,410	197,485
Issue of 2017, Series A	7/26/17	5.000%	2047	260,610	253,820	257,420
Issue of 2017, Series B	7/26/17	5.000%	2042	88,730	82,440	84,640
Issue of 2018, Series A	3/15/18	4.000% - 5.250%	2048	426,475	419,965	424,175
Issue of 2018, Series B	4/12/18	5.000%	2034	226,500	226,500	226,500
Issue of 2018, Series C	8/8/18	5.000% - 5.750%	2044	425,000	409,280	419,105
Issue of 2018, Series D	11/14/18	5.000%	2048	418,390	396,070	408,040
Issue of 2018, Series E	11/14/18	5.000%	2048	159,980	159,980	159,980
Issue of 2019, Series A	3/12/19	4.000% - 5.000%	2049	199,830	193,975	198,785
Issue of 2019, Series B	3/12/19	4.000% - 5.000%	2049	49,410	48,530	49,060
Issue of 2019, Series C	3/12/19	5.000%	2039	189,095	165,320	180,635
Issue of 2019, Series D	6/27/19	4.000% - 5.000%	2049	167,955	167,955	167,955
Issue of 2019, Series E	6/27/19	4.000% - 5.000%	2049	265,190	265,190	265,190
Issue of 2019, Series F	12/17/19	2.250% - 5.000%	2049	411,575	411,575	411,575
Issue of 2020, Series A	3/11/20	5.000%	2040	738,575	734,495	738,575
Issue of 2020, Series B	8/27/20	4.000% - 5.000%	2040	558,500	558,500	—
Issue of 2020, Series C	8/27/20	5.000%	2050	380,000	380,000	—
Issue of 2020, Series D	8/27/20	4.000% - 5.000%	2048	120,000	120,000	—
Issue of 2021, Series A	2/17/21	5.000%	2051	405,405	405,405	—
Issue of 2021, Series B	2/17/21	5.000%	2048	395,005	395,005	—
Issue of 2021, Series C	2/17/21	0.698% - 2.213%	2036	92,945	92,945	—
Total principal				$ 10,567,990	8,224,485	7,163,170
Unamortized premium					1,374,467	941,378
Net revenue bonds					9,598,952	8,104,548
Current portion of debt					(144,245)	(141,025)
Net noncurrent debt					$ 9,454,707	$ 7,963,523

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAX has agreed to certain covenants with respect to bonded indebtedness. The bonds are secured by a pledge of and lien on net pledged revenues as defined in the master senior and subordinate indentures, which pledge and lien remains in place until the bonds are no longer outstanding. Under the bond indentures, pledged revenues include substantially the total operating revenue with the Build America Bonds (BABs) subsidy, nonoperating Transportation Security Administration (TSA) revenue, interest income net of PFC, CFC and construction funds, but do not include PFC revenues, CFC revenues, and certain other nonoperating revenues.

LAX has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of $73.5 million and $144.7 million were used for debt service in fiscal years 2021 and 2020, respectively. In fiscal year 2021, CARES Act grants in the amount of $21.9 million was used to apply against debt service payments, and $249.3 million was used to apply against LAX maintenance and operation expenses. In fiscal year 2020, CARES Act grants in the amount of $42.7 million was used to apply against debt service payments, and $9.7 million was used to apply against LAX maintenance and operation expenses.

The total principal and interest remaining to be paid on the bonds is $14.1 billion as of June 30, 2021. Principal and interest paid during fiscal year 2021 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the $73.5 million PFCs funds and $271.2 million CARES Act grants discussed in the preceding paragraph), were $487.7 million and $694.4 million, respectively. Principal and interest paid during fiscal year 2020 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the $144.7 million PFCs funds and $52.4 million CARES Act grants discussed in the preceding paragraph), were $503.9 million and $762.2 million, respectively.

c. Bond Issuances

Fiscal Year 2021

On August 27, 2020, LAX issued $558.5 million of senior refunding revenue bonds Series 2020B with a premium of $147.4 million, $380.0 million senior revenue bonds Series 2020C with a premium of $90.6 million, and $120.0 million senior revenue bonds Series 2020D with a premium of $29.1 million. The bonds were issued to fund certain capital projects at LAX, and to refund and defease all of the outstanding Series 2010A senior revenue bonds, Series 2010B subordinate revenue bonds and Series 2010D senior revenue bonds in the amount of $316.9 million, $134.7 million and $315.8 million, respectively. This transaction resulted in cash flow savings of $388.6 million, economic gain of $265.1 million; and a net gain for accounting purposes of $18.2 million, which is included in deferred inflows of resources and is being amortized over the remaining life of the bonds through May 2040.

On February 17, 2021, LAX issued $405.4 million of subordinate revenue and refunding revenue bonds Series 2021A with a premium of $123.8 million, $395.0 million of subordinate revenue and refunding revenue bonds Series 2021B with a premium of $133.7 million, and $92.9 million of subordinate refunding revenue bonds Series 2021C with no premium. The bonds were issued to fund certain capital projects at LAX, and to refund a portion of outstanding bonds and subordinate commercial paper notes maturing in fiscal year 2021.

Fiscal Year 2020

On December 17, 2019, LAX issued $411.6 million of subordinate revenue bonds Series 2019F with a premium of $70.6 million. The bonds were issued to fund certain capital projects at LAX, and to fund the refinancing of certain outstanding subordinate commercial paper notes.

On March 11, 2020, LAX issued $738.6 million of senior refunding revenue bonds, Series 2020A with a premium of $239.6 million. The bonds were issued to refund and defease a portion of the Series 2010A senior revenue bonds in the amount of $492.8 million, and to refund and defease a portion of the Series 2010D senior revenue bonds in the amount of $491.0 million. This transaction resulted in cash flow savings of $337.3 million, economic gain of $298.0 million; and a net gain for accounting purposes of $21.1 million, which is included in deferred inflows of resources and is being amortized over the remaining life of the bonds through May 2040.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

d. Principal Maturities and Interest

Scheduled annual principal maturities and interest are as follows (amounts in thousands):

Fiscal year(s) ending	Principal	Interest	Total
2022	$ 144,245	$ 413,267	$ 557,512
2023	148,750	396,262	545,012
2024	206,450	389,128	595,578
2025	241,355	378,715	620,070
2026	253,800	366,882	620,682
2027 - 2031	1,477,045	1,634,094	3,111,139
2032 - 2036	1,845,770	1,231,892	3,077,662
2037 - 2041	2,031,625	741,465	2,773,090
2042 - 2046	1,307,625	315,635	1,623,260
2047 - 2051	567,820	54,341	622,161
Total	$ 8,224,485	$ 5,921,681	$ 14,146,166

e. Build America Bonds (BABs)

LAX subordinate revenue bonds 2009 Series C and 2010 Series C with par amounts of $307.4 million and $59.4 million, respectively, were issued as federally taxable BABs under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as “sequestration”) for the federal fiscal years ending September 30, 2021 and September 30, 2020 reduced the subsidy. The interest subsidy on the BABs was $7.2 million in both fiscal years 2021 and 2020. The BABs rates were 5.7% and 5.9% for fiscal years 2021 and 2020, respectively. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

f. Other Significant Obligations

Aside from LAX's debt obligations incurred under the Master Senior and Subordinate Indentures, LAX's other significant obligations include:

Commercial Paper Reimbursement Agreements

LAX's prior commercial paper reimbursement agreements contained a provision that upon the occurrence of an event of default by LAX, the applicable letter of credit (LOC) bank could, at its option, declare all obligations of LAX under the LOC to be immediately due and payable. This provision terminated on September 10, 2020, and is not included in the new reimbursement agreements entered into on September 9, 2020 with Barclays Bank PlC, Sumitomo Mitsui Banking Corporation, and Bank of America, N.A.

APM Agreement

The APM Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the APM Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the APM Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the APM Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement. Capital expenditures for the APM milestones payment of $149.6 million was accrued in contracts and accounts payable as of June 30, 2021, and payment was made in July 2021.

ConRAC Agreement

The ConRAC Agreement contains (1) a provision that if LAX terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement, and (2) a provision that if the ConRAC Developer terminates the agreement for any of the allowable reasons under the agreement, LAX will owe the ConRAC Developer various amounts, as applicable, including amounts associated with equity and debt contributions made or arranged by the ConRAC Developer and various other breakage costs, with such amounts being payable by LAX within 120 days of the termination date of the agreement.

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7. Changes in Long-Term Liabilities

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2021 (amounts in thousands):

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Current Portion
Revenue bonds	$ 7,163,170	$ 1,951,855	$ (890,540)	$ 8,224,485	$ 144,245
Unamortized premium	941,378	524,614	(91,525)	1,374,467	—
Net revenue bonds	8,104,548	2,476,469	(982,065)	9,598,952	144,245
Accrued employee benefits	56,647	7,288	(5,665)	58,270	6,235
Estimated claims payable	99,227	9,912	(8,912)	100,227	9,643
Net pension liability	807,686	199,080	—	1,006,766	—
Net OPEB liability	68,484	11,927	—	80,411	—
Other long-term liabilities	886	—	(1)	885	—
Total	$ 9,137,478	$ 2,704,676	$ (996,643)	$ 10,845,511	$ 160,123

LAX had the following long-term liabilities activities for fiscal year ended June 30, 2020 (amounts in thousands):

	Balance at July 1, 2019	Additions	Reduction	Balance at June 30, 2020	Current Portion
Revenue bonds	$ 7,140,000	$ 1,150,150	$ (1,126,980)	$ 7,163,170	$ 141,025
Add unamortized premium	702,777	310,258	(71,657)	941,378	—
Net revenue bonds	7,842,777	1,460,408	(1,198,637)	8,104,548	141,025
Accrued employee benefits	48,631	13,365	(5,349)	56,647	5,665
Estimated claims payable	93,471	14,926	(9,170)	99,227	8,912
Net pension liability	773,419	34,267	—	807,686	—
Net OPEB liability	77,769	—	(9,285)	68,484	—
Other long-term liabilities	886	—	—	886	—
Total	$ 8,836,953	$ 1,522,966	$ (1,222,441)	$ 9,137,478	$ 155,602

8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

LAX has entered into numerous rental agreements with concessionaires for food and beverage, gift and news, duty-free, rental car facilities, and advertisements. In general, the agreements provide for cancellation on a 30-day notice by either party; however, they are intended to be long-term in nature with renewal options. Accordingly, these agreements are considered operating leases for purposes of financial reporting.

In response to the COVID-19 pandemic, LAX is proactively implementing measures intended to mitigate operational and financial impacts. Among those measures were the April 2020 approvals of the Passenger Airline Temporary Relief Program and the Concessionaires and Services Temporary Relief Program. On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms, require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022.

Passenger Airline Temporary Relief Program

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

- Deferral of terminal and airfield fees payable from April through May 2020.
- All airlines were required to start repayment of any deferred amounts on July 1, 2020. For airlines that were a party to an Amended and Restated Rate Agreement by July 31, 2020, repayment of the deferred amounts will be required to be made over a six-month period, starting July 1, 2020 to be paid in equal monthly installments, and for airlines that were not party to an Amended and Restated Rate Agreement by July 31, 2020, the remaining deferred amounts must be fully repaid on or before August 1, 2020.
- On June 18, 2020, the Board approved keeping landing fees and apron fees unchanged through calendar year 2020.

As of June 30, 2020, the amount of deferred airline rents and fees included in accounts receivable was approximately $93.0 million. All airlines that received a deferral of terminal and airfield fees have repaid the same in accordance with the requirements of the Passenger Airline Temporary Relief Program in fiscal year 2021.

Concessionaires and Services Temporary Relief Program

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

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

- LAX only required payment of the specific percentage fees defined in each concessionaire or service provider agreement instead of the specific minimum annual guarantee (MAG), and, if applicable, deferred receipt of in-terminal concession storage rent.
- In the case of off-airport rental car companies, LAX only required payment of the lesser of (i) 10% of gross sales, or (ii) the specified license fee.
- Accrued amounts are required to be remitted in six equal monthly installments beginning July 1, 2020, with no late fees or interest charges on amounts paid in full within this six-month payment period.

As of June 30, 2020, the amount of outstanding deferred concessionaires' payments included in accounts receivable was approximately $3.0 million. All concessionaires' that received a deferral have repaid the same in accordance with the requirements of the Concessionaires and Services Temporary Relief Program in fiscal year 2021.

Second Relief Program

On October 1, 2020, the Board approved the Second Letter Agreements for the Concessionaire Relief Program that amends concession agreements at LAX as follows:

- abate or adjust the MAG through June 30, 2021 for certain concession agreements (collectively Concession Agreements),
- defer storage rent through December 31, 2020 and allow the payback of deferred storage rent to commence January 1, 2021 for certain concession agreements (collectively In-Terminal Concession Agreements),
- extend the current expiration dates of the respective individual In-Terminal Concession Agreements (as conditioned in the applicable Second Letter Agreements) and Terminal Media Operator Agreement (TMO Agreement) by twenty-four months, and
- authorize the Chief Executive Officer to have two consecutive twelve-month options to delay the required mid-term refurbishment dates for the respective individual In-Terminal Concession Agreements in his or her sole discretion.

The agreements provide for a concession fee equal to the greater of a MAG or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2021 and 2020, revenues from such agreements were approximately $99.6 million and $279.8 million, respectively. The respective amounts over MAG were $94.3 million and $81.8 million.

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Future rents for fiscal year 2022 are estimated in accordance with the Concessionaires and Services Temporary Relief Program offered to concessionaires, which only require payment of the specific percentage fees instead of the specific MAG as defined in the agreements. Future rents over the fiscal years 2023 to 2026 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

Fiscal year ending		Amount
2022	$	106,087
2023		202,071
2024		167,954
2025		115,390
2026		19,829
Total	$	611,331

On March 1, 2012, LAWA and URW, LLC (URW) (formerly Westfield Airports, LLC.) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date the same as the TBIT portion, which is no later than January 31, 2032.URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than $81.9 million in initial improvements and $16.4 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 3-1-12 Agreement, the MAG will be adjusted each year by the greater of (a) $210 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year’s Percentage Rent (as defined) paid to LAWA beginning January 1, 2014. For any year in which the number of enplaned passengers in TBIT and Terminal 2 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year’s passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.

On June 22, 2012, LAWA and URW entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for URW to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Under this agreement, the expiration dates of Terminal 1, 3, and 6 are June 30, 2032, June 30, 2029, and September 30, 2030, respectively. URW will select concessionaires subject to LAWA approval. Concession agreements awarded by URW shall have a term no longer than ten years. The agreement requires URW and its concessionaires to invest no less than $78.6 million in initial improvements and $15.7 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to URW or the issuance of rent credit.

Under the 6-22-12 Agreement, the MAG will be adjusted each year by the greater of (a) $240 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis beginning January 1, 2014.

On November 13, 2017, LAWA and URW entered into an amendment related to TBIT and Terminal 2 for additional concession space of up to 30,000 square feet in the Bradley West Gates (formerly known as Midfield Satellite Concourse). The construction of the new concourse started in February 2017 and was completed and commenced operation in May 2021.

On October 1, 2020, the Board approved to extend the URW agreements expiration dates for an additional 24 months to January 31, 2034 for LAA-8613 and Terminal 1 under LAA-8640, June 30, 2031 for Terminal 3 under LAA-8640, and September 30, 2032 for Terminal 6 under LAA-8640.

Future rents under these two agreements with URW for fiscal year 2022 are estimated in accordance with the Concessionaires and Services Temporary Relief Program offered to URW, which only require payment of the specific percentage fees instead of the specific MAG as defined in the agreements. Future rents under these two agreements with URW over the fiscal years 2023 to 2026 are estimated based on the specific MAG in the agreements. The estimated future rents are as follows (amount in thousands):

Fiscal year ending		Amount
2022	$	38,922
2023		39,895
2024		40,892
2025		41,914
2026		43,493
Total	$	205,116

LAX also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2021 and 2024. Certain airlines and consortium of airlines also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2021 and 2020, revenues from these leases were $710.0 million and $687.0 million, respectively.

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Future rents under these land and terminal lease agreements over the next five years were based on the assumption that current agreements are carried to contractual termination. The estimated future rents are as follows (amounts in thousands):

Fiscal year ending	Amount
2022	$ 587,443
2023	559,361
2024	522,808
2025	431,064
2026	336,445
Total	$ 2,437,121

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2021 and 2020 are as follows (amounts in thousands):

	2021	2020
Buildings and facilities	$ 6,228,923	$ 6,225,464
Accumulated depreciation	(1,767,601)	(1,516,428)
Net	4,461,322	4,709,036
Land	522,328	522,328
Total	$ 4,983,650	$ 5,231,364

b. Lease Obligations

LAX leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2021 and 2020 were $9.2 million and $7.5 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

Fiscal year(s) ending		Amount
2022	$	8,089
2023		8,166
2024		8,275
2025		8,387
2026		6,189
2027-2031		11,115
2032-2036		1,983
Total	$	52,204

9. Passenger Facility Charges

Passenger Facility Charges (PFCs) are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the Federal Aviation Administration (FAA). Airlines operating at LAX have been collecting PFCs on behalf of LAX. PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA were $6.0 billion as of June 30, 2021 and 2020. LAX has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of $73.5 million and $144.7 million were used for debt service in fiscal years 2021 and 2020, respectively.

The following is a summary of projects approved by FAA as of June 30, 2021 and 2020 (amounts in thousands):

	2021	2020
Terminal development	$ 4,891,679	$ 4,891,679
Noise mitigation	1,064,015	1,057,476
Airfield development and equipment	83,620	83,620
Total	$ 6,039,314	$ 6,032,775

PFCs collected and the related interest earnings through June 30, 2021 and 2020 were as follows (amounts in thousands):

	2021	2020
Amount collected	$ 2,813,676	2,744,928
Interest earnings	232,703	228,129
Total	$ 3,046,379	$ 2,973,057

Cumulative expenditures on approved PFCs projects totaled $2.8 billion and $2.6 billion for fiscal years 2021 and 2020, respectively.

10. Customer Facility Charges

California CFC Legislation permits LAWA to require the collection by rental car companies of CFCs at a rate charged on a per-day basis up to $9.00 per day (for up to 5 days), and CFCs collected by the rental car companies on behalf of LAWA are permitted under the California CFC Legislation to finance, design and construct the ConRAC; to finance, design, construct and operate the APM System, as well as acquiring vehicles for use in that system; and to finance, design and construct terminal modifications to accommodate the common-use transportation system.

In November 2001, in anticipation of constructing a consolidated rental car facility (ConRAC) identified in LAX's master plan, the Board approved collection of CFCs of $10.00 per rental contract and began collections in August 2007. On October 5, 2017, the Board authorized collection of an updated CFC pursuant to the California CFC Legislation to fund costs of a ConRAC and its share of a common-use transportation system (CTS) at LAX. The Board authorized collection of CFCs of $7.50 per day for the first five days of each car rental contract, effective January 1, 2018, by rental car companies serving LAX. On June 20, 2019, the Board authorized collection of $9.00 per day for the first five days of each car rental contract, effective September 1, 2019, by rental car companies serving LAX.

CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2021	2020
Amount collected	$ 500,903	$ 468,297
Interest earnings	40,275	36,639
Subtotal	541,178	504,936
Expenditures		
ConRAC planning, design and construction	448,200	83,683
Unexpended CFCs revenue and interest earnings	$ 92,978	$ 421,253

LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to $2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was $364.5 million and $80.7 million in fiscal years 2021 and 2020, respectively. LAX's cumulative expenditures on approved CFCs projects totaled $448.2 million and $83.7 million for fiscal years 2021 and 2020, respectively.

11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled $313.0 million and $86.0 million in fiscal years 2021 and 2020, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

As previously mentioned, on March 27, 2020, the CARES Act was signed into law, which, among other things, allocates funds to eligible airports, provided they take particular steps, including with respect to keeping their workforces intact. Airport operators can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used, including, but not limited to, the payment of maintenance and operation expenses on or after January 20, 2020, and the payment of debt service on or after March 27, 2020. CARES Act grants must be used within four years from the date on which the agreement between the airport operator and the FAA is executed, and airport operators using CARES Act grants must comply with certain other obligations, including, but not limited to, employing at least 90.0% of their staff as of March 27, 2020 through December 31, 2020.

LAX was awarded CARES Act grants in the amount of approximately $323.6 million payable on a reimbursement basis. LAX's primary objective with the CARES Act funding will be to address near-term pressure caused by the COVID-19 pandemic, including maintenance of debt service coverage levels consistent with current ratings levels, mitigation of the reduction in revenues, continued funding of ongoing capital development projects and maintenance of operating cash on hand in fiscal years 2020 and 2021. The drawn amounts of $271.2 million and $52.4 million in LAX were recognized as grants revenue to stabilize cost increases in airline rates at LAX for fiscal year 2021 and 2020, respectively. In fiscal year 2021, CARES Act grants in the amount of $21.9 million was used to apply against debt service payments, and $249.3 million was used to apply against LAX maintenance and operation expenses. In fiscal year 2020, CARES Act grants in the amount of $42.7 million was used to apply against debt service payments, and $9.7 million was used to apply against LAX maintenance and operation expenses.

Personal Protective Equipment receipts

During fiscal year 2020, LAX received donations of personal protective equipment (PPE) from Federal Aviation Administration (FAA) and Federal Emergency Management Administration (FEMA) for distribution to its employees, customers and other airports. Total of 4.0 million of face masks were received valued at $11.9 million, which represents estimated fair market values on the dates of donation receipts. No additional PPE was received from FAA and FEMA in fiscal year 2021. The remaining inventory of face masks were approximately 3.9 million (valued at $11.7 million) and 4.0 million (valued at $11.9 million) as of June 30, 2021 and 2020, respectively.

12. Related Party Transactions

The City provides services to LAX such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2021 and 2020 were $113.5 million and $115.9 million, respectively.

LAX collects parking taxes on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2021 and 2020 were $5.5 million and $11.1 million, respectively.

LAX shares certain administrative functions with VNY and PMD including, but not limited to, legal, human services, and financial services. Also, beginning fiscal year 2011, LAX pays VNY annual rent for the use of the land where the Flyaway Terminal resides. The rent is adjusted every July 1 of each year based on the consumer price index. The adjusted rent was $1.3 million and $1.2 million for fiscal years 2021 and 2020, respectively. The details are as follows (amounts in thousands):

	2021	2020
Allocated administrative costs		
VNY	$ 2,495	2,580
PMD	414	508
Total	2,909	3,088
Land rental	(1,260)	(1,243)
Net	$ 1,649	$ 1,845

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13. Pension Plan

I. *Los Angeles City Employees' Retirement System*

a. General Information

Plan Description

All full-time employees of LAX are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Pension Plan). LACERS serves as a common investment and administrative agent for City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by statutes in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Benefits and benefit changes are established by ordinance and approved by City Council and the Mayor.

All employees who became members of LACERS before July 1, 2013 are designated as Tier 1 members. On or after July 1, 2013, new employees became members of LACERS Tier 2. On July 9, 2015, Tier 2 was rescinded and a new tier of benefits was created. As a result, Ordinance No. 184134 was adopted on January 12, 2016, where all active Tier 2 members were transferred to Tier 1 as of February 21, 2016. Thereafter, new members became Tier 3 members of LACERS. Membership to Tier 1 is now closed to new entrants.In fiscal year 2018, LACERS became closed to Airport Peace Officers (APO) and all new APO hired after January 6, 2018 would be enrolled in City of Los Angeles Fire and Police Pensions (LAFPP) Tier 6, rather than in LACERS. Please refer to Note 13.II for more information.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http://lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related defined benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the Pension Plan's actuarial valuation study for fiscal year 2020 are not yet available.

Benefits Provided

LACERS provides for service and disability retirement benefits, as well as death benefits. Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member who has five or more years of continuous City service terminates employment, the member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

LACERS Tier 1 members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the member's average monthly pensionable salary during the member's last 12 months of service, or during any other 12 consecutive months of service designated by the member, multiplied by the member's years of service credit. Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater.

Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary will be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a $2,500 funeral allowance is paid, and modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

LACERS Tier 3 members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provide that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Members also are eligible to retire with an age-based reduced benefits before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, LACERS also provides Tier 3 members an enhanced retirement benefits with a 2.0% retirement factor if the member retires at age 63 with at least 10 years of service; or a retirement factor of 2.1% if the member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the member's retirement factor (1.5% - 2.1%), with the member's last 36 months of final average compensation or any other 36 consecutive months designated by the member, and by the member's years of service credit.

Tier 3 members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater. Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

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Retirement allowances are indexed annually for inflation. The LACERS Board of Administration has authority to determine the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a cost-of-living adjustment (COLA) to the benefits of eligible members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 members or 2.0% for Tier 3 members. The excess over the maximum will be banked for Tier 1 members only.

Membership

The components of LACERS membership in both tiers (Tier 1 and Tier 3) for the measurement dates as of June 30, 2020 and June 30, 2019, respectively, were as follows: (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

		2020	2019
Active			
	Vested	17,722	17,812
	Non-vested	9,768	8,820
		27,490	26,632
Inactive			
	Non-vested	6,728	6,149
	Terminated entitled to benefits, not yet receiving benefits	2,479	2,439
	Retired	20,423	20,034
Total		57,120	55,254

Member Contributions

The current contribution rate for most of the Tier 1 members is 11% of their pensionable salary including a 1% increase in the member contribution rate pursuant to the 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP cost obligation is fully recovered, whichever comes first); and 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance. As of June 30, 2019 and June 30, 2018, all active Tier 1 members are now paying additional contributions, and are not subject to the retiree medical subsidy cap. The contribution rate for Tier 3 members is 11% of their pensionable salary including 4% of additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 members do not pay the ERIP contribution; therefore, Tier 3 members' contribution rate will not drop down when Tier 1 members cease to pay the 1% ERIP contribution.

Employer Contributions

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS actuary after the completion of the annual actuarial valuation. The average employer contribution rates were 24.75% and 23.06% of compensation as of June 30, 2020 (based on the June 30, 2018 valuation) and June 30, 2019 (based on the June 30, 2017 valuation), respectively. (Note: information for fiscal year 2021 is not yet available as of this report issue date).

The total City contributions to LACERS of $814.2 million and $817.2 million for the years ended June 30, 2021 and June 30, 2020, respectively, consisted of the following (amounts in thousands):

	2021	2020
Required contributions - Retirement Plan	$ 554,856	$ 553,118
Family death benefit Plan	98	104
Total City contributions	554,954	553,222
Member contributions - Retirement Plan	259,284	263,936
Total	$ 814,238	$ 817,158

The required City contribution of $554.9 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $259.3 million were made toward the retirement and voluntary family death benefits for fiscal year 2021.

The required City contribution of $553.1 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $263.9 million were made toward the retirement and voluntary family death benefits for fiscal year 2020.

LAX's Contributions to the Pension Plan

LAX's contributions to the Pension Plan for the year ended June 30 (amounts in thousands):

	2021	2020
LAX's required contributions to the Pension Plan	$ 68,312	$ 73,229

The LAX contributions made to the Pension Plan under the required contribution category in the amounts of $68.3 million and $73.2 million for fiscal years 2021 and 2020, respectively, were equal to 100% of the actuarially determined contribution of the employer.

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b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the Pension Plan

LACERS' Net Pension Liability (NPL) for fiscal year 2021 was measured as of June 30, 2020 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2020.

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan and the plans basis of accounting, including policies with respect to benefit payments and valuation of investments. Detailed information about LACERS net position is available in the separately issued LACERS financial reports, which can be found on the LACERS website.

As of the reporting date June 30, 2021 (measurement date of June 30, 2020), LAX reported its proportionate shares of TPL, FNP and NPL as follows (amounts in thousands):

	Reporting date 6/30/21 Measurement date 6/30/20
LAX's proportionate share:	
Total Pension Liability	$ 2,979,337
Plan Fiduciary Net Position	(1,974,887)
Net Pension Liability	$ 1,004,450
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	66.29%

LAX's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAX during fiscal year 2020. The NPL was measured as of June 30, 2020 and determined based upon the Pension Plan's FNP (plan assets) and TPL from actuarial valuations as of June 30, 2020.

Change in LAX's proportionate share of the NPL as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2021 (measurement date June 30, 2020)	$ 1,004,450	13.23%
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	$ 806,117	13.49%
Change - Increase (decrease)	$ 198,333	(0.26)%

For the year ended June 30, 2021, LAX recognized pension expense of $127.4 million. At June 30, 2021, LAX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 68,312	$ —
Differences between expected and actual experience	40,773	9,829
Changes of assumptions	93,567	—
Net difference between projected and actual earnings on pension plan investments	70,564	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,160	14,451
Total	$ 274,376	$ 24,280

$68.3 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

Fiscal year ending	Amount
2022	$ 39,062
2023	54,346
2024	48,656
2025	39,720
2026	—

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Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service, including inflation
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two- dimensional mortality improvement scale MP-2019.
Percent Married/Domestic Partner	76% of male and 50% of female are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2020 and June 30, 2019.

The long-term expected rate of return on retirement plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

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Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.50%
U.S. Small Cap Equity	3.99	6.30
Developed International Large Cap Equity	17.01	6.60
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.70
Emerging International Small Cap Equity	1.35	10.60
Core Bonds	13.75	1.20
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.60
Emerging Market Debt (Local)	2.25	4.80
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	6.00
Treasury Inflation Protected Securities	4.00	0.90
Commodities	1.00	3.30
Non-Core Real Assets	2.80	5.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

Sensitivity of LAX's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAX's proportionate share of the NPL as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (amounts in thousands):

	June 30, 2021
1% decrease	6.00%
Net Pension Liability	$1,407,538
Current discount rate	7.00%
Net Pension Liability	$1,004,450
1% increase	8.00%
Net Pension Liability	$670,954

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

II. *City of Los Angeles Fire and Police Pensions*

a. General Information

In November 2016, voters approved a ballot measure that allowed for approximately 500 sworn Airport Peace Officers (APO) to opt-out of the LACERS Plan and transfer to the City of Los Angeles Fire and Police Pensions (LAFPP) as Tier 6 members. On March 28, 2017, the City Council adopted Ordinance No. 184853 to amend the Los Angeles Administrative Code authorizing certain sworn APO at LACERS an option to transfer to Tier 6 of LAFPP Plan or to remain in the LACERS Plan. All new APO hired after January 7, 2018 would be enrolled in LAFPP Tier 6. Under the ordinance, APO members who elect to remain in LACERS would be Tier 1 members, and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.3% (versus 2.16% for all other Tier 1 members), contingent upon a mandatory additional contribution payment of $5,700 per remaining member to LACERS. The enhanced benefits was effective from January 7, 2018.

Plan Description

LAFPP operates under the City of Los Angeles Charter and Administrative Code provisions as a single-employer defined benefit pension plan covering all full-time active sworn firefighters, police officers, certain LAWA APO and Harbor Port Police officers of the City of Los Angeles. LAFPP is composed of six tiers.

Tier 6 is the current tier for all LAWA APO hired on or after January 7, 2018. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension System, 701 East 3rd Street, Suite 200, Los Angeles, CA 90013, (213) 279-3000 or LAFPP's website https://www.lafpp.com/financial-reports. As of the completion date of LAWA's financial statements, the LAFPP's financial statements and the plan's actuarial valuation study for fiscal year 2019 are not yet available.

Benefits Provided by the LAFPP Plan

Information about benefits for Tiers 1 through 5 members is available in the separately issued LAFPP financial report. Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus LAFPP Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Member Contributions to the LAFPP Plan

The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP regardless of tier in which they are included. For fiscal years 2020 and 2019, the average employer contribution rates for pension benefits are 26.20% and 26.63%, respectively, of covered payroll.LAX has made 100% of the actuarially determined contributions for both fiscal years.

LAX's Contributions to the LAFPP Plan

In fiscal year 2021, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 28.30% of covered payroll. Based on LAX's reported covered payroll of $7.9 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $2.2 million. In fiscal year 2020, LAX's contribution rate for the APO that are members of the LAFPP Tier 6 plan, as determined by the actuary was 27.49% of covered payroll. Based on LAX's reported covered payroll of $6.1 million for Tier 6, LAX's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $1.7 million.

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2021, LAX recognized its proportionate shares of NPL of $2.3 million and pension expense of $2.0 million for the LAFPP plan. LAX also reported deferred outflows of resources and deferred inflows of resources related to pensions for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 1,559	$ —
Differences between expected and actual experience	1,259	11
Changes of assumptions	328	—
Net difference between projected and actual earnings on pension plan investments	194	—
Total	$ 3,340	$ 11

$1.6 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2022.

14. Other Postemployment Benefit Plan (OPEB)

I. Los Angeles City Employees' Retirement System

a. General Information

Plan Description

Los Angeles City Employees' Retirement System (LACERS) provides other postemployment health care benefits under a Postemployment Health Care Plan to eligible retirees and their eligible spouses/ domestic partners who participate in the Pension Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. These benefits may also extend to the coverage of other eligible dependent(s). To be eligible for health care benefits, member must: 1) be at least age 55; 2) had at least 10 whole years of service with LACERS; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http:// lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAX presents the related OPEB benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the report date of LAX's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2020 are not yet available.

Benefits Provided

The maximum subsidies are set annually by the LACERS Board of Administration. Both Tier 1 and Tier 3 members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and the eligible members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Pension Plan members are entitled to LACERS' postemployment health care benefits after the retired member's death. During fiscal year 2011, the City adopted an ordinance (Subsidy Cap Ordinance) to limit the maximum medical subsidy at $1,190 for those members who retire on or after July 1, 2011; however, members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2019, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

Membership

As of the measurement dates June 30, 2020 and June 30, 2019, the components of membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows: (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

	2020	2019
Retirement members/Surviving spouses [(1)]	16,107	15,791
Vested terminated members entitled to, but not yet receiving benefits [(2)]	1,526	1,474
Retired members and surviving spouses not yet eligible for health benefits	142	146
Active members	27,490	26,632
Total	45,265	44,043

(1) Total participants including married dependents and dependent children receiving benefits were 21,572 and 21,115 as of June 30, 2020 and 2019, respectively.
(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, 2020, was 4.91% of covered payroll, determined by the June 30, 2018 actuarial valuation. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2019, was 5.10% of covered payroll, determined by the June 30, 2017 actuarial valuation. (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Postemployment Health Plan. The required annual contribution amount is composed of two components: normal cost which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the unfunded actuarial accrued liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are closed as each layer of the UAAL is systematically amortized over a fixed period.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

The total OPEB contributions to LACERS for the years ended June 30, 2020 and 2019 was $112.1 million and $107.9 million, representing 100% of the Actuarially Determined Contribution (ADC) of the employer as defined by GASB Statement No. 74[5]. (Note: information for fiscal year 2021 is not yet available as of this report issue date.)

LAX's Contributions to the Postemployment Health Care Plan

LAX's contributions to the Postemployment Health Care Plan for the years ended June 30 (amounts in thousands):

	2021	2020
LAX's required contributions to the Postemployment Health Care Plan	$ 12,064	$ 14,245

LAX's contributions made for the Postemployment Health Care Plan, in the amounts of $12.1 million and $14.2 million for fiscal years 2021 and 2020, respectively, represent 100% of the ADC as defined by GASB Statement No. 74. The Postemployment Health Care Plan is administered through a trust that meets the criteria of GASB Statement No. 75[6].

[5] *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in June 2015*

[6] *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in June 2015*

b. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the OPEB Plan

LACERS' Net OPEB Liability (NOL) for fiscal year 2021 was measured as of June 30, 2020 and determined based upon the Plan Fiduciary Net Position (FNP) and Total OPEB Liability (TOL) from actuarial valuation as of June 30, 2020.

As of the reporting date June 30, 2021 (measurement date of June 30, 2020), LAX reported its proportionate shares of TOL, FNP and NOL as follows (amounts in thousands):

	Reporting date 6/30/21 Measurement date 6/30/20
LAX's proportionate share:	
Total OPEB Liability	$ 437,859
Plan Fiduciary Net Position	(358,071)
Plan's Net OPEB Liability	$ 79,788
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	81.78 %

LAX's NOL was measured as the proportionate share of the NOL based on the employer contributions made by LAWA during fiscal year 2020. The NOL was measured as of June 30, 2020 and determined based upon the Postemployment Health Care Plan's FNP (plan assets) and TOL from actuarial valuations as of June 30, 2020.

Change in LAX's proportionate share of the NOL as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) was as follows (amounts in thousands):

	NOL	Proportion
Proportion - Reporting date June 30, 2021 (measurement date June 30, 2020)	$ 79,788	12.56%
Proportion - Reporting date June 30, 2020 (measurement date June 30, 2019)	$ 67,889	13.00%
Change - Increase (Decrease)	$ 11,899	(0.44)%

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

For the year ended June 30, 2021, LAX recognized the Postemployment Health Care Plan's OPEB expense of $11.7 million. At June 30, 2021, LAX reported deferred outflows of resources and deferred inflows of resources related to the Postemployment Health Care Plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	$ 12,064	$ —
Differences between expected and actual experience	923	26,249
Changes of assumptions	20,856	—
Net difference between projected and actual earnings on OPEB plan investments	8,175	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	4,497
Total	$ 42,018	$ 30,746

$12.1 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to net OPEB liability will be recognized as OPEB expense as follows (amounts in thousands):

Fiscal year ending	Amount
2021	$ (3,265)
2022	955
2023	2,675
2024	877
2025	(1,715)
2026	(319)

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Projected Salary Increases	Range from 4.25% to 9.95% based on years of service, including inflation
Mortality Table for Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have 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.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Healthcare 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 2021 are:

First Fiscal Year (July 1, 2020 through June 30, 2021)

Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	3.37%	3.12%
Anthem Blue Cross HMO	4.85%	N/A
Anthem Blue Cross PPO	3.71%	4.45%
UHC Medicare HMO	N/A	3.12%

Dental Premium Trend to be applied is 4.00% for all years.

Medicare Part B Premium Trend is 4.50% for all years.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of both June 30, 2020 and June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.50%
U.S. Small Cap Equity	3.99	6.30
Developed International Large Cap Equity	17.01	6.60
Developed International Small Cap Equity	2.97	6.90
Emerging International Large Cap Equity	5.67	8.70
Emerging International Small Cap Equity	1.35	10.60
Core Bonds	13.75	1.20
High Yield Bonds	2.00	3.10
Bank Loans	2.00	3.70
Emerging Market Debt (External)	2.25	3.60
Emerging Market Debt (Local)	2.25	4.80
Private Debt	3.75	6.00
Core Real Estate	4.20	4.60
Real Estate Investment Trust	1.00	6.00
Treasury Inflation Protected Securities	4.00	0.90
Commodities	1.00	3.30
Non-Core Real Assets	2.80	5.80
Private Equity	14.00	9.00
Cash	1.00	0.00
Total	100.00%	

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, employer contributions are intended only to fund the benefits of current plan members and their beneficiaries. Based on those assumptions, LACERS fiduciary net position was projected to be available to make all projected future benefit payments for current plan Members and their beneficiaries. Therefore, in accordance with the GASB Statement No. 74, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

Sensitivity of LAX's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

	June 30, 2021
1% decrease	6.00%
Net OPEB Liability	$142,897
Current discount rate	7.00%
Net OPEB Liability	$79,788
1% increase	8.00%
Net OPEB Liability	$28,271

Sensitivity of LAX's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents LAX's proportionate share of the net OPEB liability as of June 30, 2021, as well as what LAX's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current trend rate[7] (dollar in thousands):

	June 30, 2021
1% decrease	
Net OPEB Liability	$23,502
Current Healthcare Cost Trend Rates	
Net OPEB Liability	$79,788
1% increase	
Net OPEB Liability	$150,095

[7] *Current healthcare cost trend rates: 6.62% graded down to 4.50% over 9 years for Non-Medicare medical plan costs, and 6.12% graded down to 4.50% over 7 years for Medicare medical plan costs. 4.00% for all years for Dental and 4.50% for all years for Medicare part B subsidy cost.*

II. *City of Los Angeles Fire and Police Pensions*

a. Benefits Provided by the LAFPP Plan - OPEB

LAFPP provides other postemployment healthcare benefits to eligible members. Detailed information about the LAFPP OPEB plan is available in the separately issued LAFPP financial report.

b. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the LAFPP Plan

At June 30, 2021, LAX recognized its proportionate shares of NOL of $0.6 million and OPEB expense of $0.7 million for the LAFPP plan. LAX also reported deferred outflows of resources and deferred inflows of resources related to OPEB for the LAFPP plan from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	$ 665	$ —
Differences between expected and actual experience	411	303
Changes of assumptions	106	59
Net difference between projected and actual earnings on OPEB plan investments	51	—
Total	$ 1,233	$ 362

$0.7 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2022.

15. Risk Management

The Risk Management Division administers LAWA's risk and claims management program by implementing a comprehensive risk identification, assessment, regulation and insurance program. The program addresses key risks that may adversely affect LAWA's ability to meet its business goals and objectives and effectively insures against losses, transfers risk or otherwise mitigates risk losses.

LAWA maintains insurance coverage of $1.3 billion for general aviation liability perils and $1.0 billion for war and allied perils (Terrorism). Additional insurance coverage is carried for general all risk property insurance for $2.5 billion, that includes $250.0 million sub-limits for boiler and machinery, and $25.0 million for earthquake perils. Deductibles for these policies are $10,000 per claim for bodily injury and property damage, with no aggregate for general liability losses, and $100,000 per occurrence and no aggregate for general property casualty. Historically, no liability or property claims have reached or exceeded the stated policy limits stated above.

LAX carries employment practices liability insurance coverage of $10.0 million for protection against employment-related losses, including coverage for defense costs and damages. LAX is self-insured for up to $2.5 million for employment practices liability losses. LAX carries cyber liability insurance with coverage limits of $15.0 million for protection against cyber liability risks and technology errors and omissions. LAX maintains a self-insured retention of $250,000 for cyber liability coverage.

Additionally, LAX maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. LAWA also monitors contractual transfer of risk by and through insurance review and requirements of contractors, tenants, airlines. For fiscal years 2021, 2020, and 2019, no claims were in excess of LAX's insurance coverage or approached a substantial portion of the overall coverage capacities.

A number of claims/lawsuits were pending against LAX that arose in the normal course of its operations. LAX recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Outside counsel provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The probability weighted liability for litigation and other claims for the fiscal years ended June 30, 2021 and 2020 was $10.1 million.

LAX is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by LAWA under the City's workers compensation program. Liability and risk are retained by LAX. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAX's accrued workers' compensation liabilities at June 30, 2021 and 2020 were $90.1 million and $89.1 million, respectively.

The changes in LAX's estimated claims payable are as follows (amounts in thousands):

	June 30		
	2021	2020	2019
Balance at beginning of year	$ 99,227	$ 93,471	$ 97,075
Provision for current year's events and changes in provision for prior years' events	9,912	14,926	6,745
Claims payments	(8,912)	(9,170)	(10,349)
Balance at end of year	$ 100,227	$ 99,227	$ 93,471
Current portion	(9,643)	(8,912)	(9,170)
Noncurrent portion	$ 90,584	$ 90,315	$ 84,301

16. Commitments, Litigations, and Contingencies

a. Commitments

LAX has commitments for open purchase orders of approximately $202.0 million and $178.7 million as of June 30, 2021 and 2020, respectively.

LAX has commitments to make a series of Milestone Payments according to the terms of contract for Automated People Mover (APM) totaling approximately $1.2 billion during the construction, based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of $792.5 million were made through fiscal year 2021. Subject to certain conditions, additional four APM Milestone Payments are to be made. Additional commitments related to further Availability Payments are subject to project completion.

LAX has commitments to make a series of Consolidated Rental Car Facility (ConRAC) Milestone/Progress Payments of approximately $748.3 million during the construction based upon the value of work performed and/or its completion of certain design and construction milestones. Total payments of $487.4 million were made through fiscal year 2021. Additional commitments related to further Availability Payments are subject to project completion.

LAX has the following commitments on major construction contracts[8]:

Project	Amount (in millions)
Roadways, Utilities & Enabling Projects	$ 305
TBIT Core & APM Interface	139
Total	$ 444

LAX has the following commitments on major tenant based acquisitions[8]:

Project	Amount (in millions)
Terminals 4/5 Improvement	$ 1,256
Terminals 2/3 Improvement	1,207
Terminal 6 Improvement	216
TBIT/MSC Baggage System	73
Total	$ 2,752

[8] *Unpaid portion of total commitments.*

b. Aviation Security

Concerns about the safety and security of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in the light of existing international hostilities, potential terrorist attacks, and world health concerns, including epidemics and pandemics. As a result of terrorist activities, certain international hostilities and risk of violent crime, LAWA has implemented enhanced security measures mandated by the FAA, the Transportation Security Administration (TSA), the Department of Homeland Security and Airport management. Current and future security measures may create significantly increased inconvenience, costs and delays at LAX which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect LAWA's operations, expenses and revenues. LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. LAWA cannot predict whether LAX or any of LAWA's other airports will be actual targets of terrorists or other violent acts in the future.

c. Environmental Issues

LAX bears full responsibility for the cleanup of environmental contamination on property it owns. However, if the contamination originated based on contractual arrangements, the tenants are held responsible even if they declare bankruptcy. As property owner, LAX assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAX may become liable for cleaning up soil and groundwater contamination on a property in the event that the previous owner does not perform its remediation obligations. LAX accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays.

On November 7, 2019, the Board approved: (i) an update to the LAX Ground Support Equipment Emissions Reduction Policy (GSE ERP) with new emission reduction targets for 2023 and 2031; (ii) the LAX Air Quality Improvement Measures (AQIM), which consolidated existing air quality improvement programs or previously adopted policies into one plan to more efficiently track progress and align with LAWA’s Sustainability Action Plan; and (iii) a Memorandum of Understanding (MOU) with the South Coast Air Quality Management District (SCAQMD) to quantify emission reductions associated with the following LAX AQIM measures identified in the MOU to assist SCAQMD in obtaining emission reductions for these measures to meet its obligations under the Clean Air Act:

- Updated Ground Support Equipment Emissions Reduction Policy
- Alternative Fuel Vehicle Incentive Program
- Zero-Emission Bus Program

LAX’s primary obligations under the MOU are to implement the above measures and provide annual reports to SCAQMD on implementation of the measures, including equipment data and emission benefit calculations. In the event that actual emission reduction is less than the estimated emission reduction projected for these measures, LAX and SCAQMD will work together to consider potential new or enhanced programs, or better efforts to quantify existing programs, to help SCAQMD address any shortfalls.

17. Subsequent Events

On July 8, 2021, the Board approved to accept grant offers and execute grant agreements with the Federal Aviation Administration (FAA) for economic relief funds provided from the American Rescue Plan Act of 2021, for the reimbursement of grant-eligible expenses incurred and payments made for LAX and VNY, and for rent relief for grant-eligible airport concessions at LAX. On June 22, 2021, the FAA announced that LAWA is eligible to receive up to $303.9 million in formula-based grant allocations from the American Rescue Grant Program (ARPA). The American Rescue Grant Program is a result of the passage of the American Rescue Plan Act of 2021, and is the third funding round of economic relief grants provided by the FAA to eligible commercial service and reliever airports throughout the United States. The intent of the grant program is to address the impacts of the decrease in global air traffic and economic disruption at airports due to the COVID-19 pandemic. The first and second funding rounds of economic relief were provided under the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) and the Coronavirus Response and Relief Supplemental Appropriation Act of 2021 (CRRSAA), respectively. A summary of the three funding rounds of economic relief for LAX and VNY is provided below.

Federal Program	LAX Amount (in millions)	VNY Amount (in thousands)	LAWA Amount (in millions)
CARES Act	$ 323.6	$ 157.0	$ 323.8
CRRSAA	72.3	57.0	72.3
ARPA	303.8	148.0	303.9
Total	$ 699.7	$ 362.0	$ 700.0

On July 8, 2021, the Board approved to appropriate funds in the amount of $1.1 billion to acquire Terminal Improvements contemplated in the Terminal Facilities Lease and License Agreement LAA-9037 with American Airlines, Inc. at LAX; approved the Third Amendment to the Terminal Facilities Lease and License Agreement; and approved the direct disbursement of up to $1.6 million for Concessions Buy-Outs or Convenience Termination Payments for concessionaires in Terminal 4 impacted by the American Airlines, Inc. development program in order to facilitate improvements and enhancements to the headhouse (an arrival and departure hall), concourse, and satellite at Terminals 4 and 5 at LAX.

On August 12, 2021, the Board approved the execution of amended agreements related to the extension of the Bank of America, N.A. direct-pay letter of credit that provides credit support for a portion of the LAX Commercial Paper Program, and all required actions to complete this financial transaction in order to provide credit support over three years for up to $90.0 million of principal and $8.1 million of interest, on commercial paper notes (CP) outstanding at any one time, to expire on September 6, 2024.

On September 2, 2021, the Board approved an award of contract to ABM Aviation, Inc. (ABM) to manage and operate remote employee parking lots and provide courtesy shuttle services for LAX employees and the public between the remote employee parking lots, LAX City Bus Center, and LAX Central Terminal Area (CTA), for a ten year term and total contract amount not to exceed $160.0 million. The parking services include: web-based on-line parking permit sales, collection of parking revenue and deposit into LAWA's bank account, access control system maintenance and operation, cleaning of lots, and lot security patrols. In addition, ABM also is required to procure new buses to replace LAWA's aging bus fleet. The ABM bus fleet proposal includes procurement of 22 new Carbon Neutral Gas (CNG) buses and eleven new electric buses, in compliance with the California Air Resource Board (CARB) zero-emission airport shuttle (ZEAS) vehicle requirements for 33 percent electric vehicle (EV) replacements by December 31, 2027. Under the new agreement, ABM also will be required to maintain its own shuttle bus fleet, including repairs, cleaning, and fueling of the buses.

On September 2, 2021, the Board approved to adopt new public parking and electric vehicle charging rate ranges for LAX at the CTA garages, the new LAX Economy Parking facility (located at the Intermodal Transportation Facility West), and the Van Nuys FlyAway parking facility, and authorize the Chief Executive Officer, for a period of three years, to manage the setting of specific posted rates within the ranges and to offer discounted rates online. The LAWA staff were implementing an improved smart parking solution that will introduce a number of new functions for users, including automated payments, touchless entry and exit, pre-bookings, reservations, automated gates, a parking guidance system, new information technology systems, electric chargers, and other key passenger experience improvements. Smart Parking not only will greatly enhance the passenger experience, but will also provide LAWA the ability to better manage its parking inventory, optimize revenue, increase market share, and grow its customer base. In October 2020, the Board awarded a seven-year contract (DA -5466) to ABM to implement the new Smart Parking initiative to modernize parking services at LAX and VNY. ABM estimated that, based on (1) the proposed rates, (2) anticipated customer uptake of the pre-booking option, and (3) future passenger demand, LAWA will generate $1.336 billion in revenue from the seven-year program (Calendar Year from 2021 through 2027).

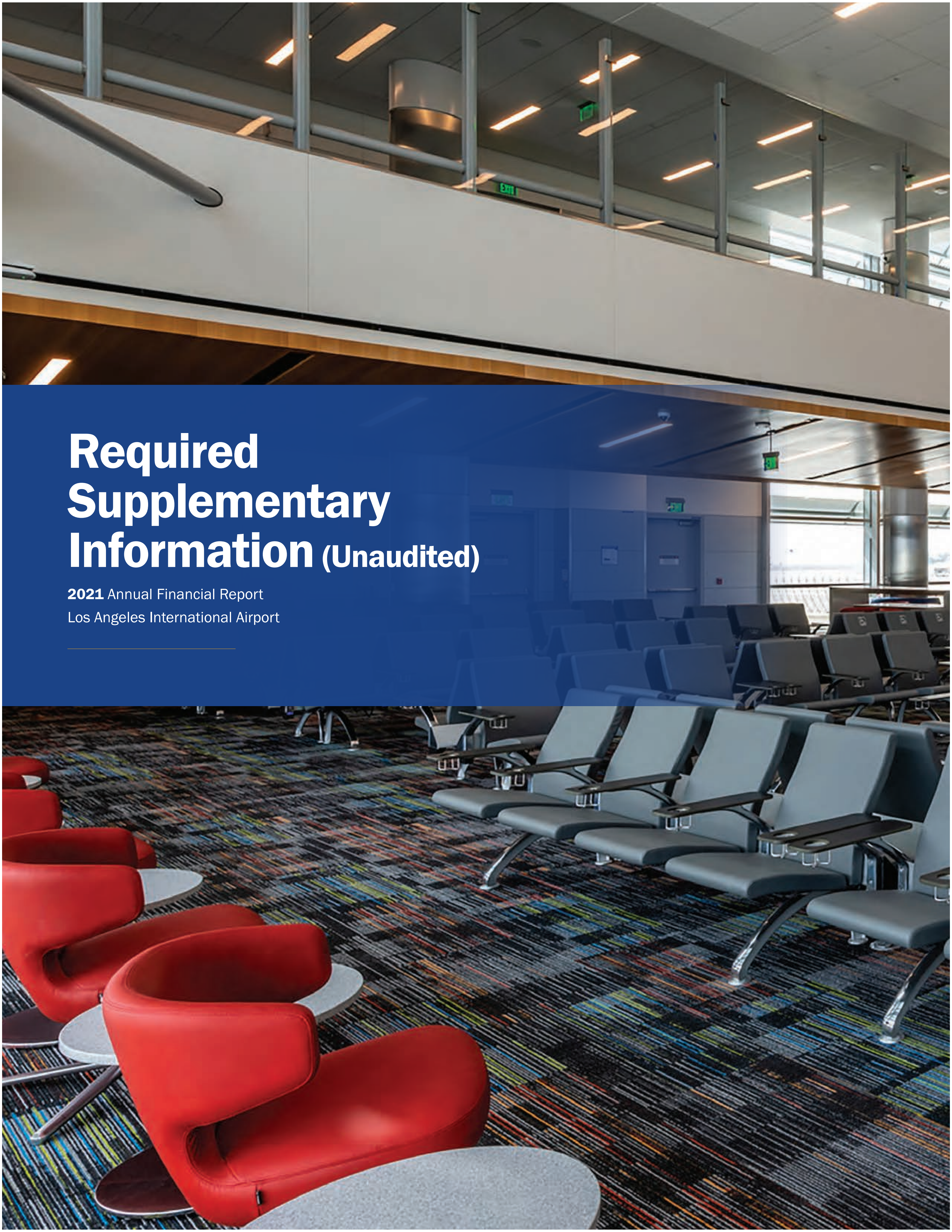
On October 6, 2021, LAWA issued $753.2 million of LAX subordinate revenue bonds Series 2021D with a premium of $178.4 million, and $125.8 million of LAX subordinate refunding revenue bonds Series 2021E at par. The Series 2021D bonds were primarily issued to fund certain capital projects at LAX, refund a portion of the outstanding subordinate Commercial Paper Notes; refund and defease a portion of the outstanding LAX subordinate revenue bonds Series 2016A and a portion of the outstanding LAX senior refunding revenue bonds Series 2016C, in each case to realize debt service savings. The Series 2021E bonds were primarily issued to pay a portion of the interest due November 15, 2021 on certain existing senior bonds and existing subordinate bonds; and refund and defease a portion of the refunded series 2016A subordinate bonds and a portion of the refunded series 2016C senior bonds.

On Oct 7, 2021, the Board approved the LAX Airfield and Terminal Modernization Project (ATMP), certified the Final Environmental Impact Report (FEIR) for the ATMP, adopted the associated documents; approved the LAX Specific Plan Compliance Review Determination set forth in the Executive Director's Report; and approved the LAX ATMP as described in the FEIR. The ATMP focuses on airfield and terminal improvements within the airport’s existing footprint, and landside (roadway) improvements that help reduce local traffic congestion. The approximate cost of the project is estimated to be $6 billion. The actions taken on this item by the Board is subject to City Council approval.

Notes to the Financial Statements
June 30, 2021 and 2020
(continued)

On October 21, 2021, the Board approved to amend the rental car concession agreements at LAX to establish a consistent period to recalculate the Minimum Annual Guarantee (MAG) amounts and sustainably reintroduce MAG rent provisions. Effective on July 1, 2021, the MAG was to be calculated based on the 12-month period March 1, 2020 through February 28, 2021. The Future Year MAG are to be recalculated annually based on revenue reports submitted for the previous 12-month period (beginning on the first day of March through the last day of February the following year). This amendment will ensure LAWA receive the greater of concessions fee revenue and MAG rents, as well as CFCs. Rental car concession fees revenue to LAWA is forecasted to be $40.6 million in fiscal year 2022.

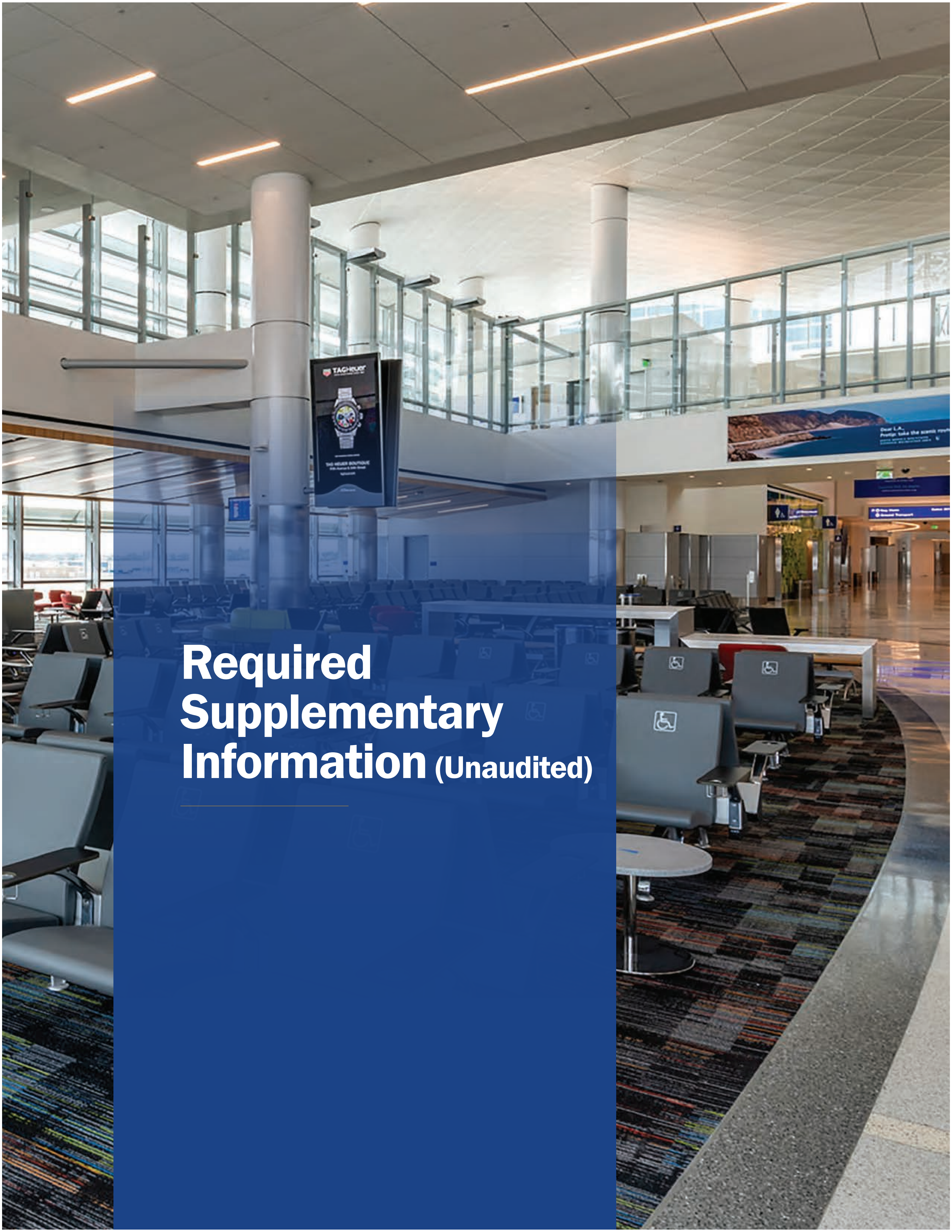
On October 21, 2021, the Board approved to amend concession agreements at LAX to revise payment terms due to the continuing impacts of COVID-19. For concessions that are open and conducting business at LAX, the Board approved to extend the revised rent payment terms to require payment of percentage rents instead of MAG rent for the period July 1, 2021 through June 30, 2022, and establish new MAG rents effective July 1, 2022. LAWA plans to use ARPA grant funds to offset the revenue LAWA will forgo by continuing to suspend MAG payments through June 30, 2022. The approved amendments will reinstate MAG rents effective July 1, 2022, based on the greater of two calculations: (1) the contractually established percentage of the prior year's rent payments; and, (2) a temporary MAG calculated by multiplying the pre-COVID MAG by a ratio of current passenger levels to pre-COVID passenger levels. Thereafter, the MAG will reset annually as the greater of three calculations: (1) the contractually established percentage of prior year's rent payments; (2) the prior year MAG; and, (3) the pre-COVID MAG. This will reset MAG annually based on passenger levels, up to the point that traffic levels exceed the pre-COVID passenger levels, at which point the annual MAG reset will be handled in accordance with the original agreements. As a condition of the prior rent relief programs approved by the Board, the concessionaires contributed funds to extend health insurance for employees furloughed or laid off due to the impacts of COVID-19. The fiscal impact of this action is projected to be an additional loss of approximately $130 million some of which may be eligible for the ARPA grant reimbursement, and has been budgeted in fiscal year 2022.



Required Supplementary Information (Unaudited)

2021 Annual Financial Report

Los Angeles International Airport



Required Supplementary Information (Unaudited)

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 %
2019	13.47 %	$ 710,724	$ 266,780	266.41 %	$ 1,774,969	$ 2,485,693	71.41 %
2019	13.52 %	$ 771,926	$ 274,167	281.55 %	$ 1,924,658	$ 2,696,584	71.37 %
2020	13.49 %	$ 806,117	$ 275,892	292.19 %	$ 1,997,900	$ 2,804,017	71.25 %
2021	13.23 %	$ 1,004,450	$ 287,623	349.22 %	$ 1,974,887	$ 2,979,337	66.29 %

Notes to schedule:

1. Changes of assumptions

   The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability for fiscal years ended on June 30, 2014 is primarily due to the lowered assumed investment rate of return from 7.75% to 7.50%, and longer assumed life expectancies for Members and beneficiaries while the June 30, 2017 increase is primarily due to the lowered assumed investment rate of return from 7.50% to 7.25%. The June 30, 2018 calculations reflected changes in the actuarial assumptions adopted by the Board on August 14, 2018 based on the triennial experience study for the period from July 1, 2014 through June 30, 2017, including revising the mortality tables from static to generational to reflect future mortality improvement, contributing to increased total pension liability. The June 30, 2020 calculations reflected changes in the actuarial assumptions based on the actuarial experience study covering the period from July 1, 2016 to June 30, 2019, and adopted by the Board on June 23, 2020. The changes included lowered assumed investment rate of return from 7.25% to 7.00% along with an Inflation Rate reduction from 3.00% to 2.75%, changes in various demographic assumptions such as adjustments on retirement, termination, disability and mortality rates.

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)

	2021	2020	2019	2018	2017
Contractually required contribution (actuarially determined)	$ 68,312	$ 73,229	$ 64,737	$ 60,948	$ 61,197
Contributions in relation to the actuarially determined contributions	68,312	73,229	64,737	60,948	61,197
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 266,355	$ 287,623	$ 275,892	$ 274,167	$ 266,780
LAX's contributions as a percentage of covered payroll	25.65 %	25.46 %	23.46 %	22.23 %	22.94 %

	2016	2015
Contractually required contribution (actuarially determined)	$ 55,972	$ 49,043
Contributions in relation to the actuarially determined contributions	55,972	49,043
Contribution deficiency (excess)	$ —	$ —
LAX's covered payroll	$ 256,833	$ 235,176
LAX's contributions as a percentage of covered payroll	21.79 %	20.85 %

Notes to Schedules - Pension

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Level percent of payroll
Investment Rate of Return	7.00%
Inflation	2.75 %
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service

Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Other Postemployment Benefit Plan (OPEB)

The schedules included in the Required Supplementary Information for the Postemployment Health Care Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, LAX presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

Schedule of LAX's Proportionate Share of the Net OPEB Liability

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Postemployment Health Care (OPEB) Liability	Proportionate share of the Net OPEB Liability	Covered Payroll (1)	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 %
2020	13.00 %	$ 67,889	$ 275,892	24.61 %	$ 365,588	$ 433,477	84.34 %
2021	12.56 %	$ 79,788	$ 287,623	27.74 %	$ 358,071	$ 437,859	81.78 %

Notes to schedule:

1. Covered payroll represents the collective total of the pensionable wages of all LACERS membership tiers and is reported based on measurement period.

Schedule of Contributions - OPEB

Los Angeles City Employees' Retirement System (LACERS)

	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	$ 12,064	$ 14,245	$ 14,212	$ 13.586
Contributions in relation to the actuarially determined contributions	12,064	14,245	14,212	13.586
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
LAX's covered payroll	$ 266,355	$ 287,623	$ 275,892	$ 274,167
LAX's contributions as a percentage of covered payroll	4.53 %	4.95 %	5.15 %	4.96 %

Required Supplementary Information (Unaudited) (continued)
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

Notes to Schedules - OPEB

Los Angeles City Employees' Retirement System (LACERS)

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Level percent of payroll
Investment Rate of Return	7.00%
Inflation	2.75 %
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service

Compliance Section

2021 Annual Financial Report
Los Angeles International Airport

Compliance Section

- Report of Independent Auditors on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance
- Schedule of Passenger Facility Charge Revenues and Expenditures
- Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
- Report of Independent Auditors on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance
- Schedule of Customer Facility Charge Revenues and Expenditures
- Notes to the Schedule of Customer Facility Charge Revenues and Expenditures

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

The Members of the Board of Airport Commissioners
City of Los Angeles, California

Report on Compliance for the Passenger Facility Charge Program

We have audited Los Angeles International Airport's (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *Passenger Facility Charge Program Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), that could have a direct and material effect on its Passenger Facility Charge ("PFC") program for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to the PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program occurred. An audit includes examining, on a test basis, evidence about LAX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program. However, our audit does not provide a legal determination of LAX's compliance.

Opinion on PFC Program

In our opinion, LAX complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended June 30, 2021.

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Passenger Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide for Public Agencies, and Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

(continued)

Report on Internal Control Over Compliance

Management of LAX is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise LAX's basic financial statements. We have issued our report thereon dated November 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
November 8, 2021

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of July 1, 2019	$ 2,626,905	$ 220,660	$ 2,847,565	$ 2,468,828	$ 378,737
Fiscal year 2019-20 transactions					
Quarter ended September 30, 2019	42,461	1,710	44,171	36,242	7,929
Quarter ended December 31, 2019	38,942	2,026	40,968	46,217	(5,249)
Quarter ended March 31, 2020	32,872	2,017	34,889	8,044	26,845
Quarter ended June 30, 2020	3,748	1,716	5,464	71,264	(65,800)
Program to date as of June 30, 2020	2,744,928	228,129	2,973,057	2,630,595	342,462
Fiscal year 2020-21 transactions					
Quarter ended September 30, 2020	5,921	1,525	7,446	28,573	(21,127)
Quarter ended December 31, 2020	17,680	1,062	18,742	21,481	(2,739)
Quarter ended March 31, 2021	7,858	1,185	9,043	18,377	(9,334)
Quarter ended June 30, 2021	37,289	802	38,091	110,870	(72,779)
Unexpended passenger facility charge revenues and interest earned June 30, 2021	$ 2,813,676	$ 232,703	$ 3,046,379	$ 2,809,896	$ 236,483

See accompanying notes to the schedule of passenger facility charge revenues and expenditures.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles)
Los Angeles International Airport
Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2021 and 2020

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1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. The current PFC rate is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA were $6.0 billion as of June 30, 2021 and 2020.

The details are as follows (amounts in thousands):

Application number	Charge effective date*	2021 Amount approved for use	2020 Amount approved for use
96-02-U-00-LAX, closed 6/2/03	6/1/1993	$ 116,371	$ 116,371
96-03-C-00-LAX, closed 10/1/08	7/1/1993	50,223	50,223
97-04-C-02-LAX	2/1/1998	90,000	90,000
97-04-C-03-LAX	2/1/1998	700,000	700,000
97-04-C-04-LAX	2/1/1998	88,334	88,334
05-05-C-00-LAX	12/1/2005	229,750	229,750
05-05-C-01-LAX	12/1/2005	468,030	468,030
07-06-C-00-LAX	10/1/2009	85,000	85,000
10-07-C-01-LAX	6/1/2012	1,848,284	1,848,284
11-08-C-00-LAX	3/1/2019	27,801	27,801
13-09-C-00-LAX	6/1/2019	44,379	44,379
14-10-C-00-LAX	10/1/2019	516,091	516,091
15-11-U-00-LAX	3/1/2019	3,115	3,115
20-12-C-00-LAX	1/1/2029	1,771,936	1,765,397
Total		$ 6,039,314	$ 6,032,775

** Based on FAA's Final Agency Decision and subject to change with actual collections and future collection authorities approved by FAA.*

Note:

a. In February 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-03-LAX by $90.0 million for the land acquisition component of the Noise Mitigation Project.

b. In August 2018, FAA approved LAWA's amendment request that increased application number 97-04-C-04-LAX by $88.3 million for updated cost of the Residential Soundproofing Project.

c. In March 2020, FAA approved application number 20-12-C-00-LAX for a total amount of $1.8 billion for the Bradley West Gates (formerly known as Midfield Satellite Concourse) - Phase 1, Inglewood High School Soundproofing Program, and PFC consulting fees.

d. In April 2021, FAA approved LAWA's amendment request that increased application number 20-12-C-01-LAX by $6.5 million for the Inglewood High School Soundproofing Program.

The general description of the approved projects and the expenditures to date are as follows (amounts in thousands):

Approved projects	Amount approved for collection	Expenditures to date June 30 2021	Expenditures to date June 30 2020
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	562,849	562,849
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	178,334	178,335	87,487
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	364,738	456,873
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	50,000	51,086
Bradley West	1,848,284	724,513	571,258
Lennox Schools Soundproofing Program	27,801	23,946	21,214
Inglewood USD Soundproofing Program	44,379	40,000	26,700
Terminal 6 Improvements	210,131	100,609	88,222
Elevators/Escalators/Moving Walkways Replacement	110,000	110,000	110,000
Midfield Satellite Concourse North Project	5,960	5,960	5,960
Central Utility Plant Replacement	190,000	190,000	190,000
Lennox Schools Soundproofing Program - Future Sites	3,115	—	—
Midfield Satellite Concourse - Phase I	1,750,000	—	—
PFC Consulting Fees	250	245	245
Inglewood High School Soundproofing Program	21,686	—	—
Total	$ 6,039,314	$ 2,809,896	$ 2,630,595

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2021 and 2020
(continued)

2. Basis of Accounting - Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) represents amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports. The Schedule was prepared using the accrual basis of accounting.

3. Excess Project Expenditures

The expenditures for the Aircraft Noise Monitoring and Management System and the Noise Mitigation - Other Local Jurisdictions Phase II were in excess of authorized amounts. However, in accordance with FAA guidelines, if actual allowable project costs exceed the estimate contained in the PFCs application in which the authority was approved, the public agency may elect to increase the total approved PFCs revenue in that application by 15% or less.

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

The Members of the Board of Airport Commissioners
City of Los Angeles, California

Report on Compliance for the Customer Facility Charge Program

We have audited Los Angeles International Airport's (LAX), a department component of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California), an Enterprise Fund of the City of Los Angeles, compliance with the types of compliance requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051* (the "Code"), that could have a direct and material effect on its Customer Facility Charge ("CFC") program for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions applicable to the CFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the CFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Code. Those standards and the Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the CFC program occurred. An audit includes examining, on a test basis, evidence about LAX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the CFC program. However, our audit does not provide a legal determination of LAX's compliance.

Opinion on CFC Program

In our opinion, LAX complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its CFC program for the year ended June 30, 2021.

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on the Customer Facility Charge Program, Report on Internal Control Over Compliance in Accordance with the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051,* and Report on the Schedule of Customer Facility Charge Revenues and Expenditures

(continued)

Report on Internal Control Over Compliance

Management of LAX is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LAX's internal control over compliance with the types of requirements that could have a direct and material effect on the CFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAX's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Code. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of LAX, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise LAX's basic financial statements. We have issued our report thereon dated November 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of customer facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Code and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of customer facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss Adams LLP

Los Angeles, California
November 8, 2021

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Schedule of Customer Facility Charge Revenues and Expenditures

For the Fiscal Years Ended June 30, 2021 and 2020

(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Under (over) expenditures on approved projects
Program to date as of as of July 1, 2019	$ 402,676	$ 27,689	$ 430,365	$ 3,026	$ 427,339
Fiscal year 2019-20 transactions					
Quarter ended September 30, 2019	22,588	2,023	24,611	—	24,611
Quarter ended December 31, 2019	22,633	2,216	24,849	—	24,849
Quarter ended March 31, 2020	16,697	2,370	19,067	—	19,067
Quarter ended June 30, 2020	3,703	2,341	6,044	80,657	(74,613)
Program to date as of as of June 30, 2020	468,297	36,639	504,936	83,683	421,253
Fiscal year 2020-21 transactions					
Quarter ended September 30, 2020	7,329	1,950	9,279	77,747	(68,468)
Quarter ended December 31, 2020	7,332	1,033	8,365	94,597	(86,232)
Quarter ended March 31, 2021	4,830	480	5,310	92,219	(86,909)
Quarter ended June 30, 2021	13,115	173	13,288	99,954	(86,666)
Unexpended customer facility charge revenues and interest earned June 30, 2021	$ 500,903	$ 40,275	$ 541,178	$ 448,200	$ 92,978

See accompanying notes to the schedule of customer facility charge revenues and expenditures.

Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Los Angeles International Airport

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2021 and 2020

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):

	2021	2020
Amount collected	$ 500,903	$ 468,297
Interest earnings	40,275	36,639
Subtotal	541,178	504,936
Expenditures		
ConRAC planning, design and construction	448,200	83,683
Unexpended CFCs revenue and interest earnings	$ 92,978	$ 421,253

LAX is in the stages of delivering LAMP to modernize and improve landside access at LAX with the ConRAC as a critical component. Pursuant to Board Resolution No. 26684 that was adopted on January 17, 2019, LAWA has authority to use up to $2.1 billion for the payment/reimbursement of Design-Build-Finance- Operate-Maintain (DBFOM) Agreement with LA Gateway Partners for the ConRAC from sources of revenue including but not limited to CFCs, LAX non-aeronautical revenues, special facility bond proceeds, and revenues derived from concession and lease agreements between LAWA and rental car companies using the ConRAC. In this regard, the amount of CFC funds that was used for ConRAC Design and Construction (D&C) payments was $364.5 million and $80.7 million in fiscal years 2021 and 2020, respectively. LAX's cumulative expenditures on approved CFCs projects totaled $448.2 million and $83.7 million for fiscal years 2021 and 2020, respectively.

2. Basis of Accounting - Schedule of Customer Facility Charge Revenues and Expenditures

The accompanying Schedule of Customer Facility Charge Revenues and Expenditures was prepared using the accrual basis of accounting.

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APPENDIX D-1

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Senior Indenture, the Master Subordinate Indenture and the Twenty-Third Supplemental Subordinate Indenture found in Appendices D-2, D-3 and D-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, 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.

"*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) prerefunded 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 2022CDEF Subordinate 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 D-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 D-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 D-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.

"*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 D-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.

"*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.

"*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 Senior Bonds 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 2022CDEF Subordinate Bonds*" means, collectively, the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds, the Series 2022E Subordinate Bonds and the Series 2022F Subordinate Bonds.

"Series 2022C Subordinate Bonds" means the 307,070,000.00 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Twenty-Third Supplemental Subordinate Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2022 Series C (Private Activity/AMT)."

"Series 2022D Subordinate Bonds" means the $101,545,000.00 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Twenty-Third Supplemental Subordinate Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series D (Private Activity/Non-AMT)."

"Series 2022E Subordinate Bonds" means the $20,225,000.00 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Twenty-Third Supplemental Subordinate Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series E (Governmental Purpose/Non-AMT)."

"Series 2022F Subordinate Bonds" means the $40,985,000.00 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Twenty-Third Supplemental Subordinate Indenture and designated "Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series F (Federally Taxable)."

"*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 D-3— "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. The Series 2022CDEF Subordinate Bonds are Subordinate 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. The Subordinate Trustee will act as the Subordinate Paying Agent with respect to the Series 2022CDEF Subordinate Bonds.

"*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 D-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. The Subordinate Trustee will act as the Subordinate Registrar with respect to the Series 2022CDEF Subordinate Bonds.

"*Subordinate Repayment Obligation*s" 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. The Department will specify in the Twenty-Third Supplemental Subordinate Indenture that the Series 2022CDEF Subordinate Bonds will participate in the Subordinate Reserve Fund.

"*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 Trust Company, National Association, successor in interest to U.S. Bank National Association 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 D-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-Third Supplemental Subordinate Indenture*" means the Twenty-Third Supplemental Subordinate Trust Indenture to be dated as of February 1, 2022, by and between the Department and the Subordinate 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 D-2

SUMMARY OF THE MASTER SENIOR INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2022CDEF SUBORDINATE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE 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 D-3—"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 D-3

SUMMARY OF THE MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2022CDEF SUBORDINATE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE 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.

APPENDIX D-4

SUMMARY OF THE TWENTY-THIRD SUPPLEMENTAL SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2022CDEF SUBORDINATE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the Twenty-Third Supplemental 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 Twenty-Third Supplemental Subordinate Indenture.

Terms of the Bonds

The Twenty-Third Supplemental Subordinate Indenture sets forth the terms of the Series 2022CDEF Subordinate Bonds, most of which terms are described in the forepart of this Official Statement under "DESCRIPTION OF THE SERIES 2022CDEF SUBORDINATE BONDS."

Establishment of Funds and Accounts

Pursuant to the Twenty-Third Supplemental Subordinate Indenture the Subordinate Trustee will establish and maintain the following funds and accounts: the Series 2022C Subordinate Debt Service Fund (and within such Series 2022C Subordinate Debt Service Fund, an Interest Account, a Principal Account and a Redemption Account), the Series 2022D Subordinate Debt Service Fund (and within such Series 2022D Subordinate Debt Service Fund, an Interest Account, a Principal Account and a Redemption Account), the 2022E Subordinate Debt Service Fund (and within such Series 2022E Subordinate Debt Service Fund, an Interest Account, a Principal Account and a Redemption Account), the Series 2022F Subordinate Debt Service Fund (and within such Series 2022F Subordinate Debt Service Fund, an Interest Account, a Principal Account and a Redemption Account), the Series 2022C Subordinate Construction Fund, the Series 2022CDEF Subordinate Costs of Issuance Fund, the Series 2022CDEF Reserve Account to be established in the Subordinate Reserve Fund, and the Series 2022CDE Subordinate Rebate Fund.

Certain of the funds and accounts will be initially funded with the proceeds of the Series 2022CDEF Subordinate Bonds as described in the forepart of this Official Statement under "ESTIMATED SOURCES AND USES OF FUNDS."

Series 2022C Subordinate Debt Service Fund. The Subordinate Trustee will deposit in the Interest Account of the Series 2022C Subordinate Debt Service Fund amounts received from the Department, as provided in the Master Subordinate Indenture, to be used to pay interest on the Series 2022C Subordinate Bonds. The Subordinate Trustee will also deposit into the Interest Account of the Series 2022C Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Principal Account of the Series 2022C Subordinate Debt Service Fund amounts received from the Department to be used to pay principal of the Series 2022C Subordinate Bonds at maturity or mandatory sinking fund redemption, if any. The Subordinate Trustee will also deposit into the Principal Account of the Series 2022C Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 an principal Payment Date for deposit into the LAX Revenue Account, unless a Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Redemption Account of the Series 2022C Subordinate Debt Service Fund amounts received from the Department or from other sources to be used to pay principal of and interest on the Series 2022C Subordinate Bonds which are to be redeemed in advance of their maturity (except redemptions occurring as a result of the operation of mandatory sinking fund redemption, if any). 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 Subordinate Trustee by an Authorized Representative at the time of such deposit.

The Series 2022C Subordinate Debt Service Fund will be invested and reinvested in Subordinate Permitted Investments as directed by an Authorized Representative.

Series 2022D Subordinate Debt Service Fund. The Subordinate Trustee will deposit in the Interest Account of the Series 2022D Subordinate Debt Service Fund amounts received from the Department, as provided in the Master Subordinate Indenture, to be used to pay interest on the Series 2022D Subordinate Bonds. The Subordinate Trustee will also deposit into the Interest Account of the Series 2022D Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Principal Account of the Series 2022D Subordinate Debt Service Fund amounts received from the Department to be used to pay principal of the Series 2022D Subordinate Bonds at maturity or mandatory sinking fund redemption, if any. The Subordinate Trustee will also deposit into the Principal Account of the Series 2022D Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 an principal Payment Date for deposit into the LAX Revenue Account, unless a Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Redemption Account of the Series 2022D Subordinate Debt Service Fund amounts received from the Department or from other sources to be used to pay principal of and interest on the Series 2022D Subordinate Bonds which are to be redeemed in advance of their maturity (except redemptions occurring as a result of the operation of mandatory sinking fund redemption, if any). 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 Subordinate Trustee by an Authorized Representative at the time of such deposit.

The Series 2022D Subordinate Debt Service Fund will be invested and reinvested in Subordinate Permitted Investments as directed by an Authorized Representative.

Series 2022E Subordinate Debt Service Fund. The Subordinate Trustee will deposit in the Interest Account of the Series 2022E Subordinate Debt Service Fund amounts received from the Department, as provided in the Master Subordinate Indenture, to be used to pay interest on the Series 2022E Subordinate Bonds. The Subordinate Trustee will also deposit into the Interest Account of the Series 2022E Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Principal Account of the Series 2022E Subordinate Debt Service Fund amounts received from the Department to be used to pay principal of the Series 2022E Subordinate Bonds at maturity or mandatory sinking fund redemption, if any. The Subordinate Trustee will also deposit into the Principal Account of the Series 2022E Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Redemption Account of the Series 2022E Subordinate Debt Service Fund amounts received from the Department or from other sources to be used to pay principal of and interest on the Series 2022E Subordinate Bonds which are to be redeemed in advance of their maturity (except redemptions occurring as a result of the operation of mandatory sinking fund redemption, if any). 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 Subordinate Trustee by an Authorized Representative at the time of such deposit.

The Series 2022E Subordinate Debt Service Fund will be invested and reinvested in Subordinate Permitted Investments as directed by an Authorized Representative.

Series 2022F Subordinate Debt Service Fund. The Subordinate Trustee will deposit in the Interest Account of the Series 2022F Subordinate Debt Service Fund amounts received from the Department, as provided in the Master Subordinate Indenture, to be used to pay interest on the Series 2022F Subordinate Bonds. The Subordinate Trustee will also deposit into the Interest Account of the Series 2022F Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Principal Account of the Series 2022F Subordinate Debt Service Fund amounts received from the Department to be used to pay principal of the Series 2022F Subordinate Bonds at maturity or mandatory sinking fund redemption, if any. The Subordinate Trustee will also deposit into the Principal Account of the Series 2022F Subordinate Debt Service Fund any other amounts deposited with the Subordinate 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 an principal Payment Date for deposit into the LAX Revenue Account, unless a Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Redemption Account of the Series 2022F Subordinate Debt Service Fund amounts received from the Department or from other sources to be used to pay principal of and interest on the Series 2022F Subordinate Bonds which are to be redeemed in advance of their maturity (except redemptions occurring as a result of the operation of mandatory sinking fund redemption, if any). 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 Subordinate Trustee by an Authorized Representative at the time of such deposit.

The Series 2022F Subordinate Debt Service Fund will be invested and reinvested in Subordinate Permitted Investments as directed by an Authorized Representative.

Series 2022C Construction Fund. Amounts in the Series 2022C Subordinate 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 2022C Subordinate Bonds were issued. While held by the Subordinate Trustee, amounts in the Series 2022C Subordinate Construction Fund will not secure the Outstanding Series 2022C Subordinate Bonds. Amounts in the Series 2022C Subordinate Construction Fund will be invested and reinvested in Subordinate Permitted Investments as directed by the Department and the earnings upon such fund will be credited to such fund.

Series 2022CDEF Costs of Issuance Fund. The proceeds of the Series 2022CDEF Subordinate Bonds deposited into the Series 2022CDEF Subordinate Costs of Issuance Fund will be disbursed by the Subordinate Trustee, from time to time, to pay costs of issuance of the Series 2022CDEF Subordinate Bonds. Amounts in the Series 2022CDEF Subordinate Costs of Issuance Fund will be invested and reinvested in Subordinate Permitted Investments as directed by the Department and the earnings upon such accounts will be credited to such fund.

Subordinate Reserve Fund and Series 2022CDEF Subordinate Reserve Account. For a description of the Subordinate Reserve Fund, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022CDEF SUBORDINATE BONDS—Subordinate Reserve Fund" in the forepart of this Official Statement.

Series 2022CDE Subordinate Rebate Fund. The Twenty-Third Supplemental Subordinate Indenture creates the Series 2022CDE Subordinate Rebate Fund for the Series 2022CDE Subordinate 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 Subordinate Trustee with respect to the Series 2022CDE Subordinate 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 2022CDE Subordinate Bonds. Such excess is to be deposited into the Series 2022CDE Subordinate Rebate Fund and periodically paid to the United States of America. The Series 2022CDE Subordinate Rebate Fund while held by the Subordinate Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Series 2022CDE Subordinate Bonds.

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APPENDIX E-1

AMENDMENTS TO THE MASTER SENIOR INDENTURE

Following is a description of certain amendments that are being made to the Master Senior Indenture. This description is for informational purposes only. These amendments do not require the consent of any of the Bondholders of the Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds), and the Department is not requesting consent from any of the Bondholders of the Subordinate Obligations (including the Series 2022CDEF Subordinate Bonds).

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

<u>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.</u>

APPENDIX E-2

AMENDMENTS TO THE MASTER SUBORDINATE INDENTURE

The following is a description of certain amendments that are being made to the Master Subordinate Indenture. The Master Subordinate Indenture Amendments do not require the consent of the purchasers of the Series 2022CDEF Subordinate Bonds in order to become effective. Any purchaser of the Series 2022CDEF Subordinate Bonds will be purchasing the Series 2022CDEF Subordinate Bonds subject to the Master Subordinate Indenture Amendments. The Department will not be requesting a separate written consent from the purchasers of the Series 2022CDEF Subordinate Bonds for the Master Subordinate Indenture Amendments.

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 F

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

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

$307,070,000.00 Department of Airports of the City of Los Angeles, California Los Angeles International Airport Subordinate Revenue and Refunding Revenue Bonds 2022 Series C (Private Activity/AMT)	$101,545,000.00 Department of Airports of the City of Los Angeles, California Los Angeles International Airport Subordinate Refunding Revenue Bonds 2022 Series D (Private Activity/Non-AMT)
$20,225,000.00 Department of Airports of the City of Los Angeles, California Los Angeles International Airport Subordinate Refunding Revenue Bonds 2022 Series E (Governmental Purpose/Non-AMT)	$40,985,000.00 Department of Airports of the City of Los Angeles, California Los Angeles International Airport Subordinate Refunding Revenue Bonds 2022 Series F (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Department of Airports of the City of Los Angeles (the "Department"), acting through the Board of Airport Commissioners of the City of Los Angeles (the "Board"), in connection with the Department's issuance and sale of (a) $307,070,000.00 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2022 Series C (Private Activity/AMT) (the "Series 2022C Subordinate Bonds"), (b) $101,545,000.00 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series D (Private Activity/Non-AMT) (the "Series 2022D Subordinate Bonds"), (c) $20,225,000.00 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series E (Governmental Purpose/Non-AMT) (the "Series 2022E Subordinate Bonds"), and (d) $40,985,000.00 aggregate principal amount of its Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series F (Federally Taxable) (the "Series 2022F Subordinate Bonds," and collectively with the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds, the "Series 2022CDEF Subordinate Bonds"). The Series 2022CDEF Subordinate 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 Subordinate Trust Indenture, dated as of December 1, 2002, as amended (the "Master Subordinate Indenture"), by and between the Department and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the "Subordinate Trustee"), and the Twenty-Third Supplemental Subordinate Trust Indenture, dated as of February 1, 2022 (the "Twenty-Third Supplemental Subordinate Indenture," and together with the Master Subordinate Indenture, the "Subordinate Indenture"), by and between the Department and the Subordinate Trustee. Issuance of the Series 2022CDEF Subordinate 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. 27386 adopted by the Board on November 18, 2021 and approved by the City Council on January 11, 2022 and by the Mayor on January 13, 2022, and Resolution No. 27387 adopted by the Board on November 18, 2021 (collectively, the "Resolutions"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Subordinate Indenture.

In connection with the issuance of the Series 2022CDEF Subordinate Bonds, we have examined: (a) the Charter; (b) certified copies of the Resolutions; (c) executed copies of the Master Subordinate Indenture and the Twenty-Third Supplemental Subordinate Indenture; (d) an executed copy of the Master Trust Indenture, dated as of April 1, 1995, as amended and supplemented, 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"); (e) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds and other matters (the "Tax Certificate"); (f) an executed copy of the Escrow Agreement, dated February 15, 2022, by and between the Department and the Senior Trustee, as trustee and escrow agent, with respect to the Refunded Senior Series 2012A Bonds and the Refunded Senior Series 2012B Bonds; (g) a copy of the Verification Report, dated February 15, 2022, by Robert Thomas CPA, LLC; (h) certifications of the Department, the Subordinate Trustee, the Senior Trustee, Loop Capital Markets, LLC, as representative of the underwriters of the Series 2022CDEF Subordinate 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; (i) opinions of the City Attorney, counsel to the Subordinate Trustee, counsel to the Senior Trustee and counsel to the Underwriters; and (j) 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 2022CDEF Subordinate Bonds and the Subordinate Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, 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 2022CDEF Subordinate Bonds or the Subordinate Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated February 2, 2022, or any other offering material relating to the Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Series 2022CDEF Subordinate Bonds have been fulfilled.

2. The Series 2022CDEF Subordinate 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 Subordinate Pledged Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture.

3. The Master Subordinate Indenture and the Twenty-Third Supplemental Subordinate Indenture have been duly authorized, executed and delivered by the Department and, assuming the due authorization, execution and delivery by the Subordinate Trustee, constitute the valid and binding obligations of the Department, enforceable against the Department in accordance with their terms. The Subordinate Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2022CDEF Subordinate Bonds, of the Subordinate Pledged Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, subject to

the provisions of the Subordinate Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The Series 2022CDEF Subordinate 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 Subordinate Pledged Revenues, is pledged to the payment of the principal of and interest on the Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds. The Department has no power of taxation.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2022C Subordinate 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 2022C Subordinate Bond for any period during which such Series 2022C Subordinate Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Series 2022C Subordinate Bonds or a "related person" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2022C Subordinate Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2022D Subordinate 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 2022D Subordinate Bond for any period during which such Series 2022D Subordinate Bond is held by a person who is a "substantial user" of the facilities refinanced by the Series 2022D Subordinate Bonds or a "related person" to such substantial user within the meaning of Section 147(a) of the Code. Interest on the Series 2022D Subordinate Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

7. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2022E Subordinate Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2022E Subordinate Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

8. Under existing laws, interest on the Series 2022CDEF Subordinate 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 Subordinate Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and/or the Series 2022E Subordinate Bonds to be included in gross income retroactive to the date of issue of the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds. Although we are of the opinion that interest on the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Interest on the Series 2022F Subordinate Bonds is included in gross income for federal income tax purposes. Except as provided in numbered paragraph 8 above, we express no opinion regarding the tax consequences relating to the ownership of, receipt of interest on or disposition of the Series 2022F Subordinate Bonds. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

Our engagement with respect to the Series 2022CDEF Subordinate 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 G

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 2022CDEF Subordinate Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF THE CITY, THE DEPARTMENT, OR THE SUBORDINATE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2022CDEF SUBORDINATE BONDS UNDER THE SUBORDINATE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2022CDEF SUBORDINATE 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 2022CDEF SUBORDINATE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2022CDEF SUBORDINATE 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 2022CDEF Subordinate Bonds. The Series 2022CDEF Subordinate 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 each series of the Series 2022CDEF Subordinate Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022CDEF Subordinate Bonds, as applicable, on DTC's records. The ownership interest of each actual purchaser of each Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds, except in the event that use of the book–entry system for the Series 2022CDEF Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds are in the book-entry-only system, redemption notices shall be sent to DTC. If less than all of the Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate 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 or the Subordinate 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 with Series 2022CDEF Subordinate 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 Subordinate 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 2022CDEF Subordinate 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 Subordinate Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2022CDEF Subordinate Bonds at any time by giving reasonable notice to the Department and the Subordinate 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 2022CDEF SUBORDINATE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2022CDEF SUBORDINATE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2022CDEF SUBORDINATE 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 2022CDEF Subordinate Bonds and the Department does not select another qualified depository, the Department shall deliver one or more Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds, as applicable, will be governed by the provisions of the Subordinate 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 2022CDEF Subordinate Bonds.

In addition, Beneficial Owners of the Series 2022CDEF Subordinate Bonds may experience some delay in their receipt of distributions of principal of, premium, if any, and interest on, the Series 2022CDEF Subordinate Bonds, as applicable, 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 2022CDEF Subordinate Bonds can be effected only through DTC, Direct Participants, Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2022CDEF Subordinate Bonds, to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Series 2022CDEF Subordinate Bonds, as applicable, 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 2022CDEF Subordinate 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 H

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Department of Airports of the City of Los Angeles, acting through the Board of Airport Commissioners of the City of Los Angeles (the "Department") in connection with the issuance by the Department of its Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2022 Series C (Private Activity/AMT) (the "Series 2022C Subordinate Bonds"), Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series D (Private Activity/Non-AMT) (the "Series 2022D Subordinate Bonds"), Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series E (Governmental Purpose/Non-AMT) (the "Series 2022E Subordinate Bonds"), and Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series F (Federally Taxable) (the "Series 2022F Subordinate Bonds" and, collectively with the Series 2022C Subordinate Bonds, the Series 2022D Subordinate Bonds and the Series 2022E Subordinate Bonds, the "Series 2022CDEF Subordinate Bond"). The Series 2022CDEF Subordinate Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of December 1, 2002, as amended (the "Master Subordinate Indenture"), by and between the Department and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank, National Association), as trustee (the "Subordinate Trustee"), and the Twenty-Third Supplemental Subordinate Trust Indenture dated as of February 1, 2022 (the "Twenty-Third Supplemental Subordinate Indenture," and together with the Master Subordinate Indenture, the "Subordinate Indenture"), by and between the Department and the Subordinate Trustee. The Department hereby covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Subordinate 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 2022CDEF Subordinate Bonds (including persons holding Series 2022CDEF Subordinate Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds.

"Owner" shall mean a registered owner of the Series 2022CDEF Subordinate Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2022CDEF Subordinate Bonds required to comply with the Rule in connection with offering of the Series 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The Department shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Department, to, not later than 180 days following the end of each Fiscal Year of the Department (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year ending June 30, 2022, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB and/or the Rule, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 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 Subordinate Bonds and Subordinate Commercial Paper Notes”;
3. Table 3 – “Senior Bonds and Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds or other material events affecting the tax status of the Series 2022CDEF Subordinate Bonds;

3. Modifications to rights of the Owners of the Series 2022CDEF Subordinate Bonds;

4. Series 2022CDEF Subordinate Bond calls;

5. Release, substitution or sale of property securing repayment of the Series 2022CDEF Subordinate Bonds;

6. The consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the Department or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Department, any of which affect security holders.

(c) The Department shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), 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 2022CDEF Subordinate Bonds pursuant to the Subordinate 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 2022CDEF Subordinate Bonds shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series 2022CDEF Subordinate Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Department with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Department's obligations hereunder shall terminate to a like extent.

Section 7. Dissemination Agent. The Department may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Department shall be the dissemination agent. The initial dissemination agent shall he the Department.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, without the consent of the Owners of the Series 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate Bonds that at the time are Outstanding. A default under this Disclosure Certificate shall not be deemed a default under the Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate 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 2022CDEF Subordinate 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 15th day of February, 2022.

DEPARTMENT OF AIRPORTS OF THE CITY OF LOS ANGELES, ACTING THROUGH THE BOARD OF AIRPORT COMMISSIONERS OF THE CITY OF LOS ANGELES

By: ______________________________________
Chief Executive Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Department of Airports of the City of Los Angeles, California

Name of Bond Issue: Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Revenue and Refunding Revenue Bonds, 2022 Series C (Private Activity/AMT)

Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series D (Private Activity /Non-AMT)

Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series E (Governmental Purpose /Non-AMT)

Department of Airports of the City of Los Angeles, California, Los Angeles International Airport, Subordinate Refunding Revenue Bonds, 2022 Series F (Federally Taxable)

Date of Issuance: February 15, 2022

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 February 15, 2022, 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

By: ____
Authorized Representative

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APPENDIX I

CERTAIN INFORMATION REGARDING THE RETIREMENT PLAN AND PENSION SYSTEMS OF THE CITY OF LOS ANGELES

The information in this Appendix I 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 I 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").

***

Retirement and Pension Systems

General

The City has three single-employer defined-benefit pension plans created by the 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 past 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 (the "Risk Reports"), noted 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.

In the Risk Reports, the actuary noted that each had strengthened their respective actuarial assumptions over time in part by 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 expected 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 but may consider it in the future. The City typically 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 Annual Financial Report for the Fiscal Year Ended June 30, 2020.

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 and those Airport Peace Officers not participating in LAFPP. As of June 30, 2021, the date of its most recent actuarial valuation, LACERS had 25,176 active members, 22,012 retired members and beneficiaries, and 9,647 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, to 7.25 percent in 2017, and to 7.0 percent in 2020. This most recent change in the investment return assumption represents one of many assumption changes recommended in an experience study dated as of June 17, 2020; other changes included the decrease in the inflation assumption from 3.00 percent to 2.75 percent, an increase in the merit and promotion salary increase assumption, and changes in the mortality assumption. Together, these changes increased the City’s retirement contribution rate by 3.32 percent of payroll and the retirement UAAL by $530.7 million. (These changes also increased the City’s contribution rate for OPEB by 0.62 percent.)

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 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, 2021, approximately 71 percent of the system’s active membership was Tier 1 members and 29 percent was 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 risen modestly since the June 30, 2012 valuation. For the Retirement Plan, the rate generally increased between the June 30, 2012 and the June 30, 2021 valuations, from 21.3 percent to 30.3 percent, primarily due to the amortization of UAAL increases from 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 of modestly declining contribution rates, from 5.7 percent in 2012 to 4.0 percent in 2021.

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]
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
2020	15,630,103	22,527,195	6,897,093	69.4	2,445,017	282.1
2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7

(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) Projected 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 asset 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]
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
2020	14,932,404	22,527,195	7,594,791	66.3	2,445,017	310.6
2021	18,918,136	23,281,893	4,363,757	81.3	2,254,165	193.6

(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) Projected 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' 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]
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
2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4

(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 2021-22 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)]

	2017-18	2018-19	2019-20	2020-21	2021-22
Sources of Contributions					
Contributions for Council-controlled Departments[(2)]	$450,806	$488,400	$559,299	$532,833	$601,450
Airport, Harbor Departments, LACERS, LAFPP	103,126	111,761	117,368	$114,828	$124,074
Total	$553,932	$600,161	$676,667	$647,661	$725,524
Percent of payroll – Tier 1	27.22%	28.31%	29.89%	29.43%	32.81%
Percent of payroll – Tier 3	24.64%	25.88%	27.70%	27.45%	30.16%
Uses of Contributions					
Current Service Liability (Normal cost)	$214,741	$224,161	$234,336	$229,795	$265,096
UAAL	360,109	398,500	477,035	462,604	492,955
Adjustments[(3)]	(20,918)	(22,500)	(34,704)	(44,738)	(32,527)
Total	$553,932	$600,161	$676,667	$647,661	$725,524

(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.

Table 15
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
($ in thousands)

	Budget 2021-22	Projection 2022-23	Projection 2023-24	Projection 2024-25	Projection 2025-26
Contributions for Council-controlled Departments[(1)(2)]	$601,450	$685,774	$695,105	$702,496	$665,090
Percentage of Payroll[(3)]	32.15%	32.30%	31.92%	31.52%	29.27%
Incremental Change	$68,800	84,332	$9,331	$7,391	$(37,405)
% Change	12.92%	14.02%	1.36%	1.06%	(5.32)%

(1) Includes the General Fund and various special funds.
(2) Assumes 14.00% return on investment in 2020-21 and 7.00% thereafter. Actual market rate of return for 2020-21 was 29.2%.
(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, 2021, the date of its most recent actuarial valuation, the LAFPP had 12,823 active members (including 124 in Harbor and 93 in Airport), 13,527 retired members and beneficiaries, and 633 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 5 active members as of June 30, 2021, although both tiers have beneficiaries. Sixty-four percent of active members are in Tier 5, and 30 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. The City's actuary assumes that 95 percent of eligible active members will elect DROP prior to retirement. As of June 30, 2021, 1,484 active members participated in DROP.

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 LAFPP Board adopted the actuary's recommendations to adjust various other assumptions such as retirement, termination, 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 was estimated to increase City contributions by 2.3 percent of payroll. The new assumptions were used in the June 30, 2020 actuarial valuation, which was adopted by the Board on November 19, 2020 and determined the City's contribution rate for Fiscal Year 2021-22.

The most recent valuations, relating to the Fiscal Year ended June 30, 2021, has been submitted to the LAFPP Board and will be considered for adoption on November 18, 2021. The results of such actuarial valuation, which remain subject to adoption, have been included in Tables 16 through 18.

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]
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
2020	22,106,722	23,727,315	1,620,593	93.2	1,670,245	97.0
2021	23,689,349	24,461,267	771,918	96.8	1,684,785	45.8

(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) Projected 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, 2021.

The actuarial value of assets is different from the market value of assets, as the actuarial value smooths asset 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]
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
2020	21,396,933	23,727,315	2,330,382	90.2	1,670,245	139.5
2021	27,862,307	24,461,267	(3,401,040)	113.9%	1,684,785	(201.9)

(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) Projected 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]
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
2020	2,214,552	3,709,858	1,495,307	59.7	1,670,245	89.5
2021	2,455,726	3,793,174	1,337,448	64.7	1,684,785	79.4

(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) Projected 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 2021-22 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)

	2017-18	2018-19	2019-20	2020-21	2021-22
General Fund[(1)]	$634,905	$687,867	$705,076	$738,908	$721,998
Percent of Payroll	44.26%	46.85%	47.37%	46.79%	45.89%
Current Service Liability	$332,409	$344,786	$349,256	$382,639	$393,940
UAAL/(Surplus)	288,567	325,312	337,815	337,154	306,679
Administrative Costs	13,929	17,769	18,005	19,115	21,379
Total	$634,905	$687,867	$705,076	$738,908	$721,998

(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 to offset the City's costs of retiree 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 to offset the cost of 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 an additional 2 percent contribution to offset the cost of 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 to offset the cost of retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011.

A consolidated lawsuit is 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 to offset the cost of 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 illustrative tables show the projected cost of contributions for both pension and OPEB.

Table 20
LOS ANGELES FIRE AND POLICE PENSION PLAN
PROJECTED CONTRIBUTIONS[1]
($ in thousands)

	Budget 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26
General Fund	$721,998	$764,996	$784,923	$779,468	$716,307
Percentage of Payroll	45.89%	45.27%	44.61%	43.21%	38.88%
Incremental Change	$(30,190)	$42,998	$19,927	$(5,454)	$(63,161)
% Change	(4.01)%	5.95%	2.60%	(0.69) %	(8.10) %

(1) Assumes 14.00% return on investment in 2020-21 and 7.00% thereafter. Actual market rate of return for 2020-21 was 32.4%.

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.

***

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, as supplemented, 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. Due to the coronavirus, the trial date was rescheduled from December 2020 to September and October 2021. The court conducted a three day trial. A ruling may be issued in the spring of 2022. 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
SUBORDINATE REVENUE AND REFUNDING REVENUE BONDS 2022 SERIES C, SUBORDINATE REFUNDING REVENUE BONDS 2022 SERIES D, 2022 SERIES E, AND 2022 SERIES F

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