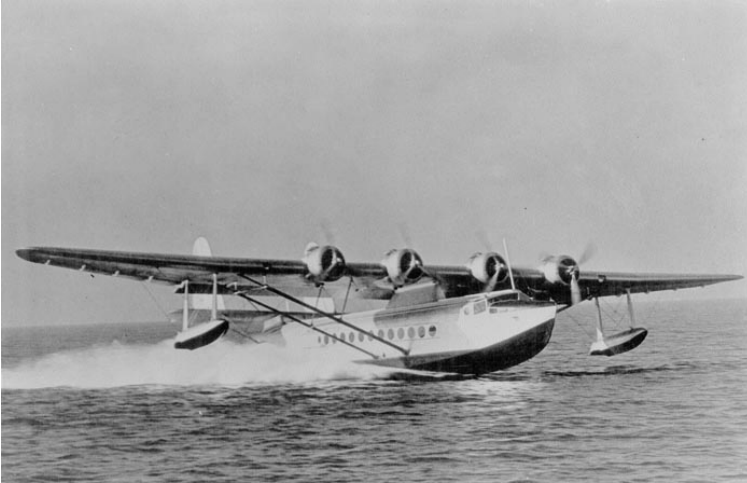


May 2012 Update- All things Aviation:



If you'd like additional information, please contact the City of Newport Beach.

JOHN WAYNE AIRPORT POSTS MARCH 2012 STATISTICS

Airline passenger traffic at John Wayne Airport decreased in March 2012 as compared to March 2011. In March 2012, the Airport served 727,841 passengers, a decrease of 1.8% when compared to the March 2011 passenger traffic count of 741,489. Commercial aircraft operations decreased 3.5%, while Commuter aircraft operations decreased 34.6% when compared to the levels recorded in March 2011. Based upon ADDs or average daily departures, March 2012 showed 111.55 ADDs vs. 117.22 ADDs for March 2011.

Alaska Airlines Reduces Service to Portland

Alaska Airlines announced that it will cut one of four flights to Portland at the end of the summer, saying the early morning departure "under-performed."

LAX and Ontario Performance for March

LAX continues to have a strong performance for 2012. LAX for the year is 6.48% ahead of the same time last year for Domestic and International. In March it was 6.07%

ahead of last year. At the same time Ontario continues to struggle. Overall through the end of March it is -6.79% for the year for both Domestic and International, although International is significantly ahead of the numbers for last year. Ontario is not the only local airport to show significant decline in recent months. Bob Hope Airport, as a result of the loss of carrier American Airlines, is well below budget projections.

LAX and the Rebranding of Ontario

Los Angeles World Airports hired a consultant to rebrand Ontario airport, as part of the continuing dialogue about the future of Ontario airport which has seen a major decline in service in the last number of years. The general tenor of the report was that in order to counter the campaign to make Ontario independent of LAX, that LAWA instead needs to rebrand Ontario and seek additional incentives to lure the airlines to Ontario. One such suggestion was to suspend the imposition of a \$4.50 per passenger facility charge.

Meanwhile the LAWA board was critical of such plans to rebrand Ontario as a high-end facility. While the board will continue with its study of the situation, LAWA officials note that Ontario's situation is not unique, with 30 other medium-hub airports in the US also experience declines in service.

Ontario Legislation Introduced in Congress

The city of Los Angeles would have 60 days to hand off Ontario International Airport to a local authority or risk losing its Federal Aviation Administration funding, under legislation introduced Friday, May 18, by Rep. Joe Baca, D-Rialto. Baca said he penned the bill after growing frustrated over LAWA's failure to arrive at an arrangement to shift control of the airport into local hands.

Long Beach Continues its Strong Trend Upward

Long Beach airport continues to show strong growth. April statistics disclosed that as load factors for the carriers averaged 89%, an increase of 13.3% over the same time period as last year, while at the same time passenger traffic increased by a hefty 13.1% over April 2011. For the year of 2012, passenger traffic is up 12.1%.

Airlines Continue to Struggle

United/Continental airlines reported a net loss of \$286 million in the first quarter, though it increased its revenue from the same period in 2011. United, the Chicago-based airline company, recently merged with Houston-based Continental Airlines Inc. Last year, including special charges, the company's net loss for the quarter was \$448 million, or \$1.36 per share.

Fill it Up-Delta

While some airlines continue to struggle with high petroleum prices, Delta thinks they have discovered the solution. On May 7, 2012, Delta announced it was buying an oil refinery to make its own fuel. Delta said that it will pay \$150 million for a refinery near Philadelphia that is being sold by division of ConocoPhillips. It's aiming to slice \$300 million a year from its jet fuel bill.

Southwest Reports April Results

Southwest reported April 2012 combined traffic results for Southwest Airlines and AirTran. AirTran became a wholly-owned subsidiary of Southwest Airlines Co. The Company flew 8.6 billion revenue passenger miles (RPMs) in April 2012, compared to 8.8 billion combined RPMs flown in April 2011, a decrease of 2.1 percent. Available seat miles (ASMs) decreased 1.9 percent to 10.8 billion from the April 2011 combined level of 11.0 billion. The load factor for April 2012 was 79.8 percent, compared to the combined load factor of 79.9 percent in April 2011. For April 2012, passenger revenue per ASM (PRASM) is estimated to have increased in the seven to eight percent range as compared to April 2011's combined PRASM. For the first four months of 2012, the Company flew 32.3 billion RPMs, compared to 32.5 billion combined RPMs flown in the same period in 2011, a decrease of 0.7 percent. The year-to-date ASMs increased 0.4 percent to 41.4 billion from the combined level of 41.3 billion for the same period in 2011. The year-to-date load factor was 78.0 percent, compared to the combined load factor of 78.8 percent for the same period in 2011.

American

American Airlines reported domestic traffic was 6.25 billion revenue passenger miles in April, a 2.2 percent decrease from April 2011, on a 4.1 percent decrease in

capacity. (A revenue passenger mile is flying one paying passenger one mile.) American had consolidated load factors approaching 83%. In April, international traffic increased 1.8 percent, to 4.1 billion revenue passenger miles, versus April 2011, on 2.8 percent less capacity. The international load factor was 81.7 percent, an increase of 3.7 points versus April 2011.

At the same time, news broke on May 11, that the airline may in fact have reached an agreement with its creditors to explore whether a merger, with US Airways would be its best option in moving forward.

Meanwhile all of the carriers are predicting crowded flight and higher fares for the summer 2012.

History of the Settlement Agreement

In response to a question regarding the Settlement Agreement you will find as follows:

The John Wayne Settlement Agreement, one of the most restrictive agreements of its kind arose out of litigation by and among the City of Newport Beach, the County of Orange, and two citizens' groups- Stop Polluting Our Newport (SPON), and Airport Working Group (AWG). In 1985, the City, the County, SPON, and AWG entered into a stipulation and agreement (1985 Settlement Agreement) to resolve Federal Court litigation initiated by the County seeking judicial approval of the Master Plan. The 1985 Settlement Agreement required the Board to modify resolutions approving the Master Plan to reduce the size of the terminal and limit the number of parking spaces. The 1985 Settlement Agreement also: (a) established three "classes" of commercial aircraft (Class A, AA, and E) based on the noise generated by the aircraft (operating with known gross takeoff weights) at the departure noise monitoring stations. (b) limited the number of "average daily departures" (ADD) of Class A and AA departures before and after construction of a new terminal to 73 ADD (c) limited the number of passengers served each year at JWA (expressed in terms of "million annual passengers" or "MAP") to 8.4 MAP after construction of the new terminal and (d)

required the County to maintain the curfew then in effect at JWA and enforce the General Aviation Noise Ordinance.

Between 1985 and 2002, the County, City, SPON and AWG each collectively agreed, on seven separate occasions, to amend the 1985 Settlement Agreement. These amendments responded, among other things, to: (a) a new FAA Advisory Circular (AC 91-53A) that established specific criteria for close-in and distant noise abatement departure procedures; (b) changes in the location and/ or type of equipment used to monitor commercial air carrier noise levels on departure; (c) air cargo carrier requests for access; and (d) changes in passenger, facility and baggage security requirements brought about by the events of September 11, 2001.

Congressional Reaction

In 1990, Congress adopted the Airport Noise and Capacity Act (ANCA) which, in relevant part, requires FAA "review and approval of proposed noise or access restrictions" on Stage 3 aircraft. The City and County successfully lobbied Congress to "grandfather" (exempt from the FAA "review and approval" requirements of ANCA): (a) the 1985 Settlement Agreement; (b) amendments to the 1985 Settlement Agreement that do not adversely impact airport capacity or airport safety; and (c) the then current County noise "curfew" ordinance.

In August of 2000, the City Council asked the Board to consider extending the term of the 1985 Settlement Agreement. During the next two years, the City and County, with input from SPON and AWG, engaged in discussions regarding the appropriate terms and conditions of the extension. During this period, the City engaged in an extensive public information program with the assistance of other communities impacted by airport noise including Newport Beach, Costa Mesa, Orange, Santa Ana, Tustin and Anaheim (known collectively, together with Newport Beach, as the "Corridor Cities").

Settlement Agreement Amendment

This process culminated in City, County, SPON and AWG approval of amendments to the 1985 Settlement Agreement (2002 Amendments that: (a) eliminated the "AA" class of aircraft; (b) increased the maximum number of noise regulated air

carrier ADD from 73 to 85; (c) increased the maximum number of air cargo ADD from 2 to 4 (the County is authorized to allocate two air cargo ADD to air carriers pending requests for use of those ADD by air cargo carriers); (d) increased the service level from 8.4 to 10.3 MAP through December 31, 2010 and to 10.8 MAP through December 31, 2015 (with 500,000 passengers allocated to commuter carriers); and (e) increased the maximum number of passenger loading bridges from 14 to 20. The 2002 Amendments also eliminated the floor area restrictions on the size of the terminal and the "cap" on public parking spaces.

City Council, SPON and AWG approval of the 2002 Amendments was contingent on receipt of a letter from the FAA confirming that the 2002 Amendments were consistent with ANCA, other relevant laws and regulations and grant assurances made by the County. In December 2002, the FAA sent a letter confirming compliance. In January 2003, the Honorable Terry Hatter (the Federal District Court Judge who entered the stipulated judgment implementing the 1985 Settlement Agreement stipulation) also approved the stipulation of the parties implementing the 2002 Amendments.

The 2002 Amendments allowed the County to offer additional air transportation service without any significant increase in noise impacts on Newport Beach residents. The flight and service level restrictions remain in effect through December 31, 2015 and provisions related to the curfew remain in effect through December 1, 2020. The FAA letter confirming the validity of the 2002 Amendments is a precedent for future amendments that do not adversely impact airport capacity or airport safety.

Summary of Terms of Settlement Agreement

The following is a comparison of the 1985/ 2003 Settlement Agreement:

TERMS Agreement	1985 Agreement	2003
PASSENGER FLIGHTS (NOISE REGULATED)	73	85
CARGO FLIGHTS	2	4*
ANNUAL PASSENGERS	8.4	10.3 (1/1/03) 10.8 (1/1/11)
LOADING BRIDGES	14	20
TERM/ADD & MAP	12/31/05	12/31/15
TERM/CURFEW	12/31/05	12/31/20
TERMINAL	Not to exceed 337,900 Sq. Ft.	No limit
DEPARTURE LOUNGE	Not to exceed 37,000 sq. ft. ea.	No limit
PARKING	Not to exceed 8,400 spaces. No parking structure to have more Than four levels	No limit No limit
FAA VALIDATION	NO	YES

* Two cargo flights can be allocated to passenger carriers on an interim basis until request for operations submitted by cargo carrier

Bullet Train

A formal plan to build a California bullet train that would become partially operational in 10 years was approved by the state rail agency April 12, 2012, though the blueprint was amended at the last minute to include a goal of providing service to Orange County. The decision represents the culmination of more than two decades of planning and political battles over a project that aims to reshape the future, transporting passengers from Los Angeles to San Francisco in two hours and 40 minutes but at a cost of \$68 billion.

The revision to include Orange County came after it was reported that bullet trains would not reach Anaheim as long planned, meaning passengers would have to transfer to commuter rail trains in Los Angeles. That disclosure led to a barrage of last-minute criticism by business interests in the county, forcing the rail agency to reconsider. The last-minute controversy reflects the reality that some critical decisions about the project remain open-ended. The project now needs the approval of the Legislature, which is being asked by Gov. Jerry Brown to provide \$2.7 billion for an initial 130 miles of track in the Central Valley.

A relentless barrage of criticism of the project across the state resulted in major changes that have lowered the system's costs, reduced risk and softened some of the extreme effects on communities along the route, officials said. "We are in a much better place than we were six or eight months ago," said Dan Richard, chairman of the California High-Speed Rail Authority. "We have a much more cohesive plan, but there is still a lot of work ahead."

Meanwhile Transportation Secretary Ray LaHood announced that the state risks losing \$3.3 billion if the Senate delays the spending decision regarding the Bullet Train. It's unclear whether grants can be withdrawn. If California starts building a 130-mile segment of high-speed rail late this year as planned, it will enter into a risky race against a deadline set up under federal law. Moreover, the bullet train track through the Central Valley would cost \$6 billion and have to be completed by September 2017, or else potentially lose some of its federal funding. It would mean spending as much as \$3.5

million every calendar day, holidays and weekends included — the fastest rate of transportation construction known in U.S. history, according to industry and academic experts. Locally the Bullet train continues to confront vocal opposition.