

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

**AIRPORT COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO**

Resolution authorizing the issuance of

**SAN FRANCISCO INTERNATIONAL AIRPORT
SECOND SERIES SUBORDINATE REVENUE BONDS**

(under and pursuant to Section 2.13 of Resolution No. 91-0210)

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Resolution Authorizing the Issuance of
San Francisco International Airport
Second Series Subordinate Revenue Bonds

WHEREAS, under Section 4.115 of the Charter of the City and County of San Francisco (the "Charter"), the Airport Commission of the City and County of San Francisco (the "Commission") has charge of the construction, management, supervision, maintenance, extension, operation, use and control of all property, as well as the real, personal and financial assets which are under the Commission's jurisdiction, including San Francisco International Airport and of all other airport properties wherever situated as it may acquire or which may be placed under its control (the "Airport"); and

WHEREAS, under Section 4.115 of the Charter, subject to the approval, amendment or rejection of the Board of Supervisors of each issue, the Commission has the exclusive authority to plan and issue revenue bonds for airport-related purposes; and

WHEREAS, the Commission has previously authorized and issued \$1,900,700,000 of its San Francisco International Airport Second Series Revenue Bonds, Issue 1 through Issue 14 (the "1991 Resolution Bonds"), pursuant to Resolution No. 91-0210 of the Commission, adopted on December 3, 1991, as supplemented and amended (the "1991 Resolution"); and

WHEREAS, Section 2.13 of the 1991 Resolution provides in relevant part that nothing in the 1991 Resolution shall prevent the Commission from issuing at any time while any of the 1991 Resolution Bonds are outstanding revenue bonds which are junior and subordinate to the payment of principal or purchase price of, interest, redemption premium and reserve fund requirements of the 1991 Resolution Bonds; and

WHEREAS, the Commission deems it necessary and desirable and in the public interest to authorize the issuance of additional airport revenue bonds (the "1997 Resolution Bonds" or the "Bonds") under and in accordance with Section 2.13 of the 1991 Resolution and pursuant to the terms and conditions set forth herein, which Bonds shall be junior and subordinate to the payment of principal or purchase price of, interest, redemption premium and reserve fund requirements on the 1991 Resolution Bonds for so long as the 1991 Resolution Bonds shall remain Outstanding; and

WHEREAS, the Airline-Airport Lease and Use Agreements, dated as of July 1, 1981, by and between the City, acting by and through the Commission, and the respective airlines serving the Airport which are parties thereto (the "Lease and Use Agreements") provide for the issuance of Airport Revenue Bonds (as defined therein) pursuant to a resolution of the Commission, prescribing the covenants and conditions attendant upon such issuance, and not inconsistent with the provisions of the Lease and Use Agreements; and

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WHEREAS, the Commission hereby finds and determines that (i) the 1997 Resolution Bonds are being authorized under and in accordance with the 1991 Resolution and Section 2.13 thereof, (ii) the authorization and issuance of the 1997 Resolution Bonds by the Commission pursuant to this 1997 Resolution is contemplated in and permitted by the Lease and Use Agreements, and (iii) the covenants and conditions of this Resolution are not inconsistent with the provisions of the Lease and Use Agreements;

NOW, THEREFORE, BE IT RESOLVED by the Airport Commission of the City and County of San Francisco, as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. The following terms, for all purposes of this 1997 Resolution and any Supplemental Resolution, shall have the following meanings unless a different meaning clearly applies from the context:

“Accreted Value” means, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the initial principal amount thereof plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, and (b) with respect to any Compound Interest Bond, the initial offering price thereof plus the amount of principal which has accreted thereon, in each case as determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance thereof.

“Act” means the Charter of the City and County of San Francisco, as supplemented and amended, all enactments of the Board adopted pursuant thereto, and all laws of the State of California incorporated therein by reference.

“Airport” means the San Francisco International Airport, located in San Mateo County, State of California, together with all additions, betterments, extensions and improvements thereto. Unless otherwise specifically provided in any Supplemental Resolution, the term shall include all other airports, airfields, landing places and places for the take-off and landing of aircraft, together with related facilities and property, located elsewhere, which are hereafter owned, controlled or operated by the Commission or over which the Commission has possession, management, supervision or control.

“Airport Consultant” means a firm or firms of national recognition with knowledge and experience in the field of advising the management of the Airport as to the planning, development, operation and management of Airport and aviation facilities, selected and employed by the Commission from time to time.

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“Amortized Bonds” means the Authorized Amount of any existing or proposed Commercial Paper Program.

“Annual Service Payments” means the amounts paid to the City other than as reimbursement for direct services provided by the City to the Airport, including but not limited to the amounts paid pursuant to that certain Settlement Agreement, made and entered into as of July 1, 1981, by and among the City and certain regular airline users of the Airport.

“Authenticating Agent” means, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission herein or in the Supplemental Resolution authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum aggregate Principal Amount of such Bonds which is then authorized by the Commission to be Outstanding at any one time.

“Authorized Commission Representative” means the Airport Director or the Deputy Airport Director for Business and Finance, or the respective successors to the powers and duties thereof, or such other person as may be designated to act on behalf of the Commission by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Commission by the Airport Director or the Deputy Airport Director for Business and Finance, or their respective successors.

“Authorized Newspapers” means a financial newspaper or journal, printed in the English language and customarily published on each business day, of general circulation in the financial community in San Francisco, California, and a similar newspaper or journal of general circulation in New York, New York.

“Board of Supervisors” means the Board of Supervisors of the City and County of San Francisco, as duly elected, appointed and qualified from time to time in accordance with the provisions of the Charter.

“Bond Counsel” means an attorney or firm or firms of attorneys of national recognition selected or employed by the Commission with knowledge and experience in the field of municipal finance.

“Bond Depository” means the securities depository for a Series of Bonds appointed as such pursuant to a Supplemental Resolution and its successors and assigns.

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“Bond Purchase Contract” means a contract entered into by the Commission with and for the negotiated sale of a Series of Bonds by the purchasers thereof, including a contract providing for the forward purchase of a Series of Bonds.

“Bonds” or “1997 Resolution Bonds” means any evidences of indebtedness for borrowed money issued from time to time by the Commission hereby or by Supplemental Resolution pursuant to Article II hereof, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and Repayment Obligations to the extent provided in Section 2.15 hereof.

“Business Day” means, unless otherwise specified by Supplemental Resolution, any day of the week other than Saturday, Sunday or a day which shall be, in the State of California, the State of New York or in the jurisdiction in which the Corporate Trust Office of the Trustee or the principal office of the Registrar or the Credit Provider is located, a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

“Call Protection Date” means the date determined in accordance with any Supplemental Resolution before which Bonds of a Series are not subject to optional redemption.

“Capital Appreciation Bonds” means Bonds the interest on which is compounded and accumulated at the rate or rates and on the date or dates set forth in the Supplemental Resolution authorizing the issuance thereof and which is payable only upon redemption and/or on the maturity date thereof.

“Charter” means the Charter of the City and County of San Francisco, as supplemented and amended, and any new or successor Charter.

“City” means the City and County of San Francisco, a chartered city and county and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Closing Date” means the date upon which a Series of Bonds is initially issued and delivered in exchange for the proceeds representing the purchase price of such Series of Bonds paid by the original purchaser thereof.

“Code” means the Internal Revenue Code of 1986, as amended, and the Regulations, rulings and procedures proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

“Commercial Paper,” “Commercial Paper Notes” or “Commercial Paper Program” means Bonds with maturities of not more than 270 days from the dates of issuance thereof which are issued and reissued by the Commission from time to time and are Outstanding up to an Authorized Amount.

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“Commission” means the Airport Commission of the City and County of San Francisco as duly constituted from time to time under the Charter, and all commissions, agencies or public bodies which shall succeed to the powers, duties and obligations of the Commission.

“Completion Date” means the Completion Date (as defined in the related Tax Certificate) of a Project.

“Compound Interest Bonds” means Bonds which are sold at an initial offering price of less than 95% of the principal amount thereof payable at maturity, and which are specifically designated as such in the Supplemental Resolution authorizing the issuance thereof.

“Construction Fund” means the Airport Construction Fund established pursuant to Section 4.01 hereof.

“Construction Period” means the period commencing on the date of original issuance of a Series of Bonds and ending on the Completion Date for a related Project.

“Continuing Disclosure Certificate” means a certificate executed and delivered by an Authorized Commission Representative with respect to compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission, as such certificate may be amended from time to time in accordance with its terms.

“Controller” means the Controller of the City and County of San Francisco, or any successor officer to the duties of the Controller of the City and County of San Francisco.

“Corporate Trust Office” means the office of the Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in San Francisco, California.

“Costs of Issuance” means all reasonable costs incurred by the Commission in connection with the issuance of a Series of Bonds, including, but not limited to:

- (a) counsel fees related to the issuance of such Series of Bonds (including bond counsel, Trustee’s counsel and the City Attorney);
- (b) financial advisor fees incurred in connection with the issuance of such Series of Bonds;
- (c) rating agency fees;
- (d) the initial fees and expenses of the Trustee, the Registrar, any Issuing and Paying Agent and the Authenticating Agent;

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- (e) accountant fees related to the issuance of such Series of Bonds;
- (f) printing and publication costs;
- (g) costs of engineering and feasibility studies necessary to the issuance of such Series of Bonds, but excluding costs of such studies related solely to completion of the related Project and not to the financing; and
- (h) any other cost incurred in connection with the issuance of the Bonds that constitutes an "issuance cost" within the meaning of Section 147(g) of the Code.

"Credit Facility" means a letter of credit, line of credit, standby purchase agreement, municipal bond insurance policy, surety bond or other financial instrument which obligates a third party to pay or provide funds for the payment of the principal or purchase price of and/or interest on any Bonds and which is designated as a Credit Facility in the Supplemental Resolution authorizing the issuance of such Bonds.

"Credit Facility Agreement" means the written agreement between the Commission and a Credit Provider pursuant to which the related Credit Facility is issued.

"Credit Provider" means the person or entity obligated to make a payment or payments with respect to any Bonds under a Credit Facility.

"Debt Service Fund" means the 1997 Resolution Debt Service Fund established pursuant to Section 5.03 hereof.

"DTC" means The Depository Trust Company, as Bond Depository for one or more Series of Bonds, and its successors and assigns.

"Event of Default" means any one or more of those events set forth in Section 7.01 hereof.

"Financial Consultant" means a firm or firms of financial advisors of national recognition with knowledge and experience in the field of municipal finance selected or employed by the Commission.

"Fiscal Year" means the one-year period beginning on July 1 of each year and ending on June 30 of the succeeding year, or such other one-year period as the Commission shall designate as its Fiscal Year.

"Fund" or "Account" means any fund or account established pursuant to this 1997 Resolution.

"Government Certificates" means evidences of ownership of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof.

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Investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) 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 Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Government Obligations" means direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Holder," "Bondholder," "Owner" and "Bondowner" means the person or persons in whose name any Bond or Bonds are registered on the records maintained by the Registrar or, in the case of bearer obligations, who hold any Bond or Bonds, and shall include any Credit Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond pursuant to Section 2.15 hereof.

"Independent Auditor" means a firm or firms of independent certified public accountants with knowledge and experience in the field of governmental accounting and auditing selected or employed by the City.

"Information Services" means: Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Services' "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's Corporation's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with any then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services, if any, providing information with respect to called bonds as the Commission may designate.

"Insolvent" shall be used to describe the Trustee, any Paying Agent, Issuing and Paying Agent, Authenticating Agent, Registrar, other agent appointed under the 1997 Resolution or any Credit Provider, if (a) such person shall have instituted proceedings to be adjudicated a bankrupt or insolvent, shall have consented to the institution of bankruptcy or insolvency proceedings against it, shall have filed a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall have consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to the entry of an order for relief under the federal Bankruptcy Code or shall make an assignment for the benefit of

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creditors or shall admit in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the federal Bankruptcy Code or any other similar applicable federal or state law or for relief under the federal Bankruptcy Code after an involuntary petition has been filed against such person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, shall have been entered and shall have continued unstayed and in effect for a period of 90 consecutive days.

“Insurance Consultant” means a firm or firms of national recognition with knowledge and experience in the fields of insurance and risk management selected or employed by the Commission.

“Interest Payment Date” means, with respect to any Series of Bonds, each date specified herein or in the Supplemental Resolution authorizing the issuance thereof for the payment of interest on such Bonds.

“Interest Rate Swap” means an agreement between the Commission or the Trustee and a Swap Counter Party related to Bonds of one or more Series whereby a variable rate cash flow (which may be subject to an interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount. If the Commission enters into more than one Interest Rate Swap with respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

“Issuing and Paying Agent” means the issuing and paying agent appointed under any Supplemental Resolution providing for the issuance of any Commercial Paper, and its successors or assigns.

“Moody’s” means Moody’s Investors Service, a corporation existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, “Moody’s” means any other nationally recognized rating agency designated by the Commission.

“Net Revenues” means Revenues less Operation and Maintenance Expenses.

“1991 Bond Funds” means the 1991 Resolution Debt Service Fund and the 1991 Resolution Reserve Fund established pursuant to the 1991 Resolution.

“1991 Resolution” means Resolution No. 91-0210, adopted by the Commission on December 3, 1991, as supplemented and amended, authorizing the issuance of the 1991 Resolution Bonds.

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“1991 Resolution Bonds” means the Commission’s San Francisco International Airport Second Series Revenue Bonds, Issue 1 through Issue 14 heretofore issued and any additional series of Second Series Revenue Bonds hereafter issued and at any time Outstanding pursuant to the 1991 Resolution, and any refunding bonds issued under and pursuant to Section 2.12 of the 1991 Resolution.

“1997 Resolution” means this Resolution No. 97-____, adopted by the Commission on _____ 1997, as the same shall be amended or supplemented pursuant to the terms hereof.

“Nominee” means the nominee of the Bond Depository as determined from time to time in accordance with a Supplemental Resolution, for any one or more Series of Bonds.

“Operation and Maintenance Account” means the account of that name in the Revenue Fund established pursuant to Section 5.02 of the 1991 Resolution and continued hereunder.

“Operation and Maintenance Expenses” means, for any period, all expenses of the Commission incurred for the operation and maintenance of the Airport, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses shall not include: (a) the principal of, premium, if any, or interest on any 1991 Resolution Bonds, 1997 Resolution Bonds, Subordinate Bonds or general obligation bonds issued by the City for Airport purposes; (b) any allowance for amortization, depreciation or obsolescence of the Airport; (c) any expense for which, or to the extent to which, the Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) Annual Service Payments; (f) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Airport which, under generally accepted accounting principles, are properly chargeable to the capital account or the reserve for depreciation; and (g) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Airport properties. Operation and Maintenance Expenses shall include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to employees of the Commission.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Opinion of Counsel” means a written opinion of an attorney or firm or firms of attorneys acceptable to the Trustee and the Commission, and who (except as otherwise expressly provided herein) may be either counsel for the Commission or for the Trustee.

“Outstanding” means when used with reference to a Series of 1997 Resolution Bonds, as of any date of determination, all Bonds of such Series which have been executed and delivered under this 1997 Resolution except: (a) Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds which are deemed paid and no longer Outstanding as provided in Section 10.01 hereof or in any Supplemental Resolution authorizing the issuance thereof; (c) Bonds in

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lieu of which other Bonds have been issued pursuant to the provisions hereof or of any Supplemental Resolution authorizing the issuance thereof; and (d) for purposes of any consent or other action to be taken under the 1997 Resolution by the Holders of a specified percentage of Principal Amount of Bonds of a Series or all Series, Bonds held by or for the account of the Commission. "Outstanding" when used with reference to a Series of 1991 Resolution Bonds shall have the meaning set forth in the 1991 Resolution.

"Participating Series" means any Series of Bonds heretofore or hereafter designated by Supplemental Resolution as being secured by the 1997 Reserve Account.

"Paying Agent" means, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission herein or in the Supplemental Resolution authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Payment Date" means, with respect to any Series of Bonds, each Interest Payment Date and Principal Payment Date.

"Permitted Investments" means and include any of the following, if and to the extent the same are at the time legal for the investment of the Commission's money:

- (a) Government Obligations and Government Certificates.
- (b) Obligations issued or guaranteed by any of the following:
 - (i) Federal Home Loan Banks System;
 - (ii) Export-Import Bank of the United States;
 - (iii) Federal Financing Bank;
 - (iv) Government National Mortgage Association;
 - (v) Farmers Home Administration;
 - (vi) Federal Home Loan Mortgage Corporation;
 - (vii) Federal Housing Administration;
 - (viii) Private Export Funding Corporation;
 - (ix) Federal National Mortgage Association;

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- (x) Federal Farm Credit System;
 - (xi) Resolution Funding Corporation;
 - (xii) Student Loan Marketing Association; and
 - (xiii) any other instrumentality or agency of the United States.
- (c) Pre-refunded municipal obligations rated in the highest rating category by at least two Rating Agencies and meeting the following conditions:
- (i) such obligations are: (A) not subject to redemption prior to maturity or the trustee or escrow agent has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - (ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal and premium payments of such obligations;
 - (iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;
 - (iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and
 - (v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.
- (d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a "State") to the payment of which the full faith and credit of such State is pledged and that are rated in either of the two highest rating categories by at least two Rating Agencies.
- (e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated in the highest rating category by at least two Rating Agencies.
- (f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated in the highest rating category by at least two Rating Agencies issued by, state banks or trust

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companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits or interests must either be: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short term rating categories by at least two Rating Agencies; (iii) if they have a maturity longer than one year, with or issued by banks that are rated in one of the two highest rating categories by at least two Rating Agencies; or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.

(g) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by at least two Rating Agencies.

(h) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest rating categories by at least two Rating Agencies.

(i) Repurchase agreements with maturities of either (A) 30 days or less, or (B) longer than 30 days and not longer than one year provided that the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State or federal law, 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 a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated investment grade ("A" or better) by at least two Rating Agencies. The repurchase agreement must be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(1) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations and Government Certificates;

(2) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

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(3) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(j) Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category by at least two Rating Agencies.

(k) Public housing bonds issued by public agencies which are either: (i) fully guaranteed by the United States of America; or (ii) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or (iii) state or public agency or municipality obligations rated in the highest credit rating category by at least two Rating Agencies.

(l) 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 money market fund that has been rated in the highest rating category by at least two Rating Agencies (excluding funds of the Trustee and its affiliates).

(m) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in the top two short-term or long-term rating categories by at least two Rating Agencies.

(n) 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 money market fund that has been rated in the highest rating category by at least two Rating Agencies (including funds of the Trustee and its affiliates for which they may receive compensation).

(o) Investment agreements the issuer of which is rated in one of the two highest rating categories by at least two Rating Agencies.

(p) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments otherwise permitted in paragraphs (a) through (n) above.

(q) Any other debt or fixed income security specified by the Commission (except securities of the City and any agency, department, commission or instrumentality thereof other than the Commission) and rated in the highest category by at least two Rating Agencies.

“Principal Amount” means, as of any date of calculation, (a) with respect to any Capital Appreciation Bond or Compound Interest Bond, the Accreted Value thereof, and (b) with respect to any other Bonds, the stated principal amount thereof.

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“Principal Payment Date” means, with respect to any Series of Bonds, each date specified herein or in the Supplemental Resolution authorizing the issuance thereof for the payment of the principal of such Bonds either at maturity or upon prior redemption from mandatory sinking fund payments.

“Project” means the improvements, equipment, repairs, betterments or other authorized activities of the Commission the acquisition, development, construction, equipping or improvement of which are designated in accordance with a Supplemental Resolution to be financed with proceeds of the sale of a Series of Bonds deposited in the related account within the Construction Fund.

“Project Costs” means the costs of financing and acquiring a Project and shall include the following:

(i) payment of, or reimbursement to the Commission for, any amounts necessary to pay the fees of, and any other amounts due, any Credit Provider or interest on any obligations incurred under a Credit Facility during the Construction Period;

(ii) (a) payment of the costs incurred or to be incurred in connection with or incidental to the acquisition, construction, development or equipping of the Project, including administrative, legal (including but not limited to fees and expenses of the City Attorney), engineering, planning, design, studies, insurance costs, costs of obtaining any applicable licenses or permits and financing costs, and (b) payment to the Commission of such amounts, if any, as shall be necessary to pay or reimburse the Commission in full for all advances and payments made by the Commission relating to the Project prior to or after the date of issuance and delivery of the related Series of Bonds, including expenditures in connection with acquisition by the Commission of appropriate title or interest in and to the Project site (including the cost of such acquisition and of any rights-of-way or easements relating to or necessary or useful to the Project or the Project site), site improvement, and all real or personal property deemed necessary in connection with the Project, or any one or more of such expenditures (including architectural, engineering and supervisory services) with respect to any of the foregoing;

(iii) Costs of Issuance;

(iv) payment of, or reimbursement to the Commission for, as such payments become due, the fees and expenses of the Trustee, the Registrar, the Paying Agent, any Issuing and Paying Agent and any Authenticating Agent and the fees and expenses of their counsel properly incurred under the 1997 Resolution during the Construction Period;

(v) payment of the premiums on all insurance required to be taken out and maintained under the 1997 Resolution during the Construction Period;

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- (vi) payment of interest on the related Series of Bonds during the Construction Period; and
- (vii) any other costs and expenses relating to the Project authorized under the Act.

“Qualified Self-Insurance” means either (a) a program of self-insurance, or (b) insurance maintained with a fund, company or association in which the Commission shall have a material interest and of which the Commission shall have control, either singly or with others, and in each case which meets the requirements of Section 6.07 hereof.

“Rating Agency” means, so long as it is rating a Series of Bonds, (i) Moody’s, (ii) Standard & Poor’s or (iii) any other nationally recognized credit rating agency specified in a Supplemental Resolution. So long as Standard & Poor’s is rating a Series of Bonds, “Rating Agency” as used in the definition of “Permitted Investments” shall include Standard & Poor’s as one of the Rating Agencies rating a particular investment.

“Rebate Fund” means the 1997 Resolution Rebate Fund established pursuant to Section 5.11.

“Rebate Requirement” shall have the meaning assigned thereto in the Tax Certificate.

“Record Date” means, with respect to any Series of Bonds, each date, if any, specified herein or in the Supplemental Resolution authorizing the issuance thereof as a Record Date, and if not otherwise specified, means the fifteenth day of the calendar month before each Payment Date.

“Redemption Price” means the Principal Amount and premium, if any, payable in accordance with the terms thereof of Bonds called for redemption.

“Registrar” means, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission herein or in the Supplemental Resolution authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

“Regulations” means the income tax regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time.

“Repayment Obligation” means an obligation under a Credit Facility Agreement to reimburse the Credit Provider for amounts paid under or pursuant to a Credit Facility for the payment of the principal or purchase price of and/or interest on any Bonds.

“Reserve Fund” means the 1997 Resolution Reserve Fund established pursuant to Section 5.04 hereof.

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“Responsible Officer” when used with respect to the Trustee means any corporate trust officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

“Revenue Bond Account” means the account of that name in the Revenue Fund established pursuant to Section 5.02 of the 1991 Resolution and continued hereunder.

“Revenue Fund” means the Airport Revenue Fund held by the Treasurer, and any successor to such fund.

“Revenues” means all revenues earned by the Commission from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport, as determined in accordance with generally accepted accounting principles. Revenues shall not include: (a) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of 1991 Resolution Bonds or any Subordinate Bonds, or (ii) amounts in the Debt Service Fund or the 1991 Debt Service Fund which constitute capitalized interest, to the extent required to be paid into the Debt Service Fund or the 1991 Debt Service Fund, or (iii) the Reserve Fund or the 1991 Reserve Fund if and to the extent there is any deficiency therein; (b) interest income on, and any profit realized from, the investment of the proceeds of any Special Facility Bonds; (c) Special Facility Revenues and any interest income or profit realized from the investment thereof, unless such receipts are designated as Revenues by the Commission; (d) any passenger facility charge or similar charge levied by or on behalf of the Commission against passengers, unless all or a portion thereof are designated as Revenues by the Commission; (e) grants-in-aid, donations and/or bequests; (f) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles; (g) the proceeds of any condemnation award; (h) the proceeds of any sale of land, buildings or equipment; and (i) any money received by or for the account of the Commission from the levy or collection of taxes upon any property in the City.

“Revenues Account” means the account of that name in the Revenue Fund heretofore established pursuant to Section 5.02 of the 1991 Resolution and continued hereunder.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 277-4039 or -4190; Midwest Securities Trust Company, Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax: (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax: (215) 496-5058; or, in accordance with any then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories, if any, as the Commission may designate.

“Series of Bonds” or “Bonds of a Series” or “Series” means a series of Bonds issued pursuant to this 1997 Resolution or the 1991 Resolution, as the case may be.

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“Series Construction Account” means the Construction Account created pursuant to Section 4.01 for a Series of Bonds.

“Series Construction Period” means the period commencing on the date of original issuance of a Series of Bonds ending on the Completion Date of the Series Project.

“Series Debt Service Accounts” means the Series Interest Account, the Series Principal Account and the Series Redemption Account.

“Series Interest Account” means the Interest Account created pursuant to Section 5.03 with respect to a Series of Bonds.

“Series Principal Account” means the Principal Account created pursuant to Section 5.03 with respect to a Series of Bonds.

“Series Project” means the Project or Projects financed in whole or in part by a Series of Bonds.

“Series Redemption Account” means the Redemption Account created pursuant to Section 5.03 with respect to a Series of Bonds.

“Series Sale Resolution” means one or more resolutions of the Commission, (i) awarding or providing for the award of a Series of Bonds to the successful bidder in accordance with the terms of the Official Notice of Sale or providing for the sale of a Series of Bonds pursuant to a Bond Purchase Contract, and (ii) determining or providing for the determination of the interest rates to be borne by said Series of Bonds, whether principal payments in any given year are to be serial maturities or mandatory sinking fund payments, and the dates of any mandatory sinking fund payments, the purchase price of the Series of Bonds, providing for bond insurance for any or all of the Series of Bonds and determining or providing for the determination of such other matters relating to the Series of Bonds as may be permitted or authorized to be determined by the Commission in accordance with the 1997 Resolution. If so designated by resolution of the Commission, a certificate signed by the President and the Secretary or by the Airport Director may be deemed to be a Series Sale Resolution.

“Special Facility” means any existing or planned facility, structure, equipment or other property, real or personal, which is at the Airport or a part of any facility or structure at the Airport and which is designated as a Special Facility pursuant to Section 2.16 hereof.

“Special Facility Bonds” means any revenue bonds, notes, bond anticipation notes, commercial paper or other evidences of indebtedness for borrowed money issued by the Commission to finance a Special Facility, the principal of, premium, if any, and interest on which are payable from and secured by the Special Facility Revenues derived from such Special Facility, and not from or by Net Revenues.

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“Special Facility Revenues” means the revenues earned by the Commission from or with respect to a Special Facility and which are designated as such by the Commission, including but not limited to contractual payments to the Commission under a loan agreement, lease agreement or other written agreement with respect to the Special Facility by and between the Commission and the person, firm, corporation or other entity, either public or private, as shall operate, occupy or otherwise use the Special Facility.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, Standard & Poor’s shall mean any other nationally recognized securities rating agency designated by the Commission.

“Subordinate Bonds” means any evidences of indebtedness for borrowed money issued from time to time by the Commission pursuant to Section 2.13 hereof, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein.

“Supplemental Resolution” means a resolution supplementing or amending the provisions of the 1997 Resolution which is adopted by the Commission pursuant to Article IX hereof.

“Swap Counter Party” means a member of the International Swap Dealers Association rated in one of the three top rating categories by at least one Rating Agency.

“Swap Payments” means as of each payment date specified in an Interest Rate Swap and as of the termination of an Interest Rate Swap prior to its scheduled expiration, the amount, if any, payable to the Swap Counter Party by the Trustee, on behalf of the Commission.

“Swap Receipts” means as of each payment date specified in an Interest Rate Swap and as of the termination of an Interest Rate Swap prior to its scheduled expiration, the amount, if any, payable to the Trustee for the account of the Commission by the Swap Counter Party.

“Tax Certificate” means a certificate executed and delivered by an Authorized Commission Representative on the Closing Date, or any functionally similar replacement certificate subsequently executed and delivered by an Authorized Commission Representative with respect to the requirements of Section 148 (or any successor section) of the Code relating to a Series of Bonds.

“Treasurer” means the Treasurer of the City, and any successor to his or her duties hereunder.

“Trustee” means Chase Trust Company of California, and any successor to its duties hereunder.

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“Variable Rate Bonds” means any Bonds the interest rate on which is not fixed to maturity as of the date of calculation.

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this 1997 Resolution:

- (a) Any reference herein to the Commission or any officer thereof shall include any persons or entities succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.
- (b) The use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine and feminine gender.
- (c) Words importing the singular number shall include the plural number and vice versa.
- (d) All references herein to particular articles, sections or other subdivisions are references to articles, sections or other subdivisions of this 1997 Resolution.
- (e) The headings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this 1997 Resolution nor shall they affect its meaning, construction or effect.
- (f) All terms such as herein, hereunder and hereto shall refer to this 1997 Resolution, as amended or supplemented.
- (g) Unless otherwise specified, all references herein to the time of day shall mean San Francisco, California time.

Section 1.03. Due Authorization. This Commission has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and does hereby find and determine, that the Commission has duly and regularly complied with all applicable provisions of law and is duly authorized by law to issue the Bonds in the manner and upon the terms provided in this 1997 Resolution and that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the issuance of the Bonds exist, have happened and have been performed in regular and due time, form and manner as required by law, and this Commission is now duly empowered to issue the Bonds.

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ARTICLE II

TERMS OF BONDS

Section 2.01. Issuance. Bonds may be issued in one or more Series under and subject to the terms of this 1997 Resolution from time to time as the issuance thereof is authorized by the Commission by Supplemental Resolution for any purposes of the Commission now or hereafter permitted by law. The maximum principal amount of Bonds which may be issued hereunder is not limited by this 1997 Resolution.

Section 2.02. Terms. The Bonds of each Series shall be authorized by a Supplemental Resolution which shall provide, among other things: (a) the authorized principal amount or Authorized Amount of such Bonds and the Series designation therefor; (b) the general purpose or purposes for which such Bonds are being issued, and the deposit and disbursement of the proceeds thereof; (c) the dated date or dates of and Principal Payment Dates for such Bonds, and the principal amounts maturing or subject to redemption on each Principal Payment Date or the means of determining such amounts; (d) the interest rate or rates on such Bonds (which may be a rate of zero) and the Interest Payment Dates therefor, and whether such interest rate or rates shall be fixed or variable, or a combination thereof, and, if necessary, the manner of determining such rate or rates; (e) the currency or currencies in which such Bonds shall be payable; (f) the authorized denominations of and manner of dating and numbering such Bonds; (g) the Record Date or Dates, if any, and the place or places of payment of the principal, redemption price, if any, purchase price, if any, of and interest on such Bonds; (h) the form or forms of such Bonds and any coupons attached thereto, which may include but shall not be limited to registered form as to principal and/or interest, bearer form with or without coupons, and book-entry form, and the methods, if necessary, for the registration, transfer and exchange thereof; (i) the terms and conditions, if any, for the optional or mandatory redemption of such Bonds prior to maturity, including but not limited to the redemption date or dates, the redemption price or prices and any mandatory sinking fund payments with respect thereto; (j) the terms and conditions, if any, for the optional or mandatory tender of such Bonds for purchase prior to maturity, including but not limited to the tender date or dates and the purchase price or prices; (k) the authorization of and terms and conditions with respect to any Credit Facility for such Bonds; (l) the Authenticating Agent or Agents for such Bonds, if any, and the duties and obligations thereof; (m) the Paying Agent or Agents for such Bonds, if any, and the duties and obligations thereof; (n) the tender agent or agents for such Bonds, if any, and the duties and obligations thereof; (o) the remarketing agent or agents for such Bonds, if any, and the duties and obligations thereof; (p) the Registrar or Registrars for such Bonds and the duties and obligations thereof; (q) the manner of sale of such Bonds, whether public or private and with or without a premium or discount, and any terms and conditions necessary with respect thereto; and (r) any other provisions which the Commission deems necessary or desirable with respect to the authorization and issuance of such Bonds.

Section 2.03. Limited Obligation; Recitals on Bonds. (a) The Bonds shall be special, limited obligations of the Commission, and shall be payable as to principal, purchase price, if any, redemption

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premium, if any, and interest, from the Net Revenues of the Airport, and the moneys in the Funds and Accounts established under the 1997 Resolution (except the Rebate Fund), subject to the prior payment of principal of and interest on the 1991 Resolution Bonds, and not from any other funds or moneys of the Commission not pledged thereto, as further provided in Section 5.01 hereof. No Holder of the Bonds shall have the right to compel any exercise of the taxing power of the City to pay the principal or purchase price, if any, of or the redemption premium, if any, or interest on the Bonds.

(b) Each of the Bonds shall bear a certification and recital that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by that Bond, and in the issuing of said Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco, and that said Bond, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter. From and after the issuance of the Bonds of any Series the findings and determinations of the Commission respecting that Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue.

Section 2.04. Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Trustee or if the Commission, the Registrar, if any, and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Trustee such security or indemnity as may be required by them to hold the Commission, the Registrar, if any, and the Trustee harmless, then, in the absence of notice to the Commission, the Registrar, if any, or the Trustee that such Bond has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Commission, the Registrar, if any, and the Trustee, then the Commission, the Registrar, if any, and the Trustee shall cause to be executed and the Authenticating Agent, if any, shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of and substitution for such destroyed, lost or stolen Bond, a new Bond of the same Series, interest rate and maturity date. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, then the Trustee and any Paying Agent may, in its discretion, pay such Bond when due instead of delivering a new Bond. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and redelivered to, or upon the order of, the Commission. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be destroyed, lost or stolen shall be equally and proportionately entitled to the benefits of this 1997 Resolution and any Supplemental Resolution authorizing the issuance thereof with all other Bonds of the same Series secured thereby. Neither the Commission nor the Trustee shall be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and substitute Bond shall be treated as one and the same.

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Section 2.05. Execution and Authentication of Bonds. All of the Bonds shall be executed in the name and on behalf of the Commission, with the signature of its President and the countersignature of its Secretary. All of the Bonds shall have affixed the seal of the City. Such signatures may be printed, lithographed, engraved or otherwise reproduced, but at least one of such signatures shall be manually affixed to the Bonds (unless such Bonds shall have endorsed thereon a certificate of authentication, as hereinafter provided). The seal of the City may be impressed or reproduced by facsimile on the Bonds.

In case any such officer whose signature appears on the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until the delivery of the Bonds, and such Bonds shall be issued and Outstanding hereunder and shall be as binding upon the Commission as though the person who signed such Bonds had been such official on the date borne by the Bonds and on the date of delivery. Any Bond may be signed and sealed on behalf of the Commission by such person who, as of the actual date of execution of such Bond, shall be its President or Secretary, as the case may be, although on the date borne by such Bond such person shall not have been such official.

The Commission may provide at any time prior to the issuance of any Series of Bonds that such Bonds shall bear a certificate of authentication executed by the Authenticating Agent. In the event the Commission shall require the authentication of any Bond issued under this 1997 Resolution, then there shall be included in the text of such Bonds a statement to the following effect: "This Bond shall not be entitled to any benefit under the 1997 Resolution, or become valid or obligatory for any purpose, until the certificate of authentication endorsed hereon shall have been signed by the Authenticating Agent."

In the case of Bonds requiring authentication, only such Bonds as shall bear thereon a certificate of authentication in the form provided, executed by the Authenticating Agent, shall be or become valid or obligatory for any purpose or entitled to the benefits of this 1997 Resolution. Such certificate of the Authenticating Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this 1997 Resolution.

Section 2.06. Exchange of Bonds. Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same Series, interest rate and maturity date in authorized denominations upon presentation and surrender thereof to the Trustee or the Registrar, as the case may be, together with written instructions satisfactory to the Trustee or the Registrar, and duly executed, in the case of registered Bonds, by the Holder or the Holder's attorney duly authorized in writing.

Section 2.07. Transfer of Bonds. (a) All bearer Bonds shall be negotiable instruments transferable by delivery. The Commission, the Trustee and any Paying Agent may treat the Holder of any bearer Bond or any coupon as the absolute owner of such Bond or coupon for the purpose of

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receiving payment thereof and for all other purposes, and the Commission, the Trustee and any Paying Agent shall not be affected by any notice or knowledge to the contrary.

(b) The Commission shall appoint a Registrar or Registrars with respect to each Series of Bonds issued in registered form to act as Registrar of the Bonds. Each Registrar will keep or cause to be kept sufficient records for the registration, transfer and exchange of the Bonds of such Series, which shall at all times be open to inspection by the Commission; and, upon presentation for such purpose, each Registrar shall, under such reasonable regulations as it may prescribe, register, transfer or exchange, or cause to be registered, transferred or exchanged, on said records, the Bonds of such Series as herein provided.

(c) Any fully registered Bond may, in accordance with its terms, be transferred, upon the records required to be kept by the Registrar, by the person in whose name it is registered, in person or by the Holder's attorney duly authorized in writing, upon surrender of such fully registered Bond for cancellation, accompanied by a written instrument of transfer in a form approved by the Registrar, duly executed. Whenever any fully registered Bond or Bonds shall be surrendered for transfer, the Commission shall execute and the Authenticating Agent shall authenticate and deliver in the name of the transferee a new fully registered Bond or Bonds in authorized denominations of the same Series, interest rate and maturity date and for a like aggregate principal amount.

(d) As to any fully registered Bond, the person in whose name such Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and the Commission, the Trustee, any Issuing and Paying Agent and any Paying Agent shall not be affected by any notice or knowledge to the contrary. Payment of principal of, premium, if any, and interest on any registered Bond shall be made, as provided herein or in the applicable Supplemental Resolution, only to or upon the written order of the Holder thereof. Such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

Section 2.08. Provisions with Respect to Transfers and Exchanges. (a) All Bonds surrendered for exchange or transfer shall forthwith be canceled by the Registrar.

(b) In connection with any such exchange or transfer of Bonds, the Holder requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee or the Registrar, as the case may be, an amount sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(c) The Supplemental Resolution authorizing the issuance of a Series of Bonds may provide such additional provisions or limitations on the exchange or transfer of such Bonds prior to an Interest Payment Date, redemption date or otherwise as the Commission shall deem appropriate.

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Section 2.09. Conditions for Delivery of Bonds. Whenever the Commission determines to issue any Series of Bonds under the terms of this 1997 Resolution, the Commission shall adopt a Supplemental Resolution authorizing the issuance thereof.

Before the delivery of any Series of Bonds to the purchaser or purchasers thereof, the Commission shall deliver the following to the Trustee:

- (a) Certified copies of this 1997 Resolution and the Supplemental Resolution authorizing the issuance of such Series of Bonds and containing the terms and provisions thereof.
- (b) A certificate of the Airport Director or Deputy Director for Business and Finance, or their respective successors, to the effect that the Commission is not then in default under the terms and provisions of this 1997 Resolution or any Supplemental Resolution and no event has occurred, which with the giving of notice or passage of time or both would constitute an Event of Default .
- (c) The amounts specified herein or in the Supplemental Resolution for deposit to the respective Funds and Accounts created hereunder or thereunder.
- (d) An Opinion of Bond Counsel to the effect that such Series of Bonds has been duly authorized in conformity with law and all prior proceedings of the Commission, and such Bonds constitute valid and binding obligations of the Commission.
- (e) Written instructions executed by an Authorized Commission Representative directing the Trustee (or any other person designated to act as Authenticating Agent) to authenticate the Bonds and/or to deliver the Bonds to one or more designated persons.
- (f) Such other documents as required hereby or by the Supplemental Resolution or as the Commission or the Trustee reasonably may specify.

Section 2.10. Temporary Bonds. (a) Until definitive Bonds are prepared, the Commission may execute and deliver, or, in the case of registered Bonds, upon request by the Commission, the Authenticating Agent shall authenticate and deliver, temporary Bonds which may be typewritten, printed or otherwise reproduced in lieu of definitive Bonds subject to the same provisions, limitations and conditions as definitive Bonds. The temporary Bonds shall be dated as provided herein or in the applicable Supplemental Resolution, shall be in such denomination or denominations and shall be numbered as the Commission shall determine, and shall be of substantially the same tenor as the definitive Bonds of such Series, but with such omissions, insertions and variations as the officers of the Commission executing the same may determine. The temporary Bonds shall only be issued in fully registered form, and may be issued in the form of a single Bond.

(b) Without unreasonable delay after the issuance of any temporary Bonds, the Commission shall cause the definitive Bonds to be prepared, executed and delivered. Any temporary

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Bonds issued shall be exchangeable for definitive Bonds of such Series upon surrender to the Trustee or, in the case of registered Bonds, to the Registrar of any such temporary Bond or Bonds, and, upon such surrender, the Commission shall execute and deliver, or, in the case of registered Bonds, upon request by the Commission, the Authenticating Agent shall authenticate and deliver to the Holder of the temporary Bond or Bonds, in exchange therefor, a like principal amount of definitive Bonds of such Series in authorized denominations of the same interest rate and maturity date. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefits as definitive Bonds of such Series executed and delivered pursuant hereto.

(c) All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall forthwith be canceled by the Trustee or the Registrar.

Section 2.11. Additional Bonds. The Commission may issue additional Series of Bonds, from time to time, upon compliance with the conditions set forth in Section 2.09 of this 1997 Resolution.

Section 2.12. Refunding Bonds. The Commission may issue Bonds for the purpose of refunding any 1991 Resolution Bonds, 1997 Resolution Bonds or Subordinate Bonds on or prior to maturity or thereafter. Refunding Bonds may be issued in a principal amount sufficient to provide funds for the payment of the following:

(a) The principal of all 1991 Resolution Bonds, 1997 Resolution Bonds or Subordinate Bonds to be refunded by such refunding Bonds;

(b) All fees and expenses incidental to the calling, retiring or payment of the 1991 Resolution Bonds, 1997 Resolution Bonds or Subordinate Bonds and the issuance of the refunding Bonds;

(c) Any amount necessary to be made available for the payment of interest upon the refunding Bonds from the date of their sale to the date of maturity, payment or redemption of the 1991 Resolution Bonds, 1997 Resolution Bonds or Subordinate Bonds to be refunded out of the proceeds thereof; and

(d) The premium, if any, necessary to be paid in order to call or retire the 1991 Resolution Bonds, 1997 Resolution Bonds or Subordinate Bonds and also the amount of the interest accruing on the 1991 Resolution Bonds, 1997 Resolution Bonds or Subordinate Bonds to the date of the call or retirement thereof.

Section 2.13. Subordinate Bonds. Nothing in this 1997 Resolution shall prevent the Commission from issuing at any time while any of the Bonds issued hereunder are Outstanding Subordinate Bonds with a pledge of, lien on, and security interest in Net Revenues which are in all respects junior and subordinate to those of the Bonds, whether then issued or thereafter to be issued. The principal and purchase price of and interest, redemption premium and reserve fund requirements

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on such Subordinate Bonds shall be payable from time to time out of Net Revenues only if all amounts then required to have been paid or deposited under the 1991 Resolution or hereunder from Net Revenues with respect to principal, purchase price, redemption premium, interest and reserve fund requirements on the 1991 Bonds and on the Bonds then Outstanding or thereafter to be Outstanding shall have been paid or deposited as required by the 1991 Resolution and by this 1997 Resolution and any Supplemental Resolution.

Section 2.14. Non-Presentation of Bonds. (a) If any Bond is not presented for payment when the principal thereof becomes due (whether at maturity or call for redemption or otherwise), all liability of the Commission to the Holder thereof for the payment of such Bond shall be completely discharged if funds sufficient to pay such Bond and the interest due thereon shall be held by the Trustee for the benefit of such Holder, and thereupon it shall be the duty of the Trustee to hold such funds subject to subsection (b) below, without liability for interest thereon, for the benefit of such Holder, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature under this 1997 Resolution or on, or with respect to, such Bond.

(b) Notwithstanding any provisions of this 1997 Resolution to the contrary, any moneys deposited with the Trustee, any Issuing and Paying Agent or any Paying Agent in trust for the payment of the principal of, or interest or premium on, any Bonds and remaining unclaimed for three (3) years after the same has become due and payable (whether at maturity or upon call for redemption or otherwise), shall then be repaid to the Commission upon its written request, and the Holders of such Bonds shall thereafter be entitled to look only to the Commission for repayment thereof, and all liability of the Trustee, any Issuing and Paying Agent or any Paying Agent with respect to such moneys shall thereupon cease. Before the repayment of such moneys to the Commission, the Trustee or Paying Agent, as the case may be, shall (at the cost of the Commission) first publish at least once in Authorized Newspapers a notice, in such form as may be deemed appropriate by the Trustee or such Paying Agent, in respect of the Bonds so payable and not presented and in respect of the provisions relating to the repayment to the Commission of the moneys held for the payment thereof, or in the case of registered Bonds shall send a written notice to the Holders of such Bonds at their last known addresses as shown on the records maintained by the Registrar. In the event of the repayment of any such moneys to the Commission, the Holders of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Commission for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Commission (without interest thereon).

Section 2.15. Repayment Obligations as Bonds. If so provided in the applicable Supplemental Resolution and in the written agreement between the Commission and the Credit Provider, a Repayment Obligation may be accorded the status of a Bond solely for purposes of this 1997 Resolution, provided, however, that the Credit Facility with respect thereto shall not constitute a bond for any other purpose, including without limitation for purposes of the Charter. The Credit Provider shall be deemed to be the Holder of such Bond, and such Bond shall be deemed to have been issued as of the original date of the Bond or Bonds for which such Credit Facility was provided.

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Section 2.16. Special Facilities and Special Facility Bonds. The Commission from time to time, subject to the terms and conditions of this Section 2.16, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is at the Airport or part of any facility or structure at the Airport as a "Special Facility," (b) provide that revenues earned by the Commission from or with respect to such Special Facility shall constitute "Special Facility Revenues" and shall not be included as Revenues, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenues with respect thereto, and not from or by Net Revenues. The Commission from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Right to Redeem. Bonds of a Series may be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein and in any Supplemental Resolution authorizing the issuance thereof.

Section 3.02. Sinking Fund Redemption. Bonds of a Series may be subject to mandatory sinking fund redemption and shall be redeemed at such times, to the extent and in the manner provided herein and in any Supplemental Resolution authorizing the issuance thereof.

Section 3.03. Notice of Redemption. (a) If less than all Bonds of a Series are to be redeemed, and subject to the provisions of subsection (b) hereof, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, serial numbers and maturity dates. Each notice of redemption shall specify: (i) the date of such notice and the date fixed for redemption, (ii) the principal amount of Bonds or portions thereof to be redeemed, (iii) the applicable redemption price, (iv) the place or places of payment, (v) that payment of the principal amount and premium, if any, shall be made upon presentation and surrender to the Trustee or Paying Agent, as applicable, of the Bonds to be redeemed, unless provided otherwise herein or in the applicable Supplemental Resolution, (vi) that interest accrued to the date fixed for redemption shall be paid as specified in such notice, (vii) that on and after said date interest on Bonds called for redemption shall cease to accrue, (viii) the designation, including Series, and the CUSIP and serial numbers, if any, of the Bonds to be redeemed and, if less than the face amount of any such Bond is to be redeemed, the principal amount to be redeemed, and (ix) if the redemption is subject to cancellation, specifying that the redemption is subject to cancellation and stating that cancellation shall not constitute an Event of Default hereunder. Notice of redemption of any Bonds shall be mailed at the times and in the manner set forth in subsection (b) of this Section.

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Neither the Commission nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond, check, advice of payment or redemption notice, and any such document may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Commission nor the Trustee or any Registrar, Paying Agent, Authenticating Agent or Issuing and Paying Agent shall be liable for any inaccuracy in such numbers.

(b) Except as may otherwise be provided herein or in any Supplemental Resolution authorizing the issuance of the Bonds to be redeemed, any notice of redemption shall be sent by the Trustee not less than 30 nor more than 60 days prior to the date set for redemption by first class mail (i) with respect to each Bond to be redeemed which is in registered form, to the Holder of such Bond at his or her address as it appears on the records maintained by the Registrar, (ii) to all Securities Depositories, and (iii) to at least two Information Services. In preparing such notice, the Trustee shall take into account, to the extent applicable, the prevailing municipal securities industry standards and any regulatory statement of any federal or state administrative body having jurisdiction over the Commission or the municipal securities industry, including without limitation Release No. 34-23856 of the Securities and Exchange Commission, or any subsequent amending or superseding release. Failure to give any notice specified in (i), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds with respect to which no such failure has occurred and failure to give any notice specified in (ii) or (iii), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds with respect to which the notice specified in (i) is given correctly.

(c) Notice of redemption may also be given by publication at the direction of the Commission at least once prior to the redemption date in Authorized Newspapers, each such publication to be not less than 30 nor more than 60 days before each redemption date, but no failure to give any such notice or any defect therein shall affect the validity of the proceedings for redemption of any Bonds.

(d) Notice of redemption shall be given by the Trustee for and on behalf of the Commission, at the written request of the Commission (which request shall be given to the Trustee at least 45 days prior to the date fixed for redemption). The Commission shall deposit with, or otherwise make available to, the Trustee the moneys required for payment of the redemption price of all Bonds then to be called for redemption at least one Business Day before the date fixed for such redemption. Any notice of redemption may be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder.

Section 3.04. Selection of Bonds to be Redeemed Except as otherwise provided herein or in any Supplemental Resolution authorizing the issuance thereof: (a) if less than all Bonds of a Series are to be redeemed, the maturities to be redeemed or the method of their selection shall be determined

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by the Commission, and (b) if less than all such Bonds of a single maturity are to be redeemed, such Bonds to be redeemed shall be selected by lot in such manner as the Trustee shall determine.

Section 3.05. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Commission shall execute, the Authenticating Agent shall authenticate, if applicable, and the Trustee shall deliver to the Holder thereof, at the expense of the Commission, a new Bond or Bonds, of the same Series, interest rate and maturity date, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Section 3.06. Effect of Redemption. Notice of redemption having been duly given and moneys for payment of the redemption price being held by the Trustee, the Bonds to be redeemed shall, on the date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date designated interest on the Bonds to be redeemed shall cease to accrue, and the Holders of such Bonds shall have no rights in respect thereto, except to receive payment of the redemption price thereof. Upon surrender for payment of any Bonds to be redeemed, such Bonds shall be paid by the Trustee or the Paying Agent, as the case may be, at the applicable redemption price.

Section 3.07. Disposition of Redeemed Bonds. All Bonds redeemed pursuant to the provisions of this Article III shall be delivered to and canceled by the Trustee and shall thereafter be delivered by the Trustee to, or upon the order of, the Commission, and no Bonds shall be issued in place thereof.

ARTICLE IV

CONSTRUCTION FUND

Section 4.01. Construction Fund and Accounts. The Airport Construction Fund is hereby created as a separate fund to be maintained and accounted for by the Treasurer, and the moneys in said fund shall be used for the purposes for which the Bonds are authorized to be issued, including but not limited to the payment of principal and purchase price of and interest and redemption premium on the Bonds and the costs of issuance and sale thereof. If so specified in a Supplemental Resolution, the Treasurer shall establish one or more subaccounts within the Construction Fund.

ARTICLE V

REVENUES AND FUNDS

Section 5.01. Revenues; Pledge of Net Revenues; Trust Estate. The Bonds shall be payable as to principal, purchase price, if any, premium, if any, and interest exclusively from, and shall be secured by a pledge of, lien on and security interest in the Net Revenues, and amounts in the Funds and Accounts created pursuant to this 1997 Resolution (except the Rebate Fund), which pledge, lien

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and security interest shall be junior and subordinate to the lien created by the 1991 Resolution to secure the 1991 Bonds. The Net Revenues shall constitute a trust fund for the security and payment of the principal of, purchase price, if any, premium, if any, and interest on, the Bonds. The Commission hereby grants a lien on and security interest in, assigns, transfers, pledges and grants and conveys to the Trustee and its successors and assigns forever, for the benefit of the Bondholders, the following property:

(a) Amounts on deposit from time to time in the Funds and Accounts created or continued pursuant to this 1997 Resolution (except the Rebate Fund), including the earnings thereon, subject to the provisions of this 1997 Resolution permitting the application thereof for the purposes and on the terms and conditions set forth herein; provided, however, that there expressly is excluded from any pledge, assignment, lien or security interest created by this 1997 Resolution, Revenues appropriated, transferred, deposited, expended or used for (i) the payment of Operation and Maintenance Expenses; and (ii) any required payments into the 1991 Bond Funds;

(b) Amounts constituting Net Revenues (excluding the amounts described in (ii) in the preceding paragraph); and

(c) Any and all other property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Bonds, by the Commission or anyone on its behalf or with its written consent in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The pledge of the Net Revenues and other moneys and property herein or hereunder pledged as additional security for the Bonds shall be irrevocable until all of the Bonds have been paid and retired. Such pledge shall be valid and binding from and after the date hereof and all Net Revenues shall immediately be subject to the lien of such pledge as and when received by the Commission, without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Commission.

All Bonds issued hereunder and at any time Outstanding shall be equally and ratably secured with all other Outstanding Bonds, with the same right, lien, preference and priority with respect to Net Revenues as herein provided, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds or otherwise. Notwithstanding the first sentence of this paragraph: (i) all Bonds of a particular Series shall in all respects be equally and ratably secured and shall have the same right, lien and preference hereunder established for the benefit of such Series of Bonds, including, without limitation, rights in any related account in the Construction Fund, the Debt Service Fund or the Reserve Fund; and (ii) amounts drawn under a Credit Facility with respect to a particular Series or particular Bonds and all other amounts held in Funds or Accounts established with respect solely to such particular Series or Bonds pursuant to the provisions hereof and

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of any Supplemental Resolution with respect thereto shall be applied solely to make payments on such Bonds.

Section 5.02. Creation and Continuation of Funds and Accounts.

(a) The Revenue Fund has heretofore been created and shall be continued and held by the Treasurer. The following accounts were created pursuant to the 1991 Resolution and shall be continued within the Revenue Fund and have been and shall be held by the Treasurer:

- (i) the Revenues Account;
- (ii) the Operation and Maintenance Account; and
- (iii) the Revenue Bond Account.

(b) There is hereby created a 1997 Resolution Debt Service Fund and a 1997 Resolution Reserve Fund to be held by the Trustee in trust for the benefit of the Bondholders; *provided, however*, that if so specified in a Supplemental Resolution, subaccounts within the 1997 Resolution Debt Service Fund may be held in trust for the benefit of the Bondholders of Bonds of one or more Series, by an Issuing and Paying Agent or a Paying Agent.

(c) The Commission may create such other Funds or Accounts for the allocation and application of Revenues or other moneys as it shall deem necessary or desirable.

Section 5.03. Debt Service Fund. The Commission shall establish a separate account or accounts in the Debt Service Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Debt Service Fund and the accounts therein shall be held in trust and applied to pay principal and purchase price of and interest and redemption premium on such Bonds, in the amounts, at the times and in the manner set forth herein and in the Supplemental Resolutions with respect thereto. Moneys in the accounts in the Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided herein or in the Supplemental Resolutions with respect thereto.

If and to the extent provided in any Supplemental Resolution authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds, and the Commission may offset the amount of any Swap Receipt then due the Commission from a Swap Counter Party against the amount of the Swap Payment due such Swap Counter Party and vice versa.

Section 5.04. Reserve Fund. The Commission may establish a separate account or accounts in the Reserve Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Reserve Fund and the accounts therein shall be held in trust for the benefit and security of the Holders

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of the Bonds to which such accounts are pledged, and shall not be available to pay or secure the payment of any other Bonds. Each account in the Reserve Fund shall be funded and replenished in the amounts, at the times and in the manner provided herein or in the Supplemental Resolutions with respect thereto, including without limitation through the use of a Credit Facility. Moneys in the respective accounts in the Reserve Fund shall be applied to pay and secure the payment of such Bonds as provided herein or in the Supplemental Resolution with respect thereto. Moneys in an account in the Reserve Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided herein or in the Supplemental Resolution with respect thereto.

Section 5.05. Revenue Fund.

(a) Revenues Account. All Revenues shall be set aside and deposited by the Treasurer in the Revenues Account in the Revenue Fund as received.

(b) Operation and Maintenance Account. Moneys in the Operation and Maintenance Account shall be applied to pay Operation and Maintenance Expenses as the same become due, and shall not be pledged or applied to pay or secure the payment of the Bonds.

(c) Revenue Bond Account. Moneys in the Revenue Bond Account shall be applied by the Treasurer first, to make the required payments and deposits into the 1991 Bond Funds in the amounts, at the times and in the manner required by the 1991 Resolution; second, to make the required payments and deposits in the Debt Service Fund and Reserve Fund and the accounts therein in the amounts, at the times and in the manner required hereby and by the Supplemental Resolutions with respect thereto; and third, to make the required payments and deposits in any funds and accounts hereafter created to pay or secure the payment of the principal or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts, at the times and in the manner required by the resolutions or other agreements authorizing the issuance and providing the terms and conditions thereof.

Section 5.06. Application of Revenues. On the first Business Day of each month, moneys in the Revenues Account shall be set aside and applied by the Treasurer for the following purposes in the following amounts and order of priority, each priority to be fully satisfied before the next priority in order:

(a) Operation and Maintenance Account. In the Operation and Maintenance Account an amount equal to one-twelfth (1/12th) of the estimated Operation and Maintenance Expenses for the then current Fiscal Year as set forth in the budget of the Airport for such Fiscal Year as finally approved by the Commission. In the event that the balance in the Operation and Maintenance Account at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments shall immediately be deposited in the Operation and Maintenance Account from the Revenues Account, and may be credited against the next succeeding

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monthly deposit upon the written direction to the Treasurer of an Authorized Commission Representative.

(b) Revenue Bond Account. In the Revenue Bond Account such amount as shall be necessary:

(i) to make all payments and deposits required to be made during such month into the 1991 Bond Funds in the amounts and at the times required by the 1991 Resolution;

(ii) to make all payments and deposits required to be made during such month into the Debt Service Fund and the Reserve Fund and the accounts therein in the amounts and at the times required hereby and by the Supplemental Resolutions with respect to the Bonds; and

(iii) to make all payments and deposits required to be made during such month into any funds and accounts created to pay or secure the payment of the principal or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts and at the times required by the resolutions or other agreements authorizing the issuance and providing the terms and conditions thereof.

(c) The amounts thereafter remaining in the Revenues Account may thereafter be used for any other lawful purpose of the Commission.

Section 5.07. Deficiencies in Funds and Accounts. In the event that Revenues in the Revenues Account together with other available moneys are insufficient as of the first Business Day of any month to make the required payments and deposits pursuant to paragraph (b)(ii) of Section 5.06, after having made the payments and deposits required pursuant to paragraphs (a) and (b)(i) of that Section, the Treasurer shall allocate available Net Revenues to make all payments or deposits then required, first, with respect to interest on Bonds; second, with respect to principal, redemption price or purchase price of Bonds; and third, with respect to any reserve requirements for Bonds. Available Net Revenues shall be allocated within each order of priority, to the extent necessary, on a pro rata basis in proportion to the respective amounts of payments or deposits required to be made during such month with respect to principal or purchase price of, interest on or reserve requirements for Bonds, as the case may be.

Section 5.08. Investment of Moneys. (a) Moneys in all Funds and Accounts held by the Trustee shall be invested as soon as practicable upon receipt in Permitted Investments as directed in writing by an Authorized Commission Representative, or as selected by the Trustee in the absence of direction by the Commission; provided, that (i) the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof, and (ii) in the absence of direction from an Authorized Commission Representative, the Trustee shall select Permitted

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Investments described in subparagraph (l) of the definition thereof. Anything herein to the contrary notwithstanding, moneys in all Funds and Accounts held by the Treasurer shall be invested in Permitted Investments in accordance with the policies and procedures of the Treasurer in effect from time to time.

(b) Investment of amounts in any Fund or Account shall be made in the name of such Fund or Account.

(c) Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment; provided, however, that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each Fund or Account for which the joint investment is made, and (ii) separate records are maintained for each Fund and Account and such investments are accurately reflected therein.

(d) The Trustee may make any investment permitted by this Section through or with its own commercial banking or investment departments, unless otherwise directed by the Commission.

(e) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein shall be valued at the current market value thereof or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest.

(f) Any transfer to or deposit in any Fund or Account required by this Resolution may be satisfied by transferring or depositing an investment with a market value equal to the required transfer or deposit in lieu of transferring or depositing cash.

Section 5.09. Limited Liability of Trustee for Investments. The Trustee shall not be liable for making any investment authorized by the provisions of this Article in the manner provided in this Article or for any loss resulting from any such investment so made, except for its own negligence, willful misconduct or self-dealing constituting a breach of trust under applicable law.

Section 5.10. Purchase of Bonds. (a) The Commission, or the Trustee upon the written direction of the Commission, may purchase Bonds of any Series at public or private sale, with surplus Net Revenues or other available funds, as and when and at such prices as the Commission may in its discretion determine to be prudent, upon receipt of a recommendation of the Airport Director.

(b) If authorized hereby or by the relevant Supplemental Resolution, the Trustee shall apply any or all amounts deposited in an account in the Debt Service Fund with respect to mandatory sinking fund payments to the purchase of term Bonds, at such prices and in accordance with such terms as may be prescribed hereby or by said Supplemental Resolution.

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(c) Absent written directions to the contrary from an Authorized Commission Representative, all Bonds so purchased and the appurtenant coupons, if any, shall be delivered to and canceled by the Trustee and shall thereafter be delivered by the Trustee to, or upon the order of, the Commission, and no Bonds shall be issued in place thereof.

Section 5.11. Rebate Fund. To further the satisfaction of the rebate requirements of the Code, there is hereby created, to be held by the Trustee, a 1997 Resolution Rebate Fund, which shall be a separate fund, distinct from all other funds and accounts held by the Trustee under the 1997 Resolution. Unless otherwise provided in the related Tax Certificate or in a Supplemental Resolution, the Trustee shall establish for each Series of 1997 Resolution Bonds a fund designated as the "Series __ Rebate Account" (the "Series Rebate Account"). The Trustee shall hold any payments received from the Commission for deposit into the Series Rebate Account for each Series of 1997 Resolution Bonds for purposes of ultimate rebate to the United States, all as more particularly described in the Tax Certificate for such Series. Pending payment to the United States, moneys held in the Series Rebate Account are hereby pledged to secure such payments to the United States as provided herein and in the Tax Certificate, and neither the Commission, the Bondholders nor any other person shall have any rights in or claim to such moneys. The Trustee shall invest all amounts held in the Series Rebate Accounts in Nonpurpose Investments (as defined in the applicable Tax Certificate), as directed by the Commission in the applicable Tax Certificate.

ARTICLE VI

GENERAL COVENANTS OF THE COMMISSION

Section 6.01. Payment of Principal and Interest; Negative Pledge; Annual No Default Certificate. (a) The Commission covenants and agrees that it promptly will pay or cause to be paid the principal and purchase price of, premium, if any, and interest on each Bond issued hereunder at the place, on the dates and in the manner provided herein, in any applicable Supplemental Resolution and in said Bond according to the terms thereof but solely from the sources pledged to such payment or from such other sources or revenues as may be used for such payment.

(b) The Commission covenants and agrees that it will not hereafter create any pledge of, lien on, security interest in or encumbrance upon, or permit the creation of any pledge of, lien on, security interest in or encumbrance upon, Revenues or Net Revenues except for a pledge, lien, security interest or encumbrance subordinate to the pledge, lien and security interest granted hereby for the benefit of the Bonds.

(c) The Commission shall deliver to the Trustee, within 90 days after the close of each Fiscal Year, a certificate signed by an Authorized Commission Representative stating that during such Fiscal Year, and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or passage of time or both, would constitute, an Event of Default, or if such an event or condition has happened or existed, or is

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happening or existing, specifying the nature and period of such event or condition and what action the Commission has taken, is taking or proposes to take with respect thereto.

Section 6.02. Performance of Covenants. The Commission covenants that it faithfully will perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein, in each and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Commission pertaining thereto.

Section 6.03. Instruments of Further Assurance. The Commission covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Trustee reasonably may require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee the Commission's interest in and to the Net Revenues and all other property that is conveyed, pledged or assigned to secure or provide for the payment of the principal, premium, if any, purchase price, if any, and interest on any Bonds in the manner and to the extent contemplated herein or therein.

Section 6.04. Rate Covenants. (a) The Commission covenants and agrees that it will establish and at all times collect rentals, rates, fees and charges for the use of the Airport and for services rendered by the Commission in connection with the Airport so that Revenues, together with other legally available moneys, in each Fiscal Year will be at least sufficient to make all required payments and deposits therefrom in such Fiscal Year, including, without limitation, into the Operation and Maintenance Account and into the Revenue Bond Account and to make the Annual Service Payment to the City.

(b) The Commission covenants that if Revenues in any Fiscal Year are less than the amount specified in subsection (a) of this Section, the Commission will retain and direct an Airport Consultant to make recommendations as to the revision of the Commission's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport and for services rendered by the Commission in connection with the Airport, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Commission shall take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Revenues in the amount specified in paragraph (a) of this Section in the next succeeding Fiscal Year.

(c) In the event that Revenues for any Fiscal Year are less than the amount specified in subsection (a) of this Section, but the Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by subsection (b) of this Section, such deficiency in Revenues shall not constitute an Event of Default under the provisions of Section 7.01(d). Nevertheless, if after taking the measures required by subsection (b) of this Section to revise the schedule of rentals, rates, fees and charges, Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Commission for

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such Fiscal Year) are less than the amount specified in subsection (a) of this Section, such deficiency in Revenues shall constitute an Event of Default under the provisions of Section 7.01(e).

Section 6.05. Operation and Maintenance of Airport. The Commission covenants that it will operate and maintain the Airport as a revenue producing enterprise in accordance with the Act. The Commission will make such repairs to the Airport as shall be necessary or appropriate in the prudent management thereof. The Commission covenants that it will operate and maintain the Airport in a manner which will entitle it at all times to charge and collect fees, charges and rentals in accordance with airport use agreements, if any, or as otherwise permitted by law, and shall take all reasonable measures permitted by law to enforce prompt payment to it of such fees, charges and rentals when and as due.

The Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airport or upon any part thereof, or upon the revenues from the operation thereof, when the same shall become due, as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Airport or such revenues, or which might impair the security of the Bonds. Notwithstanding the foregoing, the Commission need not pay or discharge any tax, assessment or other governmental charge, or claim for labor, materials or supplies, if and so long as the Commission shall contest the validity or application thereof in good faith.

The Commission will continuously operate the Airport so that all lawful orders of the Federal Aviation Administration and any other governmental agency or authority having jurisdiction in the premises shall be complied with, but the Commission shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

Section 6.06. Maintenance of Powers; Retention of Assets. (a) The Commission covenants that it will use its best efforts to keep the Airport open for landings and takeoffs of commercial aircraft using facilities similar to those at the Airport, and to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or any other obligation secured hereby or the performance or observance of any of the covenants herein contained.

(b) The Commission covenants that it will not dispose of assets necessary to operate the Airport in the manner and at the levels of activity required to enable it to perform its covenants contained herein, including, without limitation, the covenants contained in Section 6.04.

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Section 6.07. Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates from responsible insurers and upon reasonable terms and conditions:

(a) The Commission shall procure or provide and maintain, at all times while any of the Bonds shall be outstanding, insurance or Qualified Self-Insurance on the Airport against such risks as are usually insured by other major airports. Such insurance or Qualified Self-Insurance shall be in an adequate amount as to the risk insured against as determined by the Commission. The Commission need not carry insurance or Qualified Self-Insurance against losses caused by land movement, including but not limited to seismic activity.

(b) Any Qualified Self-Insurance shall be established in accordance with applicable law; shall include reserves or reinsurance in amounts which the Commission determines to be adequate to protect against risks assumed under such Qualified Self-Insurance, including without limitation any potential retained liability in the event of the termination of such Qualified Self-Insurance; and shall be reviewed at least once every twelve (12) months by an Insurance Consultant who shall deliver to the Commission a report on the adequacy of the reserves established or reinsurance provided thereunder. If the Insurance Consultant determines that such reserves or reinsurance are inadequate, it shall make a recommendation as to the amount of reserves or reinsurance that should be established and maintained, and the Commission shall comply with such recommendation unless it can establish to the satisfaction of, and receive a certification from, the Insurance Consultant that a lower amount is reasonable to provide adequate protection to the Airport and the Commission.

(c) The Commission shall secure and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the Commission, except to the extent that such insurance is provided by the City.

(d) Within 120 days after the close of each Fiscal Year, the Commission shall file with the Trustee a certificate of an Authorized Commission Representative containing a summary of all insurance policies and Qualified Self-Insurance then in effect with respect to the Airport and the Commission.

(e) The proceeds of any insurance shall be applied solely for Airport purposes.

Section 6.08. Financial Records and Statements. The Commission shall maintain proper books and records in which full and correct entries shall be made in accordance with generally accepted accounting principles, of all its business and affairs. The Commission shall have an annual audit made by an Independent Auditor and shall within 180 days after the end of each of its Fiscal Years furnish to the Trustee copies of the audited financial statements of the Commission for such Fiscal Year.

All books of records and accounts relating to the Airport and the Revenues may be kept by the Controller for and on behalf of the Commission. All such books and records pertaining to the Airport

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shall be open upon reasonable notice during regular business hours to the Trustee or the representatives thereof duly authorized in writing.

Section 6.09. Tax Covenants. Except as otherwise provided herein or in any Supplemental Resolution with respect to a Series of Bonds, the Commission covenants as follows:

(a) The Commission will make no use of the proceeds of any Series of Bonds or take any other action or permit any other action to be taken that would adversely affect the exclusion from gross income of, interest on such Series of Bonds for federal income tax purposes or, if applicable, the non-preference status of such interest for federal alternative minimum income tax purposes.

(b) The Commission shall comply with covenants with respect to the use of proceeds of Bonds as provided herein or in any applicable Supplemental Resolution.

Section 6.10. Continuing Disclosure. The Commission covenants to comply with and carry out all of the provisions of each Continuing Disclosure Certificate executed and delivered in connection with the issuance of a Series of 1997 Resolution Bonds, as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of the 1997 Resolution, failure of the Commission to comply with any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and at the written request of the Holders of at least 25% of the aggregate principal amount of the related Series of 1997 Resolution Bonds Outstanding, and if such Holders shall have furnished to the Trustee indemnity satisfactory to it, shall) or any Holder or beneficial owner of such Series of 1997 Resolution Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Commission to comply with its obligations under this Section 6.10.

Section 6.11. Eminent Domain. If an Airport facility or Airport facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Commission shall, to the extent the 1991 Resolution is then in effect and such 1991 Resolution directs the use of the net proceeds, comply with the terms of the 1991 Resolution and, otherwise or to the extent such document does not control the use of such net proceeds, the Commission shall create within the Airport Revenue Fund a special account and credit the net proceeds received as a result of such taking or conveyance to such account and shall within a reasonable period of time, not to exceed three years after the receipt of such amounts, use such proceeds to (1) replace the Airport facilities which were taken or conveyed, (2) provide additional revenue-producing Airport facilities, (3) redeem Bonds or (4) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in Article X hereof.

Section 6.12. Conflicts and Compliance with 1991 Resolution. The Commission covenants to comply with the provisions of the 1991 Resolution. The covenants and agreements of the Commission set forth in the 1991 Resolution shall govern over the covenants and agreements of the Commission

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set forth herein to the extent of any conflict and only in the event that it is not possible to comply with both, for so long as any 1991 Resolution Bonds remain Outstanding.

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following is hereby declared an "Event of Default" hereunder with respect to a Series of Bonds:

- (a) if payment of any installment of interest on any Bond of such Series shall not be made in full when the same becomes due and payable;
- (b) if payment of the principal or Accreted Value of any Bond of such Series shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;
- (c) if payment of the purchase price of any Bond tendered for optional or mandatory purchase in accordance with the provisions of the Supplemental Resolution providing for the issuance of such Bond shall not be made in full when due;
- (d) if the Commission shall fail to observe or perform any other covenant or agreement on its part under this 1997 Resolution, other than the covenant or agreement set forth in Section 6.04(a), for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Commission by the Trustee, or to the Commission and the Trustee by the Owners of at least 25% in aggregate Principal Amount of Bonds of such Series then Outstanding; provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default with respect to such Series as long as the Commission has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;
- (e) subject to subsection (c) of Section 6.04, if the Commission is required pursuant to Section 6.04(b) to take measures to revise the schedule of rentals, rates, fees and charges for the use of the Airport and Revenues for the Fiscal Year in which such adjustments are made are less than the amount specified in Section 6.04(a);
- (f) if either the Commission or the City shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Commission or the City or of any substantial part of its property, or shall

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fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to entry of an order for relief under the federal Bankruptcy Code, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(g) if there is a default in the payment of principal of, premium, if any, or interest on any 1991 Resolution Bond; or

(h) the occurrence of any other Event of Default with respect to such Series of Bonds as is provided in a Supplemental Resolution.

An Event of Default with respect to one Series of Bonds shall not in and of itself constitute an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds pursuant to this Section 7.01.

Section 7.02. No Acceleration. The Bonds shall not be subject to acceleration under any circumstances or for any reason, including without limitation upon the occurrence and continuance of an Event of Default hereunder.

Section 7.03. Remedies and Enforcement of Remedies. (a) Subject to the provisions of Section 7.13, upon the occurrence and continuance of an Event of Default with respect to one or more Series of Bonds, the Trustee may, or upon the written request of the Holders of not less than a majority in aggregate Principal Amount of the Bonds of such Series together with indemnification of the Trustee to its satisfaction therefor shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and under the Act and such Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Actions to recover money or damages due and owing;

(ii) Actions to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds; and

(iii) Enforcement of any other right of such Bondholders conferred by law, including the Act, or hereby, including without limitation by suit, action, injunction, mandamus or other proceedings to enforce and compel the performance by the Commission of actions required by the Act or the 1997 Resolution, including the fixing and collection of fees or other charges.

(b) Subject to the provisions of Section 7.13, regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in aggregate Principal

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Amount of the Bonds of one or more Series, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts or omissions to act which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds of each Series not making such request.

(c) Notwithstanding anything else in this Section 7.03 to the contrary, the remedies herein provided for with respect to obtaining moneys on deposit in Funds or Accounts hereunder shall be limited to the Funds or Accounts hereunder pledged to the applicable Series of Bonds with respect to which an Event of Default exists.

Section 7.04. Application of Revenues and Other Moneys After Default. During the continuance of an Event of Default with respect to one or more Series of Bonds, all moneys held and received by the Trustee with respect to each such Series of Bonds pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, liabilities, expenses and advances incurred or made by the Trustee with respect to such Event of Default or otherwise incurred in the exercise of its powers and duties, be applied as follows; provided, however, that any proceeds of a Credit Facility if any, and amounts held in the Debt Service Fund and the Reserve Fund pledged to a particular Series of Bonds shall be applied solely to pay principal, premium, if any, purchase price, if any, of or interest, as applicable, on the related Series of Bonds:

First: To the payment to the persons entitled thereto of all installments of interest then due on such Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amounts and premium, if any, of any such Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity, upon purchase or by proceedings for redemption or otherwise or upon the tender of any Bond pursuant to the terms of the Supplemental Resolution providing for the issuance of such Bonds, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds of such Series due on any date, then to the payment thereof ratably, according to the Principal Amounts due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine in accordance with this 1997 Resolution, having due regard for the amount of such moneys available

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for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the Principal Amounts to be paid on such dates shall cease to accrue if so paid. The Trustee shall give such notice as it may deem appropriate in accordance with this 1997 Resolution of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever the Principal Amount, premium, if any, purchase price, if any, and interest thereon of all Bonds of a Series have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, and each Credit Provider, if any, has been reimbursed for all amounts drawn under the applicable Credit Facility, if any, and used to pay principal, premium, if any, purchase price, if any, and interest on the Bonds and no Repayment Obligation shall be outstanding, any balance remaining shall be paid first to such Credit Provider to the extent any other amounts are then owing to such Credit Provider under the applicable Credit Facility Agreement, and then to the Commission or as a court of competent jurisdiction may direct.

Section 7.05. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Trustee or the Bondholders or any Credit Provider is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute, including the Act, on or after the date hereof.

Section 7.06. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee may be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Sections 7.03 and 7.04, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 7.07. Control of Proceedings. (a) If an Event of Default with respect to one or more but not all Series of Bonds Outstanding shall have occurred and be continuing, the Holders of a majority in aggregate Principal Amount of the Bonds of such one or more Series then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to funds or assets solely securing such one or more Series in connection with the enforcement of the terms and conditions hereof; provided, that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided herein) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders of such Series of Bonds not joining in such direction; and provided further, that nothing in this Section shall impair the right of the

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Trustee in its discretion to take any other action hereunder which it may deem proper and in accordance with the 1997 Resolution and which is not inconsistent with such direction by Bondholders.

(b) If an Event of Default with respect to all Series of Bonds shall have occurred and be continuing, the Holders of a majority in aggregate Principal Amount of all Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to Net Revenues or other assets securing all Bonds in connection with the enforcement of the terms and conditions hereof; provided, that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided herein) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction; and provided further, that nothing in this Section shall impair the right of the Trustee in its discretion to take any other action hereunder which it may deem proper in accordance with this 1997 Resolution and which is not inconsistent with such direction by Bondholders.

Section 7.08. Individual Bondholder Action Restricted. (a) No Holder of any Bond of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) an Event of Default has occurred with respect to such Series (A) under subsection (a), (b), (c), (g) or (h) of Section 7.01 of which the Trustee is deemed to have notice, or (B) under subsection (d), (e) or (f) of Section 7.01 as to which the Trustee has actual knowledge, or (C) as to which the Trustee has been notified in writing by the Commission, or (D) as to which the Commission and the Trustee have been notified in writing by the Holders of at least 25% in aggregate Principal Amount of the Bonds of all such Series then Outstanding with respect to which an Event of Default has occurred;

(ii) the Holders of at least a majority in aggregate Principal Amount of Bonds of all such Series then Outstanding with respect to which an Event of Default has occurred shall have made written request to the Trustee to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name; and

(iii) such Bondholders shall have offered the Trustee indemnity as provided in Section 8.02; and

(iv) the Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds of such Series shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except

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in the manner herein provided and for the equal benefit of the Holders of all Bonds of such Series then Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond of such Series (i) to receive payment of the principal of, premium, if any, purchase price, if any, or interest on such Bond on or after the due date thereof, or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond of such Series may institute or prosecute any such suit or apply for the entry of judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds of such Series.

Section 7.09. Termination of Proceedings. In case any proceeding taken by the Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or to the Bondholders, then the Commission, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 7.10. Waiver of Event of Default. (a) No delay or omission of the Trustee, of any Holder of the Bonds or, if provided hereby or by Supplemental Resolution, of any Credit Provider, to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Trustee, the Holders of the Bonds and, if provided hereby or by Supplemental Resolution, any Credit Provider, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Trustee, with the consent of any Credit Provider if provided hereby or by Supplemental Resolution (provided, however, that such Credit Provider's consent may be required only in connection with an Event of Default on a Series of Bonds with respect to which such Credit Provider is providing a Credit Facility), may waive any Event of Default with respect to the Bonds that, in its opinion, shall have been remedied at any time, regardless of whether any suit, action or proceeding has been instituted, before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Trustee, upon the written request of (i) the Credit Provider, if any, if provided hereby or by Supplemental Resolution, with respect to an Event of Default which applies only to the related Series of Bonds, (ii) Holders of at least a majority of the aggregate Principal Amount of Bonds of a Series then Outstanding with respect to any Event of Default which applies only to such Series, with the consent of the applicable

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Credit Provider, if any, if provided for hereby or by Supplemental Resolution, or (iii) Holders of at least a majority of the aggregate Principal Amount of Bonds then Outstanding with respect to any Event of Default which applies to all Bonds, shall waive any such Event of Default hereunder and its consequences; provided, however, that a default in the payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on any such Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds then Outstanding of such Series to which an Event of Default applies and any consent of the applicable Credit Provider, if any, if provided for hereby or by Supplemental Resolution.

(d) In case of any waiver by the Trustee of an Event of Default hereunder, the Commission, the Trustee, the Bondholders and, if provided for hereby or by Supplemental Resolution, the Credit Provider, if any, shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section.

Section 7.11. Notice of Default. (a) Promptly, but in any event within 30 days after the occurrence of an Event of Default with respect to a Series of Bonds of which the Trustee is deemed to have notice pursuant to Section 8.10 of this 1997 Resolution, the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of registered Bonds of such Series then Outstanding, provided that, except in the case of a default in the payment of Principal Amounts, sinking fund installments, purchase price or the redemption price of or interest on any of the Bonds of such Series, the Trustee may withhold such notice to such Holders if, in its sole judgment in accordance with this 1997 Resolution, it determines that the withholding of such notice is in the best interests of the Holders of such Series of Bonds.

(b) The Trustee shall promptly notify the Commission, the Registrar and any Credit Provider, if required to hereby or by a Supplemental Resolution, of the occurrence of an Event of Default of which the Trustee is deemed to have notice pursuant to Section 8.10 of this 1997 Resolution.

Section 7.12. Limitations on Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Trustee and Bondholders which lawfully may be granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled as above set forth to every other right and remedy provided in this 1997 Resolution and by law.

Section 7.13. Credit Providers to Control Remedies. While a Credit Facility with respect to any Bonds is in effect, notwithstanding anything else herein to the contrary, a Supplemental Resolution may provide that so long as the Credit Provider is not Insolvent and is not in default under its Credit Facility, no right, power or remedy hereunder with respect to such Bonds may be pursued without the

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prior written consent of such Credit Provider. The Supplemental Resolution may further provide that the Credit Provider shall have the right to direct the Trustee to pursue any right, power or remedy available hereunder with respect to any assets available hereunder which secure no Bonds other than the Bonds secured by such Credit Facility.

Section 7.14. Inconsistent or Lack of Directions in Default. Notwithstanding anything else herein to the contrary, if any applicable Credit Providers or Holders of separate Series in default do not direct remedies or proceedings to be taken pursuant to this Article, the Trustee shall take whatever action, if any, pursuant to Section 7.03 it deems to be in the best interest of Bondholders without regard to the existence of any Credit Facility that may exist with respect to any or all Bonds.

Section 7.15. Contract between Commission and Owners. The provisions of this 1997 Resolution shall constitute a contract between the Commission and the Owners of the Bonds.

Section 7.16. Limitation on Commission's Obligation. The Owners of the Bonds issued hereunder expressly understand and agree by their acceptance of the Bonds, that as of the date of this 1997 Resolution the Commission has no taxing power whatsoever, and nothing herein contained shall be deemed to require the Commission to advance any moneys derived from the levy or collection of taxes by the City for the payment of the principal of, purchase price, if any, premium, if any, or interest on the Bonds. Neither the credit nor the taxing power of the City is pledged for the payment of the principal of, premium, if any, purchase price, if any, or interest on the Bonds, and the general fund of the City is not liable for the payment of the Bonds or the interest thereon. The Owners of the Bonds cannot compel the exercise of the taxing power by the City or the forfeiture of its property or the property of the Commission.

The principal of and interest on the Bonds and any premiums upon the redemption of any Bond are not a debt of the Commission nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or on any of its income, receipts or revenues except the Net Revenues and other funds that may be legally applied, pledged or otherwise made available to their payment as in this 1997 Resolution provided.

Neither the Commission nor any officer thereof shall be liable or obligated for the payment of the principal, premium, if any, purchase price, if any, of or interest on the Bonds or for any payment agreed to be made or contemplated to be made pursuant to any of the terms of this 1997 Resolution, save and except solely and exclusively from Net Revenues and the other moneys pledged thereto pursuant to this 1997 Resolution or any Supplemental Resolution authorizing the issuance thereof. Nothing herein contained shall prevent the Commission from making advances of its funds howsoever derived to any of the uses and purposes in this 1997 Resolution mentioned, provided such funds are derived from any source legally available for such purpose and may be used by the Commission for such purpose without incurring indebtedness. No property or rights of the Commission shall ever be subject to forfeiture by reason of any default on the part of the Commission hereunder, provided,

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however, that nothing herein contained shall operate to excuse the Commission from making payments herein required to be made for the benefit of the Owners of the Bonds.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Acceptance of Trust: General. By an instrument in writing delivered to the Commission, the Trustee shall evidence its acceptance of the powers, duties and obligations of the Trustee only as are specifically set forth herein. The Trustee shall have no duty, responsibility or obligation for the issuance of Bonds or for the validity or exactness hereof, or of any other document relating to such issuance. The Trustee shall have no duty, responsibility or obligation for the payment of Bonds except for payment in accordance with the terms and provisions hereof from, and to the extent of, funds which are held in trust by the Trustee for the purpose of such payment.

Prior to an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. The Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Trustee shall be determined solely by the express provisions hereof, and no implied powers, duties or obligations of the Trustee shall be read into this 1997 Resolution.

During an Event of Default, the Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

Notwithstanding any other provision hereof, the Trustee shall have no liability for any (a) error of judgment made in good faith by an officer or officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, or (b) action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than the Principal Amount of Bonds Outstanding specified in Section 7.03 or Section 7.07, as the case may be, then existing relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee hereunder.

Section 8.02. Trustee Not Required to Take Action Unless Indemnified. Except as expressly required herein, the Trustee neither shall be required to institute any suit or action or other

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proceeding, nor to take any steps or actions to exercise or enforce its rights or which expose it to liability, nor shall the Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees, other disbursements including its own reasonable fees and against all liability and damages. The Trustee nevertheless, may begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Trustee hereunder, without prior assurance of indemnity, and in such case the Commission shall reimburse the Trustee for all reasonable costs, expenses, outlays, counsel and other fees, and other reasonable disbursements including its own fees, and for all liability and damages suffered by the Trustee in connection therewith, except for the Trustee's own negligent action, its own negligent failure to act, its own willful misconduct or self-dealing constituting a breach of trust under applicable law. If the Trustee begins, appears in or defends such a suit, the Trustee shall give prompt notice of such action to the Commission and shall give such notice prior to taking such action if possible. If the Commission shall fail to make such reimbursement, the Trustee may reimburse itself for any costs and expenses in accordance with Section 7.04.

Section 8.03. Employment of Experts. The Trustee is hereby authorized to employ as its agents such attorneys at law, and other qualified independent consultants (who are not employees of the Trustee), as it may deem necessary to carry out any of its obligations hereunder, and shall be reimbursed by the Commission for all reasonable expenses and charges in so doing. The Trustee shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Trustee. The written advice of such counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon.

Section 8.04. Enforcement of Performance by Others It shall not be the duty of the Trustee, except as herein specifically provided, to seek the enforcement of any duties and obligations herein imposed upon the Commission.

Section 8.05. Right to Deal in Bonds and Take Other Actions. The Trustee may in good faith buy, sell or hold and deal in any Bonds with like effect as if it were not such Trustee and may commence or join in any action which a Holder is entitled to take with like effect as if the Trustee were not the Trustee. It is understood and agreed that the Trustee engages in a general banking business and no provision hereof is to be construed to limit or restrict the right of the Trustee to engage in such business with the Commission or any Holder. So engaging in such business shall not, in and of itself, and so long as the Trustee duly performs all of its duties as required hereby, constitute a breach of trust on the part of the Trustee. Moneys held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law.

Section 8.06. Removal and Resignation of Trustee. The Trustee may resign at any time. Written notice of such resignation shall be given to the Commission and such resignation shall take effect upon the later of the date 90 days after receipt of such notice by the Commission and the date

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of the appointment and qualification of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within 60 days after the date notice of resignation is given, the Trustee or the Commission may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

In addition, the Trustee may be removed at any time by the Commission so long as (a) no Event of Default shall have occurred and be continuing and (b) the Commission determines that the removal of the Trustee shall not have an adverse effect upon the rights or interests of the Bondholders. Subject to clause (b) of the preceding sentence, in the event the Trustee becomes Insolvent, the Commission may remove the Trustee by written notice effective immediately upon the appointment and qualification of a successor Trustee.

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved, becomes Insolvent or otherwise becomes incapable to act as the Trustee, the Commission shall be entitled to appoint a successor Trustee. In such event, the successor Trustee shall cause notice to be mailed to the Holders of all Bonds then Outstanding in such manner deemed appropriate by the Commission. If the Trustee resigns, the resigning Trustee shall pay for such notice. If the Trustee is removed, is dissolved, becomes Insolvent or otherwise becomes incapable of acting as Trustee, the Commission shall pay for such notice.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business within the State of California and having, or in the case of a corporation included in a bank holding company system, the related bank holding company shall have, an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Commission an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee promptly shall deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

Each successor Trustee, not later than 10 days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of a registered Bond and shall publish notice of such assumption in Authorized Newspapers.

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Section 8.07. Proof of Claim. The Trustee shall have the right and power to act in its name or in the name and place of the Commission or Holders to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required, including proofs of claim against Credit Providers. Any amount recovered by the Trustee as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances paid or incurred by the Trustee or its agents in pursuing such claim, shall be for the equal benefit of all Holders of Outstanding Bonds of the affected Series.

Section 8.08. Trustee's Fees and Expenses. The Commission hereby agrees to pay fees to and expenses of the Trustee for its services hereunder as agreed to by the Commission and the Trustee pursuant to the terms of a separate agreement.

Section 8.09. Reliance Upon Documents. In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon and shall be protected in acting or refraining from acting in reliance upon any document, including but not limited to any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper officials of the Commission, the Treasurer, the City, an Airport Consultant, a Financial Consultant, an Independent Auditor, the Holders or agents or attorneys of the Holders; provided, in the case of any such document specifically required to be furnished to the Trustee hereby, the Trustee shall be under a duty to examine the same to determine whether it conforms to the requirements hereof. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document submitted to the Trustee; provided, however, the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may deem prudent. Whenever in the administration hereof, the Trustee shall deem it desirable that a matter be provided or established prior to taking or not taking any action hereunder, the Trustee (unless other evidence be specifically prescribed herein) may rely upon any document provided for in this 1997 Resolution.

Except where other evidence is required hereby, any request or direction of the Commission mentioned herein shall be sufficiently evidenced by a certified copy of such request executed by a Authorized Commission Representative.

Section 8.10. Recitals and Representations. The recitals, statements and representations contained herein or in any Bond shall be taken and construed as made by and on the part of the Commission and not by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness of the same other than the Trustee's certification of authentication of any Bonds as to which it is Authenticating Agent.

The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof or, except as herein required, the filing or recording or registering of any document. The Trustee shall be deemed not to have made representations as to the security afforded hereby or

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hereunder or as to the validity or sufficiency of such document. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Trustee shall not be responsible or liable for any loss suffered in connection with the investment of any funds made by it in accordance with the provisions hereof.

Except with respect to Events of Default described in Section 7.01(a), (b) and (c) hereof, the Trustee shall have no duty of inquiry with respect to any default which constitutes or with notice or lapse of time or both would constitute an Event of Default without actual knowledge of the Trustee or receipt by the Trustee of written notice of a default which constitutes or with notice or lapse of time or both would constitute an Event of Default from the Commission or any Holder.

The Trustee shall be deemed to have knowledge of the existence of an Event of Default only in the following circumstances: (i) in the case of an Event of Default referred to in paragraphs (a), (b) and (c) of Section 7.01 of this 1997 Resolution, upon the occurrence of such Event of Default, (ii) in the case of an Event of Default referred to in paragraph (d), (e), (f) and (g) of Section 7.01 of this 1997 Resolution, when any Responsible Officer of the Trustee obtains actual knowledge of the occurrence of such Event of Default or when the Trustee receives written notice thereof from the Commission or from any Holder, and (iii) in the case of an Event of Default referred to in paragraph (h) of this 1997 Resolution, when any Responsible Officer of the Trustee obtains actual knowledge of the occurrence of such Event of Default or when the Trustee receives written notice thereof from the Commission or from any Holder, unless otherwise expressly provided in the applicable Supplemental Resolution.

Section 8.11. Reports and Records. (a) The Trustee shall at all times keep or cause to be kept proper records in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all Funds and Accounts established and maintained by the Trustee pursuant to this 1997 Resolution. Such records shall be available for inspection by the Commission on each Business Day upon reasonable notice during reasonable business hours and by any Owner or its agent or representative duly authorized in writing at reasonable hours and under reasonable circumstances. The Trustee shall not be required to maintain records with respect to transactions made by the Treasurer or the Commission or with respect to Funds and Accounts established and maintained by the Treasurer.

(b) The Trustee shall provide to the Commission each month a report of the amounts deposited in each Fund and Account held by it under this 1997 Resolution and the amount disbursed from such Funds and Accounts, the earnings thereon, the ending balance in each of such Funds and Accounts, the investments in each such Fund and Account and the yield on each investment calculated in accordance with the directions of an Authorized Commission Representative.

(c) The Trustee shall annually, within a reasonable period after the end of the Fiscal Year, provide to the Commission and to each Owner who shall have filed its name and address with the

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Trustee for such purpose (at such Owner's cost) a statement, which need not be audited, covering receipts, disbursements, allocation and application of Bond proceeds, Net Revenues and any of the moneys in any of the Funds and Accounts established pursuant to this 1997 Resolution for the preceding year.

Section 8.12. Paying Agent, Issuing and Paying Agent, Authenticating Agent and Registrar.
The Commission may appoint a Paying Agent, an Authenticating Agent, an Issuing and Paying Agent or a Registrar with respect to a Series of Bonds in the Supplemental Resolution pursuant to which such Series is issued. Each Paying Agent, Authenticating Agent, Issuing and Paying Agent and Registrar shall (i) designate to the Trustee its principal office and (ii) signify its acceptance of the duties and obligations imposed upon it hereunder and under such Supplemental Resolution by written instrument of acceptance delivered to the Commission and the Trustee.

Each Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar shall exercise its duties in accordance with the terms of and shall have all of the protections provided to the Trustee in this 1997 Resolution, including, without limitation, the protections provided in Section 8.02, as if each provision affording such protections to the Trustee explicitly referred to such Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar.

If any Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar shall resign or be removed, the Commission shall designate a successor. If the Commission shall designate a successor, then, upon the Trustee's receipt of the written designation and the written acceptance of such designated successor, such entity shall thereupon, without further action by the Commission, be appointed as successor Paying Agent, Issuing and Paying Agent, Authenticating Agent or Registrar, as the case may be.

In the event that any Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar shall resign or be removed, or be dissolved, or if the property or affairs of any Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and no successor shall have been appointed, the Trustee shall, ipso facto be deemed to be Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar, until the appointment of a successor. In each case in which the Trustee is acting as Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar for any Series of Bonds, the Trustee in such capacities shall be entitled to all of the immunities and protections from liability that are provided in this Article VIII.

Any corporation into which any Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar may be merged or converted or with which it may be consolidated, or any corporation resulting from any such merger, consolidation or conversion, or succeeding to the corporate trust business of Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar, shall be the successor of the Paying Agent, the Authenticating Agent, Issuing and Paying Agent and the Registrar if such successor corporation is otherwise eligible under this Section, without

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the execution or filing of any further act on the part of the Trustee or the entity serving as Paying Agent, Authenticating Agent, Issuing and Paying Agent or Registrar or such successor corporation.

Section 8.13. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 8.14. Other Agents. The Commission or the Trustee with the consent of the Commission may from time to time appoint other agents as may be appropriate at the time to perform duties and obligations under this 1997 Resolution or under a Supplemental Resolution all as provided by Supplemental Resolution or resolution of the Commission.

ARTICLE IX

SUPPLEMENTAL RESOLUTIONS

Section 9.01. Supplemental Resolutions Not Requiring Consent of Bondholders. The Commission may adopt, without the consent of or notice to any of the Holders, but with the written consent of the Credit Provider to the extent required under the Credit Facility Agreement, one or more Supplemental Resolutions for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein;
- (b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder that shall not have a material adverse effect on the interests of the Holders;
- (c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (d) to secure additional revenues or provide additional security or reserves for payment of any Bonds;
- (e) to preserve the excludability of interest on any Bonds from gross income for purposes of federal income taxes, or to change the tax covenants set forth in Section 6.09, pursuant to an Opinion of Bond Counsel that such action will not affect adversely such excludability;

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(f) to provide for the issuance of, and to set the terms and conditions of, each additional Series of Bonds hereunder, including covenants and provisions with respect thereto which do not violate the terms of this 1997 Resolution;

(g) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;

(h) to confirm, as further assurance, any interest of the Trustee in and to the Net Revenues or in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to this 1997 Resolution;

(i) to comply with the requirements of the Trust Indenture Act of 1939, as amended, to the extent applicable;

(j) to provide for uncertificated Bonds or for the issuance of coupon or bearer Bonds or Bonds registered only as to principal;

(k) to accommodate the use of a Credit Facility for specific Bonds or a Series of Bonds;

(l) to designate any other airport, airfields, landing places or places for the take-off and landing of aircraft, together with related facilities or property, which are hereafter owned, controlled or operated by the Commission or over which the Commission has possession, management, supervision or control as not a part of the Airport; and

(m) to make any other change or addition hereto which, in the Opinion of Bond Counsel, shall not have a material adverse effect on the interests of the Holders.

Section 9.02. Supplemental Resolutions Requiring Consent of Bondholders. (a) Other than Supplemental Resolutions referred to in Section 9.01 and subject to the terms, provisions and limitations contained in this Article and not otherwise, and with the written consent of each Credit Provider to the extent provided in its Credit Facility Agreement, the Holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding of all Series affected may consent to or approve, which consent to or approval shall be in writing, anything contained herein to the contrary notwithstanding, the adoption by the Commission of such Supplemental Resolutions as shall be deemed necessary and desirable by the Commission for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions with respect to such Series contained in the 1997 Resolution; provided, however, nothing in this Section shall permit or be construed as permitting a Supplemental Resolution which would:

(i) extend the stated maturity of or time or change the currency for paying the principal or purchase price of, premium, if any, or interest on any Bond or reduce the

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Principal Amount or purchase price of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) except as expressly permitted by this 1997 Resolution, prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) permit the creation of a lien not expressly permitted by this 1997 Resolution upon or pledge of the Net Revenues ranking prior to or on a parity with the lien of this 1997 Resolution or reduce the aggregate Principal Amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplemental Resolution, without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Commission shall propose the adoption of a Supplemental Resolution pursuant to this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed adoption of such Supplemental Resolution to be mailed by first class mail, postage prepaid, to all Holders of registered Bonds of any affected Series then Outstanding at their addresses as they appear on the registration books herein provided for. In addition, the Trustee shall publish notice of the proposed adoption of such Supplemental Resolution to be published in Authorized Newspapers. The Trustee, however, shall not be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section. Such notice shall set forth briefly the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the office of the Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding one year, as shall be prescribed by the Commission, following the first giving of a notice as provided in (b) above, the Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate Principal Amount of Bonds specified in subsection 9.02(a) for the Supplemental Resolution in question which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may accept such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, regardless of whether such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (regardless of whether such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the acceptance by the Trustee of such Supplemental Resolution,

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such revocation. At any time after the Holders of the required Principal Amount of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Commission a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required Principal Amount of the Bonds Outstanding shall have consented to and approved the adoption by the Commission of such Supplemental Resolution as herein provided, no Holder of any Bond shall have any right to object to the adoption thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Commission from adopting the same or taking any action pursuant to the provisions thereof.

Section 9.03. Execution and Effect of Supplemental Resolutions. (a) The Trustee may but shall not be obligated to accept any such Supplemental Resolution which affects the Trustee's own rights, duties or immunities.

(b) Upon the adoption of any Supplemental Resolution in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplemental Resolution shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Bond authenticated and delivered after the adoption of any Supplemental Resolution in accordance with this Article may, and if required by the Commission or the Trustee shall, bear a notation in form approved by the Commission and Trustee as to any matter provided for in such Supplemental Resolution. If the Commission shall so determine, new Bonds so modified as to conform in the opinion of the Trustee and the Commission to any such Supplemental Resolution may be prepared and executed by the Commission and authenticated and delivered by the Trustee and the Registrar in exchange for and upon surrender of the Bonds then Outstanding.

ARTICLE X

SATISFACTION, DISCHARGE AND DEFEASANCE

Section 10.01. Discharge. If payment of all principal of, premium, if any, and interest on a Series of Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums payable by the Commission hereunder with respect to such Series of Bonds, including, but not limited to, the fees and expenses of the Trustee and the Credit Provider under the related Credit Facility Agreement, shall be paid or provided for, then the pledge, lien, and security interests granted hereby shall cease with respect to such Series; provided, however, that the rebate provisions, if any, hereof or of the related Supplemental Resolution shall survive so long as there is any amount due to the federal government pursuant to the provisions hereof or of such Supplemental Resolution. Thereupon, upon the request of the Commission, and upon

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receipt by the Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge as provided above of the lien hereof have been satisfied with respect to such Series of Bonds, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof with respect to such Series of Bonds. If the lien hereof has been discharged with respect to all Series of Bonds, the Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Bonds, to the Commission or such other person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Commission may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered which the Commission at its option may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Defeasance. Payment of any Bonds may be provided for by the deposit with the Trustee of moneys, noncallable Governmental Obligations, noncallable Government Certificates or pre-refunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in Section 1.01, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, Government Certificates or pre-refunded municipal obligations, if any, must be sufficient and available without reinvestment to pay when due the principal, whether at maturity or upon fixed redemption dates, or purchase price of and premium, if any, and interest on such Bonds. The moneys, Government Obligations, Government Certificates and pre-refunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or purchase price or redemption price of, including premium, if any, and interest on such Bonds as the same shall mature or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee to give notice of redemption and to notify all Owners of affected Bonds that the deposit required by this Section 10.02 has been made and that such Bonds are deemed to be paid in accordance with the 1997 Resolution and stating the applicable maturity date or redemption date and redemption price.

The Trustee shall receive a verification report from an Independent Auditor as to the sufficiency of moneys and investments to provide for payment of any Bonds in the case of a defeasance thereof.

Bonds the payment of which has been provided for in accordance with this Section 10.02 shall no longer be deemed Outstanding hereunder. The obligation of the Commission in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations, Government Certificates and pre-refunded municipal obligations deposited with the Trustee to provide for the payment of such Bonds.

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No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond with respect to which an Opinion of Bond Counsel has been rendered that such interest is excluded from gross income for federal income tax purposes is made subject to federal income taxes. The Trustee shall receive and may rely upon an Opinion of Bond Counsel to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Section 10.03. Payment of Bonds After Discharge. Notwithstanding the discharge of the lien hereof as in this Article provided, the Trustee nevertheless shall retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds, including without limitation pursuant to any mandatory sinking fund redemptions, and the registration, transfer, exchange and replacement of Bonds as provided herein. Nevertheless, any moneys held by the Trustee, any Issuing and Paying Agent or any Paying Agent for the payment of the principal of, premium, if any, or interest on any Bond remaining unclaimed for three (3) years after such payment has become due and payable, or such other period provided by law, whether at maturity or upon proceedings for redemption, shall be disposed of pursuant to the provisions of Section 2.14. After discharge of the lien hereof, but prior to payment of such amounts to Holders or as provided pursuant to Section 2.14, the Trustee shall invest such amounts in Permitted Investments having a rating at least as high as the then current rating on the Bonds for the benefit of the Commission.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Evidence of Acts of Bondholders. Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Trustee and the Commission with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him or her the execution thereof, or by the affidavit of a witness of such execution; and

(b) The ownership of all registered Bonds shall be proved by the records maintained by the Registrar. Except as otherwise herein expressly provided, the amount of Bonds transferable by delivery held by any person executing such request, declaration or other instrument or writing as a

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Bondholder, and the numbers thereof, and the date of its holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by a trust company, bank or other depository wherever situated, showing that at the date therein mentioned such person had on deposit with, or exhibited to, such depository the Bonds described in such certificate. Continued ownership after the date of deposit stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by the depository that the Bonds therein referred to will not be surrendered without the surrender of the certificate to the depository, except with the consent of the Trustee. The Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

Nothing in this Section 11.01 shall be construed as limiting the Trustee to the proof herein specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Trustee pursuant to any provision hereof, upon the request or with the assent of any person who at the time is the Holder of any Bond or Bonds shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

Section 11.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this 1997 Resolution or the Bonds is intended or shall be construed to give to any person other than the Commission, the Trustee, the Holders of the Bonds and any Paying Agents, Registrars, Authenticating Agents and Credit Providers, if any, any legal or equitable right, remedy or claim under or in respect to this 1997 Resolution or any covenants, conditions and provisions herein contained. This 1997 Resolution and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the Commission, the Trustee, the Holders of the Bonds and any Paying Agents, Registrars, Authenticating Agents and Credit Providers, if any, as herein provided.

Section 11.03. Credit Provider Defaults. Upon the failure of any Credit Provider to pay principal of, premium, if any, interest on or the purchase price of the Bonds required to be paid by the Credit Provider following a properly presented and conforming request for payment under its Credit Facility, such Credit Provider shall be deemed to be in default for purposes of this 1997 Resolution.

Section 11.04. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this 1997 Resolution on the part of the Commission (or the Trustee or of any Paying Agent, Registrar, Authenticating Agent or other agent pursuant to this 1997 Resolution) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the 1997 Resolution or of the Bonds; but the Owners shall retain all the rights and benefits accorded to them under the Act or under any other applicable provision of law.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

Section 11.05. Holidays. Except as otherwise specified in a Supplemental Resolution, when the date on which principal of or interest or premium on any Bond is due and payable is a day which is not a Business Day, payment may be made on Bonds on the next Business Day with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 11.06. Governing Law. This 1997 Resolution and the Bonds shall be governed and construed under and in accordance with the laws of the State of California.

Section 11.07. Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid, or by commercial overnight express delivery and addressed as follows:

(i) If to the Commission, addressed to:

Airport Commission of the City
and County of San Francisco
Attention: Deputy Airport Director --
Business and Finance
San Francisco International Airport
International Terminal Building, 5th Floor
P.O. Box 8097
San Francisco, CA 94128

(ii) If to the Trustee, addressed to:

Chase Trust Company of California
101 California Street, Suite 2725
San Francisco, California 94111
Attention: Corporate Trust

(iii) If to the registered Holder of a Bond, addressed to such Holder at the address shown on the books of the Registrar kept pursuant hereto.

(b) The Commission and the Trustee may from time to time by notice in writing designate a different address or addresses for notice hereunder.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

Section 11.08. Waiver of Notice. Whenever in this 1997 Resolution the giving of notice by mail or as otherwise is required, the giving of such notice may be waived by notice in writing by the person entitled to receive such notice. In any such case the giving or receipt of such notice shall not be a condition precedent for the validity of any action taken in reliance upon such waiver.

Section 11.09. Waiver of Personal Liability. No member of the Commission and no officer, agent or employee of the Commission or of the City shall be individually or personally liable for the payment of the principal or purchase price of, premium if any, or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 11.10. Cancellation and Destruction of Bonds. All Bonds purchased, redeemed or paid in full shall, if received by the Commission, any Issuing and Paying Agent or any Paying Agent, be canceled by any of them and delivered to the Trustee, or if surrendered to the Trustee, shall be canceled by the Trustee. No such Bonds shall be deemed Outstanding hereunder and no Bonds shall be issued in lieu thereof. Whenever in this 1997 Resolution reference is made to the cancellation of Bonds by the Trustee, the Commission, any Issuing and Paying Agent, or any Paying Agent, the Trustee shall destroy such Bonds and deliver a certificate of such destruction to the Commission.

Section 11.11. Repeal of Inconsistent Resolutions. Any resolution of the Commission, and any part of any resolution, inconsistent with this 1997 Resolution is hereby repealed to the extent of such inconsistency. Notwithstanding the preceding sentence, this Section 11.11 shall not repeal any provisions of the 1991 Resolution whether or not inconsistent with this 1997 Resolution.

Section 11.12. Effectiveness. This 1997 Resolution shall be effective from and after its date of adoption.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

ADOPTED by the Airport Commission of the City and County of San Francisco this 20th day of May, 1997, by the following vote:

Ayes: 5

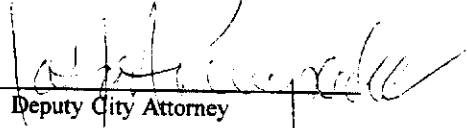
Noes: 0

Absent: 0

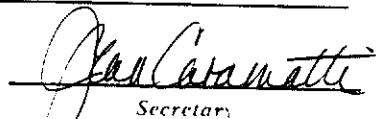
[SEAL]

Approved as to Form:

LOUISE H. RENNE
City Attorney of the City and
County of San Francisco

By 
Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airports Commission
at its meeting of MAY 20 1997


Secretary



San Francisco International Airport

GATEWAY TO THE PACIFIC

MEMORANDUM
May 15, 1997

**Airport
Commission**

City and County
of San Francisco

Willie L. Brown, Jr.
Mayor

Henry E. Berman
President

Roland A. Quan
Vice President

Michael S. Strunsky

Larry Mazzola

Linda S. Crayton

JOHN L. MARTIN
Airport Director

97-0146

MAY 20 1997

97-0147

TO: AIRPORT COMMISSION
Hon. Henry E. Berman, President
Hon. Roland A. Quan, Vice-President
Hon. Michael S. Strunsky
Hon. Larry Mazzola
Hon. Linda S. Crayton

FROM: Airport Director

SUBJECT: Authorization to Implement a Commercial Paper Program to assist in
Financing of Capital Program

DIRECTOR'S RECOMMENDATION: AUTHORIZE MASTER SUBORDINATE
RESOLUTION AND FIRST SUPPLEMENTAL RESOLUTION TO IMPLEMENT
COMMERCIAL PAPER PROGRAM

Background

On December 3, 1996, the Commission authorized the development of a commercial paper program (Resolution No. 96-0315), which would be utilized in the financing of the Airport's capital program.

Purpose of Commercial Paper Program

Commercial paper is a short-term financing instrument that is used by both corporations and municipal issuers. From the Commission's perspective, commercial paper would provide a low cost source of construction financing, which would be of particular value during the Near-Term Master Plan construction period.

THIS PRINT COVERS CALENDAR ITEM NO. _____

Members, Airport Commission

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May 15, 1997

The commercial paper program will assist the Airport to more prudently meet a portion of its cash flow requirements for the Master Plan and other capital projects. As payments become due under the various contracts, draws against the commercial paper program can provide the required funds on essentially the same day as funds are disbursed to the contractors. Therefore, interest on our debt will begin to accrue at the latest possible moment. Without this program, the Airport would be required to continue issuing bonds frequently and in large increments to meet the City's contract certification requirements.

Generally, commercial paper is issued and then periodically "rolled over," until some or all of the outstanding balance is repaid with long-term bond proceeds. In contrast to the 30 year bonds that the Airport generally issues to finance its capital costs, commercial paper maturities range from 1 to 270 days, and short-term interest rates are currently well over two percentage points below long-term rates.

The debt service on the Airport's long-term bonds are paid from "senior lien" net revenues, or net revenues after paying the Airport's Operations and Maintenance costs (O&M). From the Airport's perspective, it is advantageous to pledge "subordinate lien" net revenues to the repayment of commercial paper interest and principal, because there is a minimal increase in interest rates associated with a subordinate lien pledge and the subordinate lien does not impair the Airport's long-term senior lien bonding capacity.

Master Subordinate and First Supplemental Resolutions

Three resolutions are required to implement the commercial paper program, two of which are included in this Commission item:

- A "Subordinate Revenue Bonds" master resolution that authorizes the issuance of Airport revenue bonds, including commercial paper notes, with a subordinate lien pledge of net revenues. This resolution could also be utilized to implement a Variable Rate Debt program at the subordinate lien level at a later date; and
- A "First Supplemental" resolution that establishes the maximum authorization level of \$400 million for the commercial paper program, and establishes the terms and conditions governing issuance and repayment. The maximum authorization is set at \$400 million, although only \$300 million of the authorization will be utilized initially under the letter of credit to be issued to support this program.

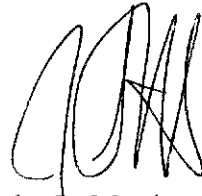
In a separate agenda item, I will submit the third resolution to the Commission requesting authorization to enter into agreements with the various participants in a commercial paper financing.

Members, Airport Commission

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May 15, 1997

I recommend that you approve the Subordinate Revenue Bonds resolution and the First Supplemental resolution to authorize implementation of a commercial paper program.

A handwritten signature in black ink, appearing to read 'J. L. Martin', with a stylized, overlapping structure.

John L. Martin
Airport Director

Prepared by Spencer Ballard

OFFERING MEMORANDUM

Dated as of May __, 1997

In the opinion of Orrick, Herrington & Sutcliffe LLP and Pamela S. Jue, Attorney at Law, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Commercial Paper Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes, except that no opinion is expressed as to the status of interest on any Series A Note for any period that such Series A Note is held by a "substantial user" of the facilities financed or refinanced by the Series A Notes or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. Co-Bond Counsel observe that interest on the Series A Notes is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. In the further opinion of Co-Bond Counsel, interest on the Series B Notes is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel are also of the opinion that interest on the Commercial Paper Notes is exempt from State of California personal income taxes. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Commercial Paper Notes. See "TAX MATTERS" herein.

**AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SUBORDINATE COMMERCIAL PAPER NOTES, SERIES A AND SERIES B**

The purpose of this Offering Memorandum is to provide certain general information in connection with the issuance and sale of Airport Commission of the City and County of San Francisco, San Francisco International Airport Subordinate Commercial Paper Notes, Series A (the "Series A Notes") and Series B (the "Series B Notes") (collectively, the "Commercial Paper Notes"). Capitalized terms used but not defined herein shall have the meanings set forth in the Note Resolution (as hereinafter defined).

The information in this Offering Memorandum has been obtained from the Commission, the Banks and other sources believed to be reliable. The references herein to the 1991 Bond Resolution, the 1997 Bond Resolution, the Note Resolution, the Commercial Paper Notes, the Letter of Credit, the Reimbursement Agreement and the Issuing and Paying Agent Agreement (all as hereinafter defined) do not purport to be complete or definitive, do not constitute summaries thereof, and are qualified in their entirety by reference to the detailed provisions thereof. The information and expressions of opinion in this Offering Memorandum are subject to change without notice after May [], 1997, and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since May [], 1997.

This Offering Memorandum is not to be construed as a contract between the Commission and the purchasers of the Commercial Paper Notes. Prospective purchasers of the

Commercial Paper Notes are expected to conduct their own diligence, review and analysis before making an investment decision.

THE AIRPORT

San Francisco International Airport (the "Airport"), located 14 miles south of downtown San Francisco, is the principal commercial service airport for the Bay Area. The Airport is one of the largest airports in North America, ranking 5th in passengers and 11th in air cargo in 1996. It is a major origin and destination point and one of the nation's principal gateways for Pacific traffic. The Airport serves as a domestic hub and international gateway for United Airlines ("United").

The Airport is owned by the City and County of San Francisco, and managed and operated by the Airport Commission of the City and County of San Francisco (the "Commission") as a financially self-sufficient enterprise. The Commission consists of five members appointed by the Mayor. The Mayor also appoints the Airport Director who is empowered to appoint Deputy Directors subject to Commission approval.

The Airport includes four commercial service runways and a supporting network of taxiways, aprons, and holding areas. The two north-south runways are intersected by two east-west runways, ranging in length from 7,000 feet to 11,870 feet. These airfield facilities can accommodate all commercial service aircraft now in, or planned for, service during the 1990's at their maximum payload capacity.

Airlines at the Airport currently operate from three passenger terminals -- North Terminal, Central Terminal and South Terminal -- connected by passenger walkways. The three terminals collectively provided, prior to the start of construction of the Airport's Near-Term Master Plan program, 80 aircraft gate positions, of which 49 were able to accommodate wide-body aircraft. The terminals are located around the outer perimeter of the split-level access roadway which encircles the central parking garage. The Commission provides additional parking for the public and for employees in a remote parking garage and parking lots.

The Airport is a major center for aircraft maintenance and air cargo shipment. United operates its Maintenance Operation Center at the Airport, which is one of the world's largest private aircraft maintenance facilities. Facilities for aircraft line maintenance are operated by other airlines at the Airport. The Airport also provides facilities for all-cargo and for combination passenger and cargo operators. Fifteen airlines (the "Signatory Airlines") are signatories to long-term Lease and Use Agreements (the "Lease and Use Agreements") with the Airport which expire on June 30, 2011. The Lease and Use Agreements, among other things, provide the Signatory Airlines with the use of facilities at the Airport and establish procedures and formulas for the periodic setting of terminal rentals and landing fees.

The Commission is currently undertaking extensive capital additions and improvements to the Airport, including approximately \$2.4 billion in projects as part of the Airport's Near-Term Master Plan. Those projects include a new International Terminal Complex with more than 2 million square feet of space and 27 additional aircraft positions, and an Airport Rail Transit system.

THE COMMERCIAL PAPER NOTES

The Commercial Paper Notes are authorized to be issued pursuant to the Charter of the City and County of San Francisco, applicable statutes of the State of California, and Resolution No. 97-___, providing for the issuance of San Francisco International Airport Second Series Subordinate Revenue Bonds, adopted on May [], 1997 (the "1997 Bond Resolution"), as amended and supplemented by a First Supplemental Resolution, adopted on May [], 1997 (the "First Supplemental Resolution") (collectively, the "Note Resolution").

The Commercial Paper Notes are being issued to provide moneys to pay a portion of the costs of acquisition, construction, reconstruction, improvement and expansion of Airport facilities and to pay principal of and interest on maturing Commercial Paper Notes, all as set forth in the Note Resolution. The Commission will be able to issue up to \$300,000,000 in aggregate principal amount of Commercial Paper Notes, the maximum principal component of the Letter of Credit. In order to allow for an expanded Commercial Paper program in the future, however, the maximum authorized principal amount under the Note Resolution is \$400,000,000. The additional \$100,000,000 in authorized principal amount of Commercial Paper Notes may be utilized if the principal component of the Letter of Credit is increased to \$400,000,000 in accordance with the Reimbursement Agreement.

The Commercial Paper Notes are to be dated the date of their respective authentication and issuance; are to be issued in book-entry form only in denominations of \$100,000 and in integral multiples of \$5,000 in excess of \$100,000; and are each to bear interest at a separately stated interest rate not to exceed 12% per annum.

The Commercial Paper Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Commercial Paper Notes will be available in book-entry form only, and purchasers of the Commercial Paper Notes will not receive certificates representing their interests in the Notes purchased. While held in book-entry only form, all payments of principal of and interest on the Commercial Paper Notes will be made by wire transfer to DTC or its nominee as the sole registered owner of the Commercial Paper Notes. Payments to the beneficial owners are the responsibility of DTC and its participants. See Appendix B -- "Information Regarding DTC and the Book-Entry Only System."

The Commercial Paper Notes each (i) will bear interest payable at maturity at an annual rate calculated on the basis of a year of 365/366 days and actual days elapsed, (ii) will mature not more than 270 days after its date, but not later than 16 days prior to the Termination Date of the Letter of Credit, (iii) will be sold at a price of not less than 100% of the principal amount thereof, and (iv) will mature on a Business Day. Payments of principal of and interest on maturing Commercial Paper Notes will be made by the Issuing and Paying Agent directly to DTC.

SECURITY FOR THE COMMERCIAL PAPER NOTES

The Commercial Paper Notes are payable from and secured by a pledge of the Net Revenues of the Airport, after prior payment of the 1991 Resolution Bonds outstanding from time to time under the 1991 Bond Resolution. Net Revenues are generally defined in the Note Resolution as all revenues earned by the Commission from or with respect to its possession, management, supervision, operation and control of the Airport (not including certain specified amounts), less Operation and Maintenance Expenses. The Commercial Paper Notes will be secured on a parity with any other 1997 Resolution Bonds from time to time outstanding under the 1997 Bond Resolution.

The Commercial Paper Notes are special, limited obligations of the Commission, payable as to principal and interest solely out of, and secured by a pledge of and lien on the Net Revenues and the funds and accounts provided in the Note Resolution. Neither the credit nor taxing power of the City and County of San Francisco is pledged to the payment of the principal of or interest on the Commercial Paper Notes. No owner of a Commercial Paper Note shall have the right to compel the exercise of the taxing power of the City and County of San Francisco to pay the Commercial Paper Notes or the interest thereon. The Commission has no taxing power whatsoever.

THE LETTER OF CREDIT

The Commercial Paper Notes are payable from and secured by a direct-pay irrevocable Letter of Credit issued severally but not jointly by Bayerische Landesbank Girozentrale ("Bayerische"), acting through its New York Branch, and Morgan Guaranty Trust Company of New York ("Morgan Guaranty") (collectively, the "Banks"), in the principal amount of \$ _____, to cover the maximum authorized principal of the Commercial Paper Notes and interest thereon for 270 days at an assumed maximum interest rate of 12% per annum. The Issuing and Paying Agent shall draw upon the Letter of Credit in an amount sufficient to pay both principal of and interest on the Commercial Paper Notes when due. The Letter of Credit expires by its terms on _____, 199_, but can be extended for three years subject to the conditions set forth in the Letter of Credit and Reimbursement Agreement among the Commission and the Banks, dated as of May 1, 1997 (the "Reimbursement Agreement").

THE LETTER OF CREDIT BANKS

The information in this section has been furnished by the respective Banks. The Commission makes no representation as to the accuracy or completeness of such information or the absence of material adverse changes in such information subsequent to the date hereof.

[update to come from Banks]

Bayerische Landesbank Girozentrale

Bayerische Landesbank Girozentrale was incorporated as a public law financial institution (Rechtsfaehige Anstalt des Oeffentlichen Rechts) by the Law Establishing Bayerische Landesbank Girozentrale (Gesetz ueber die Errichtung der Bayerischen Landesbank Girozentrale) of June 27, 1972, as amended, as adopted by the Parliament of the Free State of Bavaria, and is subject to the German Federal Banking Act of July 10, 1961, as amended (Gesetz ueber das

Kreditwesen) (the "Federal Banking Act"). Its statutes authorize Bayerische to provide universal financial services including both commercial and investment banking as well as brokerage activities. The Free State of Bavaria owns 50% of Bayerische's share capital, the other 50% being owned by the Bavarian Savings Bank and Clearing Association (Bayerischer Sparkassen- und Giroverband) (which is the central organization of the Bavarian Savings Banks).

Bayerische currently has a long-term debt rating by Moody's Investors Service ("Moody's") of Aaa and by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") of AAA as well as short-term ratings of P-1 by Moody's and A-1+ by Standard & Poor's.

Bayerische is equipped to provide a full range of domestic and international banking services; with regard to local banking functions, Bayerische also makes use of the Bavarian Savings Bank's network. In the domestic field, Bayerische places emphasis on wholesale banking, lending to federal and local authorities and mortgage lending, together with industrial credit. Bayerische holds the function of a banker of the Free State of Bavaria and its municipalities, and also finances public and private development projects, administers public funds and performs certain treasury functions for the Free State of Bavaria.

The Free State of Bavaria and the Bavarian Savings Bank and Clearing Association are jointly and severally liable for the obligations of Bayerische if the liabilities cannot be satisfied from Bayerische's assets (Gewahrtraeger). The owners of Bayerische also have an obligation to maintain Bayerische in a financial position which enables it to carry out its functions. This liability (Anstaltslast), which is peculiar to German law, obliges the owners to provide funds for Bayerische that are necessary to enable it to fulfill its functions, to meet its liabilities and to keep its finances sound. As an additional safeguard, it is noted that as a public law institution Bayerische can only be put into liquidation through a specific law to this effect.

Bayerische established a Representative Office in New York in October 1979 and obtained a license from the office of the Comptroller of the Currency in October 1981 to operate through a branch located in the City of New York.

The New York Branch engages in a diversified banking business, and is a major wholesale lending participant throughout the United States, offering a full range of domestic and international financial services, including loans, foreign exchange and money market operations.

All banking institutions in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the Federal Banking Supervisory Authority (Bundesaufsichtsamt fuer das Kreditwesen), an independent federal authority with regulatory powers and by the Deutsche Bundesbank (the "German Federal Central Bank") in accordance with the Federal Banking Act. The Federal Banking Act contains major rules for banking supervision and regulates Bayerische's business activities, capital adequacy and liquidity. In addition to the above-mentioned general banking supervision, the group of Landesbanks is subject to special supervision by their respective federal states.

As reported in Bayerische's Annual Report for the Fiscal Year ended December 31, 1995, Bayerische had total assets of Deutsche Mark ("DM") 299.0 billion (DM

318.4 billion on a consolidated basis). Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 13.7% to DM 316.5 billion from the previous year end. Bayerische's lending volume increased by DM 16.4 billion to DM 177.0 billion from year end 1994. Total equity of Bayerische, including, among other items, nominal capital of DM 1.3 billion, profits participation rights with a nominal value of DM 1.4 billion and capital contributions of silent partners in an amount of DM 2.09 billion, made up for DM 9.66 billion, and was thus equal to 3.2% of the unconsolidated balance sheet. Net income after tax was DM 441.0 million, compared to DM 341.0 million at year end 1994. DM 350 million of such amount has been allocated to revenue reserves, raising the bank's published reserve to DM 4.78 billion. The accounting principles applied in the preparation of Bayerische's financial statements comply with generally accepted accounting principles applied by United States banks.

The rate of exchange between the DM and the dollar is determined by the forces of supply and demand in the foreign exchange markets, which, in turn, are affected by changes in the balance of payments and other economic and financial conditions, government intervention, speculation and other factors. On December 29, 1995, the DM/dollar exchange rate was DM 1.4335 per dollar, as per the official Frankfurt mid-day fixing. The foregoing information relating to Bayerische is based upon facts and circumstances present on the dates referenced above. Such facts and circumstances may change from time to time. Bayerische shall have no obligation to date the foregoing information to reflect any such change.

Copies of Bayerische's Annual Report for the most recent available fiscal year may be obtained at the New York Branch in person during normal business hours or by mail by writing to the New York Branch at: Bayerische Landesbank Girozentrale, 560 Lexington Avenue, New York, New York 10022, Attention: Corporate Finance.

Bayerische has supplied the information relating to it in the previous paragraphs. Bayerische does not accept responsibility for any information contained in this Offering Memorandum other than the information contained in this section relating to Bayerische.

Morgan Guaranty Trust Company of New York

Morgan Guaranty Trust Company of New York ("Morgan Guaranty") is a wholly owned subsidiary and the principal asset of J.P. Morgan & Co. Incorporated ("Morgan"), a Delaware corporation whose principal office is located in New York, New York. Morgan Guaranty is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of December 31, 1995^{1/}, Morgan Guaranty and its subsidiaries had total assets of \$135.7 billion, total net loans of \$22.2 billion, total deposits of \$47.1 billion, and stockholder's equity of \$8.5 billion.

^{1/} Prior period balances were restated to reflect the merger of J.P. Morgan Delaware with Morgan Guaranty Trust Company of New York effective June 1996.

The consolidated statement of condition of Morgan Guaranty as of December 31, 1996, is set forth on page 10 of Exhibit 99 to Form 8-K dated January 13, 1997, as filed by Morgan with the Securities and Exchange Commission. Morgan Guaranty will provide without charge to each person to whom this Offering Memorandum is delivered, on the request of any such person, a copy of the Form 8-K referred to above. Written requests should be directed to: Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York 10260-0060, Attention: Office of the Secretary.

Morgan Guaranty has supplied the information relating to it in the previous paragraphs. Morgan Guaranty does not accept responsibility for any information contained in this Offering Memorandum other than the information contained in this section relating to Morgan Guaranty.

THE DEALERS

The Commission has appointed Goldman, Sachs & Co., Artemis Capital Group Inc. and BT Securities Corp. each as non-exclusive dealer with respect to the offering and sale of the Commercial Paper Notes.

TAX MATTERS

Series A Notes

In the opinion of Orrick, Herrington & Sutcliffe LLP and Pamela S. Jue, Attorney at Law ("Co-Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series A Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes, except that no opinion is expressed as to the status of interest on any Series A Note for any period that such Series A Note is held by a "substantial user" of the facilities financed or refinanced by the Series A Notes or by a "related person" within the meaning of Section 147(a) of the Code. Co-Bond Counsel observe, however, that interest on the Series A Notes is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes.

Series B Notes

In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Co-Bond Counsel are of the further opinion that interest on the Series B Notes is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Limitations Applicable to Both Series A and Series B Notes

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Commercial Paper Notes. The Commission has covenanted to comply with certain restrictions, conditions and requirements designed to assure that interest on the Commercial Paper Notes will not become includable in federal gross income. Failure to comply with these covenants may result in interest on the Commercial Paper Notes being included in federal gross income, possibly from the date of issue of the Commercial Paper Notes. The opinion of Co-Bond Counsel assumes compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of such opinion may adversely affect the value of, or the tax status of interest on, the Commercial Paper Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Commercial Paper Notes. Prospective purchasers are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained in or referred to in the Note Resolution, the Tax Certificate, the Issuing and Paying Agent Agreement and other relevant documents may be changed, and certain actions (including, without limitation, defeasance of the Commercial Paper Notes) may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel express no opinion as to any of the Commercial Paper Notes or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP and the Law Offices of Pamela S. Jue.

Although Co-Bond Counsel are of the opinion that interest on the Commercial Paper Notes is excluded from gross income for federal income tax purposes and is exempt for State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Commercial Paper Notes may otherwise affect an owner's federal or state tax liability. The extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

The opinion of Co-Bond Counsel described herein shall be deemed delivered and in effect by Co-Bond Counsel on each Business Day during which a Commercial Paper Note is outstanding to the extent that (i) there is no change in the pertinent existing state or federal law and the Note Resolution, in the form in effect on the date of such opinion, remains in full force and effect, (ii) the representations and covenants of the parties contained in the Note Resolution, the Issuing and Paying Agent Agreement, the Dealer Agreements and the Tax Certificate and certain certificates dated the date of the opinion of Co-Bond Counsel and delivered by authorized officers of the Commission remain true and accurate and are complied with in all material respects, and (iii) no litigation affecting the issuance or validity of the Commercial Paper Notes is pending or threatened at the time of delivery of any such instruments.

LEGAL MATTERS

On May __, 1997, Orrick, Herrington & Sutcliffe LLP, San Francisco, California and the Law Offices of Pamela S. Jue, San Francisco, California, delivered their legal opinion in connection with the authorization, issuance and sale of the Commercial Paper Notes. The form of the opinion delivered by Orrick, Herrington & Sutcliffe LLP and the Law Offices of Pamela S. Jue, is attached hereto as Appendix A. Neither Orrick, Herrington & Sutcliffe LLP nor the Law Offices of Pamela S. Jue, Co-Bond Counsel has passed upon the adequacy, accuracy or completeness of this Offering Memorandum and neither has rendered a legal opinion with respect thereto.

Certain legal matters in connection with the Letter of Credit have been passed upon by Chapman & Cutler, Chicago, Illinois, as special counsel for the Banks. Certain legal matters in connection with the Commercial Paper Notes have been passed upon by the City Attorney.

RATINGS

Moody's and Standard and Poor's have assigned ratings on the Commercial Paper Notes of __ and __, respectively, with the understanding that the Letter of Credit will be issued by the Banks. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained only from the agencies at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's Ratings Service, 25 Broadway, New York, New York 10004.

The Commission furnished to such rating agencies certain information and materials regarding the Commercial Paper Notes and the Airport. In addition, the Banks furnished certain information to such rating agencies regarding the Banks and the Letter of Credit. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. There is no assurance such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Commercial Paper Notes.

The above ratings are not recommendations to buy, sell or hold the Commercial Paper Notes, and such ratings may be subject to revision or withdrawal at any time by the rating agencies.

ADDITIONAL INFORMATION

The Commission's most recent audited financial statements for the fiscal year ended June 30, 1996, have been filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"). Other information pertaining to the Commission is contained in the most recent [annual report] of the Commission, which has been filed with each NRMSIR. Copies of such audited financial statements and annual report for the fiscal year ended June 30, 1996 may be obtained from any NRMSIR.

Copies of the 1991 Bond Resolution, the 1997 Bond Resolution, the Note Resolution, the Letter of Credit, the Reimbursement Agreement and the Issuing and Paying Agent Agreement may be obtained from the Dealers, and may also be obtained from the Commission at the following address:

Airport Commission of the City and County of San Francisco
P.O. Box 8097
San Francisco, CA 94128
Attention: Deputy Airport Director -- Business and Finance
415/794-5035
APPENDIX A

FORM OF OPINION OF CO-BOND COUNSEL

May __, 1997

Airport Commission of the City and
County of San Francisco
San Francisco, California

Airport Commission of the City and County of San Francisco
San Francisco International Airport
Subordinate Commercial Paper Notes,
Series A and Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the Airport Commission of the City and County of San Francisco, California (the "Issuer") of its San Francisco International Airport Subordinate Commercial Paper Notes, Series A and Series B (the "Notes"), to be issued in an aggregate principal amount not exceeding \$300,000,000 outstanding at any one time. The Notes are authorized to be issued by authority of the Charter of the City and County of San Francisco and Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, and pursuant to Resolution No. _____, adopted by the Issuer on May __, 1997 (the "1997 Bond Resolution"), and Resolution No. _____, adopted by the Issuer on May __, 1997 (the "First Supplemental Resolution") (collectively, the "Note Resolution"). The Notes will be payable from amounts drawn on an irrevocable direct pay letter of credit (the "Letter of Credit") issued severally but not jointly by Bayerische Landesbank Girozentrale, acting through its New York Branch, and Morgan Guaranty Trust Company of New York. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Note Resolution.

In such connection, we have reviewed the 1997 Bond Resolution, the First Supplemental Resolution, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), the Issuing and Paying Agent Agreement, opinions of counsel to the Issuer, the Trustee, the Issuing and Paying Agent, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Note Resolution, the Tax Certificate, the Issuing and Paying Agent Agreement and other relevant documents may be changed and certain actions (including, without limitations, defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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 or events are taken or do occur. We disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have not undertaken to verify independently, and have assumed, 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 the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Note Resolution, the Tax Certificate and the Issuing and Paying Agent Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Note Resolution, the Tax Certificate, and the Issuing and Paying Agent Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in any of the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of information contained in the Offering Memorandum or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes, when duly issued in accordance with the Note Resolution, will constitute the valid and binding limited obligations of the Issuer.

2. The Note Resolution has been duly adopted by the Issuer and the Issuing and Paying Agent Agreement has been duly authorized, executed and delivered by the Issuer, and the Note Resolution and the Issuing and Paying Agent Agreement constitute the valid and binding obligations of the Issuer.

3. The Notes when issued in the form authorized by the Note Resolution and authenticated by the Issuing and Paying Agent, in all respects in accordance with the Note Resolution and the Issuing and Paying Agent Agreement, will constitute special, limited obligations of the Issuer payable from Net Revenues on a subordinate basis to the 1991 Resolution Bonds, and will be secured by a pledge of Net Revenues and the moneys in the funds and accounts as provided in the Note Resolution.

4. Interest on the Notes, when the Notes are issued in accordance with the Tax Certificate, is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from California personal income taxes; provided, however, that we express no opinion on the federal tax status of any interest on a Series A Note when such Series A Note is held by a person who is a "substantial user" of the projects financed by the Series A Notes or by a "related person" within the meaning of Section 147(a) of the Code. We observe that interest on the Series A Notes is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Interest on the Series B Notes is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Unless otherwise notified by us, you may continue to rely on this opinion to the extent that (i) there is no change in the pertinent existing state or federal law, and the Note Resolution, in the form and in effect on the date of this opinion, remains in full force and effect, (ii) the representations and covenants of the parties contained in the Note Resolution, the Issuing and Paying Agent Agreement, the Dealer Agreement and the Tax Certificate and certain certificates dated the date hereof and delivered by authorized officers of the Commission remain true and accurate and are complied with in all material respects, and (iii) no litigation affecting the issuance or validity of the Notes is pending or threatened at the time of delivery of any such instruments.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

PAMELA S. JUE, ATTORNEY AT LAW

APPENDIX B

INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM