

File No. 210070

Committee Item No. 2

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 24, 2021

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Public Correspondence                        |

#### OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Airport Commission Resolution Nos. 21-003, 16-0275, 10-307, 09-0088,</u> |
| <input type="checkbox"/>            | <input type="checkbox"/> | <u>99-0299, 97-148, 97-147, 97-146</u>                                      |
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Completed by: Linda Wong Date February 18, 2021

Completed by: Linda Wong Date \_\_\_\_\_

1 [Airport Commission Commercial Paper Notes - \$100,000,000]

2

3 **Resolution approving the issuance and re-issuance from time to time of up to an**  
4 **additional \$100,000,000 aggregate principal amount of San Francisco International**  
5 **Airport Subordinate Commercial Paper Notes for any lawful Airport purpose; and**  
6 **ratifying and confirming certain related Resolutions of the Board and the Airport**  
7 **Commission, as defined herein.**

8

9 WHEREAS, The Airport Commission, by its Resolution No. 97-0147, adopted on May  
10 20, 1997, as supplemented and amended, including by Resolution No. 97-0148, adopted on  
11 May 20, 1997, Resolution No. 99-0299, adopted on September 21, 1999, Resolution No. 09-  
12 0088, adopted on May 5, 2009, Resolution No. 10-0307, adopted on October 5, 2010, and  
13 Resolution No. 16-0275, adopted on November 1, 2016 (as supplemented and amended,  
14 collectively, the "Prior CP Resolutions"), authorized the issuance and re-issuance from time to  
15 time of up to \$500,000,000 aggregate principal amount of San Francisco International Airport  
16 Subordinate Commercial Paper Notes ("Commercial Paper") to provide interim funding for any  
17 lawful purpose of the Airport Commission; and

18 WHEREAS, This Board by its prior resolutions, including by Resolutions Nos. 620-97,  
19 113-02 and 156-17 (collectively, the "Prior Board CP Resolutions"), approved the issuance  
20 and re-issuance from time to time by the Airport Commission of such Commercial Paper; and

21 WHEREAS, The Airport Commission, by its Resolution No. 21-0003, adopted on  
22 January 19, 2021 (the "2021 CP Resolution"), authorized the issuance and re-issuance from  
23 time to time of up to an additional \$100,000,000 aggregate principal amount of Commercial  
24 Paper, for a new maximum authorized aggregate principal amount of \$600,000,000 of

25

1 Commercial Paper outstanding at any time; and

2 WHEREAS, Under the 2021 CP Resolution, proceeds of Commercial Paper shall not  
3 be used for construction costs of any project unless the required environmental review, if any,  
4 for such project has been completed and the Airport Commission has determined to proceed  
5 with such project and CEQA findings have been adopted as required by law; provided, that  
6 Commercial Paper proceeds may also be used to fund planning and development costs  
7 necessary to prepare other projects for environmental review and necessary approvals; and

8 WHEREAS, The 2021 CP Resolution has been submitted to this Board and is on file  
9 with the Clerk of the Board of Supervisors in File No. 210070, which file is hereby declared  
10 to be a part of this Resolution as if set forth fully herein; and

11 WHEREAS, This Board desires to ratify and confirm the Prior Board CP Resolutions,  
12 each as modified and amended thereby and hereby; and

13 WHEREAS, This Board also desires to ratify and confirm the Prior CP Resolutions, as  
14 adopted by the Airport Commission, each as modified and amended; and

15 WHEREAS, Section 4.115 of the Charter provides that the Airport Commission has the  
16 exclusive authority to plan and issue Airport revenue bonds (including Commercial Paper) for  
17 Airport-related purposes, subject to the approval, amendment, or rejection of this Board of  
18 each issue; now, therefore, be it

19 RESOLVED, That this Board hereby declares that each of the foregoing recitals is true  
20 and correct and is a representation of this Board; and, be it

21 FURTHER RESOLVED, That the issuance and re-issuance from time to time of  
22 Commercial Paper in an additional aggregate principal amount of up to \$100,000,000 for a  
23 new maximum authorized aggregate principal amount of \$600,000,000 of Commercial Paper  
24 outstanding at any time, each are hereby approved in accordance with Section 4.115 of the  
25 Charter; and, be it

1 FURTHER RESOLVED, That the 2021 CP Resolution, as adopted by the Airport  
2 Commission, is hereby approved; and, be it

3 FURTHER RESOLVED, That the Airport Commission shall not use Commercial Paper  
4 proceeds to fund construction of any specific construction project unless and until (1) the  
5 required environmental review, if any, for such project has been completed, (2) the Airport  
6 Commission has determined to proceed with such project, and (3) CEQA findings have been  
7 adopted as required by law; provided, that Commercial Paper may also be used to fund  
8 planning and development costs necessary to prepare other projects for environmental review  
9 and the necessary approvals; and, be it

10 FURTHER RESOLVED, That the Prior Board CP Resolutions, each as modified and  
11 amended, including by this Resolution, are hereby ratified and confirmed; and, be it

12 FURTHER RESOLVED, That the Prior CP Resolutions, as adopted by the Airport  
13 Commission, each as modified and amended, are hereby ratified and confirmed; and, be it

14 FURTHER RESOLVED, That all actions heretofore taken by the officers, agents and  
15 employees of the Airport Commission and the City to carry out the intents and purposes of  
16 this Resolution, as are consistent with this Resolution, are hereby ratified, approved and  
17 confirmed; and, be it

18 FURTHER RESOLVED, That the Airport Commission and its proper officers, agents  
19 and employees and those of the City are hereby authorized to execute and deliver such  
20 certificates, documents and agreements as are contemplated by or required under the Prior  
21 CP Resolutions, the 2021 CP Resolution, or any existing Commercial Paper-related  
22 agreement or contract authorized hereby (the "Contemplated Documents"), to carry out the  
23 intents and purposes of this Resolution and the transactions contemplated hereby, and to take  
24 such other actions or execute such other certificates, documents and agreements, in  
25 consultation with the City Attorney, as may be necessary or desirable to carry out the intents

1 and purposes of this Resolution and the transactions contemplated hereby (the “Other  
2 Documents”); provided, that any such other actions or the execution of any such Other  
3 Documents are intended solely to further the purposes of this Resolution, and are subject in  
4 all respects to the terms of this Resolution; and provided further, that no such actions or  
5 execution of such Other Documents shall increase the risk to the Airport Commission or the  
6 City or require the Airport Commission or the City to expend any resources not otherwise  
7 authorized hereby; and, be it

8 FURTHER RESOLVED, That the approvals contained in this Resolution shall extend to  
9 any amendments to the Prior CP Resolutions and the 2021 CP Resolution, as well as to such  
10 additional resolutions that the Airport Commission may adopt for the purposes of issuing  
11 Commercial Paper, provided, that in each case such amendment or additional resolution is  
12 consistent with the parameters set forth herein; and, be it

13 FURTHER RESOLVED, That should the application of any provision of this Resolution  
14 to any particular facts or circumstances be found by a court of competent jurisdiction to be  
15 invalid or unenforceable, then (a) the validity of other provisions of this Resolution shall not be  
16 affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent  
17 possible so as to effect the intents and purposes of this Resolution.

18

19 Approved as to Form:

20 DENNIS J. HERRERA  
21 City Attorney

22 By           /s/ Brooke D. Abola            
23 Brooke D. Abola  
24 Deputy City Attorney

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<b>Item 2</b> <b>File 21-0070</b>	<b>Department:</b> San Francisco International Airport
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"> <li>• The proposed resolution approves the issuance and re-issuance from time-to-time of \$100 million in additional Airport Subordinate Commercial Paper Notes for any lawful Airport purpose. Approval of the proposed resolution would authorize an increase in the Airport's Commercial Paper Program from \$500 million to \$600 million.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• Commercial Paper (CP) is a short-term debt instrument with maturities ranging from 1 and 270 days. The Airport has typically used CP notes as a low cost source of short term financing for its capital improvement projects. CP notes may also be used to pay Airport operating expenses, to refinance outstanding bonds, or for other lawful Airport purposes.</li> <li>• The Airport plans to issue CP notes to provide interim financing for the Capital Improvement Plan. The Airport's municipal bond advisor has estimated that deferring long-term bond issuance from April 2021 to August 2021, and financing capital projects beginning April 2021 through issuance of CP notes will reduce debt servicing costs by \$897,946 for FY 2020-21, and \$312,296 for FY 2021-22, for a total two-year savings of \$1,210,242.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• According to Airport staff, the increase in the CP authorization from \$500 million to \$600 million will improve the Airport's overall liquidity and financial position. Because liquidity and financing flexibility are factors that enter into the credit rating assigned to Airport debt by the major credit rating agencies, increasing CP authorization protects the Airport's current credit rating during the time when the Airport is experiencing short-to-medium term revenue uncertainty.</li> </ul>	
<b>Policy Consideration</b>	
<ul style="list-style-type: none"> <li>• The increase in the amount of outstanding CP notes entails certain risks. If market conditions deteriorate, the Airport could be forced to rollover CP notes at a higher interest rate, and in the event of a financial crisis, could experience difficulties accessing the commercial paper markets.</li> <li>• According to Airport staff, the Airport believes that recent actions by the Federal Reserve to ensure that capital markets remain available to municipal borrowers will allow the Airport to continue to access the CP market, and that short-term interest rates on CP notes are unlikely to increase in the near- to medium- term. Airport staff consider the rollover and refinancing risk to be low at present.</li> </ul>	
<b>Recommendations</b>	
<ul style="list-style-type: none"> <li>• Amend the proposed resolution to request the Airport Director to submit a written update on the financial condition of the Airport as it pertains to the CP program in June 2021.</li> <li>• Approve the proposed resolution as amended.</li> </ul>	

## MANDATE STATEMENT

Section 4.115 of the Charter provides that the Airport Commission has the exclusive authority to plan and issue Airport revenue bonds (including Commercial Paper) for Airport-related purposes, subject to Board of Supervisors approval.

## BACKGROUND

On January 19, 2021, the Airport Commissions adopted a resolution to authorize an increase in the total amount of available outstanding principle of Commercial Paper the Airport may issue from the current maximum amount of \$500,000,000 to \$600,000,000, an increase of \$100,000,000. The Airport is now seeking Board of Supervisor approval of this increase in the maximum capacity on Airport issuance of Commercial Paper. The Board authorized the Airport Commercial Paper Program in 1997 (Resolution No. 620-97), and in 2017 authorized an increase in the total aggregate amount of Commercial Paper principal the Airport may issue from \$400,000,000 to \$500,000,000 (Resolution No. 156-17).

### The SFO Commercial Paper program

Commercial Paper (CP) is a short-term debt instrument with maturities ranging from 1 and 270 days. The Airport has typically used CP notes as a low cost source of short term financing for its capital improvement projects. CP notes may also be used to pay Airport operating expenses, refinance outstanding bonds, or for other lawful Airport purposes.

CP notes are backed by letters of credit committed by banks, which offer security to the note holders that principal can be repaid in full when the notes are due. CP notes are often reissued (rolled over) at maturity at the prevailing market interest rate. Because CP notes are short-term obligations backed by letters of credit from major banks, CP can generally be issued at significantly lower interest rates than the rates paid on long-term debt. As seen in Exhibit 1 below, market rates on CP notes are consistently below long-term bond rates. The cost and time required to issue CP is similarly less than is the case with General Airport Revenue Bonds (GARBs), and thus provides a flexible, low cost as-needed financing source.

**Exhibit 1: Recent Airport Issuances of Commercial Paper**

Issue Date *	CP Amount	CP Interest Rate	Long-Term Bond Rates	Long Term Bond vs. CP rate
7/18/19	\$4,700,000	1.24%	2.82%	1.58%
7/18/19	\$14,075,000	1.24%	2.82%	1.58%
7/18/19	\$600,000	2.30%	2.82%	0.52%
8/8/19	\$30,000,000	2.16%	2.56%	0.40%
11/18/20	\$7,825,000	0.20%	2.08%	1.88%
11/18/20	\$51,125,000	0.19%	2.08%	1.89%
1/27/21	\$96,810,000	0.15%	1.98%	1.83%
1/27/21	\$117,140,000	0.16%	1.98%	1.82%
1/27/21	\$16,050,000	0.15%	1.98%	1.83%

\* Source: Airport. This table provides a summary of SFO's CP issuances, excluding rollover of existing notes

Funding procured through CP issuance can be used for “any lawful Airport purpose”. The types of restrictions that apply to project bond finance do not apply to uses of money raised through CP issue. The CP program provides the Airport with the ability to issue CP notes on an as-needed basis to cover both known and unforeseen needs for short-term financing.

Because CP typically has lower financing costs and greater flexibility regarding the timing of issuance, the Airport will often utilize the CP program to pay for initial capital costs for its capital improvement program. The CP notes are subsequently refinanced through the issuance of long-term bonds. This reduces total costs of debt servicing. The subsequent retirement of CP obligations restores the capacity to issue future CP notes as a flexible source of low cost financing. The Airport has historically sought to maintain the reserve capacity in the CP program between \$100 million and \$200 million. Unutilized borrowing capacity provides protection against unforeseen contingencies such as the current revenue loss due to the COVID-19 pandemic.

Maintaining an ample reserve of secured short-term borrowing capacity is viewed favorably by the major credit rating agencies, as it provides assurance to bond buyers that the Airport will continue to meet debt-servicing obligations in the event of a major financial emergency.

At the present time, the Airport has a total of \$292 million in CP outstanding and \$208 million in available CP capacity.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution approves the issuance and re-issuance from time-to-time of \$100 million in additional Airport Subordinate Commercial Paper Notes for any lawful Airport purpose. Approval of the proposed resolution would authorize an increase in the Airport’s Commercial Paper Program from \$500 million to \$600 million.

**Impact of Covid-19 on Airport Capital Improvement Plan and long-term debt programs**

In response to the major downturn in revenues due to the global pandemic, the Airport instituted an administrative reduction from \$7.8 billion to \$5.7 billion in the Capital Improvement Plan project budget. Major suspended projects include Terminal 3 West Renovation (\$860 million), Terminal 1 North (\$222 million) and International Terminal Phase 2 (\$141 million). Approximately \$5.4 billion of project contracts have been awarded to date. According to Mr. Patrick Liberatore (Debt Manager, Business and Finance), as of February 5, 2021 this leaves a balance of approximately \$300 million of already authorized and committed projects that need to be financed.

**Infrastructure Plan**

In June 2020, the Airport Commission approved a \$380 million Infrastructure Plan. The Commission previously approved \$571 million in infrastructure projects in March 2019, but due to COVID-19, the Airport suspended infrastructure projects totaling \$191 million, with the



balance of the \$380 million approved by the Commissions on June 2, 2020 slated to move forward.<sup>1,2</sup>

According to the June 2, 2020 Airport Commission memorandum, despite the sharp decline in flight volume and revenue earnings beginning in March 2021, the Airport plans to move forward with \$380 million of previously authorized infrastructure spending given that conducting maintenance and repair of existing capital infrastructure requires closure of taxiways and runways, as well as other Airport facilities, resulting in extensive flight delays. The current reduction in air traffic will allow the Airport to conduct needed infrastructure upgrade and repair without disrupting existing operations. It may also reduce the time to completion. In anticipation of recovery in passengers and revenue beginning in 2022, the Airport believes the pandemic provides an opportune time for undertaking needed infrastructure maintenance.

### **Plan of Finance**

The Airport plans to issue CP notes to provide interim financing for the Capital Improvement Plan. CP notes will be allocated to complete work on terminal projects, including Harvey Milk Terminal 1, and runway, taxiway, and other projects, such as airfield and utility improvements. CP debt will be refinanced through issuance of long-term General Airport Revenue Bonds. At the present time, the Airport is expecting that \$85 million of the \$300 million in planned Capital Improvement Plan expenditures will be funded with grants, and \$215 million will be funded through issuance of General Airport Revenue Bonds previously authorized by the Board of Supervisors.

### **Savings from the Airport's financing plan**

The Airport's municipal bond advisor has estimated that deferring long-term bond issuance from April 2021 to August 2021, and financing outlays on construction beginning April 2021 through issuance of CP notes will reduce debt servicing costs by \$897,946 for FY 2020-21, and \$312,296 for FY 2021-22, for a total two-year savings of \$1,210,242. Over the 30-year term of the revenue bonds, total estimated debt savings would be \$2,291,040.<sup>3</sup>

If the Airport were to defer long-term bond issuance from April 2021 to April 2025, and financed outlays on construction beginning April 2021 by issuing CP notes, debt service costs

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<sup>1</sup> The Infrastructure Plan is a distinct sub-component of the overall CIP, and has a separate source of authorized funding. Capital projects authorized as part of the Ascent Program are not available to pay for projects included within the SFO Infrastructure Plan

<sup>2</sup> On June 2, 2020 the Airport Commission approved a staff recommendation to increase the infrastructure program funding authorization to \$571 million, an increase of \$220 million from the previously approved amount of \$351 million. Subsequent to the approval of this recommendation, the ongoing decline in revenue has resulted in the Airport suspending \$191 million of the \$571 in approved infrastructure projects, leaving \$380 million in previous scheduled and/or ongoing projects that are slated to continue to move forward. The approved \$380 million in infrastructure projects is an increase of \$29 million from the amount approved prior to COVID-19 of \$351 million.

<sup>3</sup> The municipal bond advisor's financial scenarios assume issuance of \$262 million of General Airport Revenue Bonds. As noted above, the Airport proposes financing the \$300 million Capital Improvement Plan through issuance of \$215 million in GARBs and \$85 million in grants.

through FY 2024-25 would be reduced by an estimated \$37.1 million. Over the 30-year term of the revenue bonds, total estimated debt savings would be \$12.2 million.

**Additional use of CP issuance and projected outstanding amounts**

As noted above, the Airport has outstanding CP notes of \$292 million and available CP capacity of \$208 million. The Airport is planning to issue additional CP notes in calendar year 2021 to fund ongoing capital projects. As shown in Exhibit 2 below, these issuances will result in a net increase in outstanding CP notes in October 2021 of \$322 million, reducing available CP capacity to \$178 million. According to the Airport, the available CP capacity of \$178 million as of October 2021 represents less than 8 weeks of Airport expenses; the addition of \$100 million to the CP Program would add 4 weeks of expenses coverage, providing the Airport 12 weeks in expense coverage.

**Exhibit 2: Current and Projected CP Issuance (\$ millions)**

Date	Outstanding*	Unused Capacity	
		\$500 Million CP Program	\$600 Million CP Program (Proposed Resolution)
9/12/19	\$0	\$500	
11/28/20	\$62	\$438	
1/27/21	\$292	\$208	\$308
4/30/21	\$222	\$278	\$378
10/31/21	\$322	\$178	\$278

\* Outstanding includes \$170 million issued to defease outstanding bonds for near-term savings and \$200 million for interim financing of the Capital Improvement Plan  
Source: Airport

**FISCAL IMPACT**

**Increasing the authorization will strengthen SFO’s liquidity position**

According to Airport staff, the increase in the CP authorization from \$500 million to \$600 million will improve the Airport’s overall liquidity and financial position. Because liquidity and financial flexibility are factors that enter into the credit rating assigned to Airport debt by the major credit rating agencies, increasing CP authorization protects the Airport’s current credit rating during the time when the Airport is experiencing short-to-medium term revenue uncertainty.

As seen in Exhibit 2 above, if the Board approves the additional \$100 million in CP Program capacity, this will provide the Airport with a total of \$278 million in available borrowing capacity as of October 31, 2021. This amount is nearly triple the \$100 million in unused CP capacity the Airport has historically sought to maintain to provide adequate liquidity protection. Given recent revenue losses, and the possibility of a prolonged slump in the aviation and hospitality sectors, increasing the maximum CP capacity will ensure the Airport’s ability to cover core

operating and debt servicing costs, and secure low-cost financing for capital projects.

Because CP notes are secured by bank committed letters of credit, they represent a low risk form of debt that can be issued on an “as-needed” basis. Increasing the CP Program’s capacity provides additional assurance to bond buyers of the Airport’s ability to honor debt servicing commitments. This can reduce bond buyers’ perception of credit risk, and should favor the ability to obtain lower interest rates on future issuances of long-term debt.<sup>4</sup>

**Potential Risks of Issuing CP for Operating Expenses**

As shown in Exhibit 3 below, the Airport’s actual enplanements in the first quarter of FY 2020-21 were 83 percent less than the budget, contributing to a 13 percent reduction in revenues offset by a 19 percent reduction in expenditures.

**Exhibit 3: Airport FY 2020-21 1<sup>st</sup> Quarter (Unaudited) Report (\$ 000s)**

	Budget	Actual (est.)	Variance	Percent Change
Enplaned passengers	7,384	1,286	(6,098)	(83%)
Landed Weight (mil tons)	10,229	3,677	(6,552)	(64%)
Revenue	\$315,262	\$274,696	-\$40,566	(13%)
Expenditures	<u>\$325,513</u>	<u>\$262,270</u>	<u>-\$63,243</u>	(19%)
Surplus (Deficit)	<b>(\$10,251)</b>	\$12,426	\$22,677	

Source: Airport

The timing of the return of air travel and revenue to pre-pandemic levels is uncertain.<sup>5</sup> As noted above, the Airport states that the additional \$100 million in CP capacity could provide operating expense coverage up to 12 weeks.

The increase in the amount of CP notes that are outstanding entails certain risks. If market conditions deteriorate, the Airport could be forced to rollover CP notes at a higher interest rate, and during periods of heightened financial distress, such as occurred during the 2007-2008 financial crisis, could experience difficulties accessing the commercial paper markets.

According to Mr. Liberatore, the Airport believes that recent actions by the Federal Reserve to ensure that capital markets remain available to municipal borrowers will allow the Airport to continue to access the CP market, and that short-term interest rates on CP notes are unlikely to increase in the near- to medium- term. Airport staff consider the rollover and refunding risk to be low at present.

<sup>4</sup> The most recent Moody’s and S&P reports on the credit ratings assigned to recent Airport’s bond are available at [https://www.flysfo.com/sites/default/files/assets/investor/Moody%27s\\_Series\\_2020ABC\\_Report\\_07242020.pdf](https://www.flysfo.com/sites/default/files/assets/investor/Moody%27s_Series_2020ABC_Report_07242020.pdf) and [https://www.flysfo.com/sites/default/files/assets/investor/SP\\_Series\\_2020ABC\\_Report\\_07242020.pdf](https://www.flysfo.com/sites/default/files/assets/investor/SP_Series_2020ABC_Report_07242020.pdf). See also the GARB 2020 A/B/C Official Statement for additional evidence of how the CP program enters into the estimation of the risks assigned to SFO long-term bond debt (see, for instance p 4,15,19,21, 32, 35)

<sup>5</sup> SFO could face additional revenue loss due to reductions in Passenger Flight Charges paid by airline operators. According to Mr. Liberatore and Ms. Ronda Chu (Capital Finance Director/Acting Budget Director), the Airport has been lowering PFCs rates, and additional adjustments could be needed to avert airline operators re-routing flights through terminals operated by regional competitors.

Because the proposed increase in the Airport's Commercial Paper Program from \$500 million to \$600 million increases CP capacity to cover Airport expenses in the event of an operating shortfall and is not likely to result in increased interest costs, the Budget and Legislative Analyst recommends approval of the proposed resolution.

## **RECOMMENDATIONS**

1. Amend the proposed resolution to request the Airport Director to submit a written update on the financial condition of the Airport as it pertains to the CP program in June 2021.
2. Approve the proposed Resolution as amended.

AIRPORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 21-0003

**RESOLUTION AUTHORIZING THE ISSUANCE AND RE-ISSUANCE OF UP TO AN ADDITIONAL \$100 MILLION AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SUBORDINATE COMMERCIAL PAPER NOTES, INCREASING THE AUTHORIZED MAXIMUM FROM \$500 MILLION TO \$600 MILLION AGGREGATE PRINCIPAL AMOUNT OF COMMERCIAL PAPER NOTES OUTSTANDING AT ANY TIME**

WHEREAS, the Airport Commission of the City and County of San Francisco (Commission), by Resolution No. 97-0147 adopted on May 20, 1997, which Resolution was amended and restated by Resolution No. 09-0088 adopted on May 5, 2009 and supplemented by Resolution No. 10-0307 adopted on October 5, 2010 and Resolution No. 16-0275 adopted on November 1, 2016 (collectively, the Subordinate Master Resolution), authorized the issuance from time to time of its San Francisco International Airport Subordinate Commercial Paper Notes (CP Notes) in an aggregate principal amount outstanding at any time of not to exceed \$500,000,000 for the purpose of providing interim funding for any lawful purposes of the Airport; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of CP Notes, for a new maximum authorized aggregate principal amount of \$600,000,000 of CP Notes outstanding at any time, given the increased financing needs and contingencies of the Airport since such time; now, therefore, be it

RESOLVED, that this Commission authorizes the following:

Section 1. Defined Terms. Capitalized terms used but not otherwise defined in this Resolution shall have the meanings set forth in the Subordinate Master Resolution.

Section 2. Increased Authorization. The issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of CP Notes outstanding at any time is hereby authorized. The total authorized aggregate principal amount of CP Notes outstanding at any time is increased to \$600,000,000. CP Notes shall be issued for the purpose of providing interim funding for any authorized purposes of the Airport.

Section 3. Board Approval. The Commission hereby authorizes and directs the Airport Director to request that the Board approve this Resolution, including the issuance and re-issuance by the Commission of up to an additional \$100,000,000 aggregate principal amount of CP Notes outstanding at any time, for a new aggregate principal amount of CP Notes outstanding at any time of not to exceed \$600,000,000, and request an appropriation to spend the proceeds of the additional authorized Commercial Paper Notes.

AIRPORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 21-0003

Section 4.     Restriction on Expenditure of CP Note Proceeds. Proceeds of CP Notes shall not be used for construction costs of any project unless the required environmental review, if any, for such project has been completed and the Commission has determined to proceed with such project and California Environmental Quality Act findings have been adopted as required by law. CP Note proceeds may also be used to fund planning and development costs necessary to prepare other projects for environmental review and the necessary approvals.

Section 5.     Ratification of Prior Acts. The actions of the officers, employees and agents of the Commission to carry out the intents and purposes of this Resolution taken prior to the adoption hereof by the Commission are ratified, approved and confirmed.

Section 6.     Delegation by Airport Director. The Airport Director is authorized to delegate the authority granted to him pursuant to this Resolution in writing to a member of Airport management upon consultation with the Office of the City Attorney.

Section 7.     General Authorization. The Airport Director and the other officers, employees and agents of the Commission are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the Office of the City Attorney, as may be necessary or desirable and in the best interests of the Airport to carry out the purposes and intents of this Resolution, and the transactions contemplated hereby.

Section 8.     Ratification of the Subordinate Master Resolution. The Subordinate Master Resolution is hereby ratified, approved and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented, including as amended and supplemented by this Resolution. Any provisions of the Subordinate Master Resolution inconsistent with the provisions of this Resolution are hereby repealed.

Section 9.     Effectiveness. This Resolution shall become effective on and as of the date of adoption hereof.

Section 10.    Severability. Should the application of any provision of this Resolution to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Resolution shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of this Resolution.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

21-0003

RESOLUTION NO. \_\_\_\_\_

ADOPTED by the Airport Commission of the City and County of San Francisco this 19<sup>th</sup> day of January 2021, by the following vote:

Ayes: 5

Noes: 0

Absent: 0

Approved as to Form:

DENNIS J. HERRERA  
City Attorney of the City and  
County of San Francisco

By Brooke D. Abola  
Brooke D. Abola  
Deputy City Attorney

Page 3 of 3

I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of \_\_\_\_\_

JAN 19 2021

[Signature]  
Secretary



**MEMORANDUM**

January 19, 2021

TO: AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Eleanor Johns, Vice President  
Hon. Richard J. Guggenlime  
Hon. Everett A. Hewlett, Jr.  
Hon. Malcolm Yeung

**21-0003**  
**JAN 19 2021**

FROM: Airport Director

SUBJECT: Resolution Authorizing the Issuance and Re-Issuance of up to an Additional \$100,000,000 Aggregate Principal Amount of San Francisco International Airport Subordinate Commercial Paper Notes, Increasing the Authorized Maximum from \$500,000,000 to \$600,000,000 Aggregate Principal Amount of Commercial Paper Notes Outstanding at Any Time

DIRECTOR'S RECOMMENDATION: ADOPT THE RESOLUTION AUTHORIZING THE ISSUANCE AND RE-ISSUANCE OF UP TO AN ADDITIONAL \$100,000,000 AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SUBORDINATE COMMERCIAL PAPER NOTES OUTSTANDING AT ANY TIME, UP TO AN AGGREGATE PRINCIPAL AMOUNT OUTSTANDING AT ANY TIME OF NOT TO EXCEED \$600,000,000.

**Executive Summary**

Staff recommends adopting the attached Resolution authorizing an additional \$100,000,000 of San Francisco International Airport Subordinate Commercial Paper (CP) notes, increasing the aggregate principal amount of CP notes that can be outstanding at any time to \$600,000,000 from the current \$500,000,000 maximum amount. The additional CP Program capacity will provide the Commission the capability to finance the remainder of the current Capital Improvement Plan (CIP) at lower interest rates in the near-term while also increasing the Commission's overall liquidity especially while it recovers from the COVID-19 pandemic.

The Airport's Financial Advisory Committee reviewed and concurs with the proposed action.

**Background**

The Airport has used the CP Program since 1997. CP notes are typically used as a low-cost source of short-term financing for CIP projects, then CP notes are refinanced by long-term Second Series Revenue Bonds (Bonds). CP notes could also be used to pay Airport operating expenses or to purchase, refinance, or restructure the Commission's outstanding bonds, or for other lawful Airport purposes. The Commission currently has \$62,140,000 of outstanding CP notes, which financed portions of CIP projects.

THIS PRINT COVERS CALENDAR ITEM NO. 4



CP notes typically bear a low interest rate (currently at approximately 0.2%) and have maturities ranging between one day and 270 days, while Bonds have a higher long-term term interest rate (approximately 4%) with maturities often as long as 30 years. CP notes can be “rolled” at maturity by selling new CP notes to refinance outstanding CP notes at a later maturity date. Interest on CP notes is generally paid down with operating funds for each roll.

The Commission’s Subordinate Master Resolution requires that CP notes be supported by letters of credit sufficient to pay the principal and interest on maturing CP notes. The supporting bank letters of credit assure investors that CP notes will be repaid in full and on time. The bank pays the principal and interest due to investors, then the Commission reimburses the bank. The CP Program is currently supported by an aggregate \$500,000,000 of bank letters of credit.

A history of prior Commission and Board of Supervisors (Board) actions regarding the CP Program is set forth in Appendix A.

### **Rationale – Financial Flexibility**

Because of the relatively low interest rates on CP notes and the ability to issue only when funds are needed, the Airport could reduce debt service expenses by financing CIP funding needs by issuing CP notes and delaying the issuance of long-term Bonds. According to estimates provided by the Airport’s municipal advisors, delaying the issuance of long-term Bonds from April 2021 until August 2021 would reduce debt service costs by approximately \$1,210,242 for Fiscal Years 2020/21 and 2021/22, and provide total debt expense savings of approximately \$2,291,040 over a 30-year term for the Bonds, which equals approximately \$1,874,463 in today’s dollars. These savings estimates are based upon recent market conditions and include letter of credit fees.

Additionally, the substantial impacts of the COVID-19 pandemic have caused municipal market participants such as investors, letter of credit banks, and credit rating agencies to view available liquidity as a critical metric in making credit risk assessments for airports and other entities impacted by the pandemic. Increasing the Commission’s CP Program capacity by an additional \$100,000,000 principal amount will increase the Airport’s overall liquidity and financial flexibility. Maintaining a strong credit profile with market participants contributes to investor demand and supports more affordable borrowing costs for the Commission’s debt issuances.

### **Request to the Board of Supervisors and Related Actions**

If the attached Resolution is adopted by the Commission, the Airport Director will request Board approval for the issuance and re-issuance by the Commission of up to an additional \$100,000,000 aggregate principal amount of CP outstanding at any time, for a new aggregate principal amount of CP notes outstanding at any time of not to exceed \$600,000,000 and seek any necessary appropriation to spend the proceeds of the additional authorized CP notes.

If approval is received from the Board, Staff will pursue several required related actions including, but not limited to, seeking additional credit support. Staff will return to the Commission to request the award, extension, or modification of an existing letter of credit or to enter into a similar agreement in an effort to reach the approved maximum of \$600,000,000 aggregate principal of CP notes, and seek any necessary appropriation to spend the proceeds of the additional authorized CP notes.

**Recommendation**

I recommend the Commission adopt the attached Resolution authorizing the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of San Francisco International Airport Subordinate Commercial Paper Notes, increasing the authorized maximum from \$500,000,000 to \$600,000,000 aggregate principal amount of Commercial Paper Notes outstanding at any time.



Ivar C. Satero  
Airport Director

Prepared by: Kevin Kone  
Acting Chief Financial Officer

Attachments

APPENDIX A  
HISTORY OF PRIOR AIRPORT COMMISSION AND BOARD OF SUPERVISORS ACTIONS

- On May 20, 1997, by Resolution No. 97-0146, the Airport Commission (Commission) authorized the issuance of Commercial Paper (CP) notes.
- On May 20, 1997, by Resolution No. 97-0147, the Commission authorized the First Supplemental Resolution providing for the issuance of CP notes under the Subordinate Master Resolution.
- On June 23, 1997, by Resolution No. 620-97, the Board of Supervisors (Board) approved the issuance and re-issuance of up to \$400,000,000 of aggregate principal amount of CP notes outstanding at any time.
- On September 21, 1999, by Resolution No. 99-0299, the Commission amended and restated Resolution No. 97-0147.
- On February 19, 2002, by Resolution No. 113-02, the Board approved a form of Letter of Credit and Reimbursement Agreement relating to the CP notes.
- On May 5, 2009, by Resolution No. 09-0088, the Commission amended and restated Resolution Nos. 97-0147 and 99-0299.
- On October 5, 2010, by Resolution No. 10-0307, the Commission consolidated its prior resolutions regarding the Airport's bonds and CP notes, and authorized certain other debt-related matters.
- On February 1, 2011, by Resolution No. 50-11, the Board consolidated its prior resolutions regarding the Airport's bonds and CP notes, and authorized certain other debt-related matters.
- On November 1, 2016, by Resolution No. 16-0275, the Commission authorized issuance of up to an additional \$100,000,000 aggregate principal amount of CP notes, increasing the authorized maximum from \$400,000,000 to \$500,000,000 aggregate principal amount of CP notes outstanding at any time.
- On May 2, 2017, by Resolution No. 156-17, the Board approved the issuance and re-issuance of up to \$100,000,000 of additional CP notes, increasing the authorized maximum from \$400,000,000 to \$500,000,000 aggregate principal amount of CP notes outstanding at any time.

**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



**San Francisco International Airport**

GATEWAY TO THE PACIFIC

MEMORANDUM

May 15, 1997

**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. \_\_\_\_\_

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.

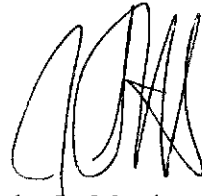
In a separate agenda item, I will submit the third resolution to the Commission requesting authorization to enter into agreements with the various participants in a commercial paper financing.

Members, Airport Commission

-3-

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 be 'JLM', written in a cursive style.

John L. Martin  
Airport Director

Prepared by Spencer Ballard

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)

AIRPORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 97-0146

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

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CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

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CITY AND COUNTY OF SAN FRANCISCO

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

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

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

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.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

"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.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0146

“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 proceeding 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.

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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.



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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.

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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

## 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<sup>1/</sup>, 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.

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<sup>1/</sup> 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**



**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 97-0147**

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

**First Supplemental Resolution  
Providing for the Issuance of  
Not to Exceed \$400,000,000 Aggregate Principal Amount of**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE COMMERCIAL PAPER NOTES**

Adopted on May \_\_, 1997

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 87-0147

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**AIRPORT COMMISSION**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**RESOLUTION NO. 97-0147**

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**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0147

First Supplemental Resolution Providing for the Issuance of  
Not to Exceed \$400,000,000 Aggregate Principal Amount of  
San Francisco International Airport  
Subordinate Commercial Paper Notes

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Commission"), on May \_\_, 1997, duly adopted its Resolution No. 97-\_\_\_\_, providing for the issuance of San Francisco International Airport Subordinate Revenue Bonds, (which Resolution, as previously supplemented and amended, including as supplemented by this Resolution No. \_\_ (herein called the "First Supplemental Resolution"), is herein called the "1997 Resolution"); and

WHEREAS, the 1997 Resolution provides that the Commission may issue Bonds, including commercial paper notes, from time to time as the issuance thereof is authorized by the Commission; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance of one or more additional Series of Bonds in the form of commercial paper notes in an aggregate principal amount of not to exceed Four Hundred Million Dollars (\$400,000,000) for the purpose of financing the construction, acquisition, equipping and development of capital improvements at the Airport (the "Projects");

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

ARTICLE XII

DEFINITIONS; GENERAL AUTHORIZATION; AND RATIFICATION

Section 12.01. Definitions. Except as otherwise defined in this First Supplemental Resolution, capitalized terms herein shall have the meanings assigned thereto in Section 1.01 of the 1997 Resolution. The following definitions shall apply to terms used in this First Supplemental Resolution, unless the context clearly requires otherwise:

"Administrative Agent" means Bayerische Landesbank Girozentrale, acting through its New York Branch, as administrative agent for the Banks with respect to the initial Letter of Credit, and any successor as such administrative agent.

"Advances" means payments made by the Bank or Banks as a result of draws made on the Letter of Credit to pay principal of and interest on the Commercial Paper Notes.

"Available Moneys" means moneys which are continuously on deposit with the Trustee or the Issuing and Paying Agent in trust for the benefit of the holders of the Commercial Paper Notes in a separate and segregated account in which only Available Moneys are held, which moneys constitute proceeds of (i) the Commercial Paper Notes received contemporaneously with the initial issuance and sale of the Commercial Paper Notes, (ii) a drawing under the Letter of Credit or payments otherwise made under a substitute Letter of Credit, (iii) refunding obligations for which the Trustee has received a written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Trustee and the Rating Agencies to the effect that payment of such moneys to the holders of the Commercial Paper Notes would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code if the Commission were to become a debtor

# AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0147

under the United States Bankruptcy Code or (iv) the investment of funds qualifying as Available Moneys under the foregoing clauses.

“Bank” means each of Bayerische Landesbank Girozentrale, acting through its New York Branch and Morgan Guaranty Trust Company of New York, which are issuing the initial Letter of Credit on a several basis, or any other entity that is the issuer of a Letter of Credit then outstanding and effective hereunder. “Banks” means collectively, all of the Banks.

“Bank Note” means a note or notes issued by the Commission pursuant to Section 15.01 hereof and evidencing all or any portion of any unreimbursed Advances made by a Bank and designated as “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes, (insert name of Bank) Series.”

“Bank Note Payment Date” means a date on which principal of or interest on a Bank Note is due and payable, including both scheduled principal and interest and principal and interest payable upon prepayment of a Bank Note.

“Bank Rate” shall have the meaning assigned to that term in the Reimbursement Agreement.

“Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks in New York, New York, San Francisco, California or the city in which is located the office of the Bank at which demands for a draw on the Letter of Credit will be made, are authorized or required by law to close or (ii) a day on which the New York Stock Exchange is closed.

“Commercial Paper Notes” or “Notes” means all Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes authorized to be issued from time to time under the 1997 Resolution and this First Supplemental Resolution, including Commercial Paper Notes issued as Series A Notes and Commercial Paper Notes issued as Series B Notes.

“Dealer” means each of Goldman, Sachs & Co., Artemis Capital Group Inc., and BT Securities Corp., or any successor or assigns permitted under the Dealer Agreement or any other dealer for the Commercial Paper Notes which is appointed by the Commission and has entered into a Dealer Agreement.

“Dealer Agreement” means each Dealer Agreement, by and between the Commission and a Dealer, and any and all modifications, alterations, amendments and supplements thereto, or any other Dealer Agreement entered into by the Commission and a Dealer with respect to the Commercial Paper Notes.

“Designated Representative” means the Airport Director, the Deputy Director for Business and Finance and those additional individuals designated pursuant hereto to complete and deliver Issuance Requests and who have been identified and whose signatures have been certified in a certificate of an Authorized Commission Representative delivered to the Issuing and Paying Agent.

“Expiration Date” means the date of expiration of the Letter of Credit then in effect.

“Interest Advances” means Advances drawn and used to pay interest on Commercial Paper Notes.

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“Issuance Request” means a request made by the Commission, acting through a Designated Representative, to the Issuing and Paying Agent for the delivery of a Commercial Paper Note or Commercial Paper Notes.

“Issuing and Paying Agent” means The Chase Manhattan Bank, or any successor or assigns permitted under the Issuing and Paying Agent Agreement or any other Issuing and Paying Agent which is appointed by the Commission and has entered into an Issuing and Paying Agent Agreement. “Principal Office” of the Issuing and Paying Agent means the office thereof designated in writing to the Commission and the Trustee.

“Issuing and Paying Agent Agreement” means the Issuing and Paying Agent Agreement, dated as of May , 1997, between the Commission and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the Commission and the Issuing and Paying Agent with respect to the Commercial Paper Notes.

“Letter of Credit” means the direct pay Irrevocable Letter of Credit issued by the Banks to the Issuing and Paying Agent on or prior to the date of issuance of the first Commercial Paper Note and any substitute letter of credit accepted by the Issuing and Paying Agent as provided in Section 18.01 hereof.

“Maximum Rate” means twelve percent (12%) per annum or such higher interest rate as may be permitted by applicable law.

“No-Issuance Notice” shall have the meaning assigned thereto in the Reimbursement Agreement.

“Note Depository” means the securities depository for a Series of Commercial Paper Notes appointed as such pursuant to Section 13.05, and its successors and assigns.

“Note Proceeds” means proceeds of the sale of the Commercial Paper Notes or any moneys, securities or other obligations that may be deemed to be proceeds of the Commercial Paper Notes within the meaning of the Code.

“Principal Advances” means Advances drawn and used to pay principal on Commercial Paper Notes.

“Reimbursement Agreement” means the Letter of Credit and Reimbursement Agreement, dated as of May , 1997, by and among the Commission and the Banks, and any and all modifications, alterations, amendments and supplements thereto and any similar document entered into with respect to a subsequent Letter of Credit.

“Series A Notes” means the “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A.”

“Series A Project” means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the Commission as being financed in whole or in part with the proceeds of the Series A Notes, as from time to time amended, as provided in Section 14.03(a) hereof, and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed with proceeds of the sale of Series A Notes.

“Series B Notes” means the “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series B.”

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“Series B Project” means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the Commission as being financed in whole or in part with the proceeds of the Series B Notes, as from time to time amended, as provided in Section 14.03(a) hereof and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed with proceeds on the sale of Series B Notes.

“Specified Event of Default” means an Event of Default described in subsection (a), (b), (c), (f) or (g) of Section 7.01 of the 1997 Resolution, which Event of Default has not been cured.

“Stated Amount” means the Stated Amount as defined in the Letter of Credit.

“Termination Date” means the sixteenth day prior to the Expiration Date.

Section 12.02. Letter of Credit as Credit Facility. The Commission hereby designates the Letter of Credit as a “Credit Facility” and the Reimbursement Agreement as a “Credit Facility Agreement” and the Banks as “Credit Providers” for the purposes of the 1997 Resolution.

Section 12.03. Fees and Expenses of Banks, Trustee and Issuing and Paying Agent. Operation and Maintenance Expenses shall include the fees and expenses of the Banks, the Trustee and the Issuing and Paying Agent, but shall not include payments of principal of, or interest on, Bank Notes.

Section 12.04. General Authorization. The appropriate officers, agents and employees of the Commission are each hereby authorized and directed for and in the name and on behalf of the Commission to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of one or more Series of Commercial Paper Notes in accordance with the provisions hereof and of the 1997 Resolution.

Section 12.05. Ratification of the 1997 Resolution. This First Supplemental Resolution and all the terms and provisions herein contained shall form part of the 1997 Resolution as fully and with the same effect as if all such terms and provisions had been set forth in the 1997 Resolution. The 1997 Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented to the date hereof, including as supplemented by this First Supplemental Resolution.

ARTICLE XIII

THE COMMERCIAL PAPER NOTES

Section 13.01. Authorized Amount of Commercial Paper Notes; Terms and Description of Commercial Paper Notes.

(a) No Commercial Paper Notes may be issued under the provisions of this First Supplemental Resolution except in accordance with this Article.

(b) The Commission hereby authorizes the issuance of its “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A” and “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate

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Commercial Paper Notes, Series B" subject to the provisions of this Section 13.01 and as hereinafter provided. The Series A Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series A Projects, and the Series B Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series B Projects. Proceeds of Commercial Paper Notes issued to refinance other Commercial Paper Notes may be used to pay or reimburse the Banks for Advances used to pay principal or interest due on such maturing Commercial Paper Notes; *provided, however*, that proceeds of Series A Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series A Notes and proceeds of Series B Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series B Notes. Such authorization specifically includes the authorization to issue and reissue Commercial Paper Notes for such purposes. The aggregate principal amount of Commercial Paper Notes that may be Outstanding at any one time hereunder shall not at any time exceed the lesser of (i) \$400,000,000 and (ii) the Principal Component (as defined in the Letter of Credit) then available under the Letter of Credit. At no time shall the aggregate amount of interest payable on the Outstanding Commercial Paper Notes exceed the Interest Component (as defined in the Letter of Credit) then available under the Letter of Credit.

(c) The Commercial Paper Notes shall be dated the date of their respective authentication and issuance; shall be issued in bearer or registered form, as shall be determined by the Airport Director, shall be issued in denominations of \$100,000 and in integral multiples of \$5,000 in excess thereof; and interest on the Commercial Paper Notes shall be separately stated by rate and amount on the face of each Commercial Paper Note. Commercial Paper Notes shall bear interest from their respective dates, payable on their respective maturity dates.

(d) Commercial Paper Notes (i) shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed), which shall not in any event exceed the Maximum Rate, (ii) shall mature on a Business Day not more than 270 days after their respective dates, but in no event later than the Termination Date, and (iii) shall be sold by the Dealers pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof. The stated interest rate, maturity date and other terms of each Commercial Paper Note, so long as not inconsistent with the terms of this First Supplemental Resolution, shall be as set forth in the Issuance Request required by Section 13.06 hereof directing the issuance of such Commercial Paper Note.

(e) The Commercial Paper Notes shall not be subject to redemption prior to maturity.

(f) The Series A Notes and the Series B Notes shall be numbered in such manner as the Issuing and Paying Agent may deem appropriate.

(g) Commercial Paper Notes which are issued to finance or refinance Series A Projects shall be designated as Series A Notes. Commercial Paper Notes which are issued to finance or refinance Series B Projects shall be designated as Series B Notes.

(h) The Commercial Paper Notes shall constitute Bonds within the meaning of the 1997 Resolution and the Series A Notes and the Series B Notes, collectively, shall constitute a single Commercial Paper Program within the meaning of the 1997 Resolution.

Section 13.02. Payment. The Commission covenants to duly and punctually pay or cause to be paid from Net Revenues in accordance with the 1997 Resolution, the principal of and interest on each and every



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Commercial Paper Note when due. To the extent Advances made by the Bank for the purpose of paying principal of and interest on maturing Commercial Paper Notes together with Note Proceeds from Commercial Paper Notes issued on such date are insufficient to pay principal of and interest on maturing Commercial Paper Notes, the Commission will make all payments of interest and principal directly to the Issuing and Paying Agent in immediately available funds on or prior to 1:30 p.m., New York City time, on the date payment is due on any Commercial Paper Note. To the extent principal of and/or interest on Commercial Paper Notes is paid with an Advance, the Issuing and Paying Agent is authorized and directed to use amounts paid by the Commission to reimburse the Banks. The principal of and the interest on the Commercial Paper Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts.

The principal of and the interest on the Commercial Paper Notes shall be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on any Business Day upon which such Commercial Paper Notes have become due and payable provided that such Commercial Paper Notes are presented and surrendered on a timely basis. Upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 3:00 p.m. (New York City time) on a Business Day, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Commercial Paper Note is presented for payment after 3:00 p.m. (New York City time) on a Business Day, payment therefor may be made by the Issuing and Paying Agent on the next succeeding Business Day without the accrual of additional interest thereon.

Notwithstanding the provisions of the previous paragraph, in the event the Notes are issued as a master note or master notes in book-entry form, they shall be payable at maturity without physical presentation or surrender in accordance with the procedures of the Note Depository.

Section 13.03. Authentication of Commercial Paper Notes. The Issuing and Paying Agent is by this First Supplemental Resolution, designated by the Commission as an Authenticating Agent, Registrar and Paying Agent for the Commercial Paper Notes in accordance with the terms of Section 8.12 of the 1997 Resolution. Notwithstanding anything herein to the contrary, the Issuing and Paying Agent shall not authenticate Commercial Paper Notes which mature later than the Termination Date, and the Issuing and Paying Agent shall not authenticate Commercial Paper Notes if a Specified Event of Default then exists of which it has actual knowledge or the Issuing and Paying Agent has received a No-Issuance Notice.

If any Commercial Paper Notes are to be issued in bearer form, the Commission shall from time to time furnish the Issuing and Paying Agent with an adequate supply of Commercial Paper Notes, each of which shall have attached such number of carbon copies as the Issuing and Paying Agent shall reasonably specify. When any Commercial Paper Notes are delivered to the Issuing and Paying Agent by the Commission, the Issuing and Paying Agent shall execute and deliver to the Commission a receipt therefor and shall hold such Commercial Paper Notes for the account of the Commission in safekeeping in accordance with its customary practice.

Section 13.04. Forms of Commercial Paper Notes and Authentication Certificate. The definitive Series A Notes and Series B Notes and the Certificate of Authentication endorsed thereon shall be substantially in the form set forth in Exhibit A attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be required or appropriate in order to accomplish the purpose of the transaction authorized by the 1997 Resolution and this First Supplemental Resolution.

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The Commercial Paper Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

Section 13.05. Book-Entry System. Unless the Airport Director or his designee determines that a Series of Commercial Paper Notes shall be issued in bearer form or registered form other than in book-entry form, the Commercial Paper Notes shall initially be issued in book-entry form as further provided in this Section 13.05.

(a) The Notes issued pursuant to this First Supplemental Resolution shall initially be issued in the form of a separate single fully-registered Note for each Series of the Commercial Paper Notes. Except as provided in subsection (c) of this Section 13.05, all of the Commercial Paper Notes shall be registered in the name of the Nominee. Notwithstanding any provision to the contrary in Section 13.06, so long as the Notes remain in the form of one or more master notes in book-entry form, the issuance of Notes pursuant to an Issuance Request against payment therefor shall not require the physical delivery of note certificates.

The Trustee, the Issuing and Paying Agent and the Commission may treat the registered owner of each Note as the sole and exclusive owner thereof for the purposes of payment of the principal of or interest on the Series of Notes to which such Note belongs, giving any notice permitted or required to be given to Noteholders under the 1997 Resolution, registering the transfer of Notes, obtaining any consent or other action to be taken by Noteholders, and for all other purposes whatsoever, and neither the Trustee, the Issuing and Paying Agent nor the Commission shall be affected by any notice to the contrary.

Neither the Trustee, the Issuing and Paying Agent nor the Commission shall have any responsibility or obligation to any participant in the Note Depository (a "Participant"), any person claiming a beneficial ownership interest in the Commercial Paper Notes under or through the Note Depository or any Participant, or any other person who is not shown on the registration books as being a Noteholder, with respect to (i) the accuracy of any records maintained by the Note Depository or any Participant; (ii) the payment by the Note Depository or any Participant of any amount in respect of the principal of or interest on the Commercial Paper Notes; (iii) the delivery of any notice which is permitted or required to be given to Noteholders under the 1997 Resolution; (iv) any consent given or other action taken by the Note Depository as Noteholder; or (v) any other purpose.

The Issuing and Paying Agent shall pay all principal of and interest on the Commercial Paper Notes only to or upon the order of the Note Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Commission's obligations with respect to the payment of the principal of and interest on the Commercial Paper Notes to the extent of the sum or sums so paid. Upon delivery by the Note Depository to the Issuing and Paying Agent and the Trustee of written notice to the effect that the Note Depository has determined to substitute a new Nominee in place of the current Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Article XIII shall refer to such new Nominee.

(b) In order to qualify each Series of Commercial Paper Notes for the Note Depository's book-entry system, the appropriate officers or employees of the Commission are hereby authorized to execute, seal, countersign and deliver on behalf of the Commission to the Note Depository for each Series of Commercial Paper Notes, a Representation Letter from the Commission representing such matters as shall be necessary to so qualify the Commercial Paper Notes. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section 13.05 or in any other way impose upon the Commission any obligation

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whatsoever with respect to persons having beneficial ownership interests in the Commercial Paper Notes other than the Noteholders.

(c) In the event (i) the Note Depository determines not to continue to act as securities depository for a Series of Commercial Paper Notes, or (ii) the Commission determines that the Note Depository shall no longer so act and delivers a written certificate to the Issuing and Paying Agent and the Trustee to that effect, then the Commission will discontinue the book-entry system with the Note Depository for such Series of Notes. If the Commission determines to replace the Note Depository for a Series of Commercial Paper Notes with another qualified securities depository, the Commission shall prepare or direct the preparation of a new, single, separate, fully registered Note of such Series for such Series of Notes registered in the name of such successor or substitute qualified Note Depository or its Nominee, or make such other arrangements acceptable to the Trustee, the Issuing and Paying Agent and such successor or substitute Note Depository as are not inconsistent with the terms of this Supplemental Resolution. If the Commission fails to identify another qualified Note Depository to replace the incumbent Note Depository for a Series of Commercial Paper Notes, then such Series of Notes shall no longer be restricted to being registered in the bond registration books in the name of the incumbent Note Depository or its Nominee, but shall be registered in whatever name or names the incumbent Note Depository or its Nominee transferring or exchanging such Series of Notes shall designate.

(d) Notwithstanding any provision of the 1997 Resolution to the contrary, so long as the Commercial Paper Notes are registered in the name of the Nominee, all payments with respect to principal of and interest on the Commercial Paper Notes and all notices with respect to the Commercial Paper Notes shall be made and given, respectively, as provided in the Representation Letter for the related Series of Notes or as otherwise instructed by the Note Depository.

(e) The initial Note Depository with respect to each Series of Commercial Paper Notes shall be DTC. The initial Nominee with respect to each Series of Commercial Paper Notes shall be CEDE & CO., as nominee of DTC.

**Section 13.06. Conditions Precedent to Delivery of Commercial Paper Notes.**

(a) Prior to the issuance of the first Commercial Paper Notes hereunder, Commercial Paper Notes shall be executed by the Commission and delivered to the Issuing and Paying Agent, who shall hold such Commercial Paper Notes unauthenticated in safekeeping for the Commission. Subject to the provisions of Sections 13.01 and 13.05 hereof and paragraphs (c) and (d) of this Section 13.06, at any time and from time to time prior to the Termination Date, Commercial Paper Notes shall be manually authenticated and delivered by the Issuing and Paying Agent for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an Issuance Request, no later than 1:00 p.m. (New York City time) on the Business Day on which Commercial Paper Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the Commercial Paper Notes referred to therein and to deliver the same to or upon the order of the Dealer. Each Issuance Request shall include: (i) the principal amount and date of each Commercial Paper Note then to be delivered; (ii) the rate and amount of interest thereon; (iii) the maturity date thereof; (iv) whether the Commercial Paper Notes to be issued shall be Series A Notes or Series B Notes; and (v) if the Commercial Paper Notes are sold at a premium, the purchase price of the Notes. No later than 12:30 p.m. on each Business Day on which the Commission proposes to issue Commercial Paper Notes, each Dealer shall report to the Commission each transaction made with or arranged by it or shall notify the Commission and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or has agreed to purchase.

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Upon receipt of such Issuance Request (which may be transmitted by mail, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing), the Issuing and Paying Agent shall, by 2:15 p.m. (New York City time) on such day, complete each Series A Note and each Series B Note then to be delivered as to amount, date, maturity date, interest rate and interest amount specified in such Issuance Request, and deliver each such Commercial Paper Note to or upon the order of the Dealer upon receipt of payment therefor; *provided, however*, that no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if such delivery would result in the aggregate principal amount of Commercial Paper Notes Outstanding being in excess of the lesser of (i) \$400,000,000 and (ii) the Principal Component (as defined in the Letter of Credit) then available under the Letter of Credit, or would result in the aggregate amount of interest payable on Outstanding Commercial Paper Notes to exceed the Interest Component then available under the Letter of Credit. Notwithstanding any provision herein to the contrary, no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (A) it shall have received notice from a Designated Representative directing the Issuing and Paying Agent to cease authenticating and delivering Commercial Paper Notes until such time as such direction is withdrawn by similar notice, (B) it shall have actual knowledge that a Specified Event of Default shall have occurred and be continuing, (C) it shall have received notice from Bond Counsel that their opinion regarding the exclusion of interest on the Commercial Paper Notes from the gross income for federal tax purposes of the holders thereof is being withdrawn, (D) the maturity date of such Commercial Paper Notes would extend beyond the Termination Date or (E) the Trustee and the Issuing and Paying Agent shall have received a No-Issuance Notice. If an Issuance Request is received after 1:00 p.m. (New York City time) on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested Commercial Paper Notes until the next succeeding Business Day.

The Commission shall, upon a change in the identity of its Designated Representatives, provide a certificate for each new Designated Representative to the Issuing and Paying Agent.

A copy of each Commercial Paper Note authenticated in bearer form by the Issuing and Paying Agent shall be promptly mailed by U.S. mail, first class, postage prepaid, to the Commission and the Trustee by the Issuing and Paying Agent. The Issuing and Paying Agent shall furnish the Commission with such additional information with respect to the carrying out of its duties hereunder as the Commission from time to time shall reasonably request.

(b) In addition to the Issuance Request described above in this Section 13.06, and as a further condition to the issuance of any Commercial Paper Notes, the Designated Representative shall certify to the Issuing and Paying Agent that, as of the date of delivery of such Commercial Paper Notes, (i) the Letter of Credit is in full force and effect; (ii) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the aggregate principal amount of Commercial Paper Notes Outstanding will not exceed the amount that at the time is authorized to be Outstanding hereunder as provided in Section 13.01(b) hereof; (iii) the interest rates borne by the Commercial Paper Notes to be delivered on such date does not exceed the lesser of the Maximum Rate or the rate used in calculating the Interest Component of the Letter of Credit, (iv) unless the Commercial Paper Notes to be issued are taxable, the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed on such date; (v) the terms of the Commercial Paper Notes do not exceed 270 days and the maturity dates of such Commercial Paper Notes set forth in the Issuance Request do not extend beyond the Termination Date; (vi) the Commission has not been notified by Bond Counsel that their opinion with respect to the validity of the Commercial Paper Notes and the tax treatment of the interest thereof delivered prior to the initial issuance of the Commercial Paper Notes has been revised or withdrawn or, if any such revisions or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealers has been delivered; (vii) no Specified Event of Default has occurred

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and is then continuing; and (viii) all of the conditions precedent to the issuance of such Commercial Paper Notes set forth in this Section 13.06 of this First Supplemental Resolution have been satisfied.

The delivery of any Issuance Request to the Issuing and Paying Agent by a Designated Representative in the manner provided in this Section shall constitute the certification and representation of the Commission as of the date of such Issuance Request as to the matters set forth in the immediately preceding paragraph.

(c) Any Issuance Request made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and confirmed promptly in writing by a Designated Representative; *provided, however*, that the failure so to confirm any such Issuance Request, or any conflict between any such recorded oral Issuance Request and the written confirmation thereof, shall not affect the validity of any recorded oral Issuance Request received by the Issuing and Paying Agent as provided herein. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.

(d) Prior to the initial delivery of the Commercial Paper Notes under this First Supplemental Resolution and as a condition to such initial issuance, the Trustee and the Commission shall be notified by the Issuing and Paying Agent that the Issuing and Paying Agent has received:

(i) A fully executed counterpart of the Reimbursement Agreement;

(ii) The executed Letter of Credit;

(iii) The opinions of the United States counsel (and foreign counsel if the Bank is a United States branch or agency of a bank organized under the laws of a country other than the United States) to each Bank, addressed to the Commission, the Issuing and Paying Agent and the Trustee, to the effect that the Letter of Credit is a valid and binding obligation of the Bank, enforceable in accordance with its terms; and

(iv) The Dealer Agreements.

Section 13.07 Commercial Paper Notes. The Commission, the Trustee and the Issuing and Paying Agent may deem and treat the bearer of Notes in bearer form or the registered owner of Notes in registered form as the absolute owner thereof (whether or not such Commercial Paper Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuing and Paying Agent), for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Commission, the Trustee nor the Issuing and Paying Agent shall be affected by any notice to the contrary.

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**ARTICLE XIV**

**APPLICATION OF COMMERCIAL PAPER NOTE PROCEEDS**

**Section 14.01. Establishment and Designation of Accounts.**

(a) An account within the Construction Fund established pursuant to Section 4.01 of the 1997 Resolution is hereby established and designated as the "Commercial Paper Construction Account" and herein called the "Construction Account".

(b) The following accounts within the 1997 Resolution Debt Service Fund established pursuant to Section 5.02(b) of the 1997 Resolution are hereby established, and the Issuing and Paying Agent shall hold such accounts in accordance with the 1997 Resolution and the Issuing and Paying Agent Agreement:

(1) "Commercial Paper Debt Service Account," with subaccounts therein designated as the "Series A Debt Service Account" and the "Series B Debt Service Account";

(2) "Commercial Paper Bank Payment Account" and herein called the "Bank Payment Account," with subaccounts therein designated as the "Series A Bank Payment Account" and the "Series B Bank Payment Account"; and

(3) Bank Note Debt Service Account and herein called the "Bank Note Account".

(c) The Commission hereby determines not to establish an account within the 1997 Resolution Reserve Fund for the benefit of the Noteholders.

**Section 14.02. Deposit of Proceeds of Commercial Paper Notes.** Immediately upon receipt thereof, the Issuing and Paying Agent shall first deposit the proceeds of the sale of the Commercial Paper Notes into the related subaccount of the Bank Payment Account in an amount equal to the unreimbursed Advances made by the Banks to pay principal of or interest on the Commercial Paper Notes of such Series and shall then transfer the remaining proceeds to the Treasurer for deposit in the Construction Account.

**Section 14.03. Application of Moneys in the Construction Account.**

(a) Moneys in the Construction Account attributable to each Series shall be applied to the payment of the Project Costs for such Series. The Commission may from time to time amend the list of Series A Projects or Series B Projects in the Tax Certificate; *provided, however,* that the Commission shall not amend the list of Series A Projects or Series B Projects in such a way as to change the tax status of the related Series of Commercial Paper Notes.

(b) The Treasurer is hereby authorized to disburse from the Construction Account the amount required for the payment of Project Costs and is directed to make such disbursements upon receipt of a warrant drawn by the Controller.

(c) Moneys held in the Construction Account shall be invested by the Treasurer in Permitted Investments as directed by an Authorized Commission Representative.

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**Section 14.04. Deposits Into and Uses of the Commercial Paper Debt Service Account and the Bank Payment Account.**

(a) On or before 1:30 p.m. New York City time, on the maturity of each Note, the Commission shall deposit from Net Revenues available therefor pursuant to Section 5.05(c) and Section 5.06(b)(ii) of the 1997 Resolution with the Issuing and Paying Agent for deposit in the Bank Payment Account, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent in the related Series subaccount of the Bank Payment Account to pay principal of and interest due on all Notes on such maturity date. The Issuing and Paying Agent shall notify the Commission on or before 5:00 p.m., New York City time, on the Business Day prior to such maturity date, the total amount due on such maturity date.

(b) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series A Notes shall be deposited into the Series A Debt Service Account of the Commercial Paper Debt Service Account and used to pay the principal of and interest on such maturing Series A Notes upon the proper presentment thereof.

(c) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series B Notes shall be deposited into the Series B Debt Service Account of the Commercial Paper Debt Service Account and used to pay the principal of and interest on such maturing Series B Notes upon the proper presentment thereof.

(d) Amounts deposited into the Series A Bank Payment Account with respect to the Series A Notes shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the Series A Debt Service Account, by the Issuing and Paying Agent to reimburse the Banks for the amount of such Advance; *provided, however*, if, on any maturity date of the Series A Notes, the Advances paid under the Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such Series A Notes on such date, amounts in the Series A Bank Payment Account shall be used to make the balance of such payment.

(e) Amounts deposited into the Series B Bank Payment Account with respect to the Series B Notes shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the Series B Debt Service Account, by the Issuing and Paying Agent to reimburse the Banks for the amount of such Advance; *provided, however*, if, on any maturity date of the Series B Notes, the Advances paid under the Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such Series B Notes on such date, amounts in the Series B Bank Payment Account shall be used to make the balance of such payment.

(f) Moneys in the Commercial Paper Debt Service Account and the Bank Payment Account shall not be invested.

(g) Any lien that the Issuing and Paying Agent and the Trustee may have on the Advances made by the Bank under the Letter of Credit and Note Proceeds shall be expressly subordinate to the lien on such funds created for the benefit of the holders of the Commercial Paper Notes and the Bank.

**Section 14.05. Drawings Under the Letter of Credit.** On or before each maturity date for any Commercial Paper Note, the Issuing and Paying Agent shall, present all required drawing certificates and accompanying documentation, if required, to the Administrative Agent and demand payment be made under the Letter of Credit on such maturity date at such time and in such amount not in excess of the Stated Amount so as

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to be timely and sufficient to pay the entire amount of principal and interest becoming due on all Commercial Paper Notes on such date.

ARTICLE XV

THE BANK NOTES

Section 15.01. Authorization and Terms of Bank Notes.

(a) The Commission hereby authorizes the issuance of one or more series of its "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes, subject to the provisions of this Section 15.01 and as hereinafter provided. A Series of Bank Notes shall be issued for each Bank and designated the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes (insert name of Bank) Series." The Bank Notes shall be issued from time to time as provided herein in the event that any Advance is not reimbursed on the same Business Day such Advance is made. Bank Notes shall be issued in consideration of the payment of the related unreimbursed Advance by a Bank. The aggregate principal amount of Bank Notes that may be Outstanding at any one time hereunder shall not at any time exceed the Stated Amount of the Letter of Credit on its issuance date.

(b) The Bank Notes shall be dated the date of their respective authentication and issuance; shall be issued in registered form only; shall be issued in any denomination and shall bear interest at the Bank Rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed); *provided, however,* that the interest rate on the Bank Notes shall never exceed the Maximum Rate. Bank Notes shall bear interest from their respective dates, payable in accordance with the Reimbursement Agreement. Principal of Bank Notes shall be payable in accordance with the Reimbursement Agreement. The final maturity of the Bank Notes shall be no later than such date as may be provided for in the Reimbursement Agreement.

(c) The maturity date and other terms of each Bank Note, so long as not inconsistent with the terms of this First Supplemental Resolution, shall be as set forth in the certificate of an Authorized Commission Representative directing the issuance of such Bank Note.

(d) Each Series of Bank Notes shall be subject to optional prepayment prior to maturity in accordance with, and upon notice as provided by, the Reimbursement Agreement.

(e) Each Series of Bank Notes shall be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provision for numbering, including additional prefixes and suffixes, as it may deem appropriate.

Section 15.02. Issuance of Bank Notes. In the event that any Bank shall have made an Advance that has not been reimbursed by 4:30 p.m. on the same Business Day, such Bank or the Administrative Agent shall provide notice in writing to the Commission, the Issuing and Paying Agent and the Trustee requesting the issuance of a Bank Note and stating: (i) the amount of the Advance that remains unreimbursed; (ii) the final maturity date of such Bank Note; and (iii) the amount of each scheduled principal installment on such Bank Note. Upon receipt of such notice, the Issuing and Paying Agent shall authenticate a Bank Note of the Series specified in such notice and in accordance with such notice and the certificate of an Authorized Commission Representative delivered to the Issuing and Paying Agent pursuant to Section 15.01(c) and shall deliver such Bank Note to or upon the order of the respective Bank.



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Section 15.03. Form of Bank Notes and Authentication Certificate. The definitive Bank Notes and the Certificate of Authentication endorsed thereon shall be substantially in the forms set forth in Exhibit B attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be necessary or appropriate in order to accomplish the purpose of the transaction authorized by the 1997 Resolution and this First Supplemental Resolution.

The Bank Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

Section 15.04. No Transfers of Bank Notes. To the extent permitted by applicable law, the Bank Notes shall be non-negotiable and non-transferable.

Section 15.05. Deposits of Net Revenues in Bank Note Account. In accordance with Section 5.03 and Section 5.06 of the 1997 Resolution, on the Business Day before each Bank Note Payment Date, the Treasurer shall allocate and transfer to the Issuing and Paying Agent for deposit in the Bank Note Account amounts from available Net Revenues, as follows:

- (a) An amount equal to the aggregate amount of interest due and payable on such Bank Note Payment Date on all Bank Notes Outstanding; and
- (b) An amount equal to the aggregate principal amount due and payable on such Bank Note Payment Date on the Outstanding Bank Notes.
- (c) Amounts in the Bank Note Account shall be invested by the Issuing and Paying Agent in Permitted Investments in accordance with Section 5.08 of the 1997 Resolution.
- (d) The Bank Notes shall not be payable from the proceeds of a Letter of Credit drawing.

## ARTICLE XVI

### COVENANTS

Section 16.01. No Arbitrage. The Commission shall not take, nor permit to be taken by the Trustee, the Issuing and Paying Agent or otherwise, any action which, if such action had been reasonably expected to have been taken or had been deliberately and intentionally taken on the date of the issuance of any Series of Commercial Paper Notes, would have caused such Series of the Commercial Paper Notes to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and Regulations. To that end, the Commission will comply with all requirements of Section 148 of the Code to the extent applicable to each Series of Notes. In the event that at any time the Commission is of the opinion that for purposes of this Section 16.01 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee or the Issuing and Paying Agent under this First Supplemental Resolution, the Commission shall so instruct the Trustee or the Issuing and Paying Agent in writing, and the Trustee or the Issuing and Paying Agent, as the case may be, shall take such action as may be necessary in accordance with such instructions.

Section 16.02. Rebate to United States. The Commission will pay or cause to be paid to the United States Government the amounts required by Section 148(f) of the Code and any Regulations promulgated

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thereunder at the times required thereby. To further the satisfaction of such rebate requirement, there is hereby created, to be held by the Trustee as a separate fund for each Series of Commercial Paper Notes distinct from all other funds and accounts held by the Trustee under the 1997 Resolution, an account in the Rebate Fund designated as 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 Commercial Paper Notes 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 Owners 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.

Computations of the rebate amount and all calculations under this Section and the Tax Certificate shall be furnished by or on behalf of the Commission. The Trustee shall be deemed conclusively to have complied with the provisions of this Section if it follows the directions of the Commission consistent with the provisions of the Tax Certificate. The Trustee shall have no liability or responsibility to enforce compliance by the Commission with the Rebate Requirement. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section, other than from moneys required to be held in the funds and accounts created under the 1997 Resolution, including the Series Rebate Accounts, or from other moneys provided to it by the Commission.

The Commission and the Trustee shall keep and retain, for a period of six (6) years following the retirement of the related Series of Commercial Paper Notes, records of the determinations made pursuant to this Section 16.02.

In order to provide for the administration of this Section 16.02, the Commission may provide for the employment of independent attorneys, accountants and consultants, who shall be selected by the Commission with reasonable care and compensated on such reasonable basis as the Commission may deem appropriate, and the Trustee may rely conclusively upon the opinions, calculations, determinations and advice of such attorneys, accountants and consultants employed hereunder.

Section 16.03. Tax Covenant. The Commission shall not use or knowingly permit the use of any proceeds of the Commercial Paper Notes or any other funds of the Commission, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Commercial Paper Notes being treated as an obligation not described in Section 103(a) of the Code. Without limiting the generality of the foregoing, the Commission will comply with all the requirements and covenants contained in the Tax Certificate. This covenant shall survive the payment in full or defeasance of the Commercial Paper Notes.

Section 16.04. Taxable Notes. Notwithstanding anything in this Supplemental Resolution to the contrary, in the event the Airport Director or his designee designates a Series of Commercial Paper Notes as obligations not described in Section 103(a) of the Code, the provisions of Sections 16.01, 16.02 and 16.03 shall not apply to such Series of Commercial Paper Notes.

Section 16.05. Letter of Credit. The Commission hereby covenants to maintain in effect a Letter of Credit meeting the requirements hereof at all times that Commercial Paper Notes are Outstanding hereunder. The Commission further covenants that if it is unable to obtain a binding commitment for a substitute Letter of

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Credit at least 60 days prior to the Expiration Date, it shall endeavor to refinance the Series A Projects and the Series B Projects through the issuance of its bonds.

Section 16.06. Reimbursement Agreement. The Commission hereby covenants to comply with the provisions of the Reimbursement Agreement.

**ARTICLE XVII**

**ISSUING AND PAYING AGENT; DEALERS**

Section 17.01. Appointment of Issuing and Paying Agent. The Commission hereby appoints The Chase Manhattan Bank, as Issuing and Paying Agent and agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the Commission will enter into the Issuing and Paying Agent Agreement and the Commission will at all times prior to the Termination Date maintain in effect an Issuing and Paying Agent Agreement, pursuant to which the Issuing and Paying Agent will agree to hold funds, as provided in this First Supplemental Resolution, and fulfill the duties and obligations of the Issuing and Paying Agent as set forth in the First Supplemental Resolution.

Section 17.02. Reports and Records. (a) The Issuing and Paying Agent 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 Notes and all Funds and Accounts established and maintained by the Issuing and Paying Agent pursuant to this First Supplemental 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 Issuing and Paying Agent shall not be required to maintain records with respect to transactions made by the Treasurer, the Trustee or the Commission or with respect to Funds and Accounts established and maintained by the Treasurer or the Trustee.

(b) The Issuing and Paying Agent shall provide to the Commission each month a report of the amounts deposited in each Fund and Account held by it under this First Supplemental 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. Such report shall also include such information regarding the issuance of Commercial Paper Notes during the subject month as the Commission shall request.

(c) The Issuing and Paying Agent shall maintain such books, records, and accounts as may be necessary to evidence the obligations of the Commission resulting from the Commercial Paper Notes, the principal amounts owing thereunder, the maturity schedule therefor, the respective rates of interest thereon and the principal and interest paid from time to time thereunder. So long as the Commercial Paper Notes are in book-entry form, in any legal action or proceeding with respect to a master note, the entries made in such books, records or accounts shall be, absent manifest error, conclusive evidence of the existence and the amounts of the obligations of the Commission therein recorded.

Section 17.03. Resignation and Replacement of Issuing and Paying Agent. The Issuing and Paying Agent may at any time resign and be discharged of the duties and obligations created by this First Supplemental

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Resolution by giving at least 30 days' written notice to the Administrative Agent, the Trustee and the Commission. The Issuing and Paying Agent may be removed, with the written consent of the Administrative Agent, which consent shall not be unreasonably withheld, at any time by an instrument signed by an Authorized Commission Representative and filed with the Issuing and Paying Agent, the Administrative Agent and the Trustee. No such resignation or removal shall become effective, however, until a successor Issuing and Paying Agent has been selected and assumed the duties of the Issuing and Paying Agent hereunder and the Letter of Credit has been transferred to the successor Issuing and Paying Agent in accordance with its terms.

In the event of the resignation or removal of the Issuing and Paying Agent, the Issuing and Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor.

The Issuing and Paying Agent shall, at all times, be a bank or trust company having its principal office in New York, New York and shall at all times be a corporation or a national banking association organized and doing business under the laws of the United States of America or of any state with a combined capital and surplus of at least \$50,000,000 and authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation or national banking association publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this section, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation or national banking association into which any Issuing and Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which any Issuing and Paying Agent shall be a party, or any corporation or national banking association succeeding to the corporate trust business of any Issuing and Paying Agent shall be the successor of the Issuing and Paying Agent if such successor corporation or national banking association is otherwise eligible under this Section, without the execution or filing of any further act on the part of the Issuing and Paying Agent or such successor corporation or national banking association.

Section 17.04. Dealers. The Commission hereby appoints Goldman, Sachs & Co.; Artemis Capital Group, Inc.; and BT Securities Corp., as Dealers and agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the Commission will enter into a Dealer Agreement with each Dealer. The Commission covenants that at all times prior to the Termination Date, it will maintain in effect one or more Dealer Agreements, pursuant to which each Dealer will agree to fulfill the duties and obligations of the Dealer as set forth in this First Supplemental Resolution and its Dealer Agreement.

## ARTICLE XVIII

### MISCELLANEOUS

Section 18.01 Substitute Letter of Credit. Notwithstanding anything herein to the contrary, the Commission may obtain a substitute Letter of Credit to replace the Letter of Credit then in effect hereunder so long as said substitute Letter of Credit shall go into effect at least one Business Day prior to the termination of the Letter of Credit then in effect, the Expiration Date with respect to such substitute Letter of Credit shall be no earlier than the earlier of (i) six (6) months after its date or (ii) the Expiration Date set forth in the Letter of Credit then in effect. The substitute Letter of Credit shall have a Stated Amount (as such term is used in the original Letter of Credit) at least as great as the Letter of Credit being replaced. The following are further

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conditions to the Issuing and Paying Agent's ability to release an existing Letter of Credit and accept a substitute Letter of Credit:

(a) The Commission shall deliver written notice of the proposed substitution to the Trustee, the Issuing and Paying Agent, the Administrative Agent and the Dealers not less than 45 days prior to the substitution date.

(b) There shall be delivered to the Commission, the Trustee and the Issuing and Paying Agent written evidence from each Rating Agency then maintaining a rating on the Commercial Paper Notes, that the substitution of such Letter of Credit will not, in and of itself, result in any rating then assigned to the Commercial Paper Notes being suspended, reduced or withdrawn.

(c) The Issuing and Paying Agent shall deliver written notice to the registered Owners of the Commercial Paper Notes at least 30 days prior to the substitution date. If any Outstanding Note is in bearer form, the Trustee shall publish notice of the substitution of such Letter of Credit in Authorized Newspapers at least 30 days prior to the substitution date.

(d) An opinion or opinions of counsel to the successor Bank shall be delivered to the effect that the substitute Letter of Credit is a legal, valid and binding obligation of the issuing Bank and is enforceable against the Bank in accordance with its terms.

(e) An opinion of Bond Counsel shall be delivered to the effect that the substitution of the Letter of Credit is authorized hereunder and (with respect to Notes other than taxable Notes) will not, in and of itself, adversely affect the exclusion from gross income for federal tax purposes of interest on the Notes.

Section 18.02. Timeliness of Deposits. Funds shall be deemed transferred for purposes of timeliness of receipt under this First Supplemental Resolution when transfer instructions for transfer by federal reserve wire have been given and a federal wire number confirmation has been received; provided that the party to receive such funds shall not be required to take any action required to be taken hereunder with respect to such funds until it has confirmation of actual receipt of such funds.

Section 18.03. Waiver of Events of Default. No Event of Default with respect to the Commercial Paper Notes or the Bank Notes shall be waived pursuant to Section 7.10(c) unless after such waiver the reinstatement provisions of the Letter of Credit shall be in full force and effect.

Section 18.04. Defeasance of Commercial Paper Notes. Commercial Paper Notes shall not be deemed to have been paid in full within the meaning of Article X of the 1997 Resolution unless payment of the principal of, and interest on the Commercial Paper Notes either (a) shall have been made or caused to be made in accordance with the terms of the Commercial Paper Notes and the 1997 Resolution or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (i) Available Moneys sufficient to make such payment and/or (ii) noncallable Government Obligations purchased with Available Moneys, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment.

Section 18.05. Banks to Control Remedies. Pursuant to Section 7.13 of the 1997 Resolution, while each Letter of Credit is in effect, so long as a Bank is not Insolvent and is not in default under its Letter of Credit, no remedy under the 1997 Resolution with respect to the Commercial Paper Notes may be pursued without the prior written consent of such Bank. Each Bank shall have the right to direct the Trustee to pursue

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any right, power, or remedy available under the 1997 Resolution with respect to the assets, if any, available under the 1997 Resolution which secure no Bonds other than the Bonds secured by the Letter of Credit. If, at any time, more than one Bank is eligible to exercise the powers provided in this Section 18.05, the Trustee must obtain the consent of all eligible Banks when consent of a Bank is required, and the Trustee need not follow any direction in accordance with the preceding sentence unless such direction is approved in writing by all eligible Banks.

Section 18.06. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period; *provided, however*, that this Section 18.06 shall not apply to Bank Notes.

Section 18.07. Notices to Rating Agencies. The Commission shall provide the Rating Agencies with written notice of the occurrence of the following events: (i) changes in Dealers, (ii) the appointment of a successor Issuing and Paying Agent, (iii) amendments to the 1997 Resolution pursuant to Section 9.02, (iv) the expiration, termination, substitution or extension of a Letter of Credit, and (v) the defeasance of all Outstanding Commercial Paper Notes. Notices to Moody's shall be addressed as follows (or as provided in any subsequent notice to the Commission) Moody's Investors Service, 99 Church Street, New York, New York 10007, Attention: Structured Finance Group.

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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 Airport Commission  
at its meeting of \_\_\_\_\_ MAY 20 1997 \_\_\_\_\_

  
Secretary

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

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EXHIBIT A

(Form of Master Note)

STATE OF CALIFORNIA  
CITY AND COUNTY OF SAN FRANCISCO  
AIRPORT COMMISSION OF THE CITY AND  
COUNTY OF SAN FRANCISCO  
SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE COMMERCIAL PAPER NOTES  
SERIES     

Registered Owner: CEDE & CO.

Principal Sum: Not to Exceed \$ \_\_\_\_\_ Outstanding

The AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount, together with unpaid accrued interest thereon, if any, on the maturity date of each obligation identified on the records of Commission (the "Underlying Records") as being evidenced by this Master Note, which Underlying Records are maintained by The Chase Manhattan Bank, as Issuing and Paying Agent (the "Issuing and Paying Agent"). Interest shall be calculated on the basis of actual days elapsed in a 365 or 366 day year, as the case may be, at the rate specified on the Underlying Records. Payments shall be made solely from Net Revenues (as defined in the Resolution referred to hereinafter) and payments of drawings under an irrevocable direct pay Letter of Credit of Bayerische Landesbank Girozentrale, acting through its New York Branch, and Morgan Guaranty Trust Company of New York, by [wire transfer] to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

This Note is one of a duly authorized issue of San Francisco International Airport Second Series Subordinate Revenue Bonds of the Commission (hereinafter called the "Obligations") of the series and designation indicated on the face hereof. Said authorized issue of Obligations is not limited in aggregate principal amount and consists of multiple series of varying denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter and the Administrative Code of the City and County of San Francisco (hereinafter called the "Act"). This Note evidences a series of Notes designated as the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Note, Series     " (hereinafter called the "Series      Notes"), limited to \$ \_\_\_\_\_ in aggregate principal amount. This Note is issued pursuant to a resolution of the Commission, adopted May   , 1997, as amended and supplemented, including as supplemented by the First Supplemental Resolution adopted           , 1997, providing for the issuance of the Obligations,



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including the Series \_ Notes and the Series \_ Notes, in the aggregate principal amount of \$ \_\_\_\_\_, (hereinafter collectively called the "Resolution").

Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Obligations are issued and to be issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Obligations; and all the terms of the Resolution and the Act are hereby incorporated herein and made a contract between the Commission and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series of Obligations may be issued on a parity with the Notes of this authorized Series, but only subject to the conditions and limitations contained in the Resolution.

This Note, including the interest hereon, together with all other Obligations, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution).

The Obligations are special obligations of the Commission, and are payable, both as to principal and interest, out of the Net Revenues pertaining to the Airport and the moneys in the Funds and Accounts provided in the Resolution, subject to the prior payment of principal of and interest on the 1991 Resolution Bonds, and not out of any other fund or moneys of the Commission. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Note or the interest hereon.

At the request of the registered owner, the Commission shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note. This Note is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Issuing and Paying Agent in New York, New York, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new fully registered Series \_ Note or Series \_ Notes without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Commission, Chase Trust Company of California, as Trustee (herein called the "Trustee"), and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Obligations may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution, provided that no such modification or amendment shall (i) extend the stated maturity of any Obligation, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Obligation so affected, or (ii) reduce the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with

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the lien of the Resolution, without the consent of the holders of all of the Obligations then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Obligation without the consent of the registered owner of each Obligation not receiving such preference or priority.

It is hereby certified and recited 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 this Note, and in the issuing of this Note, 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 this Note, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Obligations permitted to be issued under the Resolution.

This Note shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent. This Master Note is a valid and binding obligation of Commission.

IN WITNESS WHEREOF, the AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Note to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

AIRPORT COMMISSION OF THE CITY  
AND COUNTY OF SAN FRANCISCO

By

President

Countersigned:

Secretary of the Commission

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

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**CERTIFICATE OF AUTHENTICATION**

This is the Master Note described in the within-mentioned Resolution.

THE CHASE MANHATTAN BANK, as Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Name, address, and Taxpayer Identification Number of Assignee)  
this Master Note and all rights thereunder, hereby irrevocably constituting and appointing  
\_\_\_\_\_ attorney to transfer said Master Note on the books of the Commission with full  
power of substitution in the premises.

Dated:  
Signature(s) Guaranteed

\_\_\_\_\_  
(Signature)  
Notice: The signature on this assignment must correspond with the name as  
written upon the face of this Master Note, in every particular, without  
alteration or enlargement or any change whatsoever.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Commission or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. Or in such other name as is requested by an authorized representative of DTC (any payment is made to Cede & Co. Or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

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**EXHIBIT B**

(Form of Bank Note)

STATE OF CALIFORNIA  
CITY AND COUNTY OF SAN FRANCISCO  
AIRPORT COMMISSION OF THE CITY AND  
COUNTY OF SAN FRANCISCO  
SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE REVENUE NOTES  
\_\_\_\_\_ SERIES

<u>Dated Date</u>	<u>Principal Payment</u>	<u>Final Maturity Date</u>
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Registered Owner:

Original Principal Sum:

The AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named, on each January \_\_, April \_\_, July \_\_, and October \_\_, commencing \_\_\_\_\_, to and including the final maturity date hereinabove stated (each a "Payment Date") (subject to any right of prior prepayment hereinafter mentioned) the principal payment hereinabove stated together with interest on the principal balance outstanding from its dated date until the principal hereof shall have been paid, at the applicable Bank Rate (as defined in that certain Letter of Credit and Reimbursement Agreement, dated as of \_\_\_\_, 1997, by and among the Commission, Bayerische Landesbank Girozentrale, acting through its New York Branch, and Morgan Guaranty Trust Company of New York, as Co-Agents and Bayerische Landesbank Girozentrale, as Administrative Agent (hereinafter called the "Agreement")) payable on each Payment Date, by wire transfer to

\_\_\_\_\_. Payment of the principal of this Note at final maturity or prepayment price upon prior prepayment in full of this Note shall be made upon surrender hereof at the office of The Chase Manhattan Bank, as Issuing and Paying Agent in New York, New York. Payment of principal of, and interest on, this Note shall be made in any lawful currency of the United States of America. Interest on this Note shall be calculated on the basis of a 365 or 366 day year and actual days elapsed.

This Note is one of a duly authorized issue of San Francisco International Airport Second Series Subordinate Revenue Notes of the Commission (hereinafter called the "Obligations") of the series and designation indicated on the face hereof. Said authorized issue of Obligations is not limited in aggregate

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0147

principal amount and consists of multiple series of varying denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter and the Administrative Code of the City and County of San Francisco (hereinafter called the "Act"). This Note evidences a series of Notes designated as the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Note, \_\_\_\_\_ Series" (hereinafter called the "Series \_ Notes"), limited to \$ \_\_\_\_\_ in aggregate principal amount. This Note is issued pursuant to a resolution of the Commission, adopted May \_\_, 1997, as amended and supplemented, including as supplemented by the First Supplemental Resolution adopted \_\_\_\_\_, 1997, providing for the issuance of the Obligations, including the Series \_ Notes and the Series \_ Notes, in the aggregate principal amount of \$ \_\_\_\_\_ (hereinafter collectively called the "Resolution").

Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Obligations are issued and to be issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Obligations; and all the terms of the Resolution and the Act are hereby incorporated herein and made a contract between the Commission and the registered owner from time to time of this Note, and to all the provisions thereof the registered owner of this Note, by its acceptance hereof, consents and agrees. Additional series of Obligations may be issued on a parity with the Notes of this authorized Series, but only subject to the conditions and limitations contained in the Resolution.

This Note, including the interest hereon, together with all other Obligations, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution).

The Obligations are special obligations of the Commission, and are payable, both as to principal and interest, out of the Net Revenues pertaining to the Airport and the moneys in the Funds and Accounts provided in the Resolution, subject to the prior payment of principal of, and interest on, the 1991 Resolution Bonds, and not out of any other fund or moneys of the Commission. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Note or the interest hereon.

The Series \_\_ Notes are subject to optional prepayment prior to their respective stated final maturity dates, at the option of the Commission, from any source of available funds, in whole or in part in principal amounts of at least \$100,000, on any date, [and by lot within a maturity], at a prepayment price equal to the principal amount of Series \_\_ Notes prepaid), together with accrued interest to the date fixed for prepayment.

The Commission, Chase Trust Company of California, as Trustee (herein called the "Trustee"), and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Obligations may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution,

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. S7-0147**

provided that no such modification or amendment shall (i) extend the stated maturity of any Obligation, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Obligation so affected, or (ii) reduce the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with the lien of the Resolution, without the consent of the holders of all of the Obligations then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Obligation without the consent of the registered owner of each Obligation not receiving such preference or priority.

It is hereby certified and recited 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 this Note, and in the issuing of this Note, 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 this Note, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Obligations permitted to be issued under the Resolution.

This Note shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent. This Note is a valid and binding obligation of Commission.

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0147

IN WITNESS WHEREOF, the AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Note to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

AIRPORT COMMISSION OF THE CITY  
AND COUNTY OF SAN FRANCISCO

By

President

Countersigned:

Secretary of the Commission

**CERTIFICATE OF AUTHENTICATION**

This is one of the Notes described in the within-mentioned Resolution and registered this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

THE CHASE MANHATTAN BANK, as Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory

**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



**San Francisco International Airport**

GATEWAY TO THE PACIFIC

**MEMORANDUM**

May 15, 1997

97-0148

MAY 20 1997

**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 Enter Into Agreements in connection with a Commercial Paper Program to assist in Financing of Capital Program

**DIRECTOR'S RECOMMENDATION:** AUTHORIZE AGREEMENTS WITH COMMERCIAL PAPER DEALERS, COMMERCIAL PAPER LETTER OF CREDIT PROVIDER, AND ISSUING AND PAYING AGENT/TRUSTEE

Background

On December 3, 1996, the Commission authorized staff to solicit proposals for underwriting services in connection with the development of a commercial paper program (Resolution No. 96-0315), which would be utilized in the financing of the Airport's capital program.

In connection with the previous agenda item, which requested approval for the two resolutions required to authorize a commercial paper program, Airport staff have conducted several Request for Proposal processes to select the providers of various financial services necessary to implement the program.

RFP Processes

Three separate Request for Proposal (RFP) processes were conducted for financial services associated with the commercial paper program. The first RFP was for commercial paper dealers, the second RFP was for Letter of Credit Providers, and the third was for Issuing and Paying Agent services. A diagram is attached to this memorandum which illustrates the roles of each of these parties in a commercial paper transaction. Their roles, and the RFP processes, are also described on the following page.

THIS PRINT COVERS CALENDAR ITEM NO. \_\_\_\_\_



### Role of Commercial Paper Dealers

Commercial paper dealers will undertake the sale of commercial paper on behalf of the Commission. Upon instructions from authorized Airport staff, the dealers will solicit orders and market interest rates for the Airport's commercial paper, and will then execute the trades after they have been approved by the Airport.

### Commercial Paper Dealer Selection Process

On December 10, 1996, the Airport issued an RFP for underwriting services which included the services of a commercial paper dealer. Eight firms or teams submitted commercial paper dealer proposals, and seven firms or teams were interviewed: the team of Artemis Capital Group/BT Securities, Goldman Sachs, the team of Lehman Brothers/Redwood Securities, Merrill Lynch, Morgan Stanley, the team of Paine Webber/Piper Jaffray/Lam Securities, and the team of Smith Barney/Henderson Capital Partners.

A Selection Panel of Airport and City financial staff evaluated the proposals based on the qualifications of assigned personnel, the firm/team's ability to meet the needs of the Airport, cost effectiveness, and other experience. Based on their evaluations, the Panel recommended that two dealers be appointed: Goldman Sachs & Co. (San Francisco office) and the team of Artemis Capital Group (San Francisco-based) and BT Securities (New York, NY).

Each of the two dealers will receive approximately 50 percent of the Airport's commercial paper issuance initially, and then over time, these shares may be reallocated based on performance. Each dealer will receive compensation equal to five "basis points" (0.05%) of the average outstanding balance of commercial paper allocated to them each quarter, unless the average balance falls below \$100 million in aggregate, in which case they will receive 7 basis points (0.07%). Assuming that an average of \$200 million of commercial paper is outstanding at all times, the combined compensation for both dealers together would total \$100,000 per year.

### Role of Letter of Credit Bank

Most commercial paper issuers obtain either a line of credit or a letter of credit (LOC) to back their commercial paper programs. For an issuer using a line of credit, their program's credit rating is based on the issuer's own short-term credit rating. For an issuer using a letter of credit, their program's credit rating is tied to the LOC bank's credit rating.

The Airport bond team has determined that in today's market, the "all-in" cost (LOC fees plus interest rate) for commercial paper backed by a LOC would be about the same as commercial paper backed by a line of credit. However, significantly less time is required to implement a LOC-backed program. As a result, the Airport solicited proposals for a LOC only. The LOC bank will make principal and interest payments to note holders, and then will be reimbursed by the Airport through subordinate lien net revenues or the issuance of additional commercial paper notes.

#### Letter of Credit Selection Process

On March 18, 1997, RFPs seeking a \$400 million letter of credit were sent to 38 banks which either had a credit rating of at least P1 from Moody's and A-1 from Standard & Poor's (33 banks), or were identified as minority-owned banks (5). Many of the banks that are active in the Letter of Credit market are based outside of the United States (e.g. Canada, Europe, Japan), but have U.S. offices.

Five proposals were received on March 27<sup>th</sup> from the following banks or syndicates:

- Bank of Nova Scotia/Toronto-Dominion Bank
- Bayerische Landesbank/Morgan Guaranty/Westdeutsche Landesbank
- Canadian Imperial Bank of Commerce
- Societe Generale
- Union Bank of Switzerland/Commerzbank/Bayerische Vereinsbank

The Airport Selection Panel initially recommended the bank syndicate of Bayerische Landesbank Girozentrale, Morgan Guaranty Trust and Westdeutsche Landesbank Girozentrale as the highest-ranked respondent, based on the combination of the banks' pricing, their own credit ratings, and the responsiveness of their proposal regarding City terms and conditions.

During the course of negotiations with Airport staff, Westdeutsche Landesbank withdrew from the proposal over a contractual issue. As a result, Bayerische Landesbank and Morgan Guaranty Trust agreed with Airport staff to reduce the initial amount of the letter of credit to \$300 million, and to modify the pricing terms of the proposal. Assuming a \$200 million average outstanding balance, the estimated annual cost of the letter of credit will be approximately \$535,000.

### Role of Issuing and Paying Agent/Trustee

The Issuing and Paying Agent serves a similar role as the trustee in Airport's long-term bond transactions. The Issuing and Paying Agent is responsible for the actual issuance of commercial paper notes (via the automated Deposit Trust Company or "DTC" Book Entry system) upon the direction of the Airport. The Issuing and Paying Agent receives the purchase price from investors via the dealers, and either applies the note proceeds to reimburse the LOC bank for the payment of principal and interest in maturing notes, or transmits the note proceeds to the Airport's account with the City Treasurer. As principal and interest payments come due, the Issuing and Paying Agent draws on the Letter of Credit to make those payments and keeps track of maturities and interest rates on outstanding notes.

A trustee also must be appointed under the Master Subordinate resolution, although its duties will be minimal with respect to the commercial paper notes. The trustee would have more extensive responsibilities in the event that variable rate demand notes (long-term bonds with interest rates that vary on a periodic basis, such as weekly or monthly) are issued at a later date by the Commission.

### Issuing/Paying Agent Selection Process

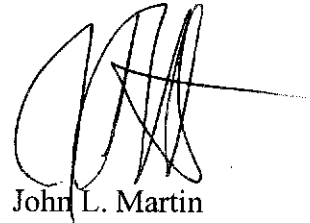
There are five banks in the United States that specialize in providing highly automated Issuing and Paying Agent services required for commercial paper programs of the Airport's size. They are Bankers Trust, First Trust of New York, First National Bank of Chicago, Chase Manhattan Bank and State Street Bank and Trust. Airport staff and the Airport's financial advisors solicited bids from these banks, as well as other banks that had expressed interest in this function, on April 16, 1997.

Bids were received on April 18, 1997. Based on an analysis of the proposals, the Selection Panel of Airport staff recommends Chase Manhattan Bank. In addition to their competitive pricing, Chase Manhattan offers performance reports which will allow Airport staff to easily compare the performance of its commercial paper dealers against one another, as well as comparing the interest rates paid by the Airport against a number of other similar issuers. The estimated annual cost of Issuing and Paying Agent services is approximately \$20,000. No costs will be incurred for trustee services unless the Commission later authorizes the implementation of a variable rate debt program.

I recommend that the Commission authorize the award of contracts with (1) Goldman Sachs & Co. and (2) the team of Artemis Capital Group and BT Securities to serve as commercial paper dealers for a period of two years, with the option for a one year extension.

I also recommend that the Commission authorize the award of a contract with the bank syndicate of Bayerische Landesbank Girozentrale and Morgan Guaranty to serve as Letter of Credit providers for a two year period with a provision for three one-year options.

Finally, I recommend that Chase Manhattan Bank serve as Issuing and Paying Agent and Subordinate Series Trustee for a period of two years with a one-year option.

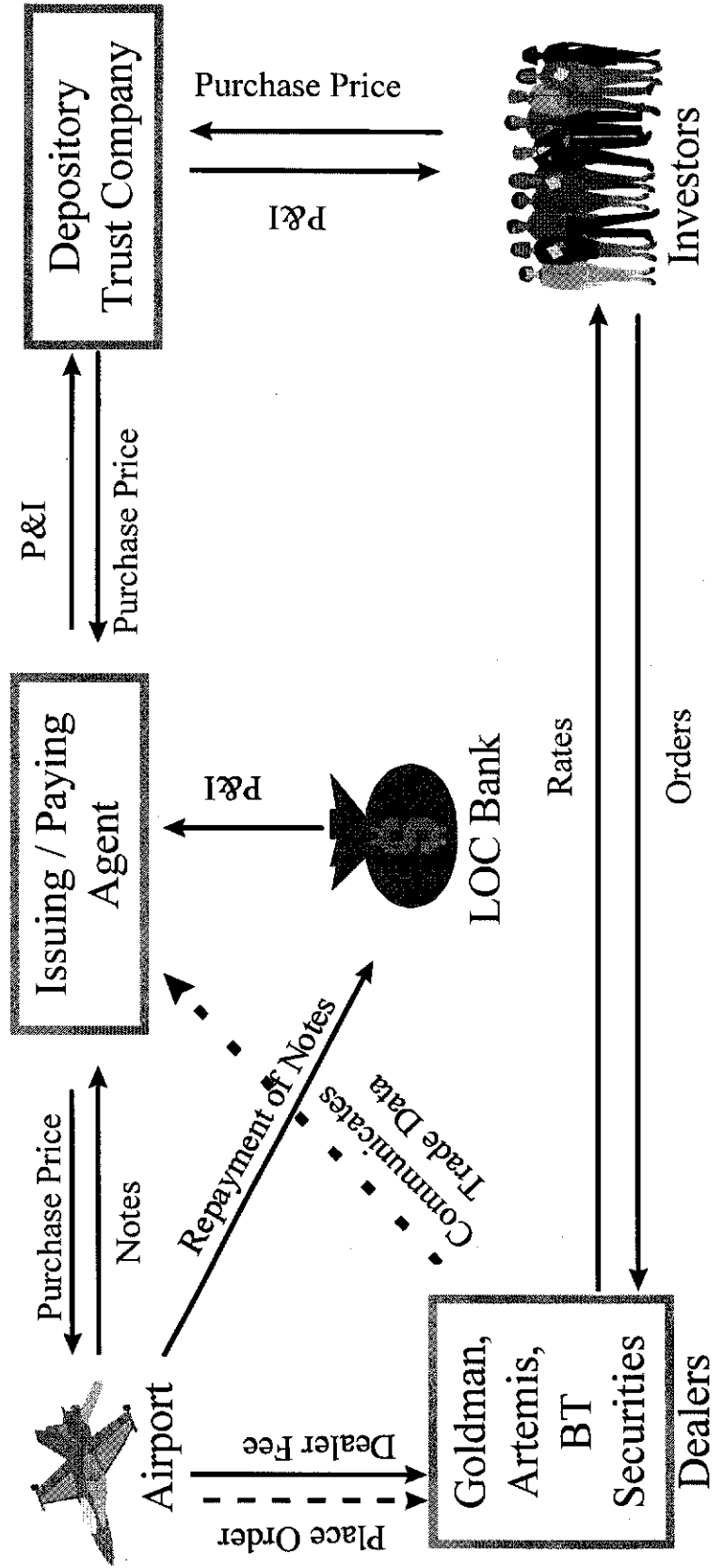
A handwritten signature in black ink, appearing to be 'JL Martin', with a long horizontal line extending to the right.

John L. Martin  
Airport Director

Prepared by Spencer Ballard

Attachment

# San Francisco International Airport Commercial Paper Program



AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0148

Resolution Providing for a Commercial Paper Program, in an Amount Not to Exceed \$400,000,000 Aggregate Principal Amount at any One Time Outstanding of San Francisco International Airport Subordinate Commercial Paper Notes, in One or More Series, Providing for the Commission to Enter into a Letter of Credit and Reimbursement Agreement, an Issuing and Paying Agent Agreement, One or More Dealer Agreements and other Related Documents, and Providing For the Delegation of the Determination to Issue and Sell Commercial Paper Notes from Time to Time and the Determination of Related Matters to the Airport Director

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Commission"), has determined that it is desirable to provide for short-term financing of capital improvements, capitalized interest and related costs at the San Francisco International Airport (the "Airport") through the creation of a commercial paper program and the issuance and reissuance of its San Francisco International Airport Subordinate Commercial Paper Notes in one or more series (the "Notes") under its Resolution No. 97-\_\_\_, as supplemented by its Resolution No. 97-\_\_\_ (the "First Supplemental Resolution"), each adopted by the Commission on \_\_\_\_\_, 1997 (collectively, the "Subordinate Resolution"); and

WHEREAS, the Commission has determined that it is necessary and desirable to enter into an Issuing and Paying Agent Agreement with The Chase Manhattan Bank, as Issuing and Paying Agent (the "Issuing and Paying Agent") to facilitate the issuance, reissuance and payment of the Notes; and

WHEREAS, the Commission has further determined that it is necessary and desirable to enter into a Letter of Credit and Reimbursement Agreement, by and among the Commission and Bayerische Landesbank Girozentrale, acting through its New York Branch ("Bayerische"), and Morgan Guaranty Trust Company of New York, as Co-Agents, and Bayerische, as Administrative Agent (collectively, the "Banks") in order to provide liquidity and credit enhancement for the Notes; and

WHEREAS, the Commission has further determined it is necessary and desirable to enter into one or more Dealer Agreements (each a "Dealer Agreement," and collectively, the "Dealer Agreements") with Goldman, Sachs & Co.; Artemis Capital Group, Inc.; and BT Securities Corp. (each a "Dealer" and collectively, the "Dealers") to provide for the sale of the Notes through the Dealers; and

WHEREAS, the Commission has further determined that it is necessary and desirable to approve the form of an initial Offering Memorandum with respect to the Notes, to be used in connection with the offering and sale from time to time of the Notes by the Dealers; and

WHEREAS, in order to facilitate the timely receipt of funds for the development, acquisition, construction, equipping and financing of capital improvements at the Airport and to achieve the lowest practicable financing costs, the Commission has determined that it is desirable to delegate to the Airport Director the making of certain decisions with respect to the maximum principal amount of each series and the maximum principal amount of the Notes;

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

Section 1. The Airport Director is hereby authorized and directed, for and on behalf of and in the name of the Commission, to enter into an Issuing and Paying Agent Agreement (the "Issuing and Paying Agent Agreement"), by and between the Commission and the Issuing and Paying Agent, substantially in the form

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0148

presented to this meeting and on file with the Secretary, with such changes and additions therein as the Airport Director may approve upon consultation with the City Attorney, such approval to be conclusively evidenced by the execution and delivery of the Issuing and Paying Agent Agreement.

Section 2. The Airport Director is hereby authorized and directed, for and on behalf of and in the name of the Commission, to enter into a Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement"), by and among the Commission and the Banks, providing among other things for the issuance by the Banks of a letter of credit (the "Letter of Credit") for the account of the Commission in an initial stated amount of Three Hundred Twenty-Six Million Six Hundred Thirty Thousand One Hundred Thirty-Eight Dollars (\$326,630,138) and the reimbursement of the Banks by the Commission for drawings under the Letter of Credit, substantially in the form presented to this meeting and on file with the Secretary, with such changes and additions therein as the Airport Director may approve upon consultation with the City Attorney, such approval to be conclusively evidenced by the execution and delivery of the Reimbursement Agreement; *provided, however*, that the maximum stated amount of the Letter of Credit issued pursuant to the Reimbursement Agreement shall not exceed \$400,000,000, plus an interest component not to exceed \$35,506,850.

Section 3. The Airport Director is hereby authorized and directed, for and on behalf of and in the name of the Commission, to determine the maximum principal amounts of each series and the maximum aggregate principal amount from time to time of the Notes; *provided, however*, that the aggregate principal amount of the Notes shall not exceed \$400,000,000 outstanding at any one time and shall not exceed the amount of the principal component of the Letter of Credit at any time. The determinations of the Airport Director provided for in this Section 3 shall be set forth in one or more Certificates of Additional Terms ("Certificate of Additional Terms") to be executed and delivered by the Airport Director, which Certificates of Additional Terms when executed and delivered by the Airport Director, shall constitute a part of the Resolution.

Section 4. The Airport Director is hereby authorized and directed, for and on behalf of and in the name of the Commission, to enter into a Dealer Agreement (the "Dealer Agreement") with each Dealer, substantially in the form presented to this meeting and on file with the Secretary, with such changes and additions as the Airport Director may approve upon consultation with the City Attorney, such approval to be conclusively evidenced by the execution and delivery of each Dealer Agreement; *provided, however*, that the fee paid to each Dealer pursuant to its Dealer Agreement shall not exceed seven hundredths percent (.07%) of the average daily outstanding balance of the Notes each year which are allocable to such Dealer.

Section 5. The form of Offering Memorandum with respect to the Notes presented to this meeting and on file with the Secretary is hereby approved. The Dealers are hereby authorized to distribute from time to time to prospective purchasers of the Notes, an Offering Memorandum, in substantially said form with such changes and additions thereto as the Airport Director or his designee shall approve upon consultation with the City Attorney, such approval to be conclusively evidenced by the delivery to the Dealers of the Offering Memorandum. The Airport Director or his designee is hereby further authorized to approve from time to time revised and updated Offering Memoranda, with such changes and additions thereto as the Airport Director shall approve upon consultation with the City Attorney, such approval to be conclusively evidenced by the delivery to the Dealers of said revised Offering Memoranda as so added to or changed.

Section 6. The actions of the officers, agents and employees of the Commission prior to the adoption of this Resolution to consummate the entering into of the Issuing and Paying Agent Agreement, the Reimbursement

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 97-0168

Agreement, the Dealer Agreements and the issuance and sale of the Notes and the consummation of the other transactions contemplated hereby are hereby ratified, approved and confirmed.

Section 7. The officers, agents and employees of the Commission are hereby authorized to take such actions, to sign such documents, and to enter into such agreements as they may deem necessary or desirable in order to consummate the entering into of the Issuing and Paying Agent Agreement, the Reimbursement Agreement, and the Dealer Agreements and the issuance and sale from time to time of the Notes in accordance with the terms hereof and of the Subordinate Resolution.



AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 97-0148

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]

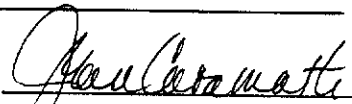
Approved as to Form:

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 \_\_\_\_\_



**DEALER AGREEMENT**  
(Dated \_\_\_\_\_, 1997)

THIS DEALER AGREEMENT (this "Agreement") is entered into as of \_\_\_\_\_, 1997 by and between the Airport Commission of the City and County of San Francisco (the "Commission") and \_\_\_\_\_ (the "Dealer").

**RECITALS**

The Commission proposes to issue and reissue its tax-exempt commercial paper (the "Notes") in aggregate principal amount not to exceed \$400,000,000 at any time outstanding. The Dealer has agreed to act as a Dealer for the Notes and to perform the duties imposed upon the Dealer by this Agreement.

**AGREEMENTS**

NOW, THEREFORE, for and in consideration of the covenants herein made, and subject to the conditions herein set forth, the parties hereto agree as follows:

**Section 1. Definitions.** Unless the context clearly indicates a contrary meaning, each capitalized term used in this Agreement shall have the meaning given to that term in Resolution No. \_\_\_\_\_, adopted by the Commission on May \_\_, 1997, as supplemented by Resolution No. \_\_\_\_\_ authorizing the Notes, adopted by the Commission on May \_\_, 1997, as such Resolutions may be supplemented and amended from time to time (collectively, the "Note Resolution").

**Section 2. Appointment of Dealer; Acceptance.** Subject to the terms and conditions set forth in this Agreement, the Commission hereby appoints \_\_\_\_\_ as a Dealer for the Notes, and \_\_\_\_\_ hereby accepts such appointment and accepts and agrees to perform the duties and obligations imposed upon it as Dealer under this Agreement, subject to the terms, conditions and limitations set forth in this Agreement.

The Dealer shall act as non-exclusive Dealer with respect to the Notes. The Dealer acknowledges that the Commission may enter into agreements with other dealers in connection with the offering and sale of the Notes.

The Commission has delivered to the Dealer a certified copy of the Note Resolution.

**Section 3. Sale and Purchase of Notes.** (a) The Dealer shall use its best efforts to solicit and arrange sales of the Notes at such rates and maturities as may prevail from time to time in the market; provided, however, that the Dealer shall not be obligated to purchase any of the Notes itself. The Dealer and the Commission agree that any Notes which the Dealer may purchase or for which the Dealer may arrange the sale, will be purchased or sold on the terms and conditions and in the manner provided in the Note Resolution, the Issuing and Paying Agent Agreement and this Agreement. Anything herein to the contrary notwithstanding, to the extent of any conflict between the provisions hereof and the Note Resolution, the provisions of the Note Resolution shall be controlling.

(b) Notwithstanding the provisions of paragraph (a) of this Section, the Dealer may immediately suspend its efforts to solicit and arrange sales of the Notes, if:

(i) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended to the Congress for passage by the President of the United States, or a decision by a court established under Article III of the Constitution of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing Federal income taxation, or any other event shall have occurred which results in the imposition of Federal income taxation, upon interest received on the Notes;

(ii) Legislation shall be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Notes, as contemplated hereby, is or would be in violation of any provision of the

Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Notes, or the Notes, as contemplated hereby;

(iii) Any information shall have become known to the Dealer, which, at any time, in the Dealer's opinion, makes untrue, incorrect, incomplete or misleading in any material respect any statement or information contained in the current Offering Memorandum for the Notes, as the information contained therein has been supplemented or amended by other information, or causes such Offering Memorandum, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(iv) Except as provided in clauses (i) and (ii) hereof, any legislation, rule or regulation shall be introduced in, or be enacted by any federal governmental body, department or agency of the United States, the State of New York or the State of California, or a decision by any court of competent jurisdiction within the United States, the State of New York or the State of California shall be rendered which, in the Dealer's opinion, materially adversely affects the marketability of the Notes;

(v) Any governmental authority or national securities exchange shall impose, as to the Notes, or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force;

(vi) A general banking moratorium shall have been established by Federal, New York or California authorities;

(vii) Any rating of the Notes shall have been suspended, downgraded or withdrawn by Moody's or S & P below A-1 or P-1 (or

equivalent rating category) which suspension, downgrading or withdrawal, in the Dealer's opinion, materially adversely affects the marketability of the Notes;

(viii) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in Dealer's opinion, materially adversely affects the marketability of the Notes or of securities of the general character of the Notes; or

(ix) Any other event, including without limitation, the bankruptcy or default of any other issuer of tax-exempt or taxable securities, shall have occurred, which, in the Dealer's opinion, materially adversely affects the marketability of the Notes or of securities of the general character of the Notes.

The Dealer shall immediately notify the Commission of any suspension of its efforts pursuant to this Section 3(b).

**Section 4. Transactions in Notes.** All transactions in Notes between the Dealer and the Commission shall be in accordance with the Note Resolution, the Issuing and Paying Agent Agreement, this Agreement, the Reimbursement Agreement and with the customs and practices in the commercial paper market regarding settlement and delivery formally adopted in writing from time to time by the New York Clearinghouse, to the extent not inconsistent with the Note Resolution. As early as possible, but not later than \_\_\_\_\_ (New York City time) on the day on which any Notes are to be issued, the Dealer shall notify the Commission of the proposed final maturities, prices and interest rates (which interest rates shall not exceed 12% per annum) at which the Dealer will purchase the Notes, and provide the Commission with any other information as required for delivery of such Notes. Except as described below, the Dealer shall not be obligated to purchase any Notes unless and until agreement has been reached in each case on the foregoing points and the Dealer has agreed to such purchase. Not later than \_\_\_\_\_ (New York City time) on the date of each transaction the Dealer shall either (a) confirm each transaction made with or arranged by it or (b) notify the Commission and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or has agreed to purchase. Such confirmation or notification shall be given by telephone (or by other

telecommunications medium acceptable to the Commission) and in writing to the Commission and the Issuing and Paying Agent.

**Section 5. Payment for Notes.** The Dealer shall pay for the Notes purchased by the Dealer or sold by the Dealer in immediately available funds by \_\_\_\_\_ (New York City time) on the Business Day such Notes are delivered to the Dealer. All Notes will be sold at par, and will be executed in the manner provided for in the Note Resolution.

**Section 6. Designated Representative.** Note transactions with the Commission, pursuant to Section 4 hereof, shall be with any one of the officers or employees of the Commission who are designated as a Designated Representative by certificate signed by the Airport Director. The initial written designation of the Designated Representatives is appended hereto as Exhibit A. The Commission agrees to provide the Dealer with revised written designations in the form of Exhibit A when and as required by changes in the Designated Representatives. The Dealer may rely upon such designation unless and until otherwise notified in writing by the Commission.

**Section 7. Certain Representations of the Commission.** The Commission represents to the Dealer as follows:

(a) As of the date of each issuance of Notes, the Commission has full power and authority to issue the Notes, to enter into, perform and observe the covenants and agreements on its part contained in this Agreement, the Issuing and Paying Agent Agreement, the Reimbursement Agreement and the Notes (collectively, together with the Note Resolution, the "Documents"); and such Documents have been duly authorized, executed and delivered by the Commission. The Documents constitute legally valid and binding obligations of the Commission, in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(b) As of the date of each issuance of Notes, the Commission has adopted the Note Resolution at a meeting that was duly called in accordance with law and at which a quorum was present and acting throughout. The Note Resolution is in full force and effect and has not been repealed, modified or amended since its adoption.

(c) As of the date of each issuance of Notes, such Notes have been duly authorized and executed by the Commission, and when authenticated and delivered by the Issuing and Paying Agent, will in conformity with, and entitled to the benefits of the Note Resolution.

(d) The initial Offering Memorandum (other than information therein regarding the Banks, the Letter of Credit, and DTC and its book-entry only system) will not as of its date contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

**Section 8. Offering Memorandum.**

(a) The Commission shall prepare or cause to be prepared the initial Offering Memorandum with respect to the Notes. The Commission shall prepare or cause to be prepared an update to the Offering Memorandum on an annual basis on or about January 30 of each year.

(b) The Commission shall provide the Dealer with:

(i) copies of any notices filed by the Commission in accordance with Rule 15c2-12(b)(5)(i)(C) promulgated under the Securities Exchange Act of 1934 with respect to any outstanding revenue bonds, notes or other obligations for borrowed money of the Commission (the "Airport Bonds") concurrently with the filing thereof;

(ii) copies of annual reports filed by the Commission in accordance with Rule 15c2-12(b)(i)(A) with respect to Airport Bonds concurrently with the filing thereof;

(iii) copies of the official statements or other disclosure documents with respect to Airport Bonds concurrently with the issuance thereof;

(iv) notice of any event or condition regarding the business, operations or financial condition of the Commission or the San Francisco International Airport which the Commission determines would have a material adverse effect on the ability to pay principal and interest on the Airport Bonds as the same becomes due, promptly following the occurrence or knowledge by the Commission of such event or condition;

(v) notice of any event or condition regarding the business, operations or financial condition of the Commission or the San Francisco International Airport which the Commission determines would make the

statements and information in the Offering Memorandum under the heading "THE AIRPORT," as revised and supplemented from time to time, inaccurate in any material respect;

(vi) prompt notice and a copy of any amendment to the Note Resolution or the Issuing and Paying Agent Agreement, or of the substitution, termination or extension of the Letter of Credit;

(vii) prompt notice of the occurrence and continuance of an event of default under the Note Resolution, or the Reimbursement Agreement;

(viii) prompt notice of the suspension, reduction or withdrawal of the rating on any Airport Bonds or the public announcement of the possibility thereof by Moody's or S & P; and

(ix) prompt notice of the receipt by the Commission of notification from Co-Bond Counsel that the Commission may not continue to rely on their opinion regarding the validity or tax-exempt status of the Notes.

(c) The Commission will furnish the Dealer such documents and information concerning the business, operations and financial condition of the Commission, as the Dealer may from time to time reasonably request.

(d) If in the reasonable opinion of the Dealer, Dealer's counsel or Co-Bond Counsel, changes in applicable law require that a disclosure document more extensive than the Offering Memorandum be prepared and distributed, the Commission agrees to prepare such document, with the assistance of the Dealer, at the Commission's cost and expense.

(e) The Dealer shall provide a copy of the Offering Memorandum, as supplemented, amended and updated from time to time, to each person to whom Notes are sold prior to or with the delivery of any payment confirmation. Dealer shall not provide prospective or actual purchasers of the Notes with any written offering materials, disclosure documents or other documents or information in connection with the solicitation of purchases and sales of the Notes other than the Offering Memorandum and any supplements, amendments or updates thereto and the Note Resolution and the Letter of Credit, as the same may be amended, supplemented or replaced from time to time.

#### **Section 9. Payment of Fees and Expenses of Dealer.**



(a) For the services to be performed by the Dealer under this Agreement, the Commission agrees to pay the Dealer a fee equal to (i) .05% of the daily outstanding balance of the Notes if such balance is equal to or in excess of \$100,000,000 or (ii) .07% of the daily outstanding balance of the Notes if such balance is less than \$100,000,000, payable quarterly in arrears on October 1, 1997 and on the last day of each October, January, April and July thereafter.

(b) The Commission agrees to pay the Dealer's reasonable expenses incurred while structuring the tax-exempt commercial paper program.

(c) The Commission agrees to pay the Dealer's reasonable legal and other expenses incurred in connection with the preparation of any supplement or revision to the Offering Memorandum; provided, that such expenses shall not exceed \$15,000 in each calendar year without the prior written consent of the Commission.

(d) The Commission's obligations under this Section 9 which have accrued or arisen prior to the effective date of any termination or expiration of this Agreement shall survive such termination or expiration.

**Section 10. Termination.** This Agreement may be terminated by the Commission at any time, and by the Dealer upon not less than 30 days' prior written notice to the Commission; provided, however, that if there is more than one dealer appointed by the Commission and then acting as such with respect to the Notes at the time of any proposed termination by the Dealer, the Dealer may terminate this Agreement at any time, effective immediately upon written notice to the Commission. Notwithstanding the foregoing, no such termination shall affect the rights or obligations of the Commission or the Dealer hereunder arising prior to such termination.

**Section 11. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be regarded as an original but all of which shall constitute one and the same document.

**Section 12. Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA.

**Section 13. Notices.** Except as otherwise specifically provided herein, all notices required or provided for under this Agreement shall be in writing and shall be delivered by hand, first class mail (postage prepaid), telex, telecopier, telegram or overnight express delivery, and shall be effective when received at the following addresses or at such other address as a party may

designate in a notice delivered to the other party hereto in accordance herewith:

If to the Commission:

If to the Dealer:

**Section 14. Assignment.** This Agreement shall not be assignable by either party hereto without the prior written consent of the other party. This Agreement shall inure to the benefit of and shall be binding upon the Commission and the Dealer and their respective successors and assigns. This Agreement shall not be deemed to give any legal or equitable right, remedy or claim to any other person or entity other than the parties hereto.

**Section 15. Headings.** The section headings hereof have been inserted for convenience of reference only, shall not be part of this Agreement, and shall not be used to construe, define, limit or interpret the meaning of any provision hereof.

**Section 16. Severability.** If any provision of this Agreement shall be held or deemed by a court of competent jurisdiction to be invalid, inoperative or unenforceable for any reason, such determination shall not affect the validity or enforceability of the remaining provisions hereof.

**Section 17. Entire Agreement.** This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

**Section 18. No Personal Liability.** The Commission and its members, officers, employees, representatives and agents shall not be held personally liable for the execution or performance of this Agreement, or any breach or default of the provisions hereof.

**Section 19. McBride Principles - Northern Ireland.** The Commission urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the McBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The Commission urges San Francisco companies to do business with corporations that abide by the McBride Principles.

**Section 20. Tropical Hardwoods.** The Commission urges companies not to import, purchase obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

**Section 21. Burma Business Prohibition Ordinance.**

(a) The Dealer is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative Code.

(b) Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The failure of the Dealer to comply with any of its requirements shall be deemed a material breach of contract.

**Section 22. Term.** The term of this Agreement shall be from May 1, 1997 through April 30, 1999; provided, however, that the term may be extended until April 1, 2000 upon condition that the Dealer is in compliance with the City of San Francisco's Non-Discrimination in Benefits Ordinance (Ordinance No. 440-96, as amended) in effect on April 30, 1999.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

AIRPORT COMMISSION OF THE CITY  
AND COUNTY of SAN FRANCISCO

By: \_\_\_\_\_

[DEALER(S)]

By: \_\_\_\_\_

EXHIBIT A

CERTIFICATE OF DESIGNATED REPRESENTATIVE

I am the Airport Director of the Airport Commission (the "Commission") of the City and County of San Francisco duly authorized pursuant to Resolution No. \_\_\_\_\_ adopted by the Commission on May \_\_, 1997 (the "Resolution") to appoint Designated Representatives of the Commission in connection with the issuance, from time to time, by the Commission of tax-exempt commercial paper (the "Notes") in accordance with the Resolution. I hereby designate the following persons to act on my behalf in accordance with the aforesaid Resolution and specimen signatures of such persons are set forth beside their names.

Designated Persons

Specimen Signature

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EXECUTED THIS \_\_\_\_\_, 1997.

\_\_\_\_\_  
John L. Martin,  
Airport Director

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LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

dated as of

May 1, 1997

by and among

AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO,

BAYERISCHE LANDESBANK GIROZENTRALE,  
acting through its New York Branch,  
in its individual capacity and as Administrative Agent

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
in its individual capacity and as Documentation Agent

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Form of Opinion of Foreign Counsel to BLB

## LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT is dated as of May 1, 1997 by and among the Airport Commission of the City and County of San Francisco, organized and existing under the Charter of the City and County of San Francisco (the "Commission"), Bayerische Landesbank Girozentrale, acting through its New York Branch ("BLB") and as Administrative Agent (in such capacity, the "Administrative Agent"), and Morgan Guaranty Trust Company of New York, in its individual capacity ("Morgan") and as Documentation Agent.

WHEREAS, the Commission will undertake a commercial paper program by causing the execution and delivery of San Francisco International Airport commercial paper revenue notes (the "Notes") from time to time pursuant to Resolution No. \_\_\_\_, adopted on \_\_\_\_\_, 1997 by the Commission (the "Master Subordinate Resolution"), as supplemented by Resolution No. \_\_\_\_, adopted by the Commission on \_\_\_\_\_, 1997 (the "First Supplemental Resolution" and together with the Master Subordinate Resolution, the "Subordinate Lien Resolution"); and

WHEREAS, the Commission intends to issue Notes for the purposes of paying for the construction of certain capital improvements at the San Francisco International Airport, paying the principal of and interest on maturing Notes, and paying for costs of issuing the Notes; and

WHEREAS, the Commission has requested that the Banks issue an irrevocable direct-pay letter of credit (the "Letter of Credit") to support the payment when due of the principal of and interest on the Notes; and

WHEREAS, the Banks are willing to provide the Letter of Credit on a several basis upon the terms and conditions herein set forth;

WHEREAS, the Subordinate Lien Resolution authorizes a maximum authorized principal amount of Notes of \$400,000,000 and the principal component of the Letter of Credit will initially be \$300,000,000 but may be increased to \$400,000,000 upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and in order to induce the Banks to enter into this Agreement, the Commission and the Banks hereby agree as follows:

### ARTICLE I. DEFINITIONS

Section 1.01. Definitions. Capitalized terms used herein and not defined herein shall have the definitions ascribed thereto in the Subordinate Lien Resolution. The following terms, as used herein, have the following respective meanings:

"Agency and Interbank Agreement" means the Agency and Interbank Agreement, dated as of May 1, 1997, between BLB and Morgan.

"Administrative Agent" means BLB, as administrative agent for the Banks and any successor administrative agent under the Agency and Interbank Agreement.

"Agreement" means this Letter of Credit and Reimbursement Agreement, as amended, modified or supplemented from time to time, in accordance with the provisions hereof.

"Bank" or "Banks" means each of BLB and Morgan.

"Bank Information" means information describing each Bank and furnished in writing by such Bank expressly for inclusion in any Offering Materials.

"Bank Note" has the meaning set forth in Section 2.02(c).

"Bank Rate" means the rate of interest per annum with respect to a Bank Note (i) for any day commencing on the date such Bank Note is issued until the thirtieth (30th) day next succeeding the date such Bank Note is issued, equal to the Base Rate and (ii) for any day commencing on the thirtieth (30th) day next succeeding the date such Bank Note is issued until the ninetieth (90th) day next succeeding the date such Bank Note is issued, equal to the Base Rate plus 1/2 of 1% (0.50%), and (iii) for any day commencing on the ninetieth (90th) day next succeeding the date such Bank Note is issued and thereafter, equal to the Base Rate plus 1.00%; *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, "Bank Rate" shall mean the Default Rate; and provided further, that the Bank Rate shall not exceed 20% per annum.

"Base Rate" means, for any day, the higher of (i) the Prime Rate and (ii) the Federal Funds Rate plus 1/2 of 1% (0.50%).

"Bond Counsel" means any counsel selected by the Commission with nationally recognized expertise in municipal finance law, including matters relating to the validity and tax exemption of interest on obligations of states and their political subdivisions.

"Business Day" means a day other than a day on which (a) banks located in New York, New York and San Francisco, California are required or authorized by law or executive order to close for business, and (b) The New York Stock Exchange is closed.

"Charter" means the Charter of the City and County of San Francisco, as amended and supplemented from time to time.

"City" means the City and County of San Francisco, a municipal corporation and political subdivision of the State of California.

"Closing Date" means the date on which the Letter of Credit is issued by the Banks.

"Commission" means the Airport Commission of the City and County of San Francisco.

"Dealer" means each of Goldman, Sachs & Co., Artemis Capital Group Inc. and BT Securities Corp., for so long as each is acting as a dealer for the Commission with respect to the Notes, or any successor Dealer appointed pursuant to the Subordinate Lien Resolution.

"Dealer Agreement" means each Dealer Agreement dated as of May 1, 1997, by and between the Commission and a Dealer, as amended and supplemented from time to time, and any such agreement with any successor Dealer.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others guaranteed by such Person.

"Default" means any event or condition that constitutes an Event of Default or that with the giving of notice or the lapse of time of both would, unless cured or waived, become an Event of Default.

"Default Rate" means the Base Rate plus 2.0%.

"Drawing" means any Principal Drawing or Interest Drawing.

"Event of Default" has the meaning assigned to such term in Section 7.01 hereof.

"Federal Funds Rate" means for any day the rate of interest per annum, as determined by the Administrative Agent, at which overnight Federal Funds are offered to the Administrative Agent for such day by major banks in the interbank market, with any change in such rate to become effective as to the Commission on the date of any change in such rate. Each determination of the Federal Funds Rate by the Administrative Agent shall be deemed conclusive and binding on the Commission absent manifest error.

"Interest Drawing" means a drawing under the Letter of Credit, accompanied by a certificate in the form of Annex B to the Letter of Credit.

"Issuing and Paying Agent" means Chase Manhattan Bank, as Issuing and Paying Agent for the Notes under the Subordinate Lien Resolution, or any successor registrar and authenticating agent and paying agent for the Notes appointed in accordance with the Subordinate Lien Resolution.

"Issuing and Paying Agent Agreement" means the agreement by that name, dated as of May 1, 1997, entered into between the Commission and the Issuing and Paying Agent, as it may be amended or supplemented from time to time.

"Letter of Credit" means the irrevocable direct-pay letter of credit to be issued by the Banks on a several basis pursuant hereto for the account of the Commission in favor of the Issuing and Paying Agent, as beneficiary, which shall be in substantially the form of Exhibit A to this Agreement.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the 1997 Resolution Bonds.

"Maximum Interest Rate" means 12% per annum.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns, or if such organization no longer maintains a rating on the Senior Lien Bonds, any other rating agency designated by the Commission with the approval of the Administrative Agent.

"Net Revenues" means Revenues, less Operation and Maintenance Expenses.

"1997 Resolution Bonds" has the meaning assigned to that term in the Subordinate Lien Resolution.

"No-Issuance Notice" has the meaning assigned to that term in Section 3.05 hereof.

"Notes" means the Airport Commission of the City and County of San Francisco Subordinate Commercial Paper Notes, Series A and Series B executed and delivered under and entitled to the benefits of the Subordinate Lien Resolution.

"Obligations" means all obligations and all liabilities of the Commission under this Agreement, including, but not limited to, its obligations to make all payments required by Section 2.02 hereof.

"Offering Materials" means such disclosure documents with respect to the Notes and the Commission as may be prepared by the Commission or the Dealers from time to time in connection with the offering and sale of Notes.

"Outstanding" (i) with respect to the Notes, shall have the meaning assigned to such term in the Subordinate Lien Resolution, and (ii) with respect to Bank Notes, means all Bank Notes, including the interest thereon, not repaid by the Commission.

"Participant" has the meaning assigned to that term in Section 8.09 hereof.

"Participation" has the meaning assigned to that term in Section 8.09 hereof.

"Payment Office" means 560 Lexington Avenue, New York, New York 10022, Attention: Loan Administration, or such other office as the Administrative Agent may designate from time to time.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means for any day the per annum rate of interest for such day announced by the Administrative Agent from time to time as its base rate or equivalent rate for United States dollar denominated loans, with any change in such prime rate or equivalent to be effective on the date of such change, it being understood that such rate may not be the best or lowest rate offered by the Administrative Agent.

"Principal Drawing" means a drawing under the Letter of Credit, accompanied by a certificate in the form of Annex A to the Letter of Credit.

"Rating Agency" means Moody's or S&P.

"Related Documents" means this Agreement, the Notes, the Dealer Agreement, the Senior Lien Resolution, the Subordinate Lien Resolution and the Issuing and Paying Agent Agreement.

"Revenue Fund" has the meaning assigned to that term in the Subordinate Lien Resolution.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if such organization no longer maintains a rating on Senior Lien Bonds, any other rating agency designated by the Commission with the approval of the Administrative Agent.

"Scheduled Termination Date" means April 30, 1999, unless extended in accordance with Section 2.04 hereof, in which case the Scheduled Termination Date means the date to which the Letter of Credit has been extended.

"Senior Lien Bonds" means "1991 Resolution Bonds" as defined in the Senior Lien Resolution.

"Senior Lien Resolution" means Resolution No. 91-0210, adopted by the Commission on December 3, 1991, as amended and supplemented, and as it may be further amended and supplemented in accordance therewith.

"Several Portion of the Stated Amount" has the meaning assigned to that term in the Letter of Credit.

"Stated Amount" has the meaning set forth therefor in Section 2.01(a) hereof.

"Subordinate Lien Resolution" means, collectively, Resolution No. \_\_\_\_ of the Commission, adopted on \_\_\_\_\_, and Resolution No. \_\_\_\_ of the Commission, adopted on \_\_\_\_\_, in each case together with any and all further amendments or supplements thereto.

"Termination Date" has the meaning assigned to such term in the Letter of Credit.

"Trustee" means Chase Trust Company of California, as trustee under the Subordinate Lien Resolution.

Section 1.02. Gender; Plural. All references made herein (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

Section 1.03. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent with the most recent audited financial statements of the Commission delivered to the Banks.

## ARTICLE II. ISSUANCE OF LETTER OF CREDIT; PAYMENT; INCREASE IN STATED AMOUNT

### Section 2.01. Issuance of Letter of Credit; Drawings under the Letter of Credit.

(a) The Banks hereby severally agree, on the terms and subject to the conditions hereinafter set forth, to issue to the Issuing and Paying Agent for the benefit of the owners from time to time of the Notes the Letter of Credit (substantially in the form of Exhibit A hereto), dated the Closing Date and completed in accordance with such form and the terms of this subsection 2.01(a). The Stated Amount of the Letter of Credit on the Date of Issuance shall be \$326,630,138, which amount is equal to \$300,000,000 maximum aggregate principal amount of the Notes plus an interest component of \$26,630,138. Subject to Section 2.01(d), the Stated Amount may be from time to time reduced and/or reinstated in accordance with the terms of the Letter of Credit, but shall in no event be less than the aggregate principal amount of the Notes Outstanding plus interest on the Notes for 270 days at an assumed rate equal to the Maximum Interest Rate based on a year of 365 days. The Banks will use their own respective own funds in honoring a Drawing on the Letter of Credit. Unless otherwise terminated in accordance with its terms, the Letter of Credit shall expire on the Scheduled Termination Date.

(b) The Letter of Credit is transferable in whole only to the successor Issuing and Paying Agent. Any such transfer (including any successor transfer) shall be effective upon receipt by the Administrative Agent on behalf of the Banks (which receipt shall be subsequently confirmed in writing to the transferor and the transferee by the Banks) of a signed copy of the instrument affecting each such transfer signed by the transferor and by the transferee in the form of Annex F attached to the Letter of Credit (which shall be conclusive of such transfer) and, in such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under the Letter of Credit in the transferor's place; provided that, in such case, any certificates of the Issuing and Paying Agent to be provided under the Letter of Credit shall be signed by one who states therein that such person is a duly authorized officer or agent of the transferee.

(c) All Principal Drawings to be made under the Letter of Credit shall be made in the form of Annex A to the Letter of Credit and all Interest Drawings to be made under the Letter of Credit shall be made in the form of Annex B to the Letter of Credit, each to be addressed to the Administrative Agent on behalf of the Banks and submitted by the Issuing and Paying Agent at the time and place specified in the Letter of Credit, and no further presentation of documentation, including the original Letter of Credit, need be made; it being understood that the tested telex or telecopy shall, in all events, be considered to be the sole operative instrument of drawing. The Administrative Agent may rely upon any such tested telex or telecopy drawing which it, in good faith, believes to have been dispatched by the Issuing and Paying Agent or its authorized agent.

(d) Reduction of Stated Amount and Termination of Letter of Credit.

(i) The Commission may, upon at least five (5) Business days notice to the Administrative Agent, reduce the Stated Amount from time to time during the period from such date through the Termination Date; provided, that (A) each such reduction of the Stated Amount shall be in an amount equal to \$1,000,000 or an integral multiple thereof, (B) the amount of the Stated Amount may not be reduced below the sum of the aggregate principal amount of the Outstanding Notes plus interest on the Outstanding principal amount of Notes for 270 days at an assumed rate equal to the Maximum Interest Rate based on a year of 365 days, and (C) the Administrative Agent shall have received a certificate, substantially in the form of Annex C to the Letter of Credit, with respect to such reduction. The Commission shall also notify the Issuing and Paying Agent of such reduction in the Stated Amount.

(ii) The Commission may terminate the Letter of Credit at any time without payment of any fee. Upon such termination of the Letter of Credit, all Outstanding Bank Notes and accrued interest thereon, and all fees and other Obligations of the Commission hereunder shall be promptly paid or repaid in full to the Banks.

Section 2.02. Repayment of Drawings; Bank Notes.

(a) Bank Notes. The Commission shall reimburse each Bank for the amount paid by such Bank upon a Drawing under the Letter of Credit, in the amount and to the extent of the



amount of payment by each Bank under such Drawing, on the same Business Day such Drawing is paid by the Banks; provided, that any portion of any Principal Drawing or any Interest Drawing under the Letter of Credit not reimbursed by the Commission to such Bank on the date such Drawing is paid by the Banks shall be evidenced by a Note or Notes (each, a "Bank Note") which shall be issued by the Commission pursuant to the Subordinate Lien Resolution and which shall be registered in the name of such Bank and delivered to such Bank. Each Bank shall be the owner of its respective Bank Notes for all purposes thereunder and under the Subordinate Lien Resolution and shall be entitled to all payments in respect of its respective Bank Notes. Such Bank Notes shall evidence an obligation of the Commission until the principal of and interest with respect to such Bank Notes shall have been paid by the Commission to such Bank in the amounts and at the times provided therein and herein.

(b) Payment of Principal of Bank Notes. The Commission shall pay the principal of each Bank Note in equal quarterly installments as to principal, commencing on the first day of each January, April, July and October, as the case may be, which is next following the date such Bank Note is issued, to the first day of such calendar quarter in which occurs the earlier of (i) the fifth anniversary of the issuance date of such Bank Note or (ii) the seventh anniversary of the Closing Date.

(c) Payment of Interest on Bank Notes. The Commission shall pay interest on the unpaid principal of the Bank Notes from the date of issuance of each Bank Note until such amount is paid in full, payable quarterly in arrears on the first day of each January, April, July and October and on the day such Bank Note is fully paid at the applicable Bank Rate; provided, however, that in no event shall the interest on the Bank Notes exceed the Maximum Rate.

(d) Prepayment.

(i) The Commission may prepay any Outstanding Bank Note, together with accrued interest to the date of such prepayment, in whole, or in part in a minimum amount of \$100,000, at any time upon one Business Days' prior written notice delivered to the applicable Banks. The amount of any prepayment shall be applied by the applicable Bank to pay its Bank Notes in the order of their issuance.

(ii) Upon payment to a Bank of a portion of the principal amount of its Bank Note to be prepaid as stated in clause (i) above, together with accrued interest to the date of such prepayment, (A) the amount Outstanding of such Bank Note shall be reduced by the principal amount of such payment, and (B) interest shall cease to accrue on the amount so paid.

(iii) The Commission irrevocably authorizes the Banks to reinstate the amount available to be drawn under the Letter of Credit by the amount of any such prepayment.

(e) Payments and Computations. The Commission will make each payment hereunder not later than 2:00 P.M. (New York City time) on the day when due, in lawful money of the United States of America and in immediately available funds, to the Administrative Agent on behalf of the Banks, at the Payment Office. All such payments shall be made by the

Commission without defense, set-off or counterclaim. Whenever any payment to be made under this Agreement shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in the computation of interest or fees, as the case may be. All computations of interest hereunder and all fees shall be made on the basis of a year of 365 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

(f) If the Commission shall fail to pay when due (whether at maturity or otherwise) principal of or interest on a Bank Note, each such unpaid amount shall bear interest for each day from and including the date it was so due until paid in full at a rate per annum equal to the Default Rate.

(g) No Drawings to Pay Bank Notes. The principal amount of Bank Notes and the interest thereon shall not be paid with the proceeds of a drawing under the Letter of Credit.

(h) Determination of Interest Rate. The Administrative Agent shall give prompt notice to the Commission of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.02(c) hereof.

(i) Maximum Rate; Payment of Fee. Upon termination of this Agreement, the Commission shall pay to the Administrative Agent on behalf of the Banks a fee in an amount equal to the aggregate Excess Amount (as defined herein) for all Bank Notes. The "Excess Amount" for each Bank Note shall be the aggregate amount obtained by multiplying the principal amount due on such Bank Note on any day by the positive difference between (x) the Bank Rate otherwise applicable to such Bank Note and (y) the Maximum Interest Rate, for each day during any period that the Bank Rate is higher than the Maximum Interest Rate (the "Excess Interest Period"). The Excess Amount for each Bank Note shall be reduced by the aggregate amount obtained by multiplying the principal amount due on such Bank Note on any day by the negative difference between (x) the Bank Rate otherwise applicable to such Bank Note and (y) the Maximum Interest Rate, for each day following any Excess Interest Period that such Bank Note continues to accrue interest at the Maximum Interest Rate. As long as a Bank Note is Outstanding, if the Bank Rate relating to such Bank Note shall change, the Excess Amount, if any, shall be recalculated using the then current Bank Rate; provided, however, that in no event shall the Bank Rate exceed 20 percent. In the event that the Bank Rate falls on any day below the Maximum Interest Rate, interest on the principal amount due on such Bank Note shall continue to accrue, but only until such Bank Note is paid in full, at the Maximum Interest Rate until such time as the Excess Amount is reduced to zero. The amount of the fee payable to the Administrative Agent on behalf of the Banks under this Section 2.02(i) shall be in consideration for the limitation of the rate of interest on the Bank Notes to the Maximum Interest Rate.

### Section 2.03. Fees, Commissions, Etc.

(i) Facility Fee. The Commission agrees to pay to the Banks a nonrefundable facility fee payable quarterly in arrears commencing on \_\_\_\_\_, 1997, and thereafter on the last Business Day of each January, April, July and October and on the

Termination Date. Such fee shall accrue from the Closing Date through the Termination Date and shall be calculated on the basis of a 365-day year and actual days elapsed. The amount of the facility fee shall be calculated as follows:

Such fee shall equal the sum of amounts calculated at the respective per annum rates of (A) 0.1875% of the sum of the average daily aggregate principal amount of Outstanding Notes plus an interest component thereon equal to 270 days' interest on such principal amount calculated at the Maximum Interest Rate; *provided, however*, that such per annum rate shall decrease to 0.1625% if the long-term rating category (without taking into account any rating as a result of credit enhancement) assigned by Moody's or S&P to the Senior Lien Bonds is either above "AA3" from Moody's or "AA-" from S&P, which decrease shall be effective for so long as such long-term rating category assigned by Moody's or S&P is in effect; and (B) 0.10% of the Stated Amount minus (x) the sum of the average daily aggregate principal amount of Outstanding Notes plus (y) an interest component thereon equal to 270 days' interest on such principal amount calculated at the Maximum Interest Rate; *provided, however*, that each respective per annum rate set forth above shall increase by 0.05% for each rating category (including sub-categories) reduction from and after the date that the long-term rating (without taking into account any rating as a result of credit enhancement) assigned by Moody's or S&P to the Senior Lien Bonds is either below "A2" from Moody's or "A" from S&P, each of which increases shall be effective for so long as such long-term rating category assigned by Moody's or S&P is in effect.

(ii) Drawing Fees. The Commission agrees to pay to the Administrative Agent on the date of and for each Drawing, a drawing fee of \$150; *provided, however*, that the Commission shall also pay a drawing fee of \$150 to Morgan if the Commission does not reimburse the Banks for the full amount of a Drawing on the date of such Drawing.

Section 2.04. No Deductions and Withholding for Taxes; Increased Costs.

(a) Except as otherwise required by law, each payment by the Commission to the Banks under this Agreement shall be made without setoff or counterclaim and without any withholding for or on account of any present or future taxes (other than taxes imposed on or measured by the net income, gross income, gross receipts, or other measures of income or profits or capital of the recipient imposed by any jurisdiction having control of such recipient) imposed by or within the jurisdiction in which the Commission is domiciled, any jurisdiction from which the Commission makes any payment hereunder, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is so required, the Commission shall pay such additional amount as may be necessary to ensure that the net amount actually received by the Banks free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which the Banks would have received had such withholding not been made. If any Bank pays any amount in respect of any such taxes, penalties

or interest, the Commission shall reimburse such Bank for that payment on demand. If the Commission pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the applicable Bank on or before the thirtieth day after payment.

(b) If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall impose, increase or deem applicable any reserve, special deposit or similar requirement against the obligations of any Bank or any Participant (other than as a result of the acts, omissions or financial condition of such Bank or such Participant) and the result of any such event above shall be to increase the cost to such Bank or such Participant of its obligations hereunder or under the Letter of Credit or of the holding by a Bank of any Bank Note (which increase in costs shall be the result of such Bank's or such Participant Bank's pro rata allocation of the aggregate of such cost increases resulting from such events), then, upon written demand by such Bank to the Commission, the Commission shall pay to such Bank within forty-five (45) days of such demand, the amount of such increased costs from the date of such change. Such Bank shall submit to the Commission a certificate setting forth in reasonable detail the amount of such increased costs as a result of any such event. The Banks shall notify the Commission of any such impending or announced change in law, regulation or interpretation promptly upon receipt by it of actual notice of such change; provided, however, that any delay or failure to so notify the Commission shall not in any manner relieve the Commission or the Banks of their obligations under this Agreement.

(c) If any Bank or Participant shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank or such Participant as a consequence of such Bank's or such Participant's obligations hereunder or under the Letter of Credit or the holding by it of its Bank Notes pursuant hereto to a level below that which such Bank or such Participant could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by any amount deemed by such Bank or such Participant to be material then, upon written demand by such Bank to the Commission, the Commission shall pay to such Bank within forty-five (45) days of such demand, the amount of such reduction from the date of such change. Such Bank shall submit to the Commission a certificate setting forth in reasonable detail the amount as will compensate such Bank for such reduction as a result of any such event. Such Bank shall notify the Commission of any such impending or announced change in law, regulation or interpretation promptly upon receipt by it of actual notice of such change; provided, however, that any delay or failure to so notify the Commission shall not in any manner relieve the Commission or such Bank of their obligations under this Agreement.

(d) Notwithstanding anything to the contrary contained in this Section 2.04, the Commission shall have no obligation to pay amounts pursuant to this Section 2.04 in an amount

greater than that which it would have been required to pay if the Banks had not participated any interest in the Letter of Credit.

Section 2.05. Extension of Letter of Credit. The Scheduled Termination Date of the Letter of Credit shall be automatically extended beyond the initial Scheduled Termination Date for additional one-year periods with the consent of the Banks; provided that, the Banks shall as of such extension be in compliance with chapters 12B and 12C of the San Francisco Administrative Code, as amended by Ordinance No. 440-96 of the City, as amended in whole by Ordinance No. 481-96. If the then current Scheduled Termination Date shall be extended as provided in this Section 2.05, the Banks shall deliver to the Commission an extension of the Letter of Credit in the form of Annex H to the Letter of Credit which extends the Scheduled Termination Date thereof.

Section 2.06. Limited Obligations. Notwithstanding any other provision of this Agreement or any other Related Document to the contrary, all Obligations to the Banks under this Agreement, including Bank Notes, are limited obligations of the Commission and payable solely from Revenues as provided in the Senior Lien Resolution and the Subordinate Lien Resolution and other amounts as set forth in Section 5.01 of the Subordinate Lien Resolution.

Section 2.07. Obligations Unconditional. Subject to Section 2.06, the Commission's obligation to reimburse the Banks for each payment made under the Letter of Credit honoring any Drawing made by the Issuing and Paying Agent and all of the Commission's other obligations under this Agreement and the Bank Notes shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Commission may have against any Bank or against any beneficiary of the Letter of Credit (or any other Person for whom such beneficiary may be acting), or any other Person, including, without limitation, any defense based on the payment by any Bank of any Drawing on the Letter of Credit against presentation of a certificate failing to conform to the terms of the Letter of Credit (provided that such payment by such Bank shall not have constituted gross negligence or willful misconduct) or based on invalidity, inaccuracy, falsity, or lack of genuineness, whether by forgery, fraud or otherwise, of any document, demand, or statement presented under the Letter of Credit (provided that any Banks action taken in reliance on such certificate, statement or other document shall not have constituted gross negligence or willful misconduct) or any failure of the Commission to receive all or any part of the proceeds of the sale of any Notes with respect to which such Drawing on the Letter of Credit was made by the Issuing and Paying Agent or any nonapplication or misapplication by the Issuing and Paying Agent of the proceeds of such Drawing, and irrespective of the legality, validity, regularity or enforceability of this Agreement or any Related Document, and notwithstanding any amendment or waiver of (other than an amendment or waiver signed by such Bank explicitly reciting the release or discharge of any such obligation), or any consent to departure from, this Agreement or any Related Documents or any exchange, release, or nonperfection of any collateral securing the Notes or the obligations of the Commission hereunder or under the Subordinate Lien Resolution or the Bank Notes or any expiration of the Letter of Credit pursuant hereto and any other circumstances or happening whatsoever, whether or not similar to any of the foregoing (provided that such circumstances or happening shall not have constituted gross negligence or willful misconduct of such Bank).

Section 2.07. Increase in Stated Amount. The Principal Component (as defined in the Letter of Credit) may be increased from \$300,000,000 to \$400,000,000, upon the request of the Commission and with the consent of the Banks; provided, that the Issuing and Paying Agent receives the following:

- (i) Annex I to the Letter of Credit stating the adjusted Stated Amount of the Letter of Credit.
- (ii) Written confirmation from the Rating Agencies that such increase in the Stated Amount of the Letter of Credit will not adversely affect the ratings on the Notes; and
- (iii) A favorable opinion of Bond Counsel as to the validity of the Notes issued pursuant to the Subordinate Lien Resolution and the tax-exempt status of interest on the Notes under Section 103 of the Internal Revenue Code of 1986, as amended.

Upon an increase in the Principal Component of the Letter of Credit, the Interest Component (as defined in the Letter of Credit) shall be increased to an amount equal to 270 days' interest at the Maximum Rate based on a 365-day year. Upon an increase in the Stated Amount of the Letter of Credit pursuant to this Section 2.07, the provisions of this Agreement, including, without limitation, the provisions of this Article II, shall apply in full to the Letter of Credit, as so amended.

### **ARTICLE III. CONDITIONS PRECEDENT**

Section 3.01. Conditions Precedent to Effectiveness of Agreement. This Agreement shall become effective upon the execution hereof by the parties hereto.

Section 3.02. Conditions Precedent to Issuance of Letter of Credit. The Letter of Credit shall be delivered upon the request of the Commission when each of the following conditions precedent have been fulfilled in a manner satisfactory to the Commission and the Banks, such satisfaction of the Banks to be conclusively evidenced by the issuance of the Letter of Credit by the Banks:

(a) Delivery of Documents. The Banks shall have received on or before the Closing Date the following, each in form and substance satisfactory to the Banks and their counsel and, unless indicated otherwise, dated the Closing Date:

- (i) executed copies of the Agreement and the Related Documents, and any amendments and supplements thereto, and a specimen copy of the Notes;
- (ii) a certificate of a duly authorized officer of the Commission, certifying as to the incumbency and signature of each of the officers of the Commission authorized to sign this Agreement and the Related Documents to which the Commission is a party;

(iii) a certified copy of the resolution of the Commission approving the execution, delivery and performance of this Agreement and the Related Documents to which the Commission is a party, certified by a duly authorized officer of the Commission on the Closing Date, which certificate shall state that the resolution has not been amended or annulled and is in full force and effect on the Closing Date;

(iv) the audited financial statements of the Commission for the Fiscal Years ended 1996 and 1995, and a copy of the annual operating budget of the Commission;

(v) favorable opinions of Orrick, Herrington & Sutcliffe LLP and the Law Offices of Pamela S. Jue, San Francisco, California, Co-Bond Counsel for the Commission, as to (A) the validity of the Notes issued pursuant to the Subordinate Lien Resolution and the tax-exempt status of interest on the Notes under Section 103 of the Internal Revenue Code of 1986, as amended; (B) the validity of the Bank Notes issued pursuant to the Subordinated Lien Resolution; and (C) the pledge of Net Revenues as security for the payment of the Notes and the Bank Notes;

(vi) a certificate of a duly authorized officer of the Commission, certifying that all conditions precedent with respect to the execution of this Agreement and the Related Documents shall have been satisfied and that, except as previously disclosed to the Banks, there has been no adverse change in the financial condition, business, assets, liabilities or prospects of the Commission since \_\_\_\_\_;

(vii) an opinion of the City Attorney of the City to the effect that this Agreement and the Related Documents are valid and binding agreements of the Commission enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium or other laws affecting creditors' rights and to general principles of equity;

(viii) written confirmation that the Notes are rated P-1 by Moody's and A-1+ by S&P;

(ix) a certificate of the Issuing and Paying Agent, as to such matters as the Banks may reasonably request;

(x) an opinion of counsel to the Issuing and Paying Agent, as to such matters as the Banks may reasonably request;

(xi) an opinion of United States counsel to BLB, in substantially the form set forth in Exhibit B hereto;

(xii) an opinion of counsel to Morgan, in substantially the form set forth in Exhibit C hereto; and

(xiii) an opinion of foreign counsel to BLB, in substantially the form set forth in Exhibit D hereto.

(b) Representations of the Commission; No Defaults. The following statements shall be true and correct on and as of the Closing Date, and the Banks shall have received a certificate signed by the appropriate officer of the Commission, dated the Closing Date, stating that:

(i) the representations of the Commission contained in Section 4.01 hereof are true and correct in all material respects on and as of the Closing Date as though made on and as of such date;

(ii) giving effect to the issuance of the Letter of Credit and the execution and delivery of this Agreement by the Commission, there exists no Default or Event of Default; and

(iii) any Offering Materials (excluding therefrom any information regarding the Banks, the Letter of Credit and DTC and its book-entry only system) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which made, not misleading. There is no event or condition known to the Commission which has not been disclosed to the Banks which the Commission believes would or in the future is likely to materially adversely affect the ability of the Commission to perform its obligations hereunder or under the Related Documents.

(c) Representations of the Banks. Each Bank represents to the Commission with respect to such Bank that the information furnished by such Bank contained in any Offering Materials is as of the Closing Date true and correct in all material respects.

(d) Fees, Etc. The Banks shall have received payment of the fees, costs and expenses referred to in Section 8.06 hereof.

(e) No Material Adverse Change. As of the Closing Date, the Banks shall have determined (in their sole and absolute discretion) that no material adverse change in the financial condition, business, assets, liabilities or prospects of the Commission shall have occurred.

Section 3.03. Conditions Precedent to Each Drawing. The obligation of the Banks to honor any Drawing is subject to the fulfillment of each of the following conditions precedent:

(i) The Banks shall have received (or waived the receipt of, in the sole discretion of the Banks) a Drawing certificate in strict conformity with Annex A and/or Annex B, as applicable, to the Letter of Credit; and

(ii) The Termination Date shall not have occurred.

Section 3.04. No-Issuance Notice. The Administrative Agent may, but is not required to, deliver a notice, in accordance with Section 7.02 hereof, to the Issuing and Paying Agent (a "No-Issuance Notice") at any time that either Bank shall have determined that an Event of Default shall have occurred and is continuing. Notwithstanding anything in this Section 3.04 which may be to the contrary, a No-Issuance Notice shall not affect the obligation of the Banks



to severally honor demands for payment under the Letter of Credit with respect to Notes authenticated prior to the receipt by the Issuing and Paying Agent of such No-Issuance Notice. The Administrative Agent shall concurrently furnish a copy of any No-Issuance Notice to the Commission and the Dealer, but the failure to so provide such copy shall not render ineffective any such No-Issuance Notice.

#### ARTICLE IV. REPRESENTATIONS OF COMMISSION

Section 4.01. Representations of the Commission. The Commission represents to the Banks as follows:

(a) Legal Existence; Powers. The Commission (i) is a commission of the City and County of San Francisco organized and existing under the Charter, and (ii) has the full legal right, power and authority to (A) control its properties and to carry on its business as now being and hereafter proposed to be conducted, (B) execute and deliver this Agreement and the Related Documents, (C) perform all its obligations under this Agreement and the Related Documents, (D) issue the Notes in accordance with the Subordinate Lien Resolution, and (E) repay all Bank Notes, to pay all interest thereon, and to pay all fees and other amounts payable hereunder.

(b) Due Authorization; No Violation; No Conflicts. The issuance of the Notes and the execution, delivery and performance by the Commission of this Agreement and the Related Documents to which the Commission is a party have been duly authorized by all necessary action on the part of the Commission, and do not and will not (i) violate the Charter, or any material provision of any court order by which the Commission is bound, (ii) conflict with, violate or contravene any material provision of existing law or regulation, or any order or decree of any court, tribunal, governmental authority, (iii) conflict with, violate or cause a default, or with the passage of time or the giving of notice, or both, would cause a default under any material provision of any bond, note or other evidence of indebtedness or mortgage, indenture, contract or other agreement to which the Commission is a party; and no consent of any Person and no license, approval or authorization of or notice to or registration, filing or declaration with, any governmental authority, bureau or agency is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Related Documents or for the Commission to issue the Notes or incur the Obligations in accordance with this Agreement or, if required, the same has been obtained and is in full force and effect, or (iv) result in the imposition of any Lien on amounts in the Revenue Fund, except as provided in the Senior Lien Resolution and the Subordinate Lien Resolution.

(c) Validity. This Agreement and the Related Documents to which the Commission is a party each constitute a legal, valid and binding agreement or obligation, as the case may be, of the Commission, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally, (ii) the availability of equitable remedies which may be limited by equitable principles of general applicability and (iii) limitations on remedies available against public agencies such as the Commission.

(d) Litigation. There are no actions, suits or proceedings at law or in equity pending or, to the knowledge of the Commission, threatened against or affecting it or its properties before any court or arbitrator or any governmental or nongovernmental body, agency or official having jurisdiction over the Commission in which the Commission determines an adverse decision could materially and adversely affect the financial position or operations of the Commission or which in any manner questions the validity of this Agreement or any Related Document or the Commission's ability to carry out the transactions contemplated hereby and thereby.

(e) Legislation. No legislation has been enacted which in any way materially adversely affects or which prohibits (i) the issuance or delivery of the Notes, (ii) the adoption of the Subordinate Lien Resolution, (iii) the execution, delivery or enforceability of this Agreement or any of the Related Documents, (iv) the creation, organization or existence of the Commission or the titles to the office of any officers thereof, or (v) the power of the Commission to carry out its obligations under the Charter, or under this Agreement or any of the Related Documents.

(f) Accuracy of Financial Reports. The most recent financial reports of the Commission as of \_\_\_\_\_, copies of which have been furnished to the Banks, have been prepared in accordance with generally accepted accounting principles and fairly present the financial position and results of operations of the Commission, except as previously disclosed to the Banks in writing, as of the dates and for the periods set forth therein. Since \_\_\_\_\_, except as previously disclosed to the Banks in writing, there have been no material changes in the financial condition or operations of the Commission.

Section 4.02. Representations of the Banks. Each Bank represents to the Commission with respect to such Bank as follows:

(a) Organization: Power. Such Bank is duly organized and existing under the laws of the state or the country of its incorporation or organization, as applicable, and has all requisite power and authority (i) to conduct its business and to carry on its activities and (ii) to execute, deliver and perform its obligations under this Agreement.

(b) Valid and Binding Obligations. This Agreement has been duly executed by an authorized representative of such Bank and constitutes the legal, valid and binding obligation of such Bank enforceable against such Bank in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject to general equitable principles.

(c) Regulatory Approvals. Each material authorization, consent, approval, license or formal exemption from, or filing, declaration or registration with, any court, governmental agency or regulatory authority (Federal, state or local), required in connection with the execution, delivery and performance by such Bank of this Agreement has been obtained or made and is in full force and effect; provided, that such Bank makes no representation or warranty with respect to Blue Sky or state securities laws.

(d) Compliance with Laws and Contracts. The execution, delivery and performance by such Bank of this Agreement has been duly authorized by such Bank and will not (i) conflict with or violate any material law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to such Bank or (ii) result in a material breach of or constitute a material default under any material indenture, mortgage, deed of trust or loan or credit agreement or any other material agreement or instrument to which such Bank is a party or by which it or its properties may be bound or affected.

(e) Litigation. There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board, body or official pending or, to the knowledge of such Bank, threatened against or affecting (i) the transactions contemplated by or the validity of this Agreement, (ii) such Bank ability to perform its obligations under this Agreement or (iii) which in any material way contests the existence, organization or powers of such Bank or the titles of the officers of such Bank to their respective offices, or which in any manner draws into question the validity or enforceability of this Agreement.

Section 4.03. Survival of Representations. All statements contained in any certificate, financial statement or other instrument delivered by or on behalf of the Commission pursuant to or in connection with this Agreement (including, but not limited to, any such statement made in or in connection with any amendment hereto) shall constitute representations made under this Agreement. All representations made under this Agreement shall be made and shall be true at and as of (a) the date of any authentication and delivery of any Notes under the Subordinate Lien Resolution and (b) the time of each Drawing under the Letter of Credit, except to the extent such representations relate solely to an earlier date.

## ARTICLE V. AFFIRMATIVE COVENANTS

Section 5.01. Financial Statements. The Commission covenants that it will deliver to the Banks: (a) as soon as practicable and in any event within 180 days after the end of each fiscal year of the Commission, financial statements consisting of a balance sheet of the Commission as of the end of such fiscal year and a statement of income and retained earnings of the Commission for such fiscal year, setting forth in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail and accompanied in each case by (i) an audit report of nationally recognized independent public accountants stating that such financial statements have (except as noted therein) been prepared in accordance with generally accepted accounting principles consistently applied and (ii) a certificate from an authorized financial officer of the Commission stating that no Event of Default or Default has come to such officer's attention which was continuing at the end of such fiscal year or on the date of such officer's certificate, or, if an Event or Default has come to such officer's attention and was continuing at the end of such fiscal year or on the date of such certificate, indicating the nature of such Event of Default or Default and the action which the Commission proposes to take with respect thereto, and (b) as soon as practicable and in any event within 30 days after the final adoption thereof by the Board of Supervisors of the City and County of San Francisco, the annual budget of the Commission.

Section 5.02. Notice of Default. The Commission covenants that it will deliver to the Banks, immediately after the Commission shall have obtained knowledge of the occurrence of an Event of Default or Default, the written statement of an authorized officer of the Commission setting forth the details of such Event of Default or Default and the action which the Commission proposes to take with respect thereto.

Section 5.03. Inspection. The Commission covenants that upon reasonable notice it will permit any Person designated by the Banks in writing, at the Banks' expense, to visit any of the properties of the Commission, to examine the municipal books and financial records of the Commission and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Commission with the principal officers of the Commission and its independent public accountants, all at such reasonable times and no more than once every calendar quarter.

Section 5.04. Compliance with Agreements. The Commission will observe and perform all of its material obligations under this Agreement, the Notes and the other Related Documents to which it is a party.

Section 5.05. Certain Notices. The Commission covenants that it will furnish to the Banks a copy of any notice, certification, demand or other writing or communication given by the Issuing and Paying Agent to the Commission or by the Commission to the Issuing and Paying Agent under or in connection with the Notes or any of the Related Documents, in each case promptly after the receipt or giving of the same.

Section 5.06. Litigation Notice. The Commission covenants that it will promptly give notice to the Banks of any action, suit or proceeding known to it at law or in equity or by or before any court, governmental instrumentality or other agency which, if adversely determined, would materially impair the ability of the Commission to carry out its obligations under the Notes, including Bank Notes, or this Agreement, or would materially adversely affect its assets or financial condition.

Section 5.07. Preservation of Existence, Etc. The Commission covenants that it will preserve and maintain its legal existence and maintain all franchises, rights and privileges necessary or desirable in the normal conduct of its business and operations.

Section 5.08. Use of Proceeds. The Commission shall use the proceeds of the Notes solely in accordance with the purposes set forth in the Subordinate Lien Resolution and shall cause the Drawings to be used solely to pay principal of and interest with respect to Notes.

Section 5.09. Offering Documents. As soon as practicable after the issuance of any Senior Lien Bonds or any 1997 Resolution Bonds, the Commission shall send a copy of the offering document relating thereto to the Banks.

Section 5.10. Pledge of Available Net Revenues. The Bank Notes shall be payable solely from the Revenue Fund in accordance with the Senior Lien Resolution and the Subordinate Lien Resolution, and the Commission, to the extent permitted by law, hereby grants

to each Bank as holder of Bank Notes as security for payment by the Commission of the Bank Notes a pledge of and security interest in Net Revenues pursuant to the Subordinate Lien Resolution, which pledge and security interest shall be subordinate to the pledge of revenues in support of the Senior Lien Bonds under the Senior Lien Resolution and on a parity with the pledge of Net Revenues in support of the 1997 Resolution Bonds under the Subordinate Lien Resolution. The granting of this pledge and security interest by the Commission does not limit in any manner the rights of the Commission to issue additional subordinated debt or to grant a security interest on a subordinated basis to any other creditor.

## ARTICLE VI. NEGATIVE COVENANTS

Section 6.01. Compliance with Laws, Etc. The Commission covenants that it will not violate any laws, rules, regulations or governmental orders to which it is subject, which violation would materially and adversely affect its financial condition, business or results of operations or would materially and adversely affect the Commission's ability to perform its obligations under this Agreement or the other Related Documents to which it is a party.

Section 6.02. Amendments. The Commission covenants that it will not, directly or indirectly, amend or modify, or consent to the amendment or modification of the Related Documents in any way that would materially affect (i) the rights, remedies or security of the Banks thereunder or hereunder or (ii) the obligations of Commission under this Agreement, without the prior written consent of the Banks, which consent will not be unreasonably withheld.

Section 6.03. General Tax Covenant. The Commission will not take any action or omit to take any action that, if taken or omitted, would adversely affect the exclusion of interest on the Notes from the gross income of such owners for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Section 6.04. Liens. Except as permitted by the Senior Lien Resolution or the Subordinate Lien Resolution, the Commission will not (a) issue any bonds, notes or other evidences of indebtedness of similar nature payable out of or secured by a security interest in or a pledge or assignment of the Net Revenues pledged under the Senior Lien Resolution or the Subordinate Lien Resolution and held or set aside by the Commission thereunder, or (b) create or cause to be created any Lien on the Net Revenues, or such moneys, securities or funds.

Section 6.05. Parity Debt. The Commission will not issue, incur, assume or create any Debt payable from Net Revenues, unless the Banks have been provided with either:

(a) a certificate of an Airport Consultant dated within 30 days prior to the date of delivery of the 1997 Resolution Bonds (other than the Notes) stating that:

(i) for the period, if any, from and including the first full Fiscal Year following the issuance of such 1997 Resolution Bonds through and including the last Fiscal Year during any part of which interest on such 1997 Resolution Bonds

is expected to be paid from the proceeds thereof, projected Net Revenues, together with any Transfer, in each such Fiscal Year will be at least equal to 1.15 times Annual Debt Service; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such 1997 Resolution Bonds during which no interest on such 1997 Resolution Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such 1997 Resolution Bonds, or (B) the third full Fiscal Year during which no interest on such 1997 Resolution Bonds is expected to be paid from the proceeds thereof, projected Net Revenues together with any Transfer, if applicable, in each such Fiscal Year will be at least sufficient to satisfy the rate covenant set forth in Section 6.04 of the Subordinate Lien Resolution; or

(b) a certificate of an Independent Auditor stating that Net Revenues together with any Transfer, in the most recently completed Fiscal Year were at least equal to 115% of the sum of (i) Annual Debt Service on the 1997 Resolution Bonds in such Fiscal Year, plus (ii) Maximum Annual Debt Service on the 1997 Resolution Bonds proposed to be issued.

For purposes of subsections (a) and (b) above, the amount of any Transfer taken into account by the Airport Consultant or the Independent Auditor, as the case may be, shall not exceed 15% of Annual Debt Service in such Fiscal Year.

In determining projected Net Revenues for purposes of subsection (a) above, the Airport Consultant may take into account any reasonably anticipated changes in Revenues and Operation and Maintenance Expenses over such period, which assumed changes shall be referenced in the certificate. In determining Annual Debt Service for purposes of (a) or (b) above, 1997 Resolution Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys shall be disregarded.

Solely for purposes of this Section 6.05, the terms "Airport Consultant," "Financial Consultant," "Fiscal Year," "Independent Auditor," "Operation and Maintenance Expenses," "Outstanding," "Owners," "Permitted Investments," "Repayment Obligations," "Series" and "Revenues" shall have the meanings assigned to such terms in the Subordinate Lien Resolution.

Solely for purposes of this Section 6.05, the following terms shall have the following meanings:

"Annual Debt Service" means the amount scheduled to become due and payable on the Outstanding 1997 Resolution Bonds or any one or more Series thereof in any Fiscal Year as (a) interest, plus (b) principal at maturity, plus (c) mandatory sinking fund redemptions. For purposes of calculating Annual Debt Service, the following assumptions shall be used:

(i) All principal payments and mandatory sinking fund redemptions shall be made as and when the same shall become due;

(ii) Outstanding 1997 Resolution Bonds bearing interest at a variable rate shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the average of the actual rates on such 1997 Resolution Bonds for each day during the 365 consecutive days (or any lesser period such 1997 Resolution Bonds have been outstanding) ending on the last day of the month next preceding the date of computation, or, at the option of the Commission, at the effective fixed annual rate thereon as a result of an interest rate swap with respect to such 1997 Resolution Bonds.

(iii) 1997 Resolution Bonds bearing interest at a variable rate proposed to be issued shall be deemed to bear interest at a fixed annual rate equal to the estimated initial rate or rates thereon, as set forth in a certificate of a Financial Consultant dated within 30 days prior to the date of delivery of such 1997 Resolution Bonds, or at the effective fixed annual rate thereon as a result of an interest rate swap with respect to such 1997 Resolution Bonds;

(iv) As to 1997 Resolution Bonds issued pursuant to a commercial paper program, the maximum authorized principal amount of such 1997 Resolution Bonds shall be deemed to be amortized on a level debt service basis over a 25-year period beginning on the date of calculation at the rate equal to the rate most recently published by the Bond Buyer as the 25-Bond Revenue Index of revenue bonds maturing in 30 years, or if such index ceases to be published, such other successor index as shall be designated by the Commission;

(v) Payments of principal of and interest on Repayment Obligations shall be deemed to be payments of principal of and interest on 1997 Resolution Bonds to the extent provided in Section 2.15 of the Subordinate Lien Resolution; and

(vi) Capitalized interest on any 1997 Resolution Bonds and accrued interest paid on the date of initial delivery of any series of 1997 Resolution Bonds shall be excluded from the calculation of Annual Debt Service if cash and/or Permitted Investments have been irrevocably deposited with and are held by the Trustee or other fiduciary for the Owners of such 1997 Resolution Bonds sufficient to pay such interest.

"Net Revenues" means Revenues, less Operation and Maintenance Expenses, less Annual Debt Service (as defined in the Senior Lien Resolution) on Senior Lien Bonds.

"Transfer" means (a) the amount deposited on the last Business Day of any Fiscal Year from the Contingency Account (as defined in the Senior Lien Resolution) into the Revenues Account (as defined in the Senior Lien Resolution), plus (b) any amounts withdrawn from the Contingency Account during such Fiscal Year for the purposes

specified in Section 5.05(f)(i) through (iii) of the Subordinate Lien Resolution, less (c) any amounts deposited in the Contingency Account from Revenues during such Fiscal Year.

## **ARTICLE VII. EVENTS OF DEFAULT; REMEDIES**

Section 7.01. Events of Default. If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a) The Commission shall fail to pay to the Banks (i) the principal of or interest on any Bank Note and such failure continues for a period of one Business Day, or (ii) any other Obligation when due and such failure continues for a period of three (3) Business Days;

(b) Any representation, certification or statement made by the Commission in this Agreement or in any Related Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; or

(c) The Commission shall default in the due performance or observance of the covenants set forth in Sections 6.02, 6.04 or 6.05 of Article VI hereof.

(d) The Commission shall default in the due performance or observance of any term, covenant or agreement contained in this Agreement (other than those covered by clause (a), (b) and (c) of this Section 7.01) and such failure shall remain unremedied for a period of 30 days after the Administrative Agent on behalf of the Banks shall have given the Commission written notice of such default; provided, that so long as the Commission shall be proceeding with due diligence to remedy any default in the due performance or observance of such covenants which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such 30-day period shall be extended to the extent as shall be necessary to enable the Commission to begin and complete the remedying of such default through the exercise of due diligence; or

(e) The Commission shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) principal or interest on any Senior Lien Bonds or 1997 Resolution Bonds when due; or

(f) A proceeding is instituted in a court having jurisdiction over the City or the Commission, any of their activities or any of their properties seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the City or the Commission under applicable law and such proceeding is not terminated for a period of ninety (90) consecutive days or such court enters an order granting the relief sought in such proceeding or the City or the Commission shall institute or take any corporate action for the purposes of instituting any such proceeding; or the City or the Commission shall become



insolvent or unable to pay their respective debts as they mature, or the City or the Commission shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the City or the Commission or for any substantial part of their respective properties, or shall make a general assignment for the benefit of creditors, or the City or the Commission shall fail generally to pay their respective debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(g) This Agreement, the Subordinate Lien Resolution, or any provision hereof or thereof, at any time after the execution and delivery thereof, shall, for any reason, cease to be valid and binding on the Commission or in full force and effect or shall be declared, in a final, non-appealable judgment, to be null and void, or the validity or enforceability of this Agreement, the Subordinate Lien Resolution or any provision thereof shall be contested (i) by the Commission or (ii) by any governmental agency or authority having jurisdiction over the Commission, unless with respect to clause (ii) above, the same is being contested by the Commission in good faith and by appropriate proceedings; or the Commission shall deny that it has any or further liability or obligation under this Agreement, the Letter of Credit or the Subordinate Lien Resolution; or

Section 7.02. Remedies. Upon the occurrence of an Event of Default under Section 7.01, the Administrative Agent on behalf of the Banks may, at the same or different times, so long as such Event of Default shall not have been remedied to the sole satisfaction of the Banks, take one or more of the following actions: (i) declare the principal of and interest on all amounts payable hereunder, except Bank Notes, to be immediately due and payable, (ii) by notice to the Issuing and Paying Agent, permanently reduce the Stated Amount to the principal amount of Notes Outstanding plus interest thereon and issue a No-Issuance Notice (iii) proceed to enforce all other remedies available under applicable law and in equity; provided that if any event specified in clause (i) of this Section 7.02 occurs, the consequences of the Administrative Agent's notice described in clause (ii) immediately above shall result automatically upon the occurrence of such event without notice from the Administrative Agent. No reduction in the Stated Amount pursuant to clause (ii) above shall be effective until notice thereof is received by the Issuing and Paying Agent. Except as expressly provided above in this Section 7.02, presentment, demand, protest and all other notices of any kind are expressly waived. The Administrative Agent on behalf of the Banks shall promptly give telephonic notice, followed by written confirmation, of any declaration or reduction pursuant to clause (i) or (ii) above to the Commission, the Dealers and the Issuing and Paying Agent. Except as expressly provided above in this Section 7.02, failure to give any such notice shall not impair the effect of such declaration or reduction.

**ARTICLE VIII.  
MISCELLANEOUS**

Section 8.01. Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any Related Document nor consent to any departure by the Commission therefrom shall in any event be effective unless the same shall be in writing and signed by the Banks and, with respect to any amendment, the Commission.

Section 8.02. No Personal Liability of Commission Members and Officials. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any present or future member, official, officer, agent or employee of the Commission, in his individual capacity, and neither the members, officers and employees of the Commission, nor any person executing this Agreement shall be liable personally hereunder or be subject to any personal liability or accountability by reason hereof.

Section 8.03. Limitation on Liability. As between the Commission and the Banks, the Commission assumes all risks of any act or omission of the Issuing and Paying Agent. No Bank nor any of its officers or directors shall be liable or responsible to any person for: (a) the use that may be made of the proceeds of any Drawing or of any Note, or for any acts or omissions of the Issuing and Paying Agent in connection with this Agreement, the Subordinate Lien Resolution or any of the Related Documents; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Bank against presentment of documents that do not comply with the terms of this Agreement or the Letter of Credit, including failure of any documents to bear any reference or adequate reference to this Agreement or the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment hereunder, except only that the Commission shall have a claim against such Bank, and such Bank shall be liable to the Commission, to the extent, but only to the extent of (i) such Bank's willful misconduct or gross negligence in determining whether documents presented under this Agreement or the Letter of Credit strictly comply with the terms hereof or thereof; (ii) such Bank's willful misconduct or gross negligence in taking action in reliance on any certificate, statement or other document which is invalid, inaccurate, false or not genuine, whether by forgery, fraud or otherwise; or (iii) such Bank's wrongful failure to honor a Drawing required to be made by such Bank under the Letter of Credit after compliance with all conditions precedent to such Drawing, unless such Drawing was not otherwise permitted by law. In furtherance and not in limitation of the foregoing, the Administrative Agent on behalf of the Banks may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the Issuing and Paying Agent and the Commission have notified the Administrative Agent in writing that specifically identified documents to be presented to the Administrative Agent do not comply with this Agreement or the Letter of Credit.

Section 8.04. Bank Information. (a) Each Bank agrees to provide to the Commission and the Dealers information concerning such Bank on a quarterly basis (provided that financial information to be made available by such Bank shall be derived from the most recent annual audited statements available to such Bank) and as the Dealers and/or the Commission shall

expressly request from such Bank in connection with the preparation by the Commission and/or the Dealers of Offering Materials, provided that such requested information is reasonably available to such Bank and is substantially similar in scope to that provided by such Bank in connection with the initial issuance of the Notes. Each Bank further agrees to provide to the Dealers and the Commission the certificate of an authorized officer of such Bank regarding the accuracy of such Bank information.

(b) Each Bank agrees to notify promptly the Commission, the Dealers and the Issuing and Paying Agent of any suspension, reduction or withdrawal in the ratings of such Bank by any Rating Agency.

Section 8.05. Appointment of Administrative Agent; Successors. The Commission hereby approves of the appointment of Bayerische Landesbank Girozentrale as Administrative Agent pursuant to the Agency and Interbank Agreement. Notwithstanding anything in the Agency and Interbank Agreement to the contrary, no removal of the Administrative Agent and no appointment of a successor Administrative Agent shall be effective without the prior written consent of the Commission.

Section 8.06. Cost and Expenses. The Commission agrees to pay all reasonable out-of-pocket costs and expenses arising in connection with the preparation, execution and delivery of this Agreement and related documents and the enforcement of, or the preservation of, any rights under this Agreement, the other Related Documents and the Bank Notes; provided, that such costs and expenses in connection with preparation, execution and delivery of this Agreement and related documents shall not exceed \$45,000.

Section 8.07. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex or similar writing) or by telephone or telecopy (promptly confirmed in writing) and shall be given to such party, addressed to it, at its address or telephone number set forth below or such other address or telephone number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified below and the appropriate answerback is received, (ii) if given by mail, 10 days after such communication is deposited in the mails with first-class postage prepaid, addressed as aforesaid, (iii) if given by telephone or telecopy, when given by telephone or telecopy to the party at its telephone number (if any) specified below or (iv) if given by any other means, when delivered at the address specified below:

<u>Party</u>	<u>Address</u>
Administrative: Agent	Bayerische Landesbank Girozentrale 560 Lexington Avenue, 17th Floor New York, New York 10022 Attention: Loan Administration Telephone: (212) 310- Telecopier: (212) 310-

with a copy to:

Attention: Scott M. Allison  
Telephone: (212) 310-9869  
Telecopier: (212) 310-9868

Banks:	Morgan Guaranty Trust Company of New York 60 Wall Street New York New York 10260 Attention: Telephone: (212) 648-_____ Telecopier: (212) 648-_____
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Issuing and Paying Agent:	Chase Manhattan Bank 450 West 33rd Street New York, New York 10001 Attn: Global Trust Services Telephone: ( ) _____ Telecopier: ( ) _____
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Section 8.08. No Waiver; Remedies. No failure on the part of the Banks or the Commission to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.09. Successors and Assigns; Participation of Agreement. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section 8.09, be deemed to include the successors and assignees of such party, and all covenants, promises and agreements by or on behalf of the Commission which be contained in this Agreement shall inure to the benefit of the successors and assigns of the Banks. The Banks may not transfer their rights or obligations under this Agreement without the prior written consent of the Commission.

Notwithstanding the foregoing, each Bank shall be permitted to grant to one or more financial institutions (each a "Participant"), a participation or participations in all or any part of such Bank's rights and benefits under this Agreement on a participating basis but not as a party

to this Agreement (a "Participation"), without the consent of the Commission, provided such Bank agrees to give the Commission notice of the grant of any Participation upon the effectiveness thereof. In the event of any such grant by such Bank of a Participation to a Participant, whether or not upon notice to the Commission, such Bank shall remain responsible for the performance of its obligations hereunder, and the Commission shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

Section 8.10. MacBride Principles -- Northern Ireland. The Commission urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 et seq. The Commission urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

Section 8.11. Tropical Hardwoods. The Commission urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

Section 8.12. Burma Business Prohibition Ordinance.

(a) Each Bank is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative Code.

(b) Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The failure of the Banks to comply with any of its requirements shall be deemed a material breach of contract.

Section 8.13. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 8.14. Consent by the Banks. Except as otherwise expressly set forth herein to the contrary, if the consent, approval, satisfaction, determination, judgment, acceptance or similar action of the Banks shall be permitted or required pursuant to any provision hereof or any provision of any other agreement to which the Commission is a party and to which the Banks have succeeded hereto, such action shall be required to be in writing and may be withheld or denied by the Banks in their sole discretion.

Section 8.15. No Third Party Rights. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person (including, without limitation, the Issuing and Paying Agent, the Dealers or holder of any Note), other than the parties hereto and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement.

Section 8.16. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

Section 8.17. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof duly executed by the other party hereto.

Section 8.18. Prior Agreements Superseded. This Agreement supersedes all prior undertaking and agreements, both written and oral, between the Commission and the Banks relating to the Letter of Credit, including those contained in any commitment letter or term sheet between the Commission or the Banks.

Section 8.19. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

APPROVED AS TO FORM:

LOUISE RENNE, CITY ATTORNEY

By \_\_\_\_\_

BAYERISCHE LANDESBANK GIROZENTRALE

By: \_\_\_\_\_  
Name: Peter Obermann  
Title: Senior Vice President

By: \_\_\_\_\_  
Name: Scott M. Allison  
Title: Vice President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IRREVOCABLE LETTER OF CREDIT

\_\_\_\_\_, 1997

CREDIT NO. [Letter of  
Credit Number]

Chase Manhattan Bank  
450 West 33rd Street  
New York, New York 10001  
Attention: Corporate Trust Administration

Ladies and Gentlemen:

1. At the request and for the account of our customer, the Airport Commission of the City and County of San Francisco (the "*Commission*"), which has or will cause the issuance of San Francisco International Airport Commercial Paper Notes, Series A and Series B in the aggregate principal amount outstanding at any one time of not exceeding \$300,000,000 (the "*Notes*"), Bayerische Landesbank Girozentrale, acting through its New York Branch ("*BLB*") and Morgan Guaranty Trust Company of New York ("*Morgan*") (referred to herein individually as a "*Bank*" and collectively as the "*Banks*"), hereby severally establish in favor of Chase Manhattan Bank, as issuing and paying agent acting for the benefit of noteholders (the "*Issuing and Paying Agent*") pursuant to Resolution No. \_\_\_\_ of the Commission, adopted by the Commission on \_\_\_\_\_, 1997, as amended and supplemented by Resolution No. \_\_\_\_, adopted by the Commission on \_\_\_\_\_, 1997 (together with any other amendments or supplements thereto, the "*Subordinate Lien Resolution*") pursuant to which the Notes have been or will be issued, and the Letter of Credit and Reimbursement Agreement dated as of May 1, 1997 (the "*Reimbursement Agreement*"), among the Commission and the Banks and Bayerische Landesbank Girozentrale, acting through its New York Branch, as Administrative Agent (the "*Administrative Agent*"), this Irrevocable Letter of Credit in the aggregate amount of Three Hundred Twenty-Six Million Six Hundred Thirty Thousand One Hundred Thirty-Eight Dollars (\$326,630,138) (hereinafter, as increased, reduced or reinstated from time to time in accordance with the provisions hereof, the "*Stated Amount*"), of which an amount not exceeding Three Hundred Million Dollars (\$300,000,000) (as such amount may be increased, reduced or reinstated from time to time in accordance with the terms hereof, the "*Principal Component*") may be drawn upon with respect to payment of the unpaid principal amount of Notes on their stated maturity date, and an amount initially equal to Twenty-Six Million Six Hundred Thirty Thousand One Hundred Thirty-Eight Dollars (\$26,630,138) (as such amount may be increased, reduced or reinstated from time to time in accordance with terms hereof, the "*Interest Component*") may be drawn upon with respect to payment of the actual interest accrued and unpaid on the Notes on their stated maturity date, but in no event more than the 270 days' interest accrued and unpaid on the outstanding Notes immediately preceding any drawing made with respect to the Notes at an assumed interest rate of 12% based on a year



of 365 days. Drawings (as herein defined) may be made prior to the date any sum is due on the Notes if, in accordance with the terms of this Letter of Credit, we are not obligated to honor such Drawings until the date due. Anything in this Letter of Credit to the contrary notwithstanding, the obligations of BLB and Morgan hereunder shall be several and not joint. In no event shall (i) the obligations of BLB hereunder exceed \$163,315,069 or (ii) the obligations of Morgan hereunder exceed \$163,315,069 (each a "*Several Portion of the Stated Amount*"). The Several Portion of the Stated Amount with respect to each Bank shall reduce pro rata as the Stated Amount is reduced as herein provided. Subject to the foregoing limitation, the several obligation of each Bank as to each drawing hereunder shall equal 50% of such drawing, rounded up to the nearest cent.

2. This Letter of Credit shall expire at 5:00 p.m. Eastern Standard Time on the date (the "*Termination Date*") which is the earliest of: (i) April 30, 1999 (the "*Scheduled Termination Date*") as such date may be extended in a Notice of Extension from the Administrative Agent to the Issuing and Paying Agent and the Commission in the form attached hereto as *Annex G*, (ii) the date of payment of a Drawing, not subject to reinstatement, which when added to all other Drawings honored hereunder which were not subject to reinstatement as provided herein, in the aggregate equals the Stated Amount on the date of issuance hereof (a "*Final Payment Drawing*"), (iii) our receipt of a certificate signed by one purporting to be your duly authorized officer in the form of *Annex D* or *E* attached hereto appropriately completed, or (iv) the date when you surrender this Letter of Credit to the Administrative Agent for cancellation. You agree to surrender this Letter of Credit to the Administrative Agent, and not to make any Drawings, after (a) the Scheduled Termination Date, as such date may be extended in a Notice of Extension as provided herein or (b) the date on which there are no Notes outstanding. All Drawings hereunder shall be paid from funds of the Bank.

3. Funds under this Letter of Credit are available to you against your presentation of one of the certificates described below which shall be made by hand delivery, tested telex or telecopier at the Administrative Agent's office located at 560 Lexington Avenue, 17th Floor, New York, New York 10022, Telex Number: \_\_\_\_\_ (Answerback: \_\_\_\_\_), Telecopier Number: (212) 310-9930, Attention: Loan Administration, or at any other office or offices or number or numbers which may be designated by the Administrative Agent by written notice delivered to you. Each demand for payment under this Letter of Credit of principal of the Notes shall be made under a drawing certificate in the form of *Annex A* hereto (a "*Principal Drawing*") and each demand for payment under this Letter of Credit of interest on the Notes shall be made under a drawing certificate in the form of *Annex B* hereto (an "*Interest Drawing*") (a "*Drawing*" or "*Drawings*" as used herein shall refer to either a Principal Drawing or Interest Drawing or both collectively, as appropriate). The aforesaid certificates shall have all blanks appropriately filled in and shall be signed by an authorized officer of the Issuing and Paying Agent and the aforesaid certificates shall be either in the form of a letter on the letterhead of the Issuing and Paying Agent or a communication by tested telex or telecopy delivered or transmitted to us. Any telecopy pursuant to which a Drawing is made hereunder shall be promptly confirmed to us in writing.

4. The Banks hereby agree with you that, to the extent of their liability as provided herein, all demands for payment made under and in compliance with the terms of this Letter of Credit will be duly honored upon delivery or transmission of the certificate(s) as specified in paragraph 3 hereof and if presented at the aforesaid office on or before the Termination Date. If a Drawing is made hereunder at or prior to 9:00 a.m., New York City time, on a business day and *provided* that such Drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made of the amount specified in immediately available funds, no later than 11:30 a.m., New York City time, on the same business day. If a Drawing is made by you hereunder on or prior to 4:00 p.m., New York City time, on a business day and *provided* that such drawing and the documents and other items presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, or to your designee, of the amount specified, in immediately available funds, not later than 10:00 a.m., New York City time, on the next succeeding business day. Payment under this Letter of Credit shall be made by the Administrative Agent on behalf of the Banks by wire transfer of immediately available funds, to the Issuing and Paying Agent, to \_\_\_\_\_, ABA# \_\_\_\_\_, Acct. No. \_\_\_\_\_, Account Name: \_\_\_\_\_, Ref.: \_\_\_\_\_, Attention: \_\_\_\_\_ Such account may be changed only by presentation to the Administrative Agent of a letter in form satisfactory to the Banks specifying a different account with the Issuing and Paying Agent and executed by the Issuing and Paying Agent. As used in this Letter of Credit, "*business day*" shall mean any day other than a day on which banks located in New York City or San Francisco, California, are not required or authorized by law or executive order to close for business and The New York Stock Exchange is not closed.

5. Demands for payment hereunder honored by us shall not at the time of such Drawing or Drawings exceed the Stated Amount, as the Stated Amount may have been reduced, increased or reinstated by us as hereinafter provided. Subject to the preceding sentence, each Principal Drawing honored by the Administrative Agent on behalf of the Banks hereunder shall *pro tanto* reduce the Principal Component, and each Interest Drawing honored by the Bank hereunder shall *pro tanto* reduce the Interest Component, and any such reduction shall result in a corresponding reduction in the Stated Amount, it being understood that after the effectiveness of any such reduction you shall no longer have any right to make a Drawing hereunder in respect of the amount of such principal of and/or interest with respect to the Notes unless the amount of such Drawing is subject to reinstatement and has been reinstated as provided in paragraph 7 of this Letter of Credit.

6. Upon receipt by us of a certificate in the form of *Annex C* (a "*Reduction Certificate*") attached hereto appropriately completed and signed by one purporting to be your duly authorized officer, at least five business days prior to the date specified in such certificate for the permanent reduction of the Stated Amount, the Principal Component and the Interest Component shall be permanently reduced to the amounts set forth therein.

7. After any Drawing, the Stated Amount will be automatically reinstated by and to the extent of: (a) amounts received by the Administrative Agent on behalf of the

Banks of reimbursement by the Commission of any amounts of such Drawing and the Administrative Agent's written notice thereof to the Issuing and Paying Agent, [or (b) amounts on deposit in the Commercial Paper Bank Payment Account (as that term is defined in the Subordinate Lien Resolution)] (subject to any reduction in said amount as above provided in paragraph 6); unless you shall have received notice from the Administrative Agent on behalf of the Banks that an Event of Default under the Reimbursement Agreement has occurred and is continuing; *provided, however*, that in no event shall the Interest Component be reinstated to an amount in excess of 270 days' interest (computed at the rate of 12% per annum and on the basis of a 365-day year) on the then applicable Principal Component.

8. Only you or your successor as Issuing and Paying Agent may make a Drawing under this Letter of Credit. Upon the payment to you, to your designee or to your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment to you or any other person who may have made to you or makes to you a demand for payment of principal of or interest on any Note. By paying to you an amount demanded in accordance herewith, we make no representations as to the correctness of the amount demanded.

9. If you receive written notice from the Commission that all the Notes are defeased or otherwise no longer outstanding and that the Commission does not intend to issue any additional Notes, you shall submit a certificate in the form of *Annex E* hereto, and this Letter of Credit shall no longer be applicable to the Notes as of the first business day after all Notes are wholly defeased or otherwise no longer outstanding, and correspondingly, this Letter of Credit shall expire as provided in clause (iii) of paragraph 2 hereof.

10. To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credit 1993 Revision, ICC Publication No. 500 ("*UCP*") as interpreted under the laws of the State of New York; *provided, however*, that: (a) notwithstanding the provisions of Article 17 of the UCP, if this Letter of Credit expires during an interruption of business (as described in Article 17 of the UCP), the Administrative Agent on behalf of the Banks agrees to effect payment under this Letter of Credit if a drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within 15 days after the resumption of business; (b) except to the extent the Administrative Agent on behalf of the Banks has agreed to accept telexes or telecopies, the Administrative Agent on behalf of the Banks will not accept reproduced documents as originals as provided in Article 20(b) of the UCP; and (c) this Letter of Credit will not terminate because of a failure to make any permitted drawings hereunder as provided in Article 41 of the UCP. As to matters not covered by the UCP, this Letter of Credit shall be governed by the laws of the State of New York, including, to the extent not inconsistent with the UCP, the Uniform Commercial Code as in effect in the State of New York. Unless otherwise specified herein, communications with respect to this Letter of Credit shall be in writing and shall be addressed to the Administrative Agent on behalf of the Banks at 560 Lexington Avenue, 17th Floor, New York, New York 10022, Telex

Number: \_\_\_\_\_ (Answerback: \_\_\_\_\_), Telecopier Number:  
\_\_\_\_\_, Attention: \_\_\_\_\_, copy to \_\_\_\_\_, Telecopier  
Number: \_\_\_\_\_, specifically referring thereon to this Irrevocable Letter of Credit by  
number. Any communication to the Administrative Agent on behalf of the Banks which is  
made by tested telex or telecopier as permitted hereby shall be immediately confirmed in  
writing delivered to the Administrative Agent on behalf of the Banks at the address of the  
Administrative Agent set forth in paragraph 2 hereof, *provided* that failure to provide such  
written confirmation shall not affect the validity of such notice by tested telex or telecopier.

11. You may transfer your rights under this Letter of Credit in their  
entirety (but not in part) to any transferee who has succeeded to you as Issuing and Paying  
Agent under the Subordinate Lien Resolution and such transferred rights may be successively  
transferred. Transfer of your rights under this Letter of Credit to any such transferee shall  
be effected upon the presentation to the Administrative Agent on behalf of the Banks of this  
Letter of Credit accompanied by a transfer letter in the form attached hereto as *Annex F*.

12. This Letter of Credit sets forth in full our undertaking, and such  
undertaking shall not in any way be modified, amended, amplified or limited by reference to  
any document, instrument or agreement referred to herein (including, without limitation, the  
Notes), except only the certificates and letters referred to herein; and no such reference shall  
be deemed to incorporate herein by reference any document, instrument or agreement.

Very truly yours,  
BAYERISCHE LANDESBANK GIROZENTRALE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ANNEX A TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT NO. [Letter of Credit Number]

[Letterhead of Issuing and Paying Agent]

[Date]

Bayerische Landesbank Girozentrale,  
as Administrative Agent  
560 Lexington Avenue, 17th Floor  
New York, New York 10022  
Attention: Loan Administration

Re: Principal Drawing

Ladies and Gentlemen:

Chase Manhattan Bank (the "*Issuing and Paying Agent*") hereby certifies to Bayerische Landesbank Girozentrale, acting through its New York Branch (the "*Administrative Agent*") with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) issued severally by the Banks in favor of the Issuing and Paying Agent that:

(1) The Issuing and Paying Agent is the Issuing and Paying Agent under the Subordinate Lien Resolution.

(2) The Issuing and Paying Agent is making a drawing under the Letter of Credit with respect to payment of the principal amount of Notes upon the stated maturity thereof.

(3) The amount demanded hereby is \$ \_\_\_\_\_ which is for payment of principal of the Notes. Said amounts do not exceed the amounts permitted to be drawn under the Letter of Credit in accordance with the Letter of Credit. The amount payable by each Bank with respect to this drawing (rounded up to the nearest cent) is as follows:

BLB           \$ \_\_\_\_\_ (not to exceed 50% of such drawing)

Morgan       \$ \_\_\_\_\_ (not to exceed 50% of such drawing)

(4) The amount demanded hereunder was computed in accordance with the terms and conditions of the Notes and the Subordinate Lien Resolution.

(5) The amount demanded hereby does not include any amount in respect of the Notes registered in the name of the Commission.

(6) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal amount of Notes upon the stated maturity thereof, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

CHASE MANHATTAN BANK,  
as Issuing and Paying Agent

By \_\_\_\_\_  
Name:  
Title:

ANNEX B TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT NO. [Letter of Credit Number]

[Letterhead of Issuing and Paying Agent]

[Date]

Bayerische Landesbank Girozentrale,  
as Administrative Agent  
560 Lexington Avenue, 17th Floor  
New York, New York 10022  
Attention: Loan Administration

Re: Interest Drawing

Ladies and Gentlemen:

Chase Manhattan Bank (the "*Issuing and Paying Agent*") hereby certifies to Bayerische Landesbank Girozentrale, acting through its New York Branch (the "*Administrative Agent*") with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) issued severally by the Banks in favor of the Issuing and Paying Agent that:

(1) The Issuing and Paying Agent is the Issuing and Paying Agent under the Subordinate Lien Resolution.

(2) The Issuing and Paying Agent is making a drawing under the Letter of Credit with respect to payment of accrued interest on Notes upon the stated maturity thereof.

(3) The amount demanded hereby is \$ \_\_\_\_\_, which is for payment of interest on the Notes. Said amounts do not exceed the amounts permitted to be drawn under the Letter of Credit in accordance with the Letter of Credit. The amount payable by each Bank with respect to this drawing (rounded up to the nearest cent) is as follows:

BLB           \$ \_\_\_\_\_ (not to exceed 50% of such drawing)

Morgan       \$ \_\_\_\_\_ (not to exceed 50% of such drawing)

(4) The amount demanded hereunder was computed in accordance with the terms and conditions of the Notes and the Subordinate Lien Resolution.



(5) The amount demanded hereby does not include any amount in respect of the Notes registered in the name of the Commission.

(6) Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the accrued and unpaid interest on Notes upon the stated maturity thereof, (b) no portion of said amount shall be applied by the undersigned for any other purpose and (c) no portion of said amount shall be commingled with other funds held by the undersigned.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

CHASE MANHATTAN BANK,  
as Issuing and Paying Agent

By \_\_\_\_\_  
Name:  
Title:

ANNEX C TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT No. [Letter of Credit Number]

[Letterhead of Issuing and Paying Agent]

[Date]

Bayerische Landesbank Girozentrale,  
as Administrative Agent  
560 Lexington Avenue, 17th Floor  
New York, New York 10022  
Attention: Loan Administration

Re: Reduction of Amount of Letter of Credit

Ladies and Gentlemen:

Chase Manhattan Bank (the "Issuing and Paying Agent") hereby certifies to Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Administrative Agent") with reference to Irrevocable Letter of Credit No. [Letter of Credit Number] (the "Letter of Credit"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) issued severally by the Banks in favor of the Issuing and Paying Agent that:

(1) The Issuing and Paying Agent is the Issuing and Paying Agent under the Subordinate Lien Resolution.

(2) The Issuing and Paying Agent hereby notifies you that on or prior to the date hereof the Commission has determined that the Stated Amount of the Letter of Credit shall be reduced to \$\_\_\_\_\_.

(3) The Principal Component of the Letter of Credit is reduced to \$\_\_\_\_\_ upon receipt by the Administrative Agent on behalf of the Banks of this certificate, which amount, as so reduced, is equal to or not less than the principal amount of all Notes outstanding as of the date hereof.

(4) The amount available to be drawn by the Issuing and Paying Agent under the Letter of Credit in respect of accrued and unpaid interest with respect to the Notes is reduced to \$\_\_\_\_\_ (such amount being equal to interest on the Principal Component at an assumed interest rate of 12% for 270 days on the basis of a 365-day year) upon receipt by the Administrative Agent on behalf of the Banks of this certificate. The amount of the Interest Component, as so reduced, is equal to or not less than the amount of any interest to be due on any Note outstanding as of the date hereof.

(5) If any Notes are outstanding as of the date of this Certificate, the Commission has informed us that it will not issue additional Notes unless after the issuance of such additional Notes the aggregate principal amount of Notes outstanding shall be no greater than the amount of the Principal Component, as so reduced, pursuant to this certificate and the aggregate interest payable on such principal amount of Notes outstanding shall be no greater than the amount of the Interest Component as reduced pursuant to this certificate.

(6) The Stated Amount of the Letter of Credit is reduced to \$ \_\_\_\_\_ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Administrative Agent on behalf of the Banks of this certificate.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

CHASE MANHATTAN BANK,  
as Issuing and Paying Agent

By \_\_\_\_\_

Name:

Title:

ANNEX D TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT NO. [Letter of Credit Number]

[Letterhead of Issuing and Paying Agent]

[Date]

Bayerische Landesbank Girozentrale,  
as Administrative Agent  
560 Lexington Avenue, 17th Floor  
New York, New York 10022  
Attention: Loan Administration

Re: Termination of Letter of Credit (Alternate Credit Facility)

Ladies and Gentlemen:

Chase Manhattan Bank (the "*Issuing and Paying Agent*") hereby certifies to Bayerische Landesbank Girozentrale, acting through its New York Branch (the "*Administrative Agent*") with reference to Irrevocable Letter of Credit No. [Letter of Credit Number] (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) issued severally by the Banks in favor of the Issuing and Paying Agent that:

(1) The Issuing and Paying Agent is the Issuing and Paying Agent under the Subordinate Lien Resolution.

(2) As Issuing and Paying Agent under the Subordinate Lien Resolution, the Issuing and Paying Agent has accepted an alternate letter of credit, in compliance with the Subordinate Lien Resolution and the Letter of Credit and Reimbursement Agreement dated as of May 1, 1997, among the Commission, the Banks and the Administrative Agent.

(3) Upon receipt of this Note accompanied by the Administrative Agent on behalf of the Banks, the Letter of Credit shall terminate as provided above in clause (iii) of paragraph 2 of the Letter of Credit.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

CHASE MANHATTAN BANK,  
as Issuing and Paying Agent

By \_\_\_\_\_

Name:

Title:

ANNEX E TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT NO. [Letter of Credit Number]

[Letterhead of Issuing and Paying Agent]

[Date]

Bayerische Landesbank Girozentrale,  
as Administrative Agent  
560 Lexington Avenue, 17th Floor  
New York, New York 10022  
Attention: Loan Administration

Re: Termination of Letter of Credit (No Notes Outstanding)

Ladies and Gentlemen:

Chase Manhattan Bank (the "*Issuing and Paying Agent*") hereby certifies to Bayerische Landesbank Girozentrale, acting through its New York Branch (the "*Administrative Agent*") with reference to Irrevocable Letter of Credit No. [Letter of Credit Number] (the "*Letter of Credit*"; any other defined terms used herein having their respective meanings set forth in the Letter of Credit) issued severally by the Banks in favor of the Issuing and Paying Agent that:

- (1) The Issuing and Paying Agent is the Issuing and Paying Agent under the Subordinate Lien Resolution.
- (2) No Notes remain outstanding under the Subordinate Lien Resolution.
- (3) The Commission has notified us that it does not intend to issue any additional Notes and desires to terminate this Letter of Credit in accordance with terms of the Letter of Credit and Reimbursement Agreement dated as of May 1, 1997, among the Commission, the Banks and the Administrative Agent.
- (4) Upon receipt by the Administrative Agent on behalf of the Banks of this certificate the Letter of Credit shall terminate as provided in clause (iii) of paragraph 2 of the Letter of Credit.

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this certificate as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

CHASE MANHATTAN BANK,  
as Issuing and Paying Agent

By \_\_\_\_\_  
Name:  
Title:

ANNEX F TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT NO. [Letter of Credit Number]

[Letterhead of Issuing and Paying Agent]

[Date]

Bayerische Landesbank Girozentrale,  
as Administrative Agent  
560 Lexington Avenue, 17th Floor  
New York, New York 10022  
Attention: Loan Administration

Re: Transfer of Letter of Credit No. [Letter of Credit Number]

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers  
to:

\_\_\_\_\_  
(Name of Transferee)

\_\_\_\_\_  
(Address)

as successor Issuing and Paying Agent under the Subordinate Lien Resolution (as defined in the above-referenced Letter of Credit) all rights of the undersigned beneficiary to draw under the above-referenced Letter of Credit in its entirety.

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions, or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the transferee without necessity of any consent of or notice to the undersigned beneficiary.



The original Letter of Credit (and any amendments thereto) is returned herewith, and we ask you to endorse the transfer on the reference thereof, and forward it directly to the transferee with your customary notice of transfer.

SIGNATURE AUTHENTICATED

Very truly yours,

\_\_\_\_\_  
(Bank)

\_\_\_\_\_  
(Signature of Beneficiary)

\_\_\_\_\_  
(Authorized Signature)

We certify that we have succeeded (name of beneficiary) as Issuing and Paying Agent under the Subordinate Lien Resolution.

SIGNATURE AUTHENTICATED

\_\_\_\_\_  
(Signature of Transferee)

\_\_\_\_\_  
(Authorized Signature)

Annex G to

IRREVOCABLE LETTER OF CREDIT  
CREDIT NO. [Letter of Credit Number]

[Letterhead of Bayerische Landesbank Girozentrale]

[Date]

Chase Manhattan Bank, as Issuing and Paying Agent  
450 West 33rd Street  
New York, New York 10001  
Attention: Corporate Trust Administration

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, California 94128

Re: Event of Default under Reimbursement Agreement

Ladies and Gentlemen:

The undersigned, authorized officers of Bayerische Landesbank Girozentrale, acting through its New York Branch (the "*Administrative Agent*") with reference to Irrevocable Letter of Credit No. [Letter of Credit Number] (the "*Letter of Credit*"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Banks in favor of Chase Manhattan Bank, as Issuing and Paying Agent, hereby certifies that:

(1) The Commission is in default under Section \_\_\_\_ of the Letter of Credit and Reimbursement Agreement dated as of May 1, 1997, among the Commission and the Banks and the Administrative Agent and that such default is continuing.

(2) Upon receipt by you of this certificate you are notified (i) that the Stated Amount of the Letter of Credit shall be permanently reduced to \$ \_\_\_\_\_, the principal amount of Notes currently outstanding and interest thereon, and shall be further permanently reduced following the maturity of any such Notes and (ii) that the Stated Amount shall no longer be reinstated following any Drawing.

IN WITNESS WHEREOF, the Administrative Agent has executed and delivered this certificate as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.

BAYERISCHE LANDESBANK  
GIROZENTRALE

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

ANNEX H TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT No. [Letter of Credit Number]

[Letterhead of Bayerische Landesbank Girozentrale]

[Date]

Chase Manhattan Bank, as Issuing and Paying Agent  
450 West 33rd Street  
New York, New York 10001  
Attention: Corporate Trust Administration

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, California 94128

Re: Notice of Extension

Ladies and Gentlemen:

1. Pursuant to Section 2.04 of the Letter of Credit and Reimbursement Agreement dated as of May 1, 1997 (the "*Reimbursement Agreement*"), by and among the Airport Commission of the City and County of San Francisco (the "*Commission*") and Bayerische Landesbank Girozentrale, acting through its New York Branch, and as Administrative Agent, and Morgan Guaranty Trust Company of New York, the Banks have approved a three-year extension of Letter of Credit No. [Letter of Credit Number] (the "*Letter of Credit*"), dated \_\_\_\_\_, effective as of \_\_\_\_\_ (the "*Effective Date*"). The new Scheduled Termination Date is \_\_\_\_\_. You are hereby authorized to attach this Notice of Extension to the Letter of Credit and to treat this Notice of Extension as extending the Scheduled Termination Date of the Letter of Credit.

The Commission's acknowledgment hereof shall be deemed to be the Commission's representation that all its representations contained in Section 4.01 of the Reimbursement Agreement are true and correct and will be true and correct as of the Effective Date and that no Default or Event of Default has occurred and is continuing.

Very truly yours,  
BAYERISCHE LANDESBANK GIROZENTRALE,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged as of \_\_\_\_\_,  
\_\_\_\_\_ by AIRPORT COMMISSION OF THE  
CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged as of \_\_\_\_\_,  
\_\_\_\_\_ by \_\_\_\_\_, as  
Issuing and Paying Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ANNEX I TO

IRREVOCABLE LETTER OF CREDIT  
CREDIT NO. [Letter of Credit Number]

[Letterhead of Bayerische Landesbank Girozentrale]

[Date]

Chase Manhattan Bank, as Issuing and Paying Agent  
450 West 33rd Street  
New York, New York 10001  
Attention: Corporate Trust Administration

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, California 94128

Re: Adjustment to the Letter of Credit

Ladies and Gentlemen:

1. Pursuant to Section 2.08 of the Letter of Credit and Reimbursement Agreement dated as of May 1, 1997 (the "*Reimbursement Agreement*"), by and among the Airport Commission of the City and County of San Francisco (the "*Commission*") and Bayerische Landesbank Girozentrale, acting through its New York Branch, and as Administrative Agent, and Morgan Guaranty Trust Company of New York, the Banks have consented to the increase in the Stated Amount of the Letter of Credit No. [Letter of Credit Number] (the "*Letter of Credit*"), dated \_\_\_\_\_, effective as of \_\_\_\_\_ (the "*Effective Date*") to \$435,506,850. Such Stated Amount is comprised of the Principal Component of \$400,000,000 and the Interest Component of \$35,506,850 (calculated for 270 days at an assumed interest rate of 12% on the basis of a 365-day year). You are hereby authorized to attach to the Letter of Credit this Adjustment to the Letter of Credit and to treat the Stated Amount of the Letter of Credit as being increased as stated herein.

The Commission's acknowledgment hereof shall be deemed to be the Commission's representation that all its representations contained in Section 4.01 of the Reimbursement Agreement are true and correct and will be true and correct as of the Effective Date and that no Default or Event of Default has occurred and is continuing.

Very truly yours,  
BAYERISCHE LANDESBANK GIROZENTRALE,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged as of \_\_\_\_\_,  
\_\_\_\_\_ by AIRPORT COMMISSION OF THE  
CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted as of \_\_\_\_\_,  
\_\_\_\_\_ by \_\_\_\_\_, as  
Issuing and Paying Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## ISSUING AND PAYING AGENT AGREEMENT

THIS ISSUING AND PAYING AGENT AGREEMENT (this "Agreement") is entered into as of May \_\_, 1997, by and between the Airport Commission of the City and County of San Francisco (the "Commission") and The Chase Manhattan Bank (the "Issuing and Paying Agent"). All capitalized terms used but not otherwise defined herein shall have the meanings specified in the Resolution (as hereinafter defined).

### Section 1. Appointment

The Commission has appointed The Chase Manhattan Bank and The Chase Manhattan Bank hereby accepts such appointment, as the Issuing and Paying Agent in connection with the issuance and payment of up to \$400,000,000 Airport Commission of the City and County of San Francisco, San Francisco International Airport Subordinate Commercial Paper Notes, Series A and Series B, pursuant to Resolution No. 97-\_\_\_\_, adopted by the Commission on May \_\_, 1997, providing for the issuance of San Francisco International Airport Second Series Subordinate Revenue Bonds (the "Master Resolution"), as supplemented by that First Supplemental Resolution, adopted by the Commission on May \_\_, 1997, (the "First Supplemental Resolution," and together with the Master Resolution, the "Resolution"). Under the terms of such First Supplemental Resolution, the Commission has authorized the issuance of its Subordinate Commercial Paper Notes, Series A (the "Series A Notes") and Series B (the "Series B Notes") (the Series A Notes and the Series B Notes, collectively, the "Commercial Paper Notes"). Such Commercial Paper Notes are to be initially issued in book-entry form only and are to be initially evidenced by a Master Note Certificate (the "Master Note Certificate") in the form attached hereto as Exhibit A to the First Supplemental Resolution attached as Exhibit C.

The Issuing and Paying Agent agrees to observe and perform its duties and obligations hereunder and under the Resolution. Without limiting the generality of the foregoing, the Issuing and Paying Agent shall establish and maintain the Commercial Paper Bank Payment Account and the subaccounts therein, the Commercial Paper Debt Service Account and the subaccounts therein and the Bank Note Debt Service Account. The Issuing and Paying Agent agrees to provide to the Commission and the Trustee a monthly report on the first business day of each month, which report shall set forth such information regarding the authentication and issuance of Commercial Paper Notes during the prior month, as the Commission and the Issuing and Paying Agent shall have agreed upon.

The Issuing and Paying Agent agrees to keep such books and records, including, without limitation a complete record of all Issuance Requests, as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Commission, the Trustee and the Administrative Agent, such books and records to be available on each business day during reasonable business hours and, if so requested, to send copies of



such books and records to the Commission, the Trustee or the Administrative Agent (at their expense), as applicable.

The Issuing and Paying Agent has given the Commission a copy of its current form of program schedule relating to commercial paper programs utilizing the Issuing and Paying Agent (the "Program Schedule") and the Commission shall complete and return the Program Schedule to the Issuing and Paying Agent prior or simultaneously with the execution of this Agreement. If any of the information provided in, or attached to, a Program Schedule shall change, the Commission shall promptly inform the Issuing and Paying Agent of such change in writing.

Section 2. Certificate Agreement

The Commission acknowledges that (i) the Issuing and Paying Agent has previously entered into a commercial paper certificate agreement (the "Certificate Agreement"), a copy of which is attached hereto as Exhibit A, with The Depository Trust Company, New York, New York ("DTC") and (ii) the continuation in effect of the Certificate Agreement is a necessary prerequisite to the Issuing and Paying Agent's providing services related to the issuance and payment of the Commercial Paper Notes while the Commercial Paper Notes are in book-entry only form and DTC is the Note Depository.

Section 3. Letter of Representation, Resolution, Designated Representatives

Prior to the issuance of any Commercial Paper Notes, the Commission shall deliver to the Issuing and Paying Agent an executed Letter of Representation (the "Letter of Representation"), a copy of which is attached hereto as Exhibit B. The Letter of Representation when executed by the Commission, the Issuing and Paying Agent and DTC shall supplement the provisions of this Agreement and the Commission, the Issuing and Paying Agent and DTC shall be bound by the provisions of the Letter of Representation, to the extent not inconsistent with the provisions of the Resolution.

The Commission has delivered to the Issuing and Paying Agent (a) a certified copy of the Resolution, which copy is attached hereto as Exhibit C, and (b) a certified original of an Authorized Commission Representative setting forth the Designated Representative Certificate (the "Certificate"), containing the name, title, and true signature of those officers and employees of the Commission authorized pursuant to the Resolution to take action with respect to the Commercial Paper Notes, which Certificate is attached hereto as Exhibit D. The Commission agrees to provide the Issuing and Paying Agent with revised Certificates when there are changes in the Designated Representatives. Until the Issuing and Paying Agent receives any subsequent Certificate, the Issuing and Paying Agent shall be entitled to rely on the last Certificate delivered to it for the purpose of determining the Designated Representatives.

Section 4. Master Note Certificate

Prior to the issuance of any Commercial Paper Notes, the Commission shall deliver to the Issuing and Paying Agent the Master Note Certificate evidencing the Commercial Paper Notes. Such Master Note Certificate shall be duly executed, specify the date of issuance, and be registered in the name of Cede & Co., as nominee of DTC, all as provided in the First Supplemental Resolution.

Section 5. Issuance Requests

Issuance Requests shall be in the form attached hereto as Exhibit E. Issuance Requests may be delivered by a Designated Representative through an electronic instruction and reporting communication service offered by the Issuing and Paying Agent pursuant to Section 9 hereof, in each case received by the Issuing and Paying Agent at the address specified in Section 15 hereof prior to 12:30 p.m. (New York time).

If the Issuing and Paying Agent, at its option, acts upon an Issuance Request received after 12:30 p.m. (New York time) on the day on which the Issuance Request is to be operative, the Commission understands and agrees that (a) such Instructions shall be acted upon on a best efforts basis, and (b) the Issuing and Paying Agent makes no representation or warranty that the issuance and delivery of any Commercial Paper Note pursuant to such Issuance Request shall be completed prior to the close of business on such date.

Any Issuance Request given by telephone shall be confirmed to the Issuing and Paying Agent in writing by a Designated Representative prior to 12:30 p.m. (New York time) in the form of Exhibit E hereto on the day on which such Issuance Request is to be operative.

Notwithstanding anything herein to the contrary, upon receipt of a notice from the Administrative Agent for the Banks, under the Reimbursement Agreement in the form described in Section 3.05 of the Reimbursement Agreement (a "No-Issuance Notice"), the Issuing and Paying Agent shall cease issuing Commercial Paper Notes until such time as the Administrative Agent shall have retracted (by delivery of a written notice to the Issuing and Paying Agent) such No-Issuance Notice.

Section 6. Issuance

The Issuing and Paying Agent's duties and responsibilities in connection with the issuance of the Commercial Paper Notes shall include:

- (a) to hold the Master Note Certificate in safekeeping;
- (b) to assign to each Issuance Request received from the Commission a CUSIP number;
- (c) to cause to be delivered a Commercial Paper Note on behalf of the Commission upon receipt of instructions from a Designated Representative of the Commission,

as to the principal amount, registered owner, date of issue, maturity date and interest rate, by way of data entry transfer to the DTC Same Day Funds Settlement System ("SDFS"), and to receive from SDFS a confirmation receipt that such delivery was effected;

(d) to credit the proceeds of sales of the Commercial Paper Notes to the related subaccount in the Bank Payment Account established with the Issuing and Paying Agent pursuant to the Resolution in an amount equal to the unreimbursed Advances made by the Banks to pay principal of or interest on the Commercial Paper Notes of such Series;

(e) to transfer to the Treasurer any remaining proceeds of the sale of the Commercial Paper Notes after the credits pursuant to subsection (d) above; and

(f) to hold the amounts on deposit in the Bank Payment Account separate from all other funds and accounts of the Issuing and Paying Agent and to apply such amounts in accordance with the terms hereof and of the Resolution.

The Issuing and Paying Agent shall have no duty or responsibility to make any transfer of the proceeds of the sale of the Commercial Paper Notes, or to advance any monies or effect any credit with respect to such proceeds or transfers unless and until (i) the Issuing and Paying Agent has actually received the proceeds of the sale of the Commercial Paper Notes, and (ii) such receipt of the proceeds is not subject to reversal or cancellation.

#### Section 7. Payment

The Issuing and Paying Agent's duties and responsibilities in connection with the payment of the Commercial Paper Notes shall include:

(a) upon presentment at maturity of a Commercial Paper Note, to pay the principal of and interest on the Commercial Paper Note to the Owner thereof;

(b) to make the necessary and timely drawings under the Letter of Credit in accordance with the terms and provisions thereof in order to effectuate the timely payment of principal and interest on the Commercial Paper Notes as the same becomes due;

(c) to credit amounts received from the Commission for the payment of the principal of or interest on the Commercial Paper Notes to the appropriate subaccount in the Bank Payment Account;

(d) to credit amounts received from the Banks as a result of drawings under the Letter of Credit to the appropriate subaccount in the Commercial Paper Debt Service Account; and

(e) amounts on deposit in the Commercial Paper Debt Service Account separate from all other funds and accounts of the Issuing and Paying Agent and to utilize such amounts in accordance with the terms hereof and of the Resolution.

The Issuing and Paying Agent acknowledges that it is in possession of an Irrevocable Letter of Credit of Bayerische Landesbank Girozentrale [# \_\_\_\_\_], and Morgan Guarantee Trust Company of New York [# \_\_\_\_\_] dated \_\_\_\_\_, 1997 (the "Letter of Credit") issued by the Banks in favor of the Issuing and Paying Agent as Issuing and Paying Agent under the Resolution. In making draws on the Letter of Credit, the Issuing and Paying Agent shall be acting solely on behalf and for the benefit of the Owners of the Commercial Paper Notes, and not as agent of the Commission.

The Issuing and Paying Agent shall have no obligation to pay amounts due on the Commercial Paper Notes at their maturity other than from funds received by the Issuing and Paying Agent from or for the account of the Commission or from draws under the Letter of Credit.

Section 8. Bank Notes

(a) The Commission agrees from time to time to furnish the Issuing and Paying Agent with an adequate supply of Bank Notes of each Series, which will be serially numbered within each Series and which will have been executed by facsimile signatures in accordance with the Resolution, with the principal amount, date of issue and Owner left blank. The Issuing and Paying Agent agrees to hold the Bank Notes in safekeeping for the account of the Commission in accordance with the customary practice of the Issuing and Paying Agent.

(b) Upon receipt of written notice from the Administrative Agent that an Advance made by a Bank has not been reimbursed on the day thereof, the Issuing and Paying Agent agrees to withdraw the necessary Bank Note(s) from safekeeping and, in accordance with such notice, agrees to:

(i) complete each Bank Note as to principal amount and date of issue in accordance with the First Supplemental Resolution, and to register such Bank Note in the name of such Bank.

(ii) manually authenticate each Bank Note by any officer or employee duly authorized and designated for such purpose;

(iii) deliver the Bank Note(s) to or upon the order of Bank or its agents;  
and

(iv) promptly deliver one nonnegotiable copy of each Bank Note to the Commission.

(c) The Issuing and Paying Agent shall credit amounts received from the Commission for payment of the principal of and interest on Bank Notes to the appropriate subaccount in the Bank Payment Account.

Section 9. Money Market Issuance System

The Commission understands that all instructions under this Agreement are to be directed to the Issuing and Paying Agent's Commercial Paper Operations Department. The Issuing and Paying Agent shall provide the Commission with access to the Issuing and Paying Agent's Money Market Issuance system or other electronic means (collectively, the "System") in order that the Issuing and Paying Agent may receive electronic instructions for the issuance of the Commercial Paper Notes. Electronic instructions will be subject to a separate license agreement issued by the Issuing and Paying Agent if the Commission elects to use the Issuing and Paying Agent's communications software to access the System. Electronic instructions must be transmitted in accordance with the procedures furnished by the Issuing and Paying Agent to the Commission in connection with the System. These transmissions shall be the equivalent to the giving of a written Issuance Request to the Issuing and Paying Agent. If the System is inoperable at any time, a Designated Representative may deliver written, telephone or facsimile instructions to the Issuing and Paying Agent, which instructions shall be verified in accordance with any security procedures agreed upon by the parties.

**Section 10. Representations**

(a) This Agreement and the Commercial Paper Notes have been duly authorized and this Agreement when executed and the Commercial Paper Notes when issued in accordance with the Issuance Requests and the Resolution, will be valid and binding obligations of the Commission, enforceable in accordance with their respective terms.

(b) Each Commercial Paper Note issued under this Agreement will be exempt from registration under the Securities Act of 1933, as amended.

Each Issuance Request by the Commission to issue Commercial Paper Notes under this Agreement and the Resolution shall be deemed a representation by the Commission as of the date thereof that such issuance conforms in all respects to the requirements of the Resolution and this Agreement and the representations herein are true and correct as if made on and as of such date.

**Section 11. Additional Information**

Upon the reasonable request of the Commission, the Trustee or the Administrative Agent, as applicable, given at any time and from time to time, the Issuing and Paying Agent agrees promptly to provide the Commission, the Trustee or the Administrative Agent, as applicable, with information with respect to the Commercial Paper Note(s), including without limitation the Bank Notes, issued and paid hereunder. Such request shall be in written form and shall include the principal amount, date of issue, maturity date, interest rate and amount of interest, as applicable, of each Commercial Paper Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made.

**Section 12. Compensation**

The Commission agrees to pay such compensation for the Issuing and Paying Agent's services and disbursements (including the reasonable fees and expenses of counsel)

pursuant to this Agreement in accordance with the Issuing and Paying Agent's published fee schedule, as amended from time to time. The Issuing and Paying Agent's current fee schedule is attached hereto as Exhibit F. The Commission shall also reimburse the Issuing and Paying Agent for any fees and charges imposed by the Note Depository with respect to Commercial Paper Notes issued in book-entry form.

Section 13. Liability

The Commission agrees that the Issuing and Paying Agent shall not be liable for any losses, damages, liabilities or costs suffered or incurred by the Commission as a result of (a) the Issuing and Paying Agent's having duly executed Issuance Requests in good faith in accordance therewith and with the Resolution and this Agreement; (b) the Issuing and Paying Agent's improperly executing or failing to execute any Issuance Requests because of erroneous Issuance Requests, failure of communications media, or any other circumstances beyond the Issuing and Paying Agent's control; (c) the actions or inactions of DTC or any broker, dealer, consignee or agent not selected by the Issuing and Paying Agent; or (d) any other acts or omissions of the Issuing and Paying Agent (or of any of its agents, directors, officers, employees or correspondents) relating to this Agreement or the transactions or activities contemplated hereby except to the extent, if any, that such other acts or omissions constitute negligence or willful misconduct by the Issuing and Paying Agent. This Section 12 in the case of the Issuing and Paying Agent, and upon written notice, in the case of the Commission shall survive any termination of this Agreement and the issuance and payment of any Note(s).

Section 14. Termination

Either the Issuing and Paying Agent or the Commission may terminate this Agreement at any time, upon not less than thirty (30) days' prior written notice in the case of the Issuing and Paying Agent, and upon written notice, in the case of the Commission to the other and to the Trustee and the Administrative Agent. No such termination shall affect the rights and obligations of the Commission and the Issuing and Paying Agent which have accrued under this Agreement prior to termination. No termination can occur prior to (1) a substitute Issuing and Paying Agent being appointed by the Commission and assuming its duties under the Resolution and (2) the Letter of Credit being transferred to the substitute Issuing and Paying Agent. If no substitute Issuing and Paying Agent has been appointed at the end of the thirty-day period, then the Issuing and Paying Agent may petition a court of competent jurisdiction to make such appointment.

Section 15. Addresses

Issuance Requests hereunder shall be (a) mailed, (b) telephoned, (c) transmitted by facsimile device, and/or (d) transmitted via Noteline Direct to the Issuing and Paying Agent at the address, telephone number, and/or facsimile number specified below and shall be deemed delivered upon receipt by the Issuing and Paying Agent at the address, telephone number, and/or facsimile number specified below.

The Chase Manhattan Bank

55 Water Street, 2nd Floor  
New York, New York 10041  
Attention: Commercial Paper Operations  
Telephone: (212) 638-0536  
Facsimile: (212) 638-7375

All notices, requests, demands, including any No-Issuance Notices and other communications hereunder (excluding Issuance Requests) shall be in writing and shall be deemed to have been duly given (a) upon delivery by hand (against receipt), or (b) [three] days after such notice, request, demand, or other communication is delivered to a United States Post Office certified mail (against receipt) or by regular mail (upon receipt) to the party and at the address set forth below or at such other address as a party may designate by written notice:

(a) If to the Commission:

Airport Commission of the City and County of San Francisco  
San Francisco International Airport  
P.O. Box 8097  
San Francisco, CA 94128  
Attention: Deputy Airport Director, Business and Finance  
Telephone: (415) 794-5035  
Facsimile: (415) 794-5005

(b) If to the Issuing and Paying Agent:

The Chase Manhattan Bank  
450 West 33rd Street, 15th Floor  
New York, New York 10001  
Attention: Commercial Paper Service Delivery Unit  
Telephone: (212) 946-3108  
Facsimile: (212) 946-8181

(c) If to the Administrative Agent or the Banks:

Bayerische Landesbank Girozentrale  
560 Lexington Avenue, 17th Floor  
New York, NY 10022  
Attention: Public Finance, Mr. Scott M. Allison  
Telephone: (212) 310-9869  
Facsimile: (212) 310-9868

Section 16. Miscellaneous

(a) McBride Principles - Northern Ireland. The Commission urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the McBride Principles as expressed in San Francisco Administrative Code Section 12F.1 *et seq.* The Commission urges San Francisco companies to do business with corporations that abide by the McBride Principles.

(b) Tropical Hardwoods. The Commission urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

(c) Burma Business Prohibition Ordinance.

(1) The Issuing and Paying Agent is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative Code.

(2) Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The Commission reserves the right to terminate this Agreement for the Issuing and Paying Agent's violation of Chapter 12J of the San Francisco Administrative Code.

(d) Term. The term of this Agreement shall be from May 1, 1997 through 5:00 p.m. Eastern Standard Time on April 30, 1999; provided, however, that the term may be extended until April 1, 2000 upon condition that the Issuing and Paying Agent is in compliance with the City of San Francisco's Non-Discrimination in Benefits Ordinance (Ordinance No. 440-96, as amended) in effect on April 30, 1999.

(e) Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of the State of California.

(f) Limited Obligation of the Commission. The Commission shall not be required to pay the principal of or interest on the Notes or any other amounts payable under or with respect to this Agreement from any source other than the Revenues of the Airport.

(g) Assignment, Modification and Amendment; Issuing and Paying Agent's Successor in Interest. This Agreement may not be assigned by either the Commission or the Issuing and Paying Agent and may not be modified, or amended or supplemented except by a writing or writings duly executed by the duly authorized representatives of the Commission and the Issuing and Paying Agent and approved in writing by the Administrative Agent. Anything in this Agreement to the contrary notwithstanding, any corporation or national banking association into which the Issuing and Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which the Issuing and Paying Agent shall be a party, or any corporation or national banking association succeeding to the corporate trust business of the



Issuing and Paying Agent shall be the successor of the Issuing and Paying Agent if such successor corporation or national banking association is otherwise eligible under Section 17.01 of the First Supplemental Resolution, without the execution or filing of any document or any further act on the part of the Issuing and Paying Agent or such successor corporation or national banking association.

(h) Complete Agreement. This Agreement contains the entire understanding and agreement between the parties with respect to the subject matter hereof and all prior agreements, understandings, representations, statements, promises, inducements, negotiations and undertakings between the parties with respect to said subject matter are superseded hereby.

(i) Singular, Plural and Gender References. With respect to all references herein to nouns, insofar as the context requires, the singular form shall be deemed to include the plural, the plural form shall be deemed to include the singular, and the neuter, masculine and feminine genders shall be deemed to refer to all such genders. The words "hereof," "herein," "hereby" and "hereunder" and words of similar import refer to this Agreement as a whole.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

(k) Section Headings. Section headings in this Agreement are for convenience of reference only, shall not constitute part of this Agreement and shall not be used to continue the meaning or intent of the provisions hereof.

(l) Waiver of Set-Off, Offset Lien or Counterclaims. The Issuing and Paying Agent hereby waives to the fullest extent possible under applicable law any and all rights of set-off, offset, lien or counterclaim it may have with respect to any amounts held by it in the Bank Payment Account and the Commercial Paper Debt Source Account by reason of any claim it may have against the Commission, the Trustee, the Administrative Agent, any of the Banks or any other person.

(m) Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto and no other person shall acquire or have any right under or by virtue hereof.

(n) Force Majeure. In no event shall the Issuing and Paying Agent be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond Chase's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement.

(o) Issuing and Paying Agent's Account Conditions. Each Account shall be subject to the Issuing and Paying Agent's account conditions, which are provided in writing to, and agreed to from time to time by, the Commission.

Agreed to and Accepted by:

**THE CHASE MANHATTAN BANK, as  
ISSUING AND PAYING AGENT**

\_\_\_\_\_  
Signature

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 1997

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

\_\_\_\_\_  
Authorized Officer's Signature

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_, 1997

Approved as to Form:

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

By: \_\_\_\_\_  
Deputy City Attorney

List of Exhibits

Exhibit A	DTC Certificate Agreement
Exhibit B	DTC Letter of Representations
Exhibit C	The Resolution
Exhibit D	Certificate of Designated Representatives
Exhibit E	Form of Issuance Request
Exhibit F	Fee Schedule

**Airport  
Commission**  
City and County  
of San Francisco  
Willie L. Brown, Jr.  
Mayor

Henry E. Berman  
President

Larry Mazzola  
Vice President

Michael S. Strunsky

Linda S. Crayton

Caryl Ito

JOHN L. MARTIN  
Airport Director



## San Francisco International Airport

GATEWAY TO THE PACIFIC

### MEMORANDUM

September 16, 1999

99-0299

SEP 21 1999

**TO:** AIRPORT COMMISSION  
Hon. Henry E. Berman, President  
Hon. Larry Mazzola, Vice President  
Hon. Michael S. Strunsky  
Hon. Linda S. Crayton  
Hon. Caryl Ito

**FROM:** Airport Director

**SUBJECT:** Resolution Amending and Restating the First Supplemental Resolution providing for a third series of Commercial Paper Notes, which together with the existing Series A and Series B would constitute the San Francisco International Airport Subordinate Commercial Paper Notes in an amount not to exceed \$400,000,000 Aggregate Principal Amount.

**DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION AMENDING AND RESTATING THE FIRST SUPPLEMENTAL RESOLUTION PROVIDING FOR A THIRD SERIES OF SAN FRANCISCO INTERNATIONAL AIRPORT SUBORDINATE COMMERCIAL PAPER NOTES**

In connection with the Airport's Commercial Paper Program, I recommend that the Commission adopt an amendment and restatement to the First Supplemental Resolution (Resolution No. 97-0147) that implemented the Commercial Paper program. The purpose of this amendment is to provide for a third series of Commercial Paper Notes for the purpose of financing the costs of construction, acquisition, equipping and development of capital improvements at the Airport not coverable by existing tax exempt Series A and Series B Commercial Paper Notes.

Background

By its Resolution 97-0146, the Commission approved the issuance of San Francisco International Airport Subordinate Revenue Bonds as supplemented and amended by

THIS PRINT COVERS CALENDAR ITEM NO. \_\_\_\_\_

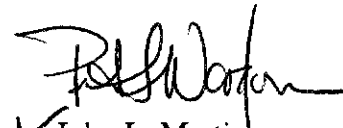
Resolution No. 97-0147 and Resolution No. 99-0064, providing for the issuance of not to exceed \$400,000,000 aggregate principal amount of subordinate Commercial Paper Notes, Series A and Series B (the "Notes").

Per Resolution No. 97-0147, Section 16.04, the Commission authorizes the issuance of taxable notes and provides that a new series designation be made to denote a taxable series of Commercial Paper Notes. An amendment would be made to the existing resolution to designate 'Series C Notes' as the taxable Commercial Paper Notes.

The Airport's Commercial Paper Program has allowed the Airport to obtain short-term financing for its Master Plan and infrastructure construction programs at the lowest possible borrowing cost. The Program is supported by a \$300,000,000 Letter of Credit provided by Societe Generale. Of the \$300 million authorized, \$147 million of Commercial Paper Notes is currently outstanding at an average interest rate of 2.80%.

The proposed amendment to the First Supplemental Resolution will provide for a third series of San Francisco International Airport Subordinate Commercial Paper Notes and will permit the Commission to finance the costs of projects not eligible for tax exempt funding on a short term basis.

I recommend that you adopt the attached resolution amending and restating the First Supplemental Resolution that will provide for a third series of San Francisco International Airport Subordinate Commercial Paper Notes.

  
John L. Martin  
Airport Director

Prepared by: Marcus Perro

Attachment

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 99-0299**

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

**First Supplemental Resolution  
Providing for the Issuance of  
Not to Exceed \$400,000,000 Aggregate Principal Amount of**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE COMMERCIAL PAPER NOTES**

**Adopted on May 20, 1997, as amended and restated on September 21, 1999**

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 99-0299

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First Supplemental Resolution Providing for the Issuance of  
Not to Exceed \$400,000,000 Aggregate Principal Amount of  
San Francisco International Airport  
Subordinate Commercial Paper Notes

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Commission"), on May 20, 1997, duly adopted its Resolution No. 97-0146, providing for the issuance of San Francisco International Airport Subordinate Revenue Bonds, (which Resolution, as previously supplemented and amended, including as supplemented by Resolution No. 97-0147, as amended and restated by this Resolution No. 99-\_\_\_\_, on September 21, 1999 (herein called the "First Supplemental Resolution"), is herein called the "1997 Resolution"); and

WHEREAS, the 1997 Resolution provides that the Commission may issue Bonds, including commercial paper notes, from time to time as the issuance thereof is authorized by the Commission; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance of one or more additional Series of Bonds in the form of commercial paper notes in an aggregate principal amount of not to exceed Four Hundred Million Dollars (\$400,000,000) for the purpose of financing the construction, acquisition, equipping and development of capital improvements at the Airport (the "Projects"); and

WHEREAS, this First Supplemental Resolution, as originally adopted by the Commission, provided for the issuance of the Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A (herein called the "Series A Notes") and the Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series B (herein called the "Series B Notes"); and

WHEREAS, the Commission has determined that it is necessary and desirable to amend and restate this First Supplemental Resolution to provide for a third Series of Commercial Paper Notes to be designated as the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series C" (herein called the "Series C Notes") for the purpose of financing the costs of construction, acquisition, equipping and development of capital improvements, which costs are not eligible for financing by obligations the interest on which is excludable from gross income under Section 103(a) of the Code;

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

ARTICLE XII

DEFINITIONS; GENERAL AUTHORIZATION; AND RATIFICATION

Section 12.01. Definitions. Except as otherwise defined in this First Supplemental Resolution, capitalized terms herein shall have the meanings assigned thereto in Section 1.01 of the 1997 Resolution. The following definitions shall apply to terms used in this First Supplemental Resolution, unless the context clearly requires otherwise:

"Administrative Agent" means Bayerische Landesbank Girozentrale, acting through its New York Branch, as administrative agent for the Banks with respect to the initial Letter of Credit, and any successor as such administrative agent.

"Advances" means payments made by the Bank or Banks as a result of draws made on the Letter of Credit to pay principal of and interest on the Commercial Paper Notes.

"Available Moneys" means moneys which are continuously on deposit with the Trustee or the Issuing and Paying Agent in trust for the benefit of the holders of the Commercial Paper Notes in a separate and segregated account in which only Available Moneys are held, which moneys constitute proceeds of (i) the Commercial Paper Notes received contemporaneously with the initial issuance and sale of the Commercial Paper Notes, (ii) a drawing under the Letter of Credit or payments otherwise made under a substitute Letter of Credit, (iii) refunding obligations for which the Trustee has received a written opinion of nationally recognized counsel experienced in bankruptcy

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matters and acceptable to the Trustee and the Rating Agencies to the effect that payment of such moneys to the holders of the Commercial Paper Notes would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code if the Commission were to become a debtor under the United States Bankruptcy Code or (iv) the investment of funds qualifying as Available Moneys under the foregoing clauses.

"Bank" means each of Bayerische Landesbank Girozentrale, acting through its New York Branch and Morgan Guaranty Trust Company of New York, which are issuing the initial Letter of Credit on a several basis, or any other entity that is the issuer of a Letter of Credit then outstanding and effective hereunder. "Banks" means collectively, all of the Banks.

"Bank Note" means a note or notes issued by the Commission pursuant to Section 15.01 hereof and evidencing all or any portion of any unreimbursed Advances made by a Bank and designated as "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes, (insert name of Bank) Series."

"Bank Note Payment Date" means a date on which principal of or interest on a Bank Note is due and payable, including both scheduled principal and interest and principal and interest payable upon prepayment of a Bank Note.

"Bank Rate" shall have the meaning assigned to that term in the Reimbursement Agreement.

"Business Day" means any day other than (i) a Saturday, Sunday or other day on which commercial banks in New York, New York, San Francisco, California or the city in which is located the office of the Bank at which demands for a draw on the Letter of Credit will be made, are authorized or required by law to close or (ii) a day on which the New York Stock Exchange is closed.

"Commercial Paper Notes" or "Notes" means all Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes authorized to be issued from time to time under the 1997 Resolution and this First Supplemental Resolution, including Commercial Paper Notes issued as Series A Notes, Commercial Paper Notes issued as Series B Notes and Commercial Paper Notes issued as Series C Notes.

"Dealer" means each of Goldman, Sachs & Co., Artemis Capital Group Inc., and BT Securities Corp., or any successor or assigns permitted under the Dealer Agreement or any other dealer for the Commercial Paper Notes which is appointed by the Commission and has entered into a Dealer Agreement.

"Dealer Agreement" means each Dealer Agreement, by and between the Commission and a Dealer, and any and all modifications, alterations, amendments and supplements thereto, or any other Dealer Agreement entered into by the Commission and a Dealer with respect to the Commercial Paper Notes.

"Designated Representative" means the Airport Director, the Deputy Director for Business and Finance and those additional individuals designated pursuant hereto to complete and deliver Issuance Requests and who have been identified and whose signatures have been certified in a certificate of an Authorized Commission Representative delivered to the Issuing and Paying Agent.

"Expiration Date" means the date of expiration of the Letter of Credit then in effect.

"Interest Advances" means Advances drawn and used to pay interest on Commercial Paper Notes.

"Issuance Request" means a request made by the Commission, acting through a Designated Representative, to the Issuing and Paying Agent for the delivery of a Commercial Paper Note or Commercial Paper Notes.

"Issuing and Paying Agent" means The Chase Manhattan Bank, or any successor or assigns permitted under the Issuing and Paying Agent Agreement or any other Issuing and Paying Agent which is appointed by the Commission and has entered into an Issuing and Paying Agent Agreement. "Principal Office" of the Issuing and Paying Agent means the office thereof designated in writing to the Commission and the Trustee.

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"Issuing and Paying Agent Agreement" means the Issuing and Paying Agent Agreement, dated as of May 1, 1997, between the Commission and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the Commission and the Issuing and Paying Agent with respect to the Commercial Paper Notes.

"Letter of Credit" means the direct pay Irrevocable Letter of Credit issued by the Banks to the Issuing and Paying Agent on or prior to the date of issuance of the first Commercial Paper Note and any substitute letter of credit accepted by the Issuing and Paying Agent as provided in Section 18.01 hereof.

"Maximum Rate" means twelve percent (12%) per annum or such higher interest rate as may be permitted by applicable law.

"No-Issuance Notice" shall have the meaning assigned thereto in the Reimbursement Agreement.

"Note Depository" means the securities depository for a Series of Commercial Paper Notes appointed as such pursuant to Section 13.05, and its successors and assigns.

"Note Proceeds" means proceeds of the sale of the Commercial Paper Notes or any moneys, securities or other obligations that may be deemed to be proceeds of the Commercial Paper Notes within the meaning of the Code.

"Principal Advances" means Advances drawn and used to pay principal on Commercial Paper Notes.

"Reimbursement Agreement" means the Letter of Credit and Reimbursement Agreement, dated as of May 1, 1997, by and among the Commission and the Banks, and any and all modifications, alterations, amendments and supplements thereto and any similar document entered into with respect to a subsequent Letter of Credit.

"Series A Notes" means the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A."

"Series A Project" means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the Commission as being financed in whole or in part with the proceeds of the Series A Notes, as from time to time amended, as provided in Section 14.03(a) hereof, and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed with proceeds of the sale of Series A Notes.

"Series B Notes" means the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series B."

"Series B Project" means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the Commission as being financed in whole or in part with the proceeds of the Series B Notes, as from time to time amended, as provided in Section 14.03(a) hereof and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed with proceeds on the sale of Series B Notes.

"Series C Notes" means the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series C."

"Series C Project" means any undertaking, facility or item which is listed or otherwise described in a certificate signed by an Authorized Commission Representative as being financed in whole or in part with the proceeds of the Series C Notes, as from time to time amended, as provided in Section 14.03(a) hereof and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed with proceeds on the sale of Series C Notes.

"Specified Event of Default" means an Event of Default described in subsection (a), (b), (c), (f) or (g) of Section 7.01 of the 1997 Resolution, which Event of Default has not been cured.

"Stated Amount" means the Stated Amount as defined in the Letter of Credit.

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"Termination Date" means the sixteenth day prior to the Expiration Date.

Section 12.02. Letter of Credit as Credit Facility. The Commission hereby designates the Letter of Credit as a "Credit Facility" and the Reimbursement Agreement as a "Credit Facility Agreement" and the Banks as "Credit Providers" for the purposes of the 1997 Resolution.

Section 12.03. Fees and Expenses of Banks, Trustee and Issuing and Paying Agent. Operation and Maintenance Expenses shall include the fees and expenses of the Banks, the Trustee and the Issuing and Paying Agent, but shall not include payments of principal of, or interest on, Bank Notes.

Section 12.04. General Authorization. The appropriate officers, agents and employees of the Commission are each hereby authorized and directed for and in the name and on behalf of the Commission to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of one or more Series of Commercial Paper Notes in accordance with the provisions hereof and of the 1997 Resolution.

Section 12.05. Ratification of the 1997 Resolution. This First Supplemental Resolution and all the terms and provisions herein contained shall form part of the 1997 Resolution as fully and with the same effect as if all such terms and provisions had been set forth in the 1997 Resolution. The 1997 Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented to the date hereof, including as supplemented by this First Supplemental Resolution.

ARTICLE XIII

THE COMMERCIAL PAPER NOTES

Section 13.01. Authorized Amount of Commercial Paper Notes; Terms and Description of Commercial Paper Notes.

(a) No Commercial Paper Notes may be issued under the provisions of this First Supplemental Resolution except in accordance with this Article.

(b) The Commission hereby authorizes the issuance of its "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A," "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series B" and "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series C" subject to the provisions of this Section 13.01 and as hereinafter provided. The Series A Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series A Projects, the Series B Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series B Projects, and the Series C Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series C Projects. Proceeds of Commercial Paper Notes issued to refinance other Commercial Paper Notes may be used to pay or reimburse the Banks for Advances used to pay principal or interest due on such maturing Commercial Paper Notes; *provided, however,* that proceeds of Series A Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series A Notes, proceeds of Series B Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series B Notes and proceeds of Series C Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series C Notes. Such authorization specifically includes the authorization to issue and reissue Commercial Paper Notes for such purposes. The aggregate principal amount of Commercial Paper Notes that may be Outstanding at any one time hereunder shall not at any time exceed the lesser of (i) \$400,000,000 and (ii) the Principal Component (as defined in the Letter of Credit) then available under the Letter of Credit. At no time shall the aggregate amount of interest payable on the Outstanding Commercial Paper Notes exceed the Interest Component (as defined in the Letter of Credit) then available under the Letter of Credit.

(c) The Commercial Paper Notes shall be dated the date of their respective authentication and issuance; shall be issued in bearer or registered form, as shall be determined by the Airport Director, shall be issued in

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denominations of \$100,000 and in integral multiples of \$5,000 in excess thereof; and interest on the Commercial Paper Notes shall be separately stated by rate and amount on the face of each Commercial Paper Note. Commercial Paper Notes shall bear interest from their respective dates, payable on their respective maturity dates.

(d) Commercial Paper Notes (i) shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed), which shall not in any event exceed the Maximum Rate, (ii) shall mature on a Business Day not more than 270 days after their respective dates, but in no event later than the Termination Date, and (iii) shall be sold by the Dealers pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof. The stated interest rate, maturity date and other terms of each Commercial Paper Note, so long as not inconsistent with the terms of this First Supplemental Resolution, shall be as set forth in the Issuance Request required by Section 13.06 hereof directing the issuance of such Commercial Paper Note.

(e) The Commercial Paper Notes shall not be subject to redemption prior to maturity.

(f) The Series A Notes, the Series B Notes and the Series C Notes shall be numbered in such manner as the Issuing and Paying Agent may deem appropriate.

(g) Commercial Paper Notes which are issued to finance or refinance Series A Projects shall be designated as Series A Notes. Commercial Paper Notes which are issued to finance or refinance Series B Projects shall be designated as Series B Notes. Commercial Paper Notes which are issued to finance or refinance Series C Projects shall be designated as Series C Notes.

(h) The Commercial Paper Notes shall constitute Bonds within the meaning of the 1997 Resolution and the Series A Notes, the Series B Notes and the Series C Notes, collectively, shall constitute a single Commercial Paper Program within the meaning of the 1997 Resolution.

Section 13.02. Payment. The Commission covenants to duly and punctually pay or cause to be paid from Net Revenues in accordance with the 1997 Resolution, the principal of and interest on each and every Commercial Paper Note when due. To the extent Advances made by the Bank for the purpose of paying principal of and interest on maturing Commercial Paper Notes together with Note Proceeds from Commercial Paper Notes issued on such date are insufficient to pay principal of and interest on maturing Commercial Paper Notes, the Commission will make all payments of interest and principal directly to the Issuing and Paying Agent in immediately available funds on or prior to 1:30 p.m., New York City time, on the date payment is due on any Commercial Paper Note. To the extent principal of and/or interest on Commercial Paper Notes is paid with an Advance, the Issuing and Paying Agent is authorized and directed to use amounts paid by the Commission to reimburse the Banks. The principal of and the interest on the Commercial Paper Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts.

The principal of and the interest on the Commercial Paper Notes shall be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on any Business Day upon which such Commercial Paper Notes have become due and payable provided that such Commercial Paper Notes are presented and surrendered on a timely basis. Upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 3:00 p.m. (New York City time) on a Business Day, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Commercial Paper Note is presented for payment after 3:00 p.m. (New York City time) on a Business Day, payment therefor may be made by the Issuing and Paying Agent on the next succeeding Business Day without the accrual of additional interest thereon.

Notwithstanding the provisions of the previous paragraph, in the event the Notes are issued as a master note or master notes in book-entry form, they shall be payable at maturity without physical presentation or surrender in accordance with the procedures of the Note Depository.

Section 13.03. Authentication of Commercial Paper Notes. The Issuing and Paying Agent is by this First Supplemental Resolution, designated by the Commission as an Authenticating Agent, Registrar and Paying Agent for the Commercial Paper Notes in accordance with the terms of Section 8.12 of the 1997 Resolution. Notwithstanding

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anything herein to the contrary, the Issuing and Paying Agent shall not authenticate Commercial Paper Notes which mature later than the Termination Date, and the Issuing and Paying Agent shall not authenticate Commercial Paper Notes if a Specified Event of Default then exists of which it has actual knowledge or the Issuing and Paying Agent has received a No-Issuance Notice.

If any Commercial Paper Notes are to be issued in bearer form, the Commission shall from time to time furnish the Issuing and Paying Agent with an adequate supply of Commercial Paper Notes, each of which shall have attached such number of carbon copies as the Issuing and Paying Agent shall reasonably specify. When any Commercial Paper Notes are delivered to the Issuing and Paying Agent by the Commission, the Issuing and Paying Agent shall execute and deliver to the Commission a receipt therefor and shall hold such Commercial Paper Notes for the account of the Commission in safekeeping in accordance with its customary practice.

Section 13.04. Forms of Commercial Paper Notes and Authentication Certificate. The definitive Series A Notes, Series B Notes and Series C Notes and the Certificate of Authentication endorsed thereon shall be substantially in the form set forth in Exhibit A attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be required or appropriate in order to accomplish the purpose of the transaction authorized by the 1997 Resolution and this First Supplemental Resolution.

The Commercial Paper Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

Section 13.05. Book-Entry System. Unless the Airport Director or his designee determines that a Series of Commercial Paper Notes shall be issued in bearer form or registered form other than in book-entry form, the Commercial Paper Notes shall initially be issued in book-entry form as further provided in this Section 13.05.

(a) The Notes issued pursuant to this First Supplemental Resolution shall initially be issued in the form of a separate single fully-registered Note for each Series of the Commercial Paper Notes. Except as provided in subsection (c) of this Section 13.05, all of the Commercial Paper Notes shall be registered in the name of the Nominee. Notwithstanding any provision to the contrary in Section 13.06, so long as the Notes remain in the form of one or more master notes in book-entry form, the issuance of Notes pursuant to an Issuance Request against payment therefor shall not require the physical delivery of note certificates.

The Trustee, the Issuing and Paying Agent and the Commission may treat the registered owner of each Note as the sole and exclusive owner thereof for the purposes of payment of the principal of or interest on the Series of Notes to which such Note belongs, giving any notice permitted or required to be given to Noteholders under the 1997 Resolution, registering the transfer of Notes, obtaining any consent or other action to be taken by Noteholders, and for all other purposes whatsoever, and neither the Trustee, the Issuing and Paying Agent nor the Commission shall be affected by any notice to the contrary.

Neither the Trustee, the Issuing and Paying Agent nor the Commission shall have any responsibility or obligation to any participant in the Note Depository (a "Participant"), any person claiming a beneficial ownership interest in the Commercial Paper Notes under or through the Note Depository or any Participant, or any other person who is not shown on the registration books as being a Noteholder, with respect to (i) the accuracy of any records maintained by the Note Depository or any Participant; (ii) the payment by the Note Depository or any Participant of any amount in respect of the principal of or interest on the Commercial Paper Notes; (iii) the delivery of any notice which is permitted or required to be given to Noteholders under the 1997 Resolution; (iv) any consent given or other action taken by the Note Depository as Noteholder; or (v) any other purpose.

The Issuing and Paying Agent shall pay all principal of and interest on the Commercial Paper Notes only to or upon the order of the Note Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Commission's obligations with respect to the payment of the principal of and interest on the Commercial Paper Notes to the extent of the sum or sums so paid. Upon delivery by the Note Depository to the Issuing and Paying Agent and the Trustee of written notice to the effect that the Note Depository has determined to substitute a new Nominee in place of the current Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Article XIII shall refer to such new Nominee.

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(b) In order to qualify each Series of Commercial Paper Notes for the Note Depository's book-entry system, the appropriate officers or employees of the Commission are hereby authorized to execute, seal, countersign and deliver on behalf of the Commission to the Note Depository for each Series of Commercial Paper Notes, a Representation Letter from the Commission representing such matters as shall be necessary to so qualify the Commercial Paper Notes. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section 13.05 or in any other way impose upon the Commission any obligation whatsoever with respect to persons having beneficial ownership interests in the Commercial Paper Notes other than the Noteholders.

(c) In the event (i) the Note Depository determines not to continue to act as securities depository for a Series of Commercial Paper Notes, or (ii) the Commission determines that the Note Depository shall no longer so act and delivers a written certificate to the Issuing and Paying Agent and the Trustee to that effect, then the Commission will discontinue the book-entry system with the Note Depository for such Series of Notes. If the Commission determines to replace the Note Depository for a Series of Commercial Paper Notes with another qualified securities depository, the Commission shall prepare or direct the preparation of a new, single, separate, fully registered Note of such Series for such Series of Notes registered in the name of such successor or substitute qualified Note Depository or its Nominee, or make such other arrangements acceptable to the Trustee, the Issuing and Paying Agent and such successor or substitute Note Depository as are not inconsistent with the terms of this Supplemental Resolution. If the Commission fails to identify another qualified Note Depository to replace the incumbent Note Depository for a Series of Commercial Paper Notes, then such Series of Notes shall no longer be restricted to being registered in the bond registration books in the name of the incumbent Note Depository or its Nominee, but shall be registered in whatever name or names the incumbent Note Depository or its Nominee transferring or exchanging such Series of Notes shall designate.

(d) Notwithstanding any provision of the 1997 Resolution to the contrary, so long as the Commercial Paper Notes are registered in the name of the Nominee, all payments with respect to principal of and interest on the Commercial Paper Notes and all notices with respect to the Commercial Paper Notes shall be made and given, respectively, as provided in the Representation Letter for the related Series of Notes or as otherwise instructed by the Note Depository.

(e) The initial Note Depository with respect to each Series of Commercial Paper Notes shall be DTC. The initial Nominee with respect to each Series of Commercial Paper Notes shall be CEDE & CO., as nominee of DTC.

## Section 13.06. Conditions Precedent to Delivery of Commercial Paper Notes.

(a) Prior to the issuance of each Series of Commercial Paper Notes hereunder, Commercial Paper Notes of such Series shall be executed by the Commission and delivered to the Issuing and Paying Agent, who shall hold such Commercial Paper Notes unauthenticated in safekeeping for the Commission. Subject to the provisions of Sections 13.01 and 13.05 hereof and paragraphs (c) and (d) of this Section 13.06, at any time and from time to time prior to the Termination Date, Commercial Paper Notes shall be manually authenticated and delivered by the Issuing and Paying Agent for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an Issuance Request, no later than 1:00 p.m. (New York City time) on the Business Day on which Commercial Paper Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the Commercial Paper Notes referred to therein and to deliver the same to or upon the order of the Dealer. Each Issuance Request shall include: (i) the principal amount and date of each Commercial Paper Note then to be delivered; (ii) the rate and amount of interest thereon; (iii) the maturity date thereof; (iv) whether the Commercial Paper Notes to be issued shall be Series A Notes, Series B Notes or Series C Notes; and (v) if the Commercial Paper Notes are sold at a premium, the purchase price of the Notes. No later than 12:30 p.m. on each Business Day on which the Commission proposes to issue Commercial Paper Notes, each Dealer shall report to the Commission each transaction made with or arranged by it or shall notify the Commission and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or has agreed to purchase.

Upon receipt of such Issuance Request (which may be transmitted by mail, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing), the Issuing and Paying Agent shall, by 2:15 p.m. (New York City time) on such day, complete each Series A Note, each Series B Note and each Series C Note then to be delivered as to amount, date, maturity date, interest rate and interest amount specified in such Issuance Request, and deliver each such Commercial Paper Note to or upon the order of the Dealer upon receipt of

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payment therefor; *provided, however*, that no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if such delivery would result in the aggregate principal amount of Commercial Paper Notes Outstanding being in excess of the lesser of (i) \$400,000,000 and (ii) the Principal Component (as defined in the Letter of Credit) then available under the Letter of Credit, or would result in the aggregate amount of interest payable on Outstanding Commercial Paper Notes to exceed the Interest Component then available under the Letter of Credit. Notwithstanding any provision herein to the contrary, no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (A) it shall have received notice from a Designated Representative directing the Issuing and Paying Agent to cease authenticating and delivering Commercial Paper Notes until such time as such direction is withdrawn by similar notice, (B) it shall have actual knowledge that a Specified Event of Default shall have occurred and be continuing, (C) it shall have received notice from Bond Counsel that their opinion regarding the exclusion of interest on the Commercial Paper Notes (other than Commercial Paper Notes designated as taxable Notes pursuant to Section 16.04) from the gross income for federal tax purposes of the holders thereof is being withdrawn, (D) the maturity date of such Commercial Paper Notes would extend beyond the Termination Date or (E) the Trustee and the Issuing and Paying Agent shall have received a No-Issuance Notice. If an Issuance Request is received after 1:00 p.m. (New York City time) on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested Commercial Paper Notes until the next succeeding Business Day.

The Commission shall, upon a change in the identity of its Designated Representatives, provide a certificate for each new Designated Representative to the Issuing and Paying Agent.

A copy of each Commercial Paper Note authenticated in bearer form by the Issuing and Paying Agent shall be promptly mailed by U.S. mail, first class, postage prepaid, to the Commission and the Trustee by the Issuing and Paying Agent. The Issuing and Paying Agent shall furnish the Commission with such additional information with respect to the carrying out of its duties hereunder as the Commission from time to time shall reasonably request.

(b) In addition to the Issuance Request described above in this Section 13.06, and as a further condition to the issuance of any Commercial Paper Notes, the Designated Representative shall certify to the Issuing and Paying Agent that, as of the date of delivery of such Commercial Paper Notes, (i) the Letter of Credit is in full force and effect; (ii) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the aggregate principal amount of Commercial Paper Notes Outstanding will not exceed the amount that at the time is authorized to be Outstanding hereunder as provided in Section 13.01(b) hereof; (iii) the interest rates borne by the Commercial Paper Notes to be delivered on such date does not exceed the lesser of the Maximum Rate or the rate used in calculating the Interest Component of the Letter of Credit, (iv) unless the Commercial Paper Notes to be issued are taxable, the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed on such date; (v) the terms of the Commercial Paper Notes do not exceed 270 days and the maturity dates of such Commercial Paper Notes set forth in the Issuance Request do not extend beyond the Termination Date; (vi) the Commission has not been notified by Bond Counsel that their opinion with respect to the validity of the Commercial Paper Notes and the tax treatment of the interest thereof delivered prior to the initial issuance of the Commercial Paper Notes has been revised or withdrawn or, if any such revisions or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealers has been delivered; (vii) no Specified Event of Default has occurred and is then continuing; and (viii) all of the conditions precedent to the issuance of such Commercial Paper Notes set forth in this Section 13.06 of this First Supplemental Resolution have been satisfied.

The delivery of any Issuance Request to the Issuing and Paying Agent by a Designated Representative in the manner provided in this Section shall constitute the certification and representation of the Commission as of the date of such Issuance Request as to the matters set forth in the immediately preceding paragraph.

(c) Any Issuance Request made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and confirmed promptly in writing by a Designated Representative; *provided, however*, that the failure so to confirm any such Issuance Request, or any conflict between any such recorded oral Issuance Request and the written confirmation thereof, shall not affect the validity of any recorded oral Issuance Request received by the Issuing and Paying Agent as provided herein. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.



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(d) Prior to the initial delivery of the Commercial Paper Notes under this First Supplemental Resolution and as a condition to such initial issuance, the Trustee and the Commission shall be notified by the Issuing and Paying Agent that the Issuing and Paying Agent has received:

(i) A fully executed counterpart of the Reimbursement Agreement;

(ii) The executed Letter of Credit;

(iii) The opinions of the United States counsel (and foreign counsel if the Bank is a United States branch or agency of a bank organized under the laws of a country other than the United States) to each Bank, addressed to the Commission, the Issuing and Paying Agent and the Trustee, to the effect that the Letter of Credit is a valid and binding obligation of the Bank, enforceable in accordance with its terms; and

(iv) The Dealer Agreements.

Section 13.07 Commercial Paper Notes. The Commission, the Trustee and the Issuing and Paying Agent may deem and treat the bearer of Notes in bearer form or the registered owner of Notes in registered form as the absolute owner thereof (whether or not such Commercial Paper Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuing and Paying Agent), for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Commission, the Trustee nor the Issuing and Paying Agent shall be affected by any notice to the contrary.

ARTICLE XIV

APPLICATION OF COMMERCIAL PAPER NOTE PROCEEDS

Section 14.01. Establishment and Designation of Accounts.

(a) An account within the Construction Fund established pursuant to Section 4.01 of the 1997 Resolution is hereby established and designated as the "Commercial Paper Construction Account" and herein called the "Construction Account".

(b) The following accounts within the 1997 Resolution Debt Service Fund established pursuant to Section 5.02(b) of the 1997 Resolution are hereby established, and the Issuing and Paying Agent shall hold such accounts in accordance with the 1997 Resolution and the Issuing and Paying Agent Agreement:

(1) "Commercial Paper Debt Service Account," with subaccounts therein designated as the "Series A Debt Service Account," the "Series B Debt Service Account" and the "Series C Debt Service Account";

(2) "Commercial Paper Bank Payment Account" and herein called the "Bank Payment Account," with subaccounts therein designated as the "Series A Bank Payment Account," the "Series B Bank Payment Account" and the "Series C Bank Payment Account"; and

(3) Bank Note Debt Service Account and herein called the "Bank Note Account".

(c) The Commission hereby determines not to establish an account within the 1997 Resolution Reserve Fund for the benefit of the Noteholders.

Section 14.02. Deposit of Proceeds of Commercial Paper Notes. Immediately upon receipt thereof, the Issuing and Paying Agent shall first deposit the proceeds of the sale of the Commercial Paper Notes into the related subaccount of the Bank Payment Account in an amount equal to the unreimbursed Advances made by the Banks to pay principal of or interest on the Commercial Paper Notes of such Series and shall then transfer the remaining proceeds to the Treasurer for deposit in the Construction Account.

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Section 14.03. Application of Moneys in the Construction Account.

(a) Moneys in the Construction Account attributable to each Series shall be applied to the payment of the Project Costs for such Series. The Commission may from time to time amend the list of Series A Projects or Series B Projects in the Tax Certificate; *provided, however*, that the Commission shall not amend the list of Series A Projects or Series B Projects in such a way as to change the tax status of the related Series of Commercial Paper Notes. The Commission may from time to time amend the list of Series C Projects in the certificate of the Commission.

(b) The Treasurer is hereby authorized to disburse from the Construction Account the amount required for the payment of Project Costs and is directed to make such disbursements upon receipt of a warrant drawn by the Controller.

(c) Moneys held in the Construction Account shall be invested by the Treasurer in Permitted Investments as directed by an Authorized Commission Representative.

Section 14.04. Deposits Into and Uses of the Commercial Paper Debt Service Account and the Bank Payment Account.

(a) On or before 1:30 p.m. New York City time, on the maturity of each Note, the Commission shall deposit from Net Revenues available therefor pursuant to Section 5.05(c) and Section 5.06(b)(ii) of the 1997 Resolution with the Issuing and Paying Agent for deposit in the Bank Payment Account, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent in the related Series subaccount of the Bank Payment Account to pay principal of and interest due on all Notes on such maturity date. The Issuing and Paying Agent shall notify the Commission on or before 5:00 p.m. New York City time, on the Business Day prior to such maturity date, of the total amount due on such maturity date.

(b) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series A Notes shall be deposited into the Series A Debt Service Account of the Commercial Paper Debt Service Account and used to pay the principal of and interest on such maturing Series A Notes upon the proper presentment thereof.

(c) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series B Notes shall be deposited into the Series B Debt Service Account of the Commercial Paper Debt Service Account and used to pay the principal of and interest on such maturing Series B Notes upon the proper presentment thereof.

(d) Each Advance received by the Issuing and Paying Agent as a result of a drawing under the Letter of Credit to pay the principal of and interest on maturing Series C Notes shall be deposited into the Series C Debt Service Account of the Commercial Paper Debt Service Account and used to pay the principal of and interest on such maturing Series C Notes upon the proper presentment thereof.

(e) Amounts deposited into the Series A Bank Payment Account with respect to the Series A Notes shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the Series A Debt Service Account, by the Issuing and Paying Agent to reimburse the Banks for the amount of such Advance; *provided, however*, if, on any maturity date of the Series A Notes, the Advances paid under the Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such Series A Notes on such date, amounts in the Series A Bank Payment Account shall be used to make the balance of such payment.

(f) Amounts deposited into the Series B Bank Payment Account with respect to the Series B Notes shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the Series B Debt Service Account, by the Issuing and Paying Agent to reimburse the Banks for the amount of such Advance; *provided, however*, if, on any maturity date of the Series B Notes, the Advances paid under the Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such Series B Notes on such date, amounts in the Series B Bank Payment Account shall be used to make the balance of such payment.

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(g) Amounts deposited into the Series C Bank Payment Account with respect to the Series C Notes shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the Series C Debt Service Account, by the Issuing and Paying Agent to reimburse the Banks for the amount of such Advance; *provided, however*, if, on any maturity date of the Series C Notes, the Advances paid under the Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such Series C Notes on such date, amounts in the Series C Bank Payment Account shall be used to make the balance of such payment.

(h) Moneys in the Commercial Paper Debt Service Account and the Bank Payment Account shall not be invested.

(i) Any lien that the Issuing and Paying Agent and the Trustee may have on the Advances made by the Bank under the Letter of Credit and Note Proceeds shall be expressly subordinate to the lien on such funds created for the benefit of the holders of the Commercial Paper Notes and the Bank.

Section 14.05. Drawings Under the Letter of Credit. On or before each maturity date for any Commercial Paper Note, the Issuing and Paying Agent shall present all required drawing certificates and accompanying documentation, if required, to the Administrative Agent and demand payment be made under the Letter of Credit on such maturity date at such time and in such amount not in excess of the Stated Amount so as to be timely and sufficient to pay the entire amount of principal and interest becoming due on all Commercial Paper Notes on such date.

ARTICLE XV

THE BANK NOTES

Section 15.01. Authorization and Terms of Bank Notes.

(a) The Commission hereby authorizes the issuance of one or more series of its "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes," subject to the provisions of this Section 15.01 and as hereinafter provided. A Series of Bank Notes shall be issued for each Bank and designated the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes (insert name of Bank) Series." The Bank Notes shall be issued from time to time as provided herein in the event that any Advance is not reimbursed on the same Business Day such Advance is made. Bank Notes shall be issued in consideration of the payment of the related unreimbursed Advance by a Bank. The aggregate principal amount of Bank Notes that may be Outstanding at any one time hereunder shall not at any time exceed the Stated Amount of the Letter of Credit on its issuance date.

(b) The Bank Notes shall be dated the date of their respective authentication and issuance; shall be issued in registered form only; shall be issued in any denomination and shall bear interest at the Bank Rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed); *provided, however*, that the interest rate on the Bank Notes shall never exceed the Maximum Rate. Bank Notes shall bear interest from their respective dates, payable in accordance with the Reimbursement Agreement. Principal of Bank Notes shall be payable in accordance with the Reimbursement Agreement. The final maturity of the Bank Notes shall be no later than such date as may be provided for in the Reimbursement Agreement.

(c) The maturity date and other terms of each Bank Note, so long as not inconsistent with the terms of this First Supplemental Resolution, shall be as set forth in the certificate of an Authorized Commission Representative directing the issuance of such Bank Note.

(d) Each Series of Bank Notes shall be subject to optional prepayment prior to maturity in accordance with, and upon notice as provided by, the Reimbursement Agreement.

(e) Each Series of Bank Notes shall be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provision for numbering, including additional prefixes and suffixes, as it may deem appropriate.

Section 15.02. Issuance of Bank Notes. In the event that any Bank shall have made an Advance that has not been reimbursed by 4:30 p.m. on the same Business Day, such Bank or the Administrative Agent shall provide notice in writing to the Commission, the Issuing and Paying Agent and the Trustee requesting the issuance of a Bank

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Note and stating: (i) the amount of the Advance that remains unreimbursed; (ii) the final maturity date of such Bank Note; and (iii) the amount of each scheduled principal installment on such Bank Note. Upon receipt of such notice, the Issuing and Paying Agent shall authenticate a Bank Note of the Series specified in such notice and in accordance with such notice and the certificate of an Authorized Commission Representative delivered to the Issuing and Paying Agent pursuant to Section 15.01(c) and shall deliver such Bank Note to or upon the order of the respective Bank.

Section 15.03. Form of Bank Notes and Authentication Certificate. The definitive Bank Notes and the Certificate of Authentication endorsed thereon shall be substantially in the forms set forth in Exhibit B attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be necessary or appropriate in order to accomplish the purpose of the transaction authorized by the 1997 Resolution and this First Supplemental Resolution.

The Bank Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

Section 15.04. No Transfers of Bank Notes. Unless otherwise required by applicable law, the Bank Notes shall be non-negotiable and non-transferable.

Section 15.05. Deposits of Net Revenues in Bank Note Account. In accordance with Section 5.03 and Section 5.06 of the 1997 Resolution, on the Business Day before each Bank Note Payment Date, the Treasurer shall allocate and transfer to the Issuing and Paying Agent for deposit in the Bank Note Account amounts from available Net Revenues, as follows:

- (a) An amount equal to the aggregate amount of interest due and payable on such Bank Note Payment Date on all Bank Notes Outstanding; and
- (b) An amount equal to the aggregate principal amount due and payable on such Bank Note Payment Date on the Outstanding Bank Notes.

Amounts in the Bank Note Account shall be invested by the Issuing and Paying Agent in Permitted Investments in accordance with Section 5.08 of the 1997 Resolution.

The Bank Notes shall not be payable from the proceeds of a Letter of Credit drawing.

ARTICLE XVI

COVENANTS

Section 16.01. No Arbitrage. The Commission shall not take, nor permit to be taken by the Trustee, the Issuing and Paying Agent or otherwise, any action which, if such action had been reasonably expected to have been taken or had been deliberately and intentionally taken on the date of the issuance of any Series of Commercial Paper Notes, would have caused such Series of the Commercial Paper Notes to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and Regulations. To that end, the Commission will comply with all requirements of Section 148 of the Code to the extent applicable to each Series of Notes. In the event that at any time the Commission is of the opinion that for purposes of this Section 16.01 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee or the Issuing and Paying Agent under this First Supplemental Resolution, the Commission shall so instruct the Trustee or the Issuing and Paying Agent in writing, and the Trustee or the Issuing and Paying Agent, as the case may be, shall take such action as may be necessary in accordance with such instructions.

Section 16.02. Rebate to United States. The Commission will pay or cause to be paid to the United States Government the amounts required by Section 148(f) of the Code and any Regulations promulgated thereunder at the times required thereby. To further the satisfaction of such rebate requirement, there is hereby created, to be held by the Trustee as a separate fund for each Series of Commercial Paper Notes distinct from all other funds and accounts held by the Trustee under the 1997 Resolution, an account in the Rebate Fund designated as the "Series \_\_ Rebate Account". The Trustee shall hold any payments received from the Commission for deposit into the Series Rebate

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Account for each Series of Commercial Paper Notes 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 Owners 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.

Computations of the rebate amount and all calculations under this Section and the Tax Certificate shall be furnished by or on behalf of the Commission. The Trustee shall be deemed conclusively to have complied with the provisions of this Section if it follows the directions of the Commission consistent with the provisions of the Tax Certificate. The Trustee shall have no liability or responsibility to enforce compliance by the Commission with the Rebate Requirement. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section, other than from moneys required to be held in the funds and accounts created under the 1997 Resolution, including the Series Rebate Accounts, or from other moneys provided to it by the Commission.

The Commission and the Trustee shall keep and retain, for a period of six (6) years following the retirement of the related Series of Commercial Paper Notes, records of the determinations made pursuant to this Section 16.02.

In order to provide for the administration of this Section 16.02, the Commission may provide for the employment of independent attorneys, accountants and consultants, who shall be selected by the Commission with reasonable care and compensated on such reasonable basis as the Commission may deem appropriate, and the Trustee may rely conclusively upon the opinions, calculations, determinations and advice of such attorneys, accountants and consultants employed hereunder.

Section 16.03. Tax Covenant. The Commission shall not use or knowingly permit the use of any proceeds of the Commercial Paper Notes or any other funds of the Commission, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Commercial Paper Notes being treated as an obligation not described in Section 103(a) of the Code. Without limiting the generality of the foregoing, the Commission will comply with all the requirements and covenants contained in the Tax Certificate. This covenant shall survive the payment in full or defeasance of the Commercial Paper Notes.

Section 16.04. Taxable Notes. Notwithstanding anything in this Supplemental Resolution to the contrary, in the event the Commission, designates a Series of Commercial Paper Notes as obligations not described in Section 103(a) of the Code, the provisions of Sections 16.01, 16.02 and 16.03 shall not apply to such Series of Commercial Paper Notes. The Commission hereby designates the Series C Notes as obligations not described in Section 103(a) of the Code.

Section 16.05. Letter of Credit. The Commission hereby covenants to maintain in effect a Letter of Credit meeting the requirements hereof at all times that Commercial Paper Notes are Outstanding hereunder. The Commission further covenants that if it is unable to obtain a binding commitment for a substitute Letter of Credit at least 60 days prior to the Expiration Date, it shall endeavor to refinance the Series A Projects, the Series B Projects and the Series C Projects through the issuance of its bonds.

Section 16.06. Reimbursement Agreement. The Commission hereby covenants to comply with the provisions of the Reimbursement Agreement.

## ARTICLE XVII

### ISSUING AND PAYING AGENT; DEALERS

Section 17.01. Appointment of Issuing and Paying Agent. The Commission hereby agrees that at or prior to the time of issuance of the initial Commercial Paper Notes, the Commission will enter into the Issuing and Paying Agent Agreement and that the Commission will at all times prior to the Termination Date maintain in effect an Issuing and Paying Agent Agreement, pursuant to which the Issuing and Paying Agent will agree to hold funds, as provided in this First Supplemental Resolution, and to fulfill the duties and obligations of the Issuing and Paying Agent, as set forth in the First Supplemental Resolution.

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Section 17.02. Reports and Records. (a) The Issuing and Paying Agent 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 Notes and all Funds and Accounts established and maintained by the Issuing and Paying Agent pursuant to this First Supplemental 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 Issuing and Paying Agent shall not be required to maintain records with respect to transactions made by the Treasurer, the Trustee or the Commission or with respect to Funds and Accounts established and maintained by the Treasurer or the Trustee.

(b) The Issuing and Paying Agent shall provide to the Commission each month a report of the amounts deposited in each Fund and Account held by it under this First Supplemental Resolution and the amount disbursed from such Funds and Accounts, the earnings thereon, the ending balance in each such Fund and Account, 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. Such report shall also include such information regarding the issuance of Commercial Paper Notes during the subject month as the Commission shall request.

(c) The Issuing and Paying Agent shall maintain such books, records, and accounts as may be necessary to evidence the obligations of the Commission resulting from the Commercial Paper Notes, the principal amounts owing thereunder, the maturity schedule therefor, the respective rates of interest thereon and the principal and interest paid from time to time thereunder. So long as the Commercial Paper Notes are in book-entry form, in any legal action or proceeding with respect to a master note, the entries made in such books, records or accounts shall be, absent manifest error, conclusive evidence of the existence and the amounts of the obligations of the Commission therein recorded.

Section 17.03. Resignation and Replacement of Issuing and Paying Agent. The Issuing and Paying Agent may at any time resign and be discharged of the duties and obligations created by this First Supplemental Resolution by giving at least 30 days' written notice to the Administrative Agent, the Trustee and the Commission. The Issuing and Paying Agent may be removed, with the written consent of the Administrative Agent, which consent shall not be unreasonably withheld, at any time by an instrument signed by an Authorized Commission Representative and filed with the Issuing and Paying Agent, the Administrative Agent and the Trustee. No such resignation or removal shall become effective, however, until a successor Issuing and Paying Agent has been selected and assumed the duties of the Issuing and Paying Agent hereunder and the Letter of Credit has been transferred to the successor Issuing and Paying Agent in accordance with its terms.

In the event of the resignation or removal of the Issuing and Paying Agent, the Issuing and Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor.

The Issuing and Paying Agent shall, at all times, be a bank or trust company having its principal office in New York, New York and shall at all times be a corporation or a national banking association organized and doing business under the laws of the United States of America or of any state with a combined capital and surplus of at least \$50,000,000 and authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation or national banking association publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this section, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation or national banking association into which any Issuing and Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which any Issuing and Paying Agent shall be a party, or any corporation or national banking association succeeding to the corporate trust business of any Issuing and Paying Agent shall be the successor of the Issuing and Paying Agent if such successor corporation or national banking association is otherwise eligible under this Section, without the execution or filing of any further act on the part of the Issuing and Paying Agent or such successor corporation or national banking association.

Section 17.04. Dealers. The Commission hereby agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the Commission will enter into a Dealer Agreement with each Dealer. The Commission

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covenants that at all times prior to the Termination Date, it will maintain in effect one or more Dealer Agreements, pursuant to which each Dealer will agree to fulfill the duties and obligations of the Dealer as set forth in this First Supplemental Resolution and its Dealer Agreement.

ARTICLE XVIII

MISCELLANEOUS

Section 18.01 Substitute Letter of Credit. Notwithstanding anything herein to the contrary, the Commission may obtain a substitute Letter of Credit to replace the Letter of Credit then in effect hereunder so long as said substitute Letter of Credit shall go into effect at least one Business Day prior to the termination of the Letter of Credit then in effect, the Expiration Date with respect to such substitute Letter of Credit shall be no earlier than the earlier of (i) six (6) months after its date or (ii) the Expiration Date set forth in the Letter of Credit then in effect. The substitute Letter of Credit shall have a Stated Amount (as such term is used in the original Letter of Credit) at least as great as the Letter of Credit being replaced. The following are further conditions to the Issuing and Paying Agent's ability to release an existing Letter of Credit and accept a substitute Letter of Credit:

(a) The Commission shall deliver written notice of the proposed substitution to the Trustee, the Issuing and Paying Agent, the Administrative Agent and the Dealers not less than 45 days prior to the substitution date.

(b) There shall be delivered to the Commission, the Trustee and the Issuing and Paying Agent written evidence from each Rating Agency then maintaining a rating on the Commercial Paper Notes, that the substitution of such Letter of Credit will not, in and of itself, result in any rating then assigned to the Commercial Paper Notes being suspended, reduced or withdrawn.

(c) The Issuing and Paying Agent shall deliver written notice to the registered Owners of the Commercial Paper Notes at least 30 days prior to the substitution date. If any Outstanding Note is in bearer form, the Trustee shall publish notice of the substitution of such Letter of Credit in Authorized Newspapers at least 30 days prior to the substitution date.

(d) An opinion or opinions of counsel to the successor Bank shall be delivered to the effect that the substitute Letter of Credit is a legal, valid and binding obligation of the issuing Bank and is enforceable against the Bank in accordance with its terms.

(e) An opinion of Bond Counsel shall be delivered to the effect that the substitution of the Letter of Credit is authorized hereunder and (with respect to Notes other than Notes designated as obligations not described in Section 103(a) of the Code pursuant to Section 16.04) will not, in and of itself, adversely affect the exclusion from gross income for federal tax purposes of interest on the Notes.

Section 18.02. Timeliness of Deposits. Funds shall be deemed transferred for purposes of timeliness of receipt under this First Supplemental Resolution when transfer instructions for transfer by federal reserve wire have been given and a federal wire number confirmation has been received; provided that the party to receive such funds shall not be required to take any action required to be taken hereunder with respect to such funds until it has confirmation of actual receipt of such funds.

Section 18.03. Waiver of Events of Default. No Event of Default with respect to the Commercial Paper Notes or the Bank Notes shall be waived pursuant to Section 7.10(c) unless after such waiver the reinstatement provisions of the Letter of Credit shall be in full force and effect.

Section 18.04. Defeasance of Commercial Paper Notes. Commercial Paper Notes shall not be deemed to have been paid in full within the meaning of Article X of the 1997 Resolution unless payment of the principal of, and interest on the Commercial Paper Notes either (a) shall have been made or caused to be made in accordance with the terms of the Commercial Paper Notes and the 1997 Resolution or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (i) Available Moneys sufficient to make such payment and/or (ii) noncallable Government Obligations purchased with Available Moneys, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment.

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Section 18.05. Banks to Control Remedies. Pursuant to Section 7.13 of the 1997 Resolution, while each Letter of Credit is in effect, so long as a Bank is not Insolvent and is not in default under its Letter of Credit, no remedy under the 1997 Resolution with respect to the Commercial Paper Notes may be pursued without the prior written consent of such Bank. Each Bank shall have the right to direct the Trustee to pursue any right, power, or remedy available under the 1997 Resolution with respect to the assets, if any, available under the 1997 Resolution which secure no Bonds other than the Bonds secured by the Letter of Credit. If, at any time, more than one Bank is eligible to exercise the powers provided in this Section 18.05, the Trustee must obtain the consent of all eligible Banks when consent of a Bank is required, and the Trustee need not follow any direction in accordance with the preceding sentence unless such direction is approved in writing by all eligible Banks.

Section 18.06. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period; *provided, however,* that this Section 18.06 shall not apply to Bank Notes.

Section 18.07. Notices to Rating Agencies. The Commission shall provide the Rating Agencies with written notice of the occurrence of the following events: (i) changes in Dealers, (ii) the appointment of a successor Issuing and Paying Agent, (iii) amendments to the 1997 Resolution pursuant to Section 9.02, (iv) the expiration, termination, substitution or extension of a Letter of Credit, and (v) the defeasance of all Outstanding Commercial Paper Notes. Notices to Moody's shall be addressed as follows (or as provided in any subsequent notice to the Commission) Moody's Investors Service, 99 Church Street, New York, New York 10007, Attention: Structured Finance Group.

Section 18.08. Effective Date. This amended and restated First Supplemental Resolution shall become effective upon receipt by the Commission in writing of all consents required for the amendment of the First Supplemental Resolution as originally adopted by the Commission.



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AMENDED AND RESTATED by the Airport Commission of the City and County of San Francisco this 21<sup>st</sup> day of September, 1999, by the following vote:

Ayes: 6  
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 Airport Commission  
at its meeting of \_\_\_\_\_

SEP 21 1999

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Secretary

**AIRPORT COMMISSION**

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**EXHIBIT A**

(Form of Master Note)

STATE OF CALIFORNIA  
CITY AND COUNTY OF SAN FRANCISCO  
AIRPORT COMMISSION OF THE CITY AND  
COUNTY OF SAN FRANCISCO  
SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE COMMERCIAL PAPER NOTES  
SERIES       

Registered Owner: CEDE & CO.

Principal Sum: Not to Exceed \$ \_\_\_\_\_ Outstanding

The AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount, together with unpaid accrued interest thereon, if any, on the maturity date of each obligation identified on the records of Commission (the "Underlying Records") as being evidenced by this Master Note, which Underlying Records are maintained by The Chase Manhattan Bank, as Issuing and Paying Agent (the "Issuing and Paying Agent"). Interest shall be calculated on the basis of actual days elapsed in a 365 or 366 day year, as the case may be, at the rate specified on the Underlying Records. Payments shall be made solely from Net Revenues (as defined in the Resolution referred to hereinafter) and payments of drawings under an irrevocable direct pay Letter of Credit of \_\_\_\_\_, acting through its New York Branch, by [wire transfer] to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

This Note is one of a duly authorized issue of San Francisco International Airport Second Series Subordinate Revenue Bonds of the Commission (hereinafter called the "Obligations") of the series and designation indicated on the face hereof. Said authorized issue of Obligations is not limited in aggregate principal amount and consists of multiple series of varying denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter and the Administrative Code of the City and County of San Francisco (hereinafter called the "Act"). This Note evidences a series of Notes designated as the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Note, Series       " (hereinafter called the "Series        Notes"), limited to \$ \_\_\_\_\_ in aggregate principal amount. This Note is issued pursuant to a resolution of the Commission, adopted May    , 1997, as amended and supplemented, including as supplemented by the First Supplemental Resolution adopted       , 1997, and amended and restated on       , 1999, providing for the issuance of the Obligations, including the Series        Notes, the Series        Notes and the Series        Notes, in the aggregate principal amount of \$ \_\_\_\_\_, (hereinafter collectively called the "Resolution").

Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Obligations are issued and to be issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Obligations; and all the terms of the Resolution and the Act are hereby incorporated herein and made a contract between the Commission and the registered owner from time to time of this Note, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series of Obligations may be issued on a parity with the Notes of this authorized Series, but only subject to the conditions and limitations contained in the Resolution.

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 99-0299

This Note, including the interest hereon, together with all other Obligations, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution).

The Obligations are special obligations of the Commission, and are payable, both as to principal and interest, out of the Net Revenues pertaining to the Airport and the moneys in the Funds and Accounts provided in the Resolution, subject to the prior payment of principal of and interest on the 1991 Resolution Bonds, and not out of any other fund or moneys of the Commission. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Note or the interest hereon.

At the request of the registered owner, the Commission shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note. This Note is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Issuing and Paying Agent in New York, New York, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new fully registered Series \_\_ Note or Series\_\_ Notes without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Commission, Chase Trust Company of California, as Trustee (herein called the "Trustee"), and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Obligations may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution, provided that no such modification or amendment shall (i) extend the stated maturity of any Obligation, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Obligation so affected, or (ii) reduce the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with the lien of the Resolution, without the consent of the holders of all of the Obligations then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Obligation without the consent of the registered owner of each Obligation not receiving such preference or priority.

It is hereby certified and recited 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 this Note, and in the issuing of this Note, 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 this Note, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Obligations permitted to be issued under the Resolution.

This Note shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent. This Master Note is a valid and binding obligation of Commission.

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 39-0299

IN WITNESS WHEREOF, the AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Note to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

AIRPORT COMMISSION OF THE CITY  
AND COUNTY OF SAN FRANCISCO

By

President

Countersigned:

Secretary of the Commission

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 39-0299

CERTIFICATE OF AUTHENTICATION

This is the Master Note described in the within-mentioned Resolution.

THE CHASE MANHATTAN BANK, as Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Name, address, and Taxpayer Identification Number of Assignee)  
this Master Note and all rights thereunder, hereby irrevocably constituting and appointing  
\_\_\_\_\_  
attorney to transfer said Master Note on the books of the Commission with full  
power of substitution in the premises.

Dated:  
Signature(s) Guaranteed

\_\_\_\_\_  
(Signature)  
Notice: The signature on this assignment must correspond with the name as  
written upon the face of this Master Note, in every particular, without  
alteration or enlargement or any change whatsoever.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Commission or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. Or in such other name as is requested by an authorized representative of DTC (any payment is made to Cede & Co. Or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 39-0299

EXHIBIT B

(Form of Bank Note)

STATE OF CALIFORNIA  
CITY AND COUNTY OF SAN FRANCISCO  
AIRPORT COMMISSION OF THE CITY AND  
COUNTY OF SAN FRANCISCO  
SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE REVENUE NOTES  
\_\_\_\_\_ SERIES

Dated Date                      Principal Payment                      Final Maturity Date

Registered Owner:

Original Principal Sum:

The AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named, on each January \_\_, April \_\_, July \_\_, and October \_\_, commencing \_\_\_\_\_, to and including the final maturity date hereinabove stated (each a "Payment Date") (subject to any right of prior prepayment hereinafter mentioned) the principal payment hereinabove stated together with interest on the principal balance outstanding from its dated date until the principal hereof shall have been paid, at the applicable Bank Rate (as defined in that certain Letter of Credit and Reimbursement Agreement, dated as of \_\_, \_\_, by and among the Commission and \_\_\_\_\_, as \_\_\_\_\_ (hereinafter called the "Agreement")) payable on each Payment Date, by wire transfer to \_\_\_\_\_. Payment of the principal of this Note at final maturity or prepayment price upon prior prepayment in full of this Note shall be made upon surrender hereof at the office of The Chase Manhattan Bank, as Issuing and Paying Agent in New York, New York. Payment of principal of, and interest on, this Note shall be made in any lawful currency of the United States of America. Interest on this Note shall be calculated on the basis of a 365 or 366 day year and actual days elapsed.

This Note is one of a duly authorized issue of San Francisco International Airport Second Series Subordinate Revenue Notes of the Commission (hereinafter called the "Obligations") of the series and designation indicated on the face hereof. Said authorized issue of Obligations is not limited in aggregate principal amount and consists of multiple series of varying denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter and the Administrative Code of the City and County of San Francisco (hereinafter called the "Act"). This Note evidences a series of Notes designated as the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Note, \_\_\_\_\_ Series" (hereinafter called the "Series \_ Notes"), limited to \$ \_\_\_\_\_ in aggregate principal amount. This Note is issued pursuant to a resolution of the Commission, adopted May \_\_, 1997, as amended and supplemented, including as supplemented by the First Supplemental Resolution adopted \_\_\_\_\_, 1997, providing for the issuance of the Obligations, including the Series \_ Notes and the Series \_ Notes, in the aggregate principal amount of \$ \_\_\_\_\_ (hereinafter collectively called the "Resolution").

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 99-0299

Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Obligations are issued and to be issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Obligations; and all the terms of the Resolution and the Act are hereby incorporated herein and made a contract between the Commission and the registered owner from time to time of this Note, and to all the provisions thereof the registered owner of this Note, by its acceptance hereof, consents and agrees. Additional series of Obligations may be issued on a parity with the Notes of this authorized Series, but only subject to the conditions and limitations contained in the Resolution.

This Note, including the interest hereon, together with all other Obligations, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution).

The Obligations are special obligations of the Commission, and are payable, both as to principal and interest, out of the Net Revenues pertaining to the Airport and the moneys in the Funds and Accounts provided in the Resolution, subject to the prior payment of principal of, and interest on, the 1991 Resolution Bonds, and not out of any other fund or moneys of the Commission. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Note or the interest hereon.

The Series \_\_ Notes are subject to optional prepayment prior to their respective stated final maturity dates, at the option of the Commission, from any source of available funds, in whole or in part in principal amounts of at least \$100,000, on any date, [and by lot within a maturity], at a prepayment price equal to the principal amount of Series \_\_ Notes prepaid), together with accrued interest to the date fixed for prepayment.

The Commission, Chase Trust Company of California, as Trustee (herein called the "Trustee"), and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Obligations may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution, provided that no such modification or amendment shall (i) extend the stated maturity of any Obligation, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Obligation so affected, or (ii) reduce the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with the lien of the Resolution, without the consent of the holders of all of the Obligations then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Obligation without the consent of the registered owner of each Obligation not receiving such preference or priority.

It is hereby certified and recited 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 this Note, and in the issuing of this Note, 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 this Note, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Obligations permitted to be issued under the Resolution.

This Note shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent. This Note is a valid and binding obligation of Commission.

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 99-0299

IN WITNESS WHEREOF, the AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Note to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

AIRPORT COMMISSION OF THE CITY  
AND COUNTY OF SAN FRANCISCO

By

President

Countersigned:

Secretary of the Commission

**CERTIFICATE OF AUTHENTICATION**

This is one of the Notes described in the within-mentioned Resolution and registered this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

THE CHASE MANHATTAN BANK, as Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory



San Francisco International Airport

MEMORANDUM

May 5, 2009

P.O. Box 8097  
 San Francisco, CA 94128  
 Tel 650.821.5000  
 Fax 650.821.5005  
 www.flysfo.com

TO: MEMBERS, AIRPORT COMMISSION  
 Hon. Larry Mazzola, President  
 Hon. Linda S. Crayton, Vice President  
 Hon. Caryl Ito  
 Hon. Eleanor Johns  
 Hon. Richard J. Guggenlime

09-0088

MAY 05 2009

FROM: Airport Director

AIRPORT  
 COMMISSION  
 CITY AND COUNTY  
 OF SAN FRANCISCO

SUBJECT: Establish a Fourth Series of Commercial Paper Notes to Achieve Debt Service Savings and Provide for one or more Subseries of Notes to Accommodate the use of Multiple Letters of Credit

GAVIN NEWSOM  
 MAYOR

DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION AMENDING AND RESTATING THE FIRST SUPPLEMENTAL RESOLUTION No. 99-0299 TO PROVIDE FOR A FOURTH SERIES OF COMMERCIAL PAPER NOTES AND PROVIDE FOR ONE OR MORE SUBSERIES OF NOTES TO ACCOMMODATE THE USE OF MULTIPLE LETTERS OF CREDIT

LARRY MAZZOLA  
 PRESIDENT

LINDA S. CRAYTON  
 VICE PRESIDENT

CARYL ITO

Executive Summary

ELEANOR JOHNS  
 RICHARD J. GUGGENHIME

JOHN L. MARTIN  
 AIRPORT DIRECTOR

The Commission's Commercial Paper Program (the "CP Program") provides short-term financing for Airport capital projects. Recent Federal stimulus legislation now permits the Airport to finance and refinance capital projects with commercial paper notes that are not subject to the Federal alternative minimum tax ("AMT") and thus will bear a lower rate of interest. To take advantage of this legislation, the attached Amended and Restated First Supplemental Resolution (the "Resolution") establishes a new series of Notes which will constitute private activity bonds, the interest on which new series will not be subject to the AMT. In addition, the CP Program currently contemplates the Commission entering into only one Letter of Credit. To enable the Airport to utilize its full capacity of authorized Commercial Paper Notes ("Notes") in the amount of \$400 million, the attached Resolution provides for one or more subseries of Notes to accommodate the use of multiple Letters of Credit to pay and secure payment of the Notes. The Airport's Financial Advisory Committee has reviewed and approved this course of action.

### Background

The Airport Commission adopted its Resolution No. 97-0147 on May 20, 1997, providing for the issuance of San Francisco International Airport Subordinate Revenue Bonds, which resolution has been amended and supplemented a number of times, including by Resolution No. 99-0299 on September 21, 1999 (the "First Supplemental Resolution," and collectively with Resolution No. 97-0147, the "1997 Resolution"). The 1997 Resolution provides that the Commission may issue its Subordinate Commercial Paper Notes, Series A, B and C from time to time as necessary to provide short-term financing for Airport capital projects.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the "Act"). The Act provides new incentives to financial institutions to purchase tax-exempt securities by temporarily repealing the AMT that would otherwise apply to certain tax-exempt private activity securities. Most of the Bonds and Notes issued by the Commission are private activity securities, and are subject to the AMT.

As a result of the temporary repeal of the AMT for certain tax-exempt private activity securities, interest on these securities will not be treated as a preference item for purposes of the AMT and also will not be included in the current earnings adjustment under the corporate AMT. These amendments to the Internal Revenue Code apply to "new money" securities issued in 2009 and 2010 and also to refundings in 2009 and 2010 of securities issued in calendar years 2004 through 2008.

### Establishment of a New Series of Commercial Paper Notes

Of the Airport's approximately \$93 million principal amount of Notes outstanding, the \$88 million of Series A (AMT) Notes constitute private activity bonds. Although the Airport has this existing series of private activity notes outstanding, the newly authorized private activity bonds may not be commingled with the existing series due to their different tax treatment and the accompanying rules for financing and refinancing projects. Thus, to take advantage of the provisions of the Act, the proposed Resolution will establish a new fourth series of notes, the Series D (Non-AMT) private activity Notes. The Commission will then be able to issue the new Series D (Non-AMT) Notes to refund its outstanding Series A (AMT) Notes for debt service savings, and to continue to provide short-term financing for its capital projects.

Airport staff and the Airport's financial advisors estimate that issuing the Series D (Non-AMT) Notes will result in annual debt service savings of approximately \$600,000 based on the Airport's current interest costs and authorized Note capacity.

### Providing for Multiple Letters of Credit

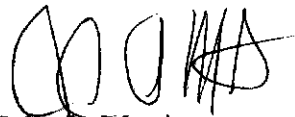
Currently, the 1997 Resolution only contemplates utilizing one Letter of Credit to pay and secure the payment of the Notes. The existing Letter of Credit is provided by State

Street Bank in a maximum principal amount of \$200 million. The 1997 Resolution, however, authorizes the CP Program up to \$400 million if adequate Letter of Credit support can be secured. In the current market environment, banks are reluctant to issue Letters of Credit in such large amounts and the Airport may need to secure several Letters of Credit in order to issue Notes up to the full amount of the \$400 million authorized capacity of the CP Program.

For the Airport to increase the CP Program to its full authorized amount, an amendment of the First Supplemental Resolution is required to provide for separate subseries of Notes secured by multiple Letters of Credit.

Recommendation

The proposed Resolution amends and restates the First Supplemental Resolution to establish a new fourth series of Notes, the Series D (Non-AMT) private activity Notes. It also provides for one or more subseries of Notes to accommodate the use of multiple Letters of Credit. Staff will return to the Commission for approval of any new or additional Letters of Credit for the CP Program. I recommend that the Commission adopt the Resolution.



John L. Martin  
Airport Director

Prepared by: Leo Fermin  
Deputy Airport Director  
Business and Finance

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 09-0088**

---

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

**Resolution No. 09-\_\_\_\_\_**

**Amended and Restated  
First Supplemental Resolution  
Providing for the Issuance of  
Not to Exceed \$400,000,000 Aggregate Principal Amount of**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE COMMERCIAL PAPER NOTES**

**Adopted on May 5, 2009**

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 09-0088

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 09-0088

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**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 09-0088**

Resolution No. 09-\_\_\_\_\_

Amended and Restated First Supplemental Resolution Providing for the Issuance of  
Not to Exceed \$400,000,000 Aggregate Principal Amount of  
San Francisco International Airport  
Subordinate Commercial Paper Notes

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Commission"), on May 20, 1997, duly adopted its Resolution No. 97-0146, providing for the issuance of San Francisco International Airport Subordinate Revenue Bonds, (which Resolution, as previously supplemented and amended, including as supplemented by Resolution No. 97-0147 on May 29, 1997, as amended and restated by Resolution No. 99-0299 on September 21, 1999 and as amended and restated by this Resolution No. 09-\_\_\_\_\_, on May 5, 2009 (herein called the "First Supplemental Resolution"), is herein called the "1997 Resolution"); and

WHEREAS, the 1997 Resolution provides that the Commission may issue Bonds, including commercial paper notes, from time to time as the issuance thereof is authorized by the Commission; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance of one or more additional Series of Bonds in the form of commercial paper notes in an aggregate principal amount of not to exceed Four Hundred Million Dollars (\$400,000,000) for the purposes of (i) financing and refinancing the construction, acquisition, equipping and development of capital improvements at the Airport, including, but not limited to, preliminary engineering and planning costs, costs of design studies, costs of obtaining any applicable licenses or permits and other similar preliminary costs (the "Projects"); and (ii) funding other lawful expenditures of the Airport; and

WHEREAS, this First Supplemental Resolution, as originally adopted by the Commission, provided for the issuance of the Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A (herein called the "Series A Notes") and the Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series B (herein called the "Series B Notes"); and

WHEREAS, this First Supplemental Resolution, as previously amended and supplemented, also provided for the issuance of the Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series C (herein called the "Series C Notes"); and

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 09-0088**

WHEREAS, the Commission has determined that it is necessary and desirable to amend and restate this First Supplemental Resolution to provide for a fourth Series of Commercial Paper Notes to be designated as the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series D" (herein called the "Series D Notes") for the purpose of financing and refinancing the costs of the Projects; and

WHEREAS, interest on the Series D Notes, which Notes will constitute "private activity bonds" within the meaning of Section 141 of the Code, will not be subject to the alternative minimum tax under the Code, as permitted by The American Reinvestment and Recovery Act of 2009; and

WHEREAS, the Commission has also determined that it is necessary and desirable to amend and restate this First Supplemental Resolution to provide for one or more subseries of the Series A Notes, the Series B Notes the Series C Notes and the Series D Notes to accommodate the use of multiple letters of credit, if any;

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

**ARTICLE XII**

**DEFINITIONS; GENERAL AUTHORIZATION; AND RATIFICATION**

Section 12.01. Definitions. Except as otherwise defined in this First Supplemental Resolution, capitalized terms herein shall have the meanings assigned thereto in Section 1.01 of the 1997 Resolution. The following definitions shall apply to terms used in this First Supplemental Resolution, unless the context clearly requires otherwise:

"Administrative Agent" means any Bank acting as administrative agent for two or more Banks which have provided a Letter of Credit, and any successor thereto as administrative agent.

"Advances" means payments made by the Bank or Banks as a result of draws made on a Letter of Credit to pay principal of and interest on the related Commercial Paper Notes.

"Available Moneys" means moneys which are continuously on deposit with the Trustee or the Issuing and Paying Agent in trust for the benefit of the holders of the Commercial Paper Notes in a separate and segregated account in which only Available Moneys are held, which moneys constitute proceeds of (i) the Commercial Paper Notes received contemporaneously with the initial issuance and sale of the Commercial Paper Notes, (ii) a drawing under a Letter of Credit or payments otherwise made under a substitute Letter of Credit, (iii) refunding obligations



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for which the Trustee has received a written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Trustee and the Rating Agencies to the effect that payment of such moneys to the holders of the Commercial Paper Notes would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code if the Commission were to become a debtor under the United States Bankruptcy Code or (iv) the investment of funds qualifying as Available Moneys under the foregoing clauses.

“Bank” means each entity that is the issuer of a Letter of Credit then outstanding and effective hereunder. “Banks” means collectively, all of the Banks.

“Bank Note” means a note or notes issued by the Commission pursuant to Section 15.01 hereof and evidencing all or any portion of any unreimbursed Advances made by a Bank or Banks pursuant to a Letter of Credit and designated as “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes, (insert name of Bank) Series.”

“Bank Note Payment Date” means a date on which principal of or interest on a Bank Note is due and payable, including both scheduled principal and interest and principal and interest payable upon prepayment of a Bank Note.

“Bank Rate” shall have the meaning assigned to that term in the Reimbursement Agreement.

“Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks in New York, New York, San Francisco, California or the city in which is located the office of the Bank at which demands for a draw on the related Letter of Credit will be made, are authorized or required by law to close or (ii) a day on which the New York Stock Exchange is closed.

“Commercial Paper Notes” or “Notes” means all Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes authorized to be issued from time to time under the 1997 Resolution and this First Supplemental Resolution, including Commercial Paper Notes issued as Series A Notes, Commercial Paper Notes issued as Series B Notes, Commercial Paper Notes issued as Series C Notes and Commercial Paper Notes issued as Series D Notes, including any subseries of such Notes.

“Dealer” means each dealer for the Commercial Paper Notes which is appointed by the Commission and has entered into a Dealer Agreement.

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“Dealer Agreement” means each Dealer Agreement, by and between the Commission and a Dealer, and any and all modifications, alterations, amendments and supplements thereto with respect to the Commercial Paper Notes.

“Designated Representative” means the Airport Director, the Deputy Director for Business and Finance and those additional individuals designated pursuant hereto to complete and deliver Issuance Requests and who have been identified and whose signatures have been certified in a certificate of an Authorized Commission Representative delivered to the Issuing and Paying Agent.

“Expiration Date” means the respective date of expiration of each Letter of Credit then in effect.

“Interest Advances” means Advances drawn and used to pay interest on Commercial Paper Notes.

“Issuance Request” means a request made by the Commission, acting through a Designated Representative, to an Issuing and Paying Agent for the delivery of a Commercial Paper Note or Commercial Paper Notes.

“Issuing and Paying Agent” means each entity which is appointed by the Commission and has entered into an Issuing and Paying Agent Agreement. “Principal Office” of an Issuing and Paying Agent means the respective office thereof designated in writing to the Commission and the Trustee.

“Issuing and Paying Agent Agreement” means each Issuing and Paying Agent Agreement entered into by and between the Commission and an Issuing and Paying Agent, and any and all modifications, alterations, amendments, and supplements thereto with respect to the Commercial Paper Notes.

“Letter of Credit” means a direct pay Irrevocable Letter of Credit issued by a Bank or Banks to the Issuing and Paying Agent on or prior to the date of issuance of the related Commercial Paper Notes and any substitute letter of credit accepted by the Issuing and Paying Agent as provided in Section 18.01 hereof.

“Maximum Rate” means twelve percent (12%) per annum or such higher interest rate as may be permitted by applicable law.

“No-Issuance Notice” shall have the meaning assigned thereto in each Reimbursement Agreement.

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“Note Depository” means the securities depository for a Series of Commercial Paper Notes appointed as such pursuant to Section 13.05, and its successors and assigns.

“Note Proceeds” means proceeds of the sale of the Commercial Paper Notes or any moneys, securities or other obligations that may be deemed to be proceeds of the Commercial Paper Notes within the meaning of the Code.

“Principal Advances” means Advances drawn and used to pay principal on Commercial Paper Notes.

“Reimbursement Agreement” means a Letter of Credit and Reimbursement Agreement, entered into between the Commission and one or more Banks, and any and all modifications, alterations, amendments and supplements thereto and any similar document entered into with respect to a subsequent or additional Letter of Credit.

“Series” means each series or subseries of the Notes, as appropriate.

“Series A Notes” means the “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A,” and/or any subseries thereof, as appropriate.

“Series A Project” means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the Commission as being financed or refinanced in whole or in part with the proceeds of the Series A Notes, as from time to time amended, as provided in Section 14.03(a) hereof, and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds of the sale of Series A Notes.

“Series B Notes” means the “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series B,” and/or any subseries thereof, as appropriate.

“Series B Project” means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the Commission as being financed or refinanced in whole or in part with the proceeds of the Series B Notes, as from time to time amended, as provided in Section 14.03(a) hereof and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds on the sale of Series B Notes.

“Series C Notes” means the “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series C,” and/or any subseries thereof, as appropriate.

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“Series C Project” means any undertaking, facility or item which is listed or otherwise described in a certificate signed by an Authorized Commission Representative as being financed or refinanced in whole or in part with the proceeds of the Series C Notes, as from time to time amended, as provided in Section 14.03(a) hereof and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds on the sale of Series C Notes.

“Series D Notes” means the “Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series D,” and/or any subseries thereof, as appropriate.

“Series D Project” means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the Commission as being financed or refinanced in whole or in part with the proceeds of the Series D Notes, as from time to time amended, as provided in Section 14.03(a) hereof, and which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds of the sale of Series D Notes.

“Specified Event of Default” means an Event of Default described in subsection (a), (b), (c), (f) or (g) of Section 7.01 of the 1997 Resolution, which Event of Default has not been cured.

“Stated Amount” means the Stated Amount as defined in each Letter of Credit then in effect.

“Termination Date” means the sixteenth day prior to the Expiration Date under the related Letter of Credit.

Section 12.02. Letter of Credit as Credit Facility. The Commission hereby designates each Letter of Credit as a “Credit Facility” and each Reimbursement Agreement as a “Credit Facility Agreement” and the Banks as “Credit Providers” for the purposes of the 1997 Resolution.

Section 12.03. Fees and Expenses of Banks, Trustee and Issuing and Paying Agent. Operation and Maintenance Expenses shall include the fees and expenses of the Banks, the Trustee and the Issuing and Paying Agent, but shall not include payments of principal of, or interest on, Bank Notes.

Section 12.04. General Authorization. The appropriate officers, agents and employees of the Commission are each hereby authorized and directed for and in the name and on behalf of the Commission to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, deem necessary or appropriate to consummate the lawful issuance, sale and delivery of one or more

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Series of Commercial Paper Notes in accordance with the provisions hereof and of the 1997 Resolution.

Section 12.05. Ratification of the 1997 Resolution. This First Supplemental Resolution and all the terms and provisions herein contained shall form part of the 1997 Resolution as fully and with the same effect as if all such terms and provisions had been set forth in the 1997 Resolution. The 1997 Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented to the date hereof, including as amended and supplemented by this First Supplemental Resolution.

**ARTICLE XIII**

**THE COMMERCIAL PAPER NOTES**

Section 13.01. Authorized Amount of Commercial Paper Notes; Terms and Description of Commercial Paper Notes.

(a) No Commercial Paper Notes may be issued under the provisions of this First Supplemental Resolution except in accordance with this Article.

(b) The Commission hereby authorizes the issuance of its "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series A," "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series B," "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series C" and "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Notes, Series D" subject to the provisions of this Section 13.01 and as hereinafter provided. The Series A Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series A Projects, the Series B Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series B Projects, the Series C Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series C Projects and the Series D Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series D Projects or to refinance the cost of Series A Projects. The Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes may be issued in one or more subseries as shall be determined to be necessary or desirable by the Airport Director.

(c) Proceeds of Commercial Paper Notes issued to refinance other Commercial Paper Notes may be used to pay or reimburse the Banks for Advances used to pay principal or interest due on such maturing Commercial Paper Notes; *provided, however*, that unless the Issuing and

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Paying Agent receives an Opinion of Bond Counsel to the contrary, the proceeds of Series A Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series A Notes, proceeds of Series B Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series B Notes, proceeds of Series C Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series C Notes and proceeds of Series D Notes may only be used to pay or to reimburse the Banks for Advances used to pay principal or interest due on Series D Notes or the Series A Notes. Upon receipt of an Opinion of Bond Counsel, Notes may also be issued to refund other bonds or debt obligations of the Commission. Such authorization specifically includes the authorization to issue and reissue Commercial Paper Notes for such purposes.

(d) The aggregate principal amount of Commercial Paper Notes that may be Outstanding at any one time hereunder shall not at any time exceed \$400,000,000. The aggregate principal amount of each Series of Notes that may be Outstanding at any one time hereunder shall not exceed the the Principal Component (as defined in the related Letter of Credit) then available under the Letter of Credit securing such Series of Notes. At no time shall the aggregate amount of interest payable on the Outstanding Commercial Paper Notes of any Series of Notes exceed the the Interest Component (as defined in the related Letter of Credit) then available under the Letter of Credit securing such Series of Notes.

(e) The determinations of the Airport Director provided for in this Section shall be set forth in one or more Certificates of Additional Terms ("Certificate of Additional Terms") to be executed and delivered by the Airport Director, which Certificates of Additional Terms when executed and delivered by the Airport Director, shall constitute a part of the 1997 Resolution.

(f) The Commercial Paper Notes shall be dated the date of their respective authentication and issuance; shall be issued in bearer or registered form, as shall be determined by the Airport Director, shall be issued in denominations of \$100,000 and in integral multiples of \$5,000 in excess thereof; and interest on the Commercial Paper Notes shall be separately stated by rate and amount on the face of each Commercial Paper Note. Commercial Paper Notes shall bear interest from their respective dates, payable on their respective maturity dates.

(g) Commercial Paper Notes (i) shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed), which shall not in any event exceed the Maximum Rate, (ii) shall mature on a Business Day not more than 270 days after their respective dates, but in no event later than the related Termination Date, and (iii) shall be sold by the Dealers pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof. The stated interest rate, maturity date and other terms of each Commercial Paper Note, so long as not inconsistent with the terms of this

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First Supplemental Resolution, shall be as set forth in the Issuance Request required by Section 13.06 hereof directing the issuance of such Commercial Paper Note.

(h) The Commercial Paper Notes shall not be subject to redemption prior to maturity.

(i) The Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes and each subseries thereof shall be numbered in such manner as the Issuing and Paying Agent may deem appropriate.

(j) Commercial Paper Notes which are issued to finance or refinance Series A Projects shall be designated as Series A Notes. Commercial Paper Notes which are issued to finance or refinance Series B Projects shall be designated as Series B Notes. Commercial Paper Notes which are issued to finance or refinance Series C Projects shall be designated as Series C Notes. Commercial Paper Notes which are issued to finance or refinance Series D Projects or the Series A Projects shall be designated as Series D Notes. A subseries of each Series of Notes may be created as shall be determined to be necessary or desirable by the Airport Director to accommodate the use of one or more additional Letters of Credit.

(k) The Commercial Paper Notes shall constitute Bonds within the meaning of the 1997 Resolution and the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes, including all subseries of such notes, collectively, shall constitute a single Commercial Paper Program within the meaning of the 1997 Resolution.

Section 13.02. Payment. The Commission covenants to duly and punctually pay or cause to be paid from Net Revenues in accordance with the 1997 Resolution, the principal of and interest on each and every Commercial Paper Note when due. To the extent Advances made by a Bank or Banks under a Letter of Credit for the purpose of paying principal of and interest on maturing Commercial Paper Notes together with Note Proceeds from Commercial Paper Notes issued on such date are insufficient to pay principal of and interest on maturing Commercial Paper Notes, the Commission will make all payments of interest and principal directly to the Issuing and Paying Agent in immediately available funds on or prior to 1:30 p.m., New York City time, on the date payment is due on any Commercial Paper Note. To the extent principal of and/or interest on Commercial Paper Notes is paid with an Advance, the Issuing and Paying Agent is authorized and directed to use amounts paid by the Commission to reimburse the applicable Bank(s). The principal of and the interest on the Commercial Paper Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts.

The principal of and the interest on the Commercial Paper Notes shall be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on any

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Business Day upon which such Commercial Paper Notes have become due and payable; *provided*, that such Commercial Paper Notes are presented and surrendered on a timely basis. Upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 3:00 p.m. (New York City time) on a Business Day, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Commercial Paper Note is presented for payment after 3:00 p.m. (New York City time) on a Business Day, payment therefore may be made by the Issuing and Paying Agent on the next succeeding Business Day without the accrual of additional interest thereon.

Notwithstanding the provisions of the previous paragraph, in the event the Notes are issued as a master note or master notes in book-entry form, they shall be payable at maturity without physical presentation or surrender in accordance with the procedures of the Note Depository.

Section 13.03. Authentication of Commercial Paper Notes. The Issuing and Paying Agent is by this First Supplemental Resolution, designated by the Commission as an Authenticating Agent, Registrar and Paying Agent for the Commercial Paper Notes in accordance with the terms of Section 8.12 of the 1997 Resolution. Notwithstanding anything herein to the contrary, the Issuing and Paying Agent shall not authenticate Commercial Paper Notes of a Series which mature later than the related Termination Date, and the Issuing and Paying Agent shall not authenticate Commercial Paper Notes of a Series if a Specified Event of Default under the related Letter of Credit then exists of which it has actual knowledge or the Issuing and Paying Agent has received a No-Issuance Notice under the related Letter of Credit.

If any Commercial Paper Notes are to be issued in bearer form, the Commission shall from time to time furnish the Issuing and Paying Agent with an adequate supply of Commercial Paper Notes, each of which shall have attached such number of carbon copies as the Issuing and Paying Agent shall reasonably specify. When any Commercial Paper Notes are delivered to the Issuing and Paying Agent by the Commission, the Issuing and Paying Agent shall execute and deliver to the Commission a receipt therefor and shall hold such Commercial Paper Notes for the account of the Commission in safekeeping in accordance with its customary practice.

Section 13.04. Forms of Commercial Paper Notes and Authentication Certificate. The definitive Series A Notes, Series B Notes, Series C Notes and Series D Notes and the Certificate of Authentication endorsed thereon shall be substantially in the form set forth in Exhibit A attached hereto and made a part hereof, with such appropriate Series designation, variations, omissions and insertions as shall be required or appropriate to accomplish the purpose of the transaction authorized by the 1997 Resolution and this First Supplemental Resolution.



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The Commercial Paper Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

Section 13.05. Book-Entry System. Unless the Airport Director or his designee determines that a Series of Commercial Paper Notes shall be issued in bearer form or registered form other than in book-entry form, the Commercial Paper Notes shall initially be issued in book-entry form as further provided in this Section 13.05.

(a) The Notes issued pursuant to this First Supplemental Resolution shall initially be issued in the form of a separate single fully-registered Note for each Series of the Commercial Paper Notes. Except as provided in subsection (c) of this Section 13.05, all of the Commercial Paper Notes shall be registered in the name of the Nominee. Notwithstanding any provision to the contrary in Section 13.06, so long as the Notes remain in the form of one or more master notes in book-entry form, the issuance of Notes pursuant to an Issuance Request against payment therefor shall not require the physical delivery of note certificates.

The Trustee, the Issuing and Paying Agent and the Commission may treat the registered owner of each Note as the sole and exclusive owner thereof for the purposes of payment of the principal of or interest on the Series of Notes to which such Note belongs, giving any notice permitted or required to be given to Noteholders under the 1997 Resolution, registering the transfer of Notes, obtaining any consent or other action to be taken by Noteholders, and for all other purposes whatsoever, and neither the Trustee, the Issuing and Paying Agent nor the Commission shall be affected by any notice to the contrary.

Neither the Trustee, the Issuing and Paying Agent nor the Commission shall have any responsibility or obligation to any participant in the Note Depository (a "Participant"), any person claiming a beneficial ownership interest in the Commercial Paper Notes under or through the Note Depository or any Participant, or any other person who is not shown on the registration books as being a Noteholder, with respect to (i) the accuracy of any records maintained by the Note Depository or any Participant; (ii) the payment by the Note Depository or any Participant of any amount in respect of the principal of or interest on the Commercial Paper Notes; (iii) the delivery of any notice which is permitted or required to be given to Noteholders under the 1997 Resolution; (iv) any consent given or other action taken by the Note Depository as Noteholder; or (v) any other purpose.

The Issuing and Paying Agent shall pay all principal of and interest on the Commercial Paper Notes only to or upon the order of the Note Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Commission's obligations with respect to the payment of the principal of and interest on the Commercial Paper Notes to the extent of the sum or sums so paid. Upon delivery by the Note Depository to the Issuing and Paying Agent

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and the Trustee of written notice to the effect that the Note Depository has determined to substitute a new Nominee in place of the current Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Article XIII shall refer to such new Nominee.

(b) In order to qualify each Series of Commercial Paper Notes for the Note Depository's book-entry system, the appropriate officers or employees of the Commission are hereby authorized to execute, seal, countersign and deliver on behalf of the Commission to the Note Depository for each Series of Commercial Paper Notes, a Representation Letter from the Commission representing such matters as shall be necessary to so qualify the Commercial Paper Notes. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section 13.05 or in any other way impose upon the Commission any obligation whatsoever with respect to persons having beneficial ownership interests in the Commercial Paper Notes other than the Noteholders.

(c) In the event (i) the Note Depository determines not to continue to act as securities depository for a Series of Commercial Paper Notes, or (ii) the Commission determines that the Note Depository shall no longer so act and delivers a written certificate to the Issuing and Paying Agent and the Trustee to that effect, then the Commission will discontinue the book-entry system with the Note Depository for such Series of Notes. If the Commission determines to replace the Note Depository for a Series of Commercial Paper Notes with another qualified securities depository, the Commission shall prepare or direct the preparation of a new, single, separate, fully registered Note of such Series for such Series of Notes registered in the name of such successor or substitute qualified Note Depository or its Nominee, or make such other arrangements acceptable to the Trustee, the Issuing and Paying Agent and such successor or substitute Note Depository as are not inconsistent with the terms of this Supplemental Resolution. If the Commission fails to identify another qualified Note Depository to replace the incumbent Note Depository for a Series of Commercial Paper Notes, then such Series of Notes shall no longer be restricted to being registered in the bond registration books in the name of the incumbent Note Depository or its Nominee, but shall be registered in whatever name or names the incumbent Note Depository or its Nominee transferring or exchanging such Series of Notes shall designate.

(d) Notwithstanding any provision of the 1997 Resolution to the contrary, so long as the Commercial Paper Notes are registered in the name of the Nominee, all payments with respect to principal of and interest on the Commercial Paper Notes and all notices with respect to the Commercial Paper Notes shall be made and given, respectively, as provided in the Representation Letter for the related Series of Notes or as otherwise instructed by the Note Depository.

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(e) The initial Note Depository with respect to each Series of Commercial Paper Notes shall be DTC. The initial Nominee with respect to each Series of Commercial Paper Notes shall be CEDE & CO., as nominee of DTC.

Section 13.06. Conditions Precedent to Delivery of Commercial Paper Notes.

(a) Prior to the issuance of each Series of Commercial Paper Notes hereunder, Commercial Paper Notes of such Series shall be executed by the Commission and delivered to the Issuing and Paying Agent, who shall hold such Commercial Paper Notes unauthenticated in safekeeping for the Commission. Subject to the provisions of Sections 13.01 and 13.05 hereof and paragraphs (c) and (d) of this Section 13.06, at any time and from time to time prior to the related Termination Date, Commercial Paper Notes shall be manually authenticated and delivered by the Issuing and Paying Agent for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an Issuance Request, no later than 1:00 p.m. (New York City time) on the Business Day on which Commercial Paper Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the Commercial Paper Notes referred to therein and to deliver the same to or upon the order of the Dealer. Each Issuance Request shall include: (i) the principal amount and date of each Commercial Paper Note then to be delivered; (ii) the rate and amount of interest thereon; (iii) the maturity date thereof; (iv) whether the Commercial Paper Notes to be issued shall be Series A Notes, Series B Notes, Series C Notes or Series D Notes or a subseries thereof; and (v) if the Commercial Paper Notes are sold at a premium, the purchase price of the Notes. No later than 12:30 p.m. on each Business Day on which the Commission proposes to issue Commercial Paper Notes, each Dealer shall report to the Commission each transaction made with or arranged by it or shall notify the Commission and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Notes and the amount of Notes which the Dealer has arranged to sell or has agreed to purchase.

Upon receipt of such Issuance Request (which may be transmitted by mail, telecopy, facsimile transmission, e-mail or other electronic communications method, or by telephone, promptly confirmed in writing), the Issuing and Paying Agent shall, by 2:15 p.m. (New York City time) on such day, complete each Series A Note, each Series B Note, each Series C Note and each Series D Note or any subseries thereof then to be delivered as to amount, date, maturity date, interest rate and interest amount specified in such Issuance Request, and deliver each such Commercial Paper Note to or upon the order of the Dealer upon receipt of payment therefor; *provided, however*, that no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if such delivery would result in the aggregate principal amount of Commercial Paper Notes Outstanding at any one time being in excess of \$400,000,000. The aggregate principal amount of each Series of Notes Outstanding at any one time shall not exceed the Principal Component (as defined in the related Letter of Credit) then available under the Letter

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of Credit securing such Series of Notes, or would result in the aggregate amount of interest payable on Outstanding Commercial Paper Notes secured thereby to exceed the Interest Component then available under such Letter of Credit. Notwithstanding any provision herein to the contrary, no such Commercial Paper Notes of a Series shall be delivered by the Issuing and Paying Agent if (A) it shall have received notice from a Designated Representative directing the Issuing and Paying Agent to cease authenticating and delivering Commercial Paper Notes until such time as such direction is withdrawn by similar notice, (B) it shall have actual knowledge that a Specified Event of Default under the related Letter of Credit shall have occurred and be continuing, (C) it shall have received notice from Bond Counsel that their opinion regarding the exclusion of interest on the Commercial Paper Notes (other than Commercial Paper Notes designated as taxable Notes pursuant to Section 16.04) from the gross income for federal tax purposes of the holders thereof is being withdrawn, (D) the maturity date of the Commercial Paper Notes of such Series would extend beyond the Termination Date under the related Letter of Credit or (E) the Trustee and the Issuing and Paying Agent shall have received a No-Issuance Notice under the related Letter of Credit with respect to such Series. If an Issuance Request is received after 1:00 p.m. (New York City time) on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested Commercial Paper Notes until the next succeeding Business Day.

The Commission shall, upon a change in the identity of its Designated Representatives, provide a certificate for each new Designated Representative to the Issuing and Paying Agent.

A copy of each Commercial Paper Note authenticated in bearer form by the Issuing and Paying Agent shall be promptly mailed by U.S. mail, first class, postage prepaid, to the Commission and the Trustee by the Issuing and Paying Agent. The Issuing and Paying Agent shall furnish the Commission with such additional information with respect to the carrying out of its duties hereunder as the Commission from time to time shall reasonably request.

(b) In addition to the Issuance Request described above in this Section 13.06, and as a further condition to the issuance of any Commercial Paper Notes, the Designated Representative shall certify to the Issuing and Paying Agent that, as of the date of delivery of such Commercial Paper Notes, (i) the related Letter of Credit is in full force and effect; (ii) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the aggregate principal amount of Commercial Paper Notes Outstanding will not exceed the amount that at the time is authorized to be Outstanding hereunder as provided in Section 13.01(b) hereof; (iii) the interest rates borne by the Commercial Paper Notes to be delivered on such date do not exceed the lesser of the Maximum Rate or the rate used in calculating the Interest Component of the related Letter of Credit, (iv) unless the Commercial Paper Notes to be issued are taxable, the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed on such date; (v) the terms of the

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Commercial Paper Notes do not exceed 270 days and the maturity dates of such Commercial Paper Notes set forth in the Issuance Request do not extend beyond the Termination Date of the related Letter of Credit; (vi) the Commission has not been notified by Bond Counsel that their opinion with respect to the validity of the Commercial Paper Notes and the tax treatment of the interest thereof delivered prior to the initial issuance of the Commercial Paper Notes has been revised or withdrawn or, if any such revisions or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealers has been delivered; (vii) no Specified Event of Default under the related Letter of Credit has occurred and is then continuing; and (viii) all of the conditions precedent to the issuance of such Commercial Paper Notes set forth in this Section 13.06 of this First Supplemental Resolution have been satisfied.

The delivery of any Issuance Request to the Issuing and Paying Agent by a Designated Representative in the manner provided in this Section shall constitute the certification and representation of the Commission as of the date of such Issuance Request as to the matters set forth in the immediately preceding paragraph.

(c) Any Issuance Request made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and confirmed promptly in writing by a Designated Representative; *provided, however*, that the failure so to confirm any such Issuance Request, or any conflict between any such recorded oral Issuance Request and the written confirmation thereof, shall not affect the validity of any recorded oral Issuance Request received by the Issuing and Paying Agent as provided herein. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.

(d) Prior to the initial delivery of the Commercial Paper Notes of a Series under this First Supplemental Resolution and as a condition to such initial issuance, the Trustee and the Commission shall be notified by the Issuing and Paying Agent that the Issuing and Paying Agent has received:

- (i) A fully executed counterpart of the Reimbursement Agreement relating to such Series;
- (ii) The executed Letter of Credit relating to such Series;
- (iii) The opinions of the United States counsel (and foreign counsel if the Bank is a United States branch or agency of a bank organized under the laws of a country other than the United States) to each Bank, addressed to the Commission, the Issuing and Paying Agent and the Trustee, to the effect that the Letter of Credit relating to such Series is a valid and binding obligation of the Bank(s), enforceable in accordance with its terms; and

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(iv) **The Dealer Agreements.**

Section 13.07. Commercial Paper Notes. The Commission, the Trustee and the Issuing and Paying Agent may deem and treat the bearer of Notes in bearer form or the registered owner of Notes in registered form as the absolute owner thereof (whether or not such Commercial Paper Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuing and Paying Agent), for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Commission, the Trustee nor the Issuing and Paying Agent shall be affected by any notice to the contrary.

**ARTICLE XIV**

**APPLICATION OF COMMERCIAL PAPER NOTE PROCEEDS**

Section 14.01. Establishment and Designation of Accounts.

(a) An account within the Construction Fund established pursuant to Section 4.01 of the 1997 Resolution is hereby established and designated as the "Commercial Paper Construction Account" and herein called the "Construction Account".

(b) The following accounts within the 1997 Resolution Debt Service Fund established pursuant to Section 5.02(b) of the 1997 Resolution are hereby established, and the Issuing and Paying Agent shall hold such accounts in accordance with the 1997 Resolution and the Issuing and Paying Agent Agreement:

(1) "Commercial Paper Debt Service Account," with subaccounts therein designated as the "Series A Debt Service Account," the "Series B Debt Service Account," the "Series C Debt Service Account" and the "Series D Debt Service Account," together with a debt service subaccount for each subseries of Notes as provided in the related Certificate of Additional Terms;

(2) "Commercial Paper Bank Payment Account" and herein called the "Bank Payment Account," with subaccounts therein designated as the "Series A Bank Payment Account," the "Series B Bank Payment Account," the "Series C Bank Payment Account" and the "Series D Bank Payment Account," together with a bank payment subaccount for each subseries of Notes as provided in the related Certificate of Additional Terms; and

(3) Bank Note Debt Service Account and herein called the "Bank Note Account" with subaccounts therein for each Series of Bank Notes as provided in the related Certificate of Additional Terms.

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(c) The Commission hereby determines not to establish an account within the 1997 Resolution Reserve Fund for the benefit of the Noteholders.

(d) As set forth in a Certificate of Additional Terms, additional accounts or subaccounts for any Series may be established hereunder from time to time as shall be determined to be necessary or desirable by the Airport Director.

Section 14.02. Deposit of Proceeds of Commercial Paper Notes. Immediately upon receipt thereof, the Issuing and Paying Agent shall first deposit the proceeds of the sale of the Commercial Paper Notes of a Series into the related subaccount of the Bank Payment Account in an amount equal to the unreimbursed Advances made by the Bank(s) under the related Letter of Credit to pay principal of or interest on the Commercial Paper Notes of such Series and shall then transfer the remaining proceeds to the Treasurer for deposit in the Construction Account.

Section 14.03. Application of Moneys in the Construction Account.

(a) Moneys in the Construction Account attributable to each Series of Notes shall be applied to the payment of the Project Costs for such Series. The Commission may from time to time amend the list of Series A Projects, Series B Projects or Series D Projects in the Tax Certificate; *provided, however*, that the Commission shall not amend the list of Series A Projects, Series B Projects or Series D Projects in such a way as to change the tax status of the related Series of Commercial Paper Notes. The Commission may from time to time amend the list of Series C Projects in the certificate of the Commission.

(b) The Treasurer is hereby authorized to disburse from the Construction Account the amount required for the payment of Project Costs and is directed to make such disbursements upon receipt of a warrant drawn by the Controller.

(c) Moneys held in the Construction Account shall be invested by the Treasurer in Permitted Investments as directed by an Authorized Commission Representative.

Section 14.04. Deposits Into and Uses of the Commercial Paper Debt Service Account and the Bank Payment Account.

(a) On or before 1:30 p.m. New York City time, on the maturity of each Note, the Commission shall deposit from Net Revenues available therefor pursuant to Section 5.05(c) and Section 5.06(b)(ii) of the 1997 Resolution with the Issuing and Paying Agent for deposit in the Bank Payment Account, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent in the related Series subaccount of the Bank Payment Account to pay principal of and interest due on all Notes on such maturity date. The Issuing and Paying Agent

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shall notify the Commission on or before 5:00 p.m., New York City time, on the Business Day prior to such maturity date, of the total amount due on such maturity date.

(b) Each Advance received by the Issuing and Paying Agent as a result of a drawing under a Letter of Credit to pay the principal of and interest on maturing Notes of a Series shall be deposited into the related Debt Service Account or subaccount of the Commercial Paper Debt Service Account and used to pay the principal of and interest on the maturing Notes of such Series upon the proper presentment thereof.

(c) Amounts deposited into the Bank Payment Account or subaccount with respect to the Notes of a Series shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the Debt Service Account or subaccount related to such Series, by the Issuing and Paying Agent to reimburse the related Bank or Banks for the amount of such Advance; *provided, however*, if, on any maturity date of the Notes of such Series, the Advances paid under the related Letter of Credit are not sufficient to pay the full amount of the principal of and interest due on such related Notes on such date, amounts in the Bank Payment Account or subaccount related to such Series shall be used to make the balance of such payment.

(d) Moneys in the Commercial Paper Debt Service Account and the Bank Payment Account shall not be invested.

(e) Any lien that the Issuing and Paying Agent and the Trustee may have on Advances made by a Bank under a Letter of Credit and the related Note Proceeds shall be expressly subordinate to the lien on such funds created for the benefit of the holders of the Commercial Paper Notes of the related Series and such Bank.

Section 14.05. Drawings Under a Letter of Credit. On or before each maturity date for any Commercial Paper Note of a Series, the Issuing and Paying Agent shall present all required drawing certificates and accompanying documentation, if required, to the Administrative Agent for the related Letter of Credit and demand payment be made under such Letter of Credit on such maturity date, at such time and in such amount not in excess of the Stated Amount of the related Letter of Credit, so as to be timely and sufficient to pay the entire amount of principal and interest becoming due on all Commercial Paper Notes of such Series on such date.



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ARTICLE XV

THE BANK NOTES

Section 15.01. Authorization and Terms of Bank Notes.

(a) The Commission hereby authorizes the issuance of one or more Series of its "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes," subject to the provisions of this Section 15.01 and as hereinafter provided. A Series of Bank Notes shall be issued for each Bank and designated the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Notes (insert name of Bank) Series." The Bank Notes shall be issued (i) on the effective date of the related Letter of Credit to evidence Advances that are not reimbursed on the same Business Day any such Advance is made and that remain outstanding from time to time, (ii) from time to time in the event that any Advance is not reimbursed on the same Business Day such Advance is made, or (iii) as shall otherwise be set forth in the related Reimbursement Agreement; and in any such case, in consideration of the payment of unreimbursed Advances by the related Bank or Banks. The aggregate principal amount of Bank Notes of a Series that may be Outstanding at any one time hereunder shall not at any time exceed the Stated Amount of the related Letter of Credit.

(b) The Bank Notes shall be dated the date of their respective authentication and issuance; shall be issued in registered form only; shall be issued and outstanding from time to time in any denomination as provided in the related Reimbursement Agreement and shall bear interest at the interest rates set forth in the related Reimbursement Agreement; *provided, however,* that the interest rate on the Bank Notes shall never exceed the Maximum Rate. Bank Notes shall bear interest from their respective dates, payable in accordance with the related Reimbursement Agreement. Principal of the Bank Notes shall be payable in accordance with the related Reimbursement Agreement. The final maturity of the Bank Notes shall be as provided in the related Reimbursement Agreement.

(c) The maturity date and other terms of each Bank Note, so long as not inconsistent with the terms of this First Supplemental Resolution, shall be as set forth in the certificate of an Authorized Commission Representative directing the issuance of such Bank Note.

(d) Anything in the 1997 Resolution to the contrary notwithstanding, each Series of Bank Notes shall be subject to optional and mandatory prepayment prior to maturity in accordance with, and upon notice as provided by, the related Reimbursement Agreement.

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(e) Each Series of Bank Notes shall be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provision for numbering, including additional prefixes and suffixes, as it may deem appropriate.

**Section 15.02. Issuance of Bank Notes.** In the event that any Bank shall have made an Advance that has not been reimbursed on the same Business Day by such time as shall be set forth in the related Reimbursement Agreement, such Bank or the Administrative Agent under the related Letter of Credit shall provide notice in writing to the Commission, the Issuing and Paying Agent and the Trustee stating: (x) (i) the amount of the Advance that remains unreimbursed; and (ii) the amount by which the outstanding principal of each Bank Note shall be increased as a result thereof, the principal amount of the Bank Notes to be issued as a result thereof, or otherwise as shall be set forth in the related Reimbursable Agreement; (y) (i) the amount of the Advance that remains unreimbursed; (ii) the final maturity date of such Bank Note or related portion thereof; and (iii) the amount of each scheduled principal installment on such Bank Note or related portion thereof. Upon receipt of a notice requesting the issuance of a Bank Note, the Issuing and Paying Agent shall authenticate a Bank Note of the Series specified in such notice and in accordance with such notice and the certificate of an Authorized Commission Representative delivered to the Issuing and Paying Agent pursuant to Section 15.01(c) and shall deliver such Bank Note to or upon the order of the respective Bank.

**Section 15.03. Form of Bank Notes and Authentication Certificate.** The definitive Bank Notes and the Certificate of Authentication endorsed thereon shall be substantially in the forms set forth in Exhibit B attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be necessary or appropriate to accomplish the purpose of the transaction authorized by the 1997 Resolution and this First Supplemental Resolution.

The Bank Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law or regulation with respect thereto.

**Section 15.04. No Transfers of Bank Notes.** Unless otherwise required by applicable law, the Bank Notes shall be non-negotiable and non-transferable.

**Section 15.05. Deposits of Net Revenues in Bank Note Account.** In accordance with Section 5.03 and Section 5.06 of the 1997 Resolution, on the Business Day before each Bank Note Payment Date, the Treasurer shall allocate and transfer to the Issuing and Paying Agent for deposit in the related Bank Note Account amounts from available Net Revenues, as follows:

(a) An amount equal to the aggregate amount of interest due and payable on such Bank Note Payment Date on all Bank Notes Outstanding; and

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(b) An amount equal to the aggregate principal amount due and payable on such Bank Note Payment Date on the Outstanding Bank Notes.

Amounts in the Bank Note Account shall be invested by the Issuing and Paying Agent in Permitted Investments in accordance with Section 5.08 of the 1997 Resolution.

The Bank Notes shall not be payable from the proceeds of a Letter of Credit drawing.

**ARTICLE XVI**

**COVENANTS**

Section 16.01. No Arbitrage. The Commission shall not take, nor permit to be taken by the Trustee, the Issuing and Paying Agent or otherwise, any action which, if such action had been reasonably expected to have been taken or had been deliberately and intentionally taken on the date of the issuance of any Series of Commercial Paper Notes, would have caused such Series of the Commercial Paper Notes to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and Regulations. To that end, the Commission will comply with all requirements of Section 148 of the Code to the extent applicable to each Series of Notes. In the event that at any time the Commission is of the opinion that for purposes of this Section 16.01 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee or the Issuing and Paying Agent under this First Supplemental Resolution, the Commission shall so instruct the Trustee or the Issuing and Paying Agent in writing, and the Trustee or the Issuing and Paying Agent, as the case may be, shall take such action as may be necessary in accordance with such instructions.

Section 16.02. Rebate to United States. The Commission will pay or cause to be paid to the United States Government the amounts required by Section 148(f) of the Code and any Regulations promulgated thereunder at the times required thereby. To further the satisfaction of such rebate requirement, there is hereby created, to be held by the Trustee as a separate fund for each Series of Commercial Paper Notes distinct from all other funds and accounts held by the Trustee under the 1997 Resolution, an account in the Rebate Fund designated as the "Series/Subseries \_\_ Rebate Account". The Trustee shall hold any payments received from the Commission for deposit into the Series Rebate Account for each Series of Commercial Paper Notes 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 Owners 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.

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Computations of the rebate amount and all calculations under this Section and the Tax Certificate shall be furnished by or on behalf of the Commission. The Trustee shall be deemed conclusively to have complied with the provisions of this Section if it follows the directions of the Commission consistent with the provisions of the Tax Certificate. The Trustee shall have no liability or responsibility to enforce compliance by the Commission with the Rebate Requirement. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section, other than from moneys required to be held in the funds and accounts created under the 1997 Resolution, including the Series Rebate Accounts, or from other moneys provided to it by the Commission.

The Commission and the Trustee shall keep and retain, for a period of six (6) years following the retirement of the related Series of Commercial Paper Notes, records of the determinations made pursuant to this Section 16.02.

In order to provide for the administration of this Section 16.02, the Commission may provide for the employment of independent attorneys, accountants and consultants, who shall be selected by the Commission with reasonable care and compensated on such reasonable basis as the Commission may deem appropriate, and the Trustee may rely conclusively upon the opinions, calculations, determinations and advice of such attorneys, accountants and consultants employed hereunder.

Section 16.03. Tax Covenant. The Commission shall not use or knowingly permit the use of any proceeds of the Commercial Paper Notes or any other funds of the Commission, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Commercial Paper Notes being treated as an obligation not described in Section 103(a) of the Code. Without limiting the generality of the foregoing, the Commission will comply with all the requirements and covenants contained in the Tax Certificate. This covenant shall survive the payment in full or defeasance of the Commercial Paper Notes.

Section 16.04. Taxable Notes. Notwithstanding anything in this Supplemental Resolution to the contrary, in the event the Commission, designates a Series of Commercial Paper Notes as obligations not described in Section 103(a) of the Code, the provisions of Sections 16.01, 16.02 and 16.03 shall not apply to such Series of Commercial Paper Notes. The Commission hereby designates the Series C Notes and all subseries thereof as obligations not described in Section 103(a) of the Code.

Section 16.05. Letter of Credit. The Commission hereby covenants to maintain in effect a Letter of Credit meeting the requirements hereof at all times that Commercial Paper Notes are Outstanding hereunder. The Commission further covenants that if it is unable to obtain a binding commitment for a substitute Letter of Credit at least 60 days prior to the Expiration Date, it shall

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endeavor to refinance the Series A Projects, the Series B Projects, Series C Projects and the Series D Projects through the issuance of its bonds.

Section 16.06. Reimbursement Agreement. The Commission hereby covenants to comply with the provisions of each Reimbursement Agreement.

**ARTICLE XVII**

**ISSUING AND PAYING AGENT; DEALERS**

Section 17.01. Appointment of Issuing and Paying Agent. The Commission hereby agrees that at or prior to the time of issuance of the initial Commercial Paper Notes, the Commission will enter into the Issuing and Paying Agent Agreement and that the Commission will at all times prior to any Termination Date maintain in effect an Issuing and Paying Agent Agreement, pursuant to which the Issuing and Paying Agent will agree to observe and perform its duties and obligations thereunder and under this First Supplemental Resolution.

Section 17.02. Reports and Records. (a) The Issuing and Paying Agent 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 Notes and all Funds and Accounts established and maintained by the Issuing and Paying Agent pursuant to this First Supplemental 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 Issuing and Paying Agent shall not be required to maintain records with respect to transactions made by the Treasurer, the Trustee or the Commission or with respect to Funds and Accounts established and maintained by the Treasurer or the Trustee.

(b) The Issuing and Paying Agent shall provide to the Commission each month a report of the amounts deposited in each Fund and Account held by it under this First Supplemental Resolution and the amount disbursed from such Funds and Accounts, the earnings thereon, the ending balance in each such Fund and Account, 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. Such report shall also include such information regarding the issuance of Commercial Paper Notes during the subject month as the Commission shall request.

(c) The Issuing and Paying Agent shall maintain such books, records, and accounts as may be necessary to evidence the obligations of the Commission resulting from the Commercial Paper Notes, the principal amounts owing thereunder, the maturity schedule therefor, the respective rates of interest thereon and the principal and interest paid from time to time

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thereunder. So long as the Commercial Paper Notes are in book-entry form, in any legal action or proceeding with respect to a master note, the entries made in such books, records or accounts shall be, absent manifest error, conclusive evidence of the existence and the amounts of the obligations of the Commission therein recorded.

Section 17.03. Resignation and Replacement of Issuing and Paying Agent. The Issuing and Paying Agent may at any time resign and be discharged of the duties and obligations created by this First Supplemental Resolution by giving at least 30 days' written notice to the Administrative Agent, the Trustee and the Commission. The Issuing and Paying Agent may be removed, with the written consent of the Administrative Agent, which consent shall not be unreasonably withheld, at any time by an instrument signed by an Authorized Commission Representative and filed with the Issuing and Paying Agent, the Administrative Agent and the Trustee. No such resignation or removal shall become effective, however, until a successor Issuing and Paying Agent has been selected and assumed the duties of the Issuing and Paying Agent hereunder and each Letter of Credit has been transferred to the successor Issuing and Paying Agent in accordance with its terms.

In the event of the resignation or removal of the Issuing and Paying Agent, the Issuing and Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor.

The Issuing and Paying Agent shall, at all times, be a bank or trust company having an office in New York, New York, and shall at all times be a corporation or a national banking association organized and doing business under the laws of the United States of America, or of any state, with a combined capital and surplus of at least \$50,000,000 and authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation or national banking association publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this section, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation or national banking association into which any Issuing and Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which any Issuing and Paying Agent shall be a party, or any corporation or national banking association succeeding to the corporate trust business of any Issuing and Paying Agent shall be the successor of the Issuing and Paying Agent if such successor corporation or national banking association is otherwise eligible under this Section, without the execution or filing of any further act on the part of the Issuing and Paying Agent or such successor corporation or national banking association.

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Section 17.04. Dealers. The Commission hereby agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the Commission will enter into a Dealer Agreement with each Dealer. The Commission covenants that at all times prior to any Termination Date, it will maintain in effect one or more Dealer Agreements, pursuant to which each Dealer will agree to fulfill the duties and obligations of the Dealer as set forth in this First Supplemental Resolution and its Dealer Agreement.

ARTICLE XVIII

MISCELLANEOUS

Section 18.01. Substitute Letter of Credit. Notwithstanding anything herein to the contrary, the Commission may obtain a substitute Letter of Credit to replace a Letter of Credit then in effect hereunder so long as said substitute Letter of Credit shall go into effect at least one Business Day prior to the termination of such Letter of Credit then in effect, the Expiration Date with respect to such substitute Letter of Credit shall be no earlier than the earlier of (i) six (6) months after its date or (ii) the Expiration Date set forth in the such Letter of Credit then in effect. The substitute Letter of Credit shall have a Stated Amount (as such term is used in the original Letter of Credit) at least as great as the related Letter of Credit being replaced. The following are further conditions to the Issuing and Paying Agent's ability to release an existing Letter of Credit and accept a substitute Letter of Credit:

(a) The Commission shall deliver written notice of the proposed substitution to the Trustee, the Issuing and Paying Agent, the Administrative Agent and the Dealers not less than 45 days prior to the substitution date.

(b) There shall be delivered to the Commission, the Trustee and the Issuing and Paying Agent written evidence from each Rating Agency then maintaining a rating on the Commercial Paper Notes that the substitution of such Letter of Credit will not, in and of itself, result in any rating then assigned to the Commercial Paper Notes of the related Series being suspended, reduced or withdrawn; *provided, however*, that such written evidence need not be delivered if no related Note Outstanding prior to the effective date of the substitute Letter of Credit has a maturity date after the effective date of such substitution.

(c) The Issuing and Paying Agent shall deliver written notice to the registered Owners of the Commercial Paper Notes of the related Series at least 30 days prior to the substitution date. If any such Outstanding Note is in bearer form, the Trustee shall publish notice of the substitution of such Letter of Credit in Authorized Newspapers at least 30 days prior to the substitution date.

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(d) An opinion or opinions of counsel to the successor Bank shall be delivered to the effect that the substitute Letter of Credit is a legal, valid and binding obligation of the issuing Bank and is enforceable against the Bank in accordance with its terms.

(e) An Opinion of Bond Counsel shall be delivered to the effect that the substitution of the Letter of Credit is authorized hereunder and (with respect to Notes other than Notes designated as obligations not described in Section 103(a) of the Code pursuant to Section 16.04) will not, in and of itself, adversely affect the exclusion from gross income for federal tax purposes of interest on the Notes of the related Series.

Section 18.02. Timeliness of Deposits. Funds shall be deemed transferred for purposes of timeliness of receipt under this First Supplemental Resolution when transfer instructions for transfer by federal reserve wire have been given and a federal wire number confirmation has been received; *provided*, that the party to receive such funds shall not be required to take any action required to be taken hereunder with respect to such funds until it has confirmation of actual receipt of such funds.

Section 18.03. Waiver of Events of Default. No Event of Default with respect to the Commercial Paper Notes or the Bank Notes shall be waived pursuant to Section 7.10(c) unless after such waiver the reinstatement provisions of the related Letter of Credit shall be in full force and effect.

Section 18.04. Defeasance of Commercial Paper Notes. Commercial Paper Notes shall not be deemed to have been paid in full within the meaning of Article X of the 1997 Resolution unless payment of the principal of, and interest on the Commercial Paper Notes either (a) shall have been made or caused to be made in accordance with the terms of the Commercial Paper Notes and the 1997 Resolution or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (i) Available Moneys sufficient to make such payment and/or (ii) noncallable Government Obligations purchased with Available Moneys, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment.

Section 18.05. Banks to Control Remedies. Pursuant to Section 7.13 of the 1997 Resolution, while each Letter of Credit is in effect, so long as a Bank is not Insolvent and is not in default under its Letter of Credit relating to any Series, no remedy under the 1997 Resolution with respect to the Commercial Paper Notes of the related Series may be pursued without the prior written consent of such Bank. Each Bank shall have the right to direct the Trustee to pursue any right, power, or remedy available under the 1997 Resolution with respect to the assets, if any, available under the 1997 Resolution which secure no Bonds other than the Bonds secured by the related Letter of Credit. If, at any time, more than one Bank is eligible to exercise the powers provided in this Section 18.05, the Trustee must obtain the



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consent of all eligible Banks when consent of a Bank is required, and the Trustee need not follow any direction in accordance with the preceding sentence unless such direction is approved in writing by all eligible Banks.

Section 18.06. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period; *provided, however*, that this Section 18.06 shall not apply to Bank Notes.

Section 18.07. Notices to Rating Agencies. The Commission shall provide the Rating Agencies with written notice of the occurrence of the following events: (i) changes in Dealers, (ii) the appointment of a successor Issuing and Paying Agent, (iii) amendments to the 1997 Resolution pursuant to Section 9.02, (iv) the expiration, termination, substitution or extension of any Letter of Credit, and (v) the defeasance of all Outstanding Commercial Paper Notes. Notices to Moody's shall be addressed as follows (or as provided in any subsequent notice to the Commission) Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, Attention: Structured Finance Group.

Section 18.08. Effective Date. This amended and restated First Supplemental Resolution shall become effective upon receipt by the Commission in writing of all consents required for the amendment of the First Supplemental Resolution as originally adopted by the Commission.

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AMENDED AND RESTATED by the Airport Commission of the City and County of San Francisco this 5<sup>th</sup> day of May, 2009, by the following vote:

Ayes: 5

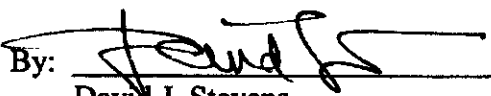
Noes: 0

Absent: 0

[SEAL]


Approved as to Form:

DENNIS J. HERRERA  
City Attorney

By:   
David J. Stevens  
Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of MAY 05 2009

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Secretary

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**EXHIBIT A  
(Form of Master Note)**

**STATE OF CALIFORNIA  
CITY AND COUNTY OF SAN FRANCISCO  
AIRPORT COMMISSION OF THE CITY AND  
COUNTY OF SAN FRANCISCO  
SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE COMMERCIAL PAPER NOTES  
SERIES\_\_**

Registered Owner: CEDE & CO.

Principal Sum: Not to Exceed \$ \_\_\_\_\_ Outstanding

The AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount, together with unpaid accrued interest thereon, if any, on the maturity date of each obligation identified on the records of Commission (the "Underlying Records") as being evidenced by this Master Note, which Underlying Records are maintained by Wells Fargo Bank, National Association, as Issuing and Paying Agent (the "Issuing and Paying Agent"). Interest shall be calculated on the basis of actual days elapsed in a 365 or 366 day year, as the case may be, at the rate specified on the Underlying Records. Payments shall be made solely from Net Revenues (as defined in the Resolution referred to hereinafter) and payments of drawings under an irrevocable direct pay Letter of Credit of \_\_\_\_\_, acting through its New York Branch, by [wire transfer] to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

This Note is one of a duly authorized issue of San Francisco International Airport Second Series Subordinate Revenue Bonds of the Commission (hereinafter called the "Obligations") of the series and designation indicated on the face hereof. Said authorized issue of Obligations is not limited in aggregate principal amount and consists of multiple series and subseries of varying denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter and the Administrative Code of the City and County of San Francisco (hereinafter called the "Act"). This Note evidences a series of Notes designated as the "Airport Commission

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**RESOLUTION NO. \_\_\_\_\_**

of the City and County of San Francisco San Francisco International Airport Subordinate Commercial Paper Note, Series \_\_\_" (hereinafter called the "Series \_ Notes"), limited to \$ \_\_\_\_\_ in aggregate principal amount. This Note is issued pursuant to a resolution of the Commission, adopted May 20, 1997, as amended and supplemented, including as supplemented by the First Supplemental Resolution adopted May 20, 1997, and amended and restated on May 5, 2009, providing for the issuance of the Obligations, including the Series \_\_\_ Notes, the Series \_\_\_ Notes, the Series \_\_\_ Notes and the Series \_\_\_ Notes, in the aggregate principal amount of \$ \_\_\_\_\_, (hereinafter collectively called the "Resolution").

Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Obligations are issued and to be issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Obligations; and all the terms of the Resolution and the Act are hereby incorporated herein and made a contract between the Commission and the registered owner from time to time of this Note, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series and subseries of Obligations may be issued on a parity with the Notes of this authorized Series, but only subject to the conditions and limitations contained in the Resolution.

This Note, including the interest hereon, together with all other Obligations, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution).

The Obligations are special obligations of the Commission, and are payable, both as to principal and interest, out of the Net Revenues pertaining to the Airport and the moneys in the Funds and Accounts provided in the Resolution, subject to the prior payment of principal of and interest on the 1991 Resolution Bonds, and not out of any other fund or moneys of the Commission. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Note or the interest hereon.

At the request of the registered owner, the Commission shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note. This Note is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Issuing and Paying Agent in New York, New York, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new fully registered Series \_\_\_ Note or Series\_\_\_ Notes without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

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The Commission, Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee"), and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Obligations may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution; *provided*, that no such modification or amendment shall (i) extend the stated maturity of any Obligation, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Obligation so affected, or (ii) reduce the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with the lien of the Resolution, without the consent of the holders of all of the Obligations then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Obligation without the consent of the registered owner of each Obligation not receiving such preference or priority.

It is hereby certified and recited 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 this Note, and in the issuing of this Note, 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 this Note, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Obligations permitted to be issued under the Resolution.

This Note shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent. This Master Note is a valid and binding obligation of Commission.

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. \_\_\_\_\_**

IN WITNESS WHEREOF, the AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Note to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

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

By \_\_\_\_\_  
President

Countersigned:

\_\_\_\_\_  
Secretary of the Commission

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. \_\_\_\_\_**

**CERTIFICATE OF AUTHENTICATION**

This is the Master Note described in the within-mentioned Resolution.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Issuing and Paying Agent**

By \_\_\_\_\_  
Authorized Signatory

**ASSIGNMENT**

**FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto**

\_\_\_\_\_  
(Name, address, and Taxpayer Identification Number of Assignee)

this Master Note and all rights thereunder, hereby irrevocably constituting and appointing  
\_\_\_\_\_ attorney to transfer said Master Note on the books of the  
Commission with full power of substitution in the premises.

Dated:

Signature(s) Guaranteed

\_\_\_\_\_  
(Signature)

Notice: The signature on this assignment must correspond with the name as written upon the face of this Master Note, in every particular, without alteration or enlargement or any change whatsoever.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Commission or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. Or in such other name as is requested by an authorized representative of DTC (any payment is made to Cede & Co. Or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

AIRPORT COMMISSION

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EXHIBIT B

(Form of Bank Note)

STATE OF CALIFORNIA  
CITY AND COUNTY OF SAN FRANCISCO  
AIRPORT COMMISSION OF THE CITY AND  
COUNTY OF SAN FRANCISCO  
SAN FRANCISCO INTERNATIONAL AIRPORT  
SUBORDINATE REVENUE NOTES  
\_\_\_\_\_ SERIES

<u>Dated Date</u>	<u>Principal Payment</u>	<u>Final Maturity Date</u>
-------------------	--------------------------	--------------------------------

Registered Owner:

Original Principal Sum:

The AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named, on each January \_\_, April \_\_, July \_\_, and October \_\_, commencing \_\_\_\_\_, to and including the final maturity date hereinabove stated (each a "Payment Date") (subject to any right of prior prepayment hereinafter mentioned) the principal payment hereinabove stated together with interest on the principal balance outstanding from its dated date until the principal hereof shall have been paid, at the applicable Bank Rate (as defined in that certain Letter of Credit and Reimbursement Agreement, dated as of \_\_, \_\_, by and among the Commission and \_\_\_\_\_, as \_\_\_\_\_ (hereinafter called the "Agreement")) payable on each Payment Date, by wire transfer to \_\_\_\_\_. Payment of the principal of this Note at final maturity or prepayment price upon prior prepayment in full of this Note shall be made upon surrender hereof at the office of Wells Fargo Bank, National Association, as Issuing and Paying Agent in New York, New York. Payment of principal of, and interest on, this Note shall be made in any lawful currency of the United States of America. Interest on this Note shall be calculated on the basis of a 365 or 366 day year and actual days elapsed.

This Note is one of a duly authorized issue of San Francisco International Airport Second Series Subordinate Revenue Notes of the Commission (hereinafter called the "Obligations") of the series and designation indicated on the face hereof. Said authorized issue of Obligations is not limited in aggregate principal amount and consists of multiple series of varying



**AIRPORT COMMISSION**

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denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter and the Administrative Code of the City and County of San Francisco (hereinafter called the "Act"). This Note evidences a series of Notes designated as the "Airport Commission of the City and County of San Francisco San Francisco International Airport Subordinate Revenue Note, \_\_\_\_\_ Series" (hereinafter called the "Series \_ Notes"), limited to \$ \_\_\_\_\_ in aggregate principal amount. This Note is issued pursuant to a resolution of the Commission, adopted May 20, 1997, as amended and supplemented, including as supplemented by the First Supplemental Resolution adopted May 20, 1997, and amended and restated on May \_\_, 2009, providing for the issuance of the Obligations, including the Series \_ Notes, the Series \_\_ Notes, the Series \_\_\_ Notes and the Series \_\_\_\_ Notes, in the aggregate principal amount of \$ \_\_\_\_\_ (hereinafter collectively called the "Resolution").

Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Obligations are issued and to be issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Obligations; and all the terms of the Resolution and the Act are hereby incorporated herein and made a contract between the Commission and the registered owner from time to time of this Note, and to all the provisions thereof the registered owner of this Note, by its acceptance hereof, consents and agrees. Additional series of Obligations may be issued on a parity with the Notes of this authorized Series, but only subject to the conditions and limitations contained in the Resolution.

This Note, including the interest hereon, together with all other Obligations, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution).

The Obligations are special obligations of the Commission, and are payable, both as to principal and interest, out of the Net Revenues pertaining to the Airport and the moneys in the Funds and Accounts provided in the Resolution, subject to the prior payment of principal of, and interest on, the 1991 Resolution Bonds, and not out of any other fund or moneys of the Commission. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Note or the interest hereon.

The Series \_\_ Notes are subject to optional prepayment prior to their respective stated final maturity dates, at the option of the Commission, from any source of available funds, in whole or in part in principal amounts of at least \$100,000, on any date, [and by lot within a maturity], at a prepayment price equal to the principal amount of Series \_\_ Notes prepaid), together with accrued interest to the date fixed for prepayment.

**AIRPORT COMMISSION**

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The Commission, Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee"), and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Obligations may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution; *provided*, that no such modification or amendment shall (i) extend the stated maturity of any Obligation, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Obligation so affected, or (ii) reduce the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with the lien of the Resolution, without the consent of the holders of all of the Obligations then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Obligation without the consent of the registered owner of each Obligation not receiving such preference or priority.

It is hereby certified and recited 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 this Note, and in the issuing of this Note, 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 this Note, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Obligations permitted to be issued under the Resolution.

This Note shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent. This Note is a valid and binding obligation of Commission.

**AIRPORT COMMISSION**

**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO.** \_\_\_\_\_

IN WITNESS WHEREOF, the AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Note to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

AIRPORT COMMISSION OF THE CITY  
AND COUNTY OF SAN FRANCISCO

By \_\_\_\_\_  
President

Countersigned:

\_\_\_\_\_  
Secretary of the Commission

**CERTIFICATE OF AUTHENTICATION**

This is one of the Notes described in the within-mentioned Resolution and registered this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signatory

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*I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of \_\_\_\_\_*

\_\_\_\_\_  
*Secretary*

Bond Does  
on File with  
Secretary

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT (the "Agreement") is dated as of [DATED DATE] between the AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, organized and existing under the Charter of the City and County of San Francisco (the "Commission"), and [BANK], a \_\_\_\_\_ duly organized and existing under the laws of \_\_\_\_\_ (the "Bank").

WHEREAS, the Commission is issuing its San Francisco International Airport Second Series Variable Rate Revenue Refunding Bonds, Issue 36A (the "Bonds") pursuant to and in accordance with Resolution No. 91-0210, adopted by the Commission on December 3, 1991 (the "1991 Resolution"), as supplemented and amended by, among other resolutions, Resolution No. 98-0114, adopted by the Commission on May 19, 1998 (the "Seventh Supplemental Resolution"), Resolution No. 02-0010, adopted by the Commission on January 8, 2002 (the "Tenth Supplemental Resolution"), Resolution No. 03-0219, adopted by the Commission on October 21, 2003 (as supplemented and amended, the "Eleventh Supplemental Resolution"), Resolution No. 04-0220, adopted by the Commission on November 2, 2004 (the "Twelfth Supplemental Resolution"), and Resolution No. \_\_\_\_\_ adopted by the Commission on \_\_\_\_\_ (the "Sale Resolution") and the Certificate of Additional Terms of the Commission dated [CLOSING DATE] (the "Certificate of Additional Terms") (such 1991 Resolution as supplemented and amended, being referred to herein as the "1991 Master Resolution"); and

WHEREAS, the Commission has requested that the Bank issue an irrevocable direct-pay letter of credit (the "Letter of Credit") to be effective on [CLOSING DATE] to support the payment when due of the principal of, the purchase price and interest on the Bonds, and to provide a liquidity facility in the form of a Drawing under the Letter of Credit; and

WHEREAS, the Bank is willing to issue the Letter of Credit upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to enter into this Agreement, the Commission and the Bank hereby agree as follows:

ARTICLE I

DEFINITIONS{ TC }

Section 1.01. Definitions{ TC }. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the 1991 Master Resolution. The following terms, as used herein, have the following respective meanings:

"Agreement" means this Letter of Credit and Reimbursement Agreement, as amended, modified or supplemented from time to time, in accordance with the provisions hereof.

"Agreement Termination Date" means the date upon which all of the following events have occurred (i) all amounts owing under this Agreement or in connection with the

Letter of Credit, including all amounts owing under any and all Outstanding Bank Bonds, have been paid in full and (ii) the Letter of Credit Termination Date has occurred and no further draws are available under the Letter of Credit.

“Airport” means the San Francisco International Airport.

“Alternate Credit Facility” means a Credit Facility securing a series of Variable Rate Bonds issued or executed in accordance with Section 30-65.18 of the 1991 Master Resolution which shall have a term of not less than 360 days.

“Bank” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“Bank Bond” has the meaning set forth in Section 2.02(a).

“Bank Information” means the information describing the Bank and furnished in writing by the Bank expressly for inclusion in any Offering Materials.

“Bank Rate” means the Federal Funds Rate plus \_\_\_%.

“Base Rate” means, for any date, a per annum rate equal to the higher of (i) the Prime Rate, and (ii) the Fed Funds Rate plus 100 basis points (1.00%).

“Bonds” means the San Francisco International Airport Second Series Variable Rate Revenue [Refunding] Bonds, Issue \_\_\_ executed and delivered under and entitled to the benefits of the 1991 Master Resolution.

“Bond Counsel” means any counsel selected by the Commission with nationally recognized expertise in municipal finance law, including matters relating to the validity and tax exemption of interest on obligations of states and their political subdivisions.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which banks located (A) in the city in which the principal corporate trust office of the Trustee is located, (B) in the city in which the office of the Bank at which drawings hereunder are to be honored are located, (C) in the city in which the corporate trust office of the Trustee at which the Bonds may be tendered for purchase by the holders thereof is located or (D) in the city in which the principal office of the Remarketing Agent is located, are required or authorized to remain closed or (iii) a day on which The New York Stock Exchange is closed; provided, however, for purposes of the Letter of Credit, Business Day shall have the definition provided in the Letter of Credit.

“Charter” means the Charter of the City and County of San Francisco, as amended and supplemented from time to time.

“City” means the City and County of San Francisco, a municipal corporation and political subdivision of the State of California.

"Closing Date" means the date on which the Letter of Credit is issued by the Bank.

"Commission" means the Airport Commission of the City and County of San Francisco.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including accounts payable to construction contractors and other professionals for services rendered), (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others guaranteed by such Person.

"Default" means any event or condition that constitutes an Event of Default or that with the giving of notice or the lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means the Prime Rate plus \_\_\_\_%.

"Drawing" means and includes an Interest Drawing, a Liquidity Drawing, a Redemption Drawing and a Stated Maturity Drawing.

"Draw Date" means the date of any Drawing under the Letter of Credit pursuant to Section 2.01.

"Event of Default" has the meaning assigned to such term in Section 7.02 hereof.

"Event of Termination" has the meaning assigned to such term in Section 7.01 hereof.

"Expiration Date" means the date the Letter of Credit expires, as provided in the Letter of Credit.

"Facility Fee" has the meaning assigned to such term in Section 2.03(a) hereof.

"Federal Funds Rate" means for any day a rate of interest per annum, as determined by the Bank, at which overnight federal funds are offered to the Bank by major banks in the interbank market, with any change in such rate to become effective as to the Commission on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding upon the Commission, absent manifest error.

"Fitch" means Fitch Inc., and its successors and assigns, or if such organization no longer maintains a rating on the Bonds, any other rating agency designated by the Commission with the approval of the Bank.

“Governmental Authority” means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind the parties to this Agreement at law.

“Interest Drawing” means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Trustee to the Bank in the form of Annex A to the Letter of Credit.

“Letter of Credit” means the irrevocable direct-pay letter of credit to be issued by the Bank pursuant hereto for the account of the Commission in favor of the Trustee, as beneficiary, which shall be in substantially the form of Exhibit A to this Agreement.

“Letter of Credit Termination Date” means the Expiration Date as set forth in the Letter of Credit, as such date may be amended or extended pursuant to the terms of the Letter of Credit.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

“Liquidity Drawing” means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Trustee to the Bank in the form of Annex C to the Letter of Credit.

“Maximum Interest Rate” means the maximum interest rate on the Bank Bonds of \_\_\_% per annum.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns, or if such organization no longer maintains a rating on the Bonds, any other rating agency designated by the Commission with the approval of the Bank.

“Net Revenues” has the meaning assigned to that term in the 1991 Master Resolution.

“1991 Master Resolution” means Resolution No. 91-0210, adopted by the Commission on December 3, 1991, as amended and supplemented, and as it may be further amended and supplemented in accordance therewith and in accordance with this Agreement.

“Non-Covered Interest Rate” means a rate of interest borne by Bonds other than a Weekly Rate.

“Notice of Termination” has the meaning assigned to that term in Section 3.03 hereof.

“Obligations” means all obligations of the Commission to the Bank (including amounts owing to the Bank evidenced by Bank Bonds) pursuant to this Agreement.

“Offering Materials” means such disclosure documents with respect to the Bonds and the Commission as may be prepared by the Commission from time to time in connection with the offering and sale of Bonds.

“Original Stated Amount” has the meaning set forth in Section 2.01 hereof.

“Outstanding” (i) with respect to the Bonds, has the meaning assigned to such term in the 1991 Master Resolution; and (ii) with respect to Bank Bonds, means all Bank Bonds, including the interest thereon, not repaid by the Commission.

“Parity Bonds” means obligations heretofore or hereafter issued by the Commission on a parity with the Bonds pursuant to the 1991 Master Resolution.

“Participant” has the meaning assigned to that term in Section 8.08 hereof.

“Participation” has the meaning assigned to that term in Section 8.08 hereof.

“Payment Office” means [BANK], \_\_\_\_\_, Attention: \_\_\_\_\_, Ref: San Francisco International Airport Second Series Variable Rate Revenue [Refunding] Bonds, Issue \_\_\_\_, or such other office as the Bank may designate from time to time.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Prime Rate” means the rate of interest per annum equal to the rate of interest per annum from time to time announced by the Bank as its prime rate (which is not intended to be the lowest rate of interest charged by the Bank in connection with the extensions of credit to its customers). Each change in the Prime Rate shall take effect at the time of such change in such prime rate.

“Rating Agency” means Moody’s, S&P or Fitch.

“Redemption Drawing” means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Trustee to the Bank in the form of Annex B to the Letter of Credit.

“Related Documents” means this Agreement, the Bonds, all Bank Bonds, the Remarketing Agreement and the Letter of Credit.

“Remarketing Agent” means each of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, for so long as each is acting as a remarketing agent for the Commission with respect to the Bonds, or any successor Remarketing Agent appointed pursuant to the 1991 Master Resolution.



“Remarketing Agreement” means each Remarketing Agreement dated as of [DATED DATE], by and between the Commission and a Remarketing Agent, as amended and supplemented from time to time, and any such agreement with any successor Remarketing Agent.

“Reset Date” has the meaning set forth in Section 2.05.

“Revenue Fund” has the meaning assigned to that term in the 1991 Master Resolution.

“S&P” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, its successors and assigns, or if such organization no longer maintains a rating on the Bonds, any other rating agency designated by the Commission with the approval of the Bank.

“Stated Amount” means the Original Stated Amount as such amount has been reduced or otherwise modified from time to time pursuant to the terms and provisions of the Letter of Credit.

“Stated Maturity Drawing” means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Trustee to the Bank in the form of Annex D to the Letter of Credit.

“Subordinate Bonds” means any evidences of indebtedness for borrowed money issued from time to time by the Commission, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation, authorized to be issued pursuant to and by authority of the Charter of the City and County of San Francisco and pursuant to Resolution No. 97-0146 adopted by the Commission on May 20, 1997, as amended and supplemented, including as amended and supplemented by Resolution No. 97-0147 adopted on May 20, 1997, which was amended and restated by Resolution No. 99-0299 adopted on September 21, 1999, Resolution No. 99-0064 adopted on March 16, 1999, Resolution No. 00-0343 adopted on August 29, 2000, Resolution No. 02-0011 adopted on January 8, 2002, and Resolution No. 03-0131 adopted on July 14, 2003.

“Trustee” means The Bank of New York Trust Company, N.A., as Trustee for the Bonds under the 1991 Master Resolution, or any successor trustee for the Bonds appointed in accordance with the 1991 Master Resolution.

“Unreimbursed Drawings” means the aggregate amount paid by the Bank pursuant to Drawings under the Letter of Credit which has not been reimbursed by the Commission in accordance with the terms of this Agreement.

Section 1.02. Interpretation TC }. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neutral genders. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including cities, agencies and other public bodies, as well as natural persons. Unless otherwise indicated, references in this Agreement to subsections, Sections and Articles are to such subsections, Sections and Articles of this Agreement. The headings used throughout

this Agreement are inserted for reference only and shall not be construed or considered in interpreting the terms and provisions of any Section or Article of this Agreement or the Agreement as a whole. Any and all Appendices referenced in this Agreement are incorporated herein by reference and shall be deemed to be an integral part hereof. Unless the context requires otherwise, the terms "herein," "hereof," "hereunder" and any similar terms, as used in this Agreement, shall refer to this Agreement as a whole and not to any particular provisions of this Agreement. The words "include," "includes," and "including" shall be construed to also mean "without limitation." Any reference to a "month" shall be a reference to a calendar month beginning on the first day of a calendar month and ending on the last day thereof, unless otherwise specified herein. Any reference to a "day" shall be a reference to a calendar day and not a Business Day.

Section 1.03. Accounting Terms and Determinations{ TC }. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent with the most recent audited financial statements of the Commission delivered to the Bank.

## ARTICLE II

### ISSUANCE OF LETTER OF CREDIT; PAYMENT{ TC }

Section 2.01. Issuance of Letter of Credit; Drawings under the Letter of Credit; Adjustments to Stated Amount{ TC }.

(a) The Bank hereby agrees, on the terms and subject to the conditions hereinafter set forth, to issue to the Trustee for the benefit of the owners from time to time of the Bonds its Letter of Credit (substantially in the form of Exhibit A hereto), dated the Closing Date and completed in accordance with such form and the terms of this subsection 2.01(a). If issued on the Closing Date, the Letter of Credit shall be in the amount of \$\_\_\_\_\_ (the "Original Stated Amount"), which amount is equal to the sum of \$\_\_\_\_\_ in aggregate principal amount of the Bonds plus \$\_\_\_\_\_ for interest on the principal amount for \_\_\_\_\_ (\_\_\_) days at an assumed rate equal to the Maximum Rate based on a year of 365 days. Subject to the terms of the Letter of Credit, the Stated Amount may be from time to time reduced and/or reinstated or adjusted. The Bank will use only its own funds in honoring a Drawing on the Letter of Credit. Unless otherwise terminated in accordance with its terms, the Letter of Credit shall expire on the Letter of Credit Termination Date.

(b) The Letter of Credit is transferable in whole only to a successor Trustee and otherwise in accordance with its terms.

(c) The Trustee is authorized to make Drawings under the Letter of Credit in accordance with its terms. The Commission hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The Commission hereby irrevocably approves reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

(d) Reduction of Stated Amount; Termination of Letter of Credit.

(i) The Trustee, at the direction of the Commission may, upon at least five (5) Business Days' notice to the Bank, reduce the Stated Amount from time to time during the period from such date through the Letter of Credit Termination Date; provided, that (A) each such reduction of the Stated Amount shall be in an amount equal to \$1,000,000 or an integral multiple thereof, (B) the amount of the Stated Amount may not be reduced below the sum of the aggregate principal amount of the Outstanding Bonds plus interest on the Outstanding principal amount of Bonds for fifty (50) days at an assumed rate equal to the Maximum Rate based on a year of 365 days, and (C) the Bank shall have received a certificate, substantially in the form of Annex E to the Letter of Credit, with respect to such reduction.

(ii) The Trustee may terminate the Letter of Credit at any time in whole or in part with at least fifteen (15) days written notice to the Bank in accordance with the terms of the Letter of Credit, including the return of the original Letter of Credit to Bank together with an instruction letter by Trustee to Bank certifying that such Letter of Credit has been terminated and cancelled. Prior to any termination of the Letter of Credit pursuant hereto, Bank shall have received payment in full of all amounts owing under this Agreement and all Bank Bonds, including all principal and accrued interest thereon, all fees and other Obligations of the Commission under this Agreement.

Section 2.02. Reimbursement of Drawings; Bank Bonds{ TC }.

(a) Bank Bonds. The Commission shall reimburse the Bank for the amount paid by the Bank upon a Drawing under the Letter of Credit, by \_\_\_\_ p.m., New York time, on the same Business Day such Drawing is paid by the Bank; provided, that any portion of any Drawing under the Letter of Credit not reimbursed by the Commission to the Bank by \_\_\_\_ p.m., New York time, on the date such Drawing is paid by the Bank shall constitute an advance by the Bank on behalf of the Commission in the amount of such Drawing (each, an "Unreimbursed Drawing"). The amount of each such Unreimbursed Drawing shall be evidenced by a note issued by the Commission to the Trustee, pursuant to and in accordance with the 1991 Master Resolution (each, a "Bank Bond"). On the Closing Date, the Commission shall issue to the Trustee Bank Bonds in blank, registered in the name of the Bank. A Bank Bond shall be delivered to the Bank by the Trustee with respect to each Unreimbursed Drawing in the principal amount of such Unreimbursed Drawing. The Bank shall be the owner of Bank Bonds for all purposes hereunder and thereunder and under the 1991 Master Resolution and shall be entitled to all payments in respect of any Bank Bonds. Bank Bonds shall evidence an obligation of the Commission to pay to the Bank Unreimbursed Drawings until the principal of and interest with respect to all such Unreimbursed Drawings, as evidenced by such Bank Bonds, shall have been paid by the Commission to the Bank in the amounts and at the times provided therein and herein.

(b) Mandatory Prepayment of Principal of Bank Bonds. The Commission shall prepay the principal of each Bank Bond over a \_\_\_\_ ( ) year period in \_\_\_\_ ( ) equal quarterly installments as to principal on the first Business Day of each January, April, July and October, commencing on the January, April, July or October which is at least ninety (90) days after the date such Bank Bond is issued; provided, that in any event the principal of and interest

on any Bank Bonds shall be paid in full not later than \_\_\_\_ (\_\_) years from the related Draw Date, the last such installment to include all unpaid principal and interest on such Bank Bonds.

(c) Payment of Interest on Bank Bonds. The Commission shall pay interest on the unpaid principal of the Bank Bonds from the date of issuance of each Bank Bond until such amount is paid in full, payable quarterly in arrears on the first Business Day of each January, April, July and October and on the day such Bank Bond is fully paid. Interest payable on any Bank Bond shall bear interest at the Bank Rate; provided, however, that from and after an Event of Default or an Event of Termination, Bank Bonds shall bear interest at the Default Rate; and provided further, that in no event shall interest on the Bank Bonds exceed the Maximum Interest Rate. All interest on the Bank Bonds shall be calculated on the basis of the actual number of days elapsed (excluding the first day but including the last day), and a 365/366-day year, as appropriate.

(d) Optional Prepayment.

(i) The Commission may prepay any Outstanding Bank Bond, together with accrued interest to the date of such prepayment, in whole or in part, at any time upon one Business Days' prior written notice delivered to the Bank. The amount of any optional prepayment shall be applied by the Bank to Bank Bonds in the order of their issuance, and if the principal of and interest on any Bank Bond is prepaid in part, the amount of such prepayment shall be applied to the principal of such Bank Bond in a proportion equal to the ratio of (A) the outstanding principal balance of such Bank Bond to (B) the sum of the outstanding principal of such Bank Bond plus the amount of accrued and unpaid interest on such Bank Bond as of the date of such prepayment.

(ii) Upon payment to the Bank of a portion of the principal amount of a Bank Bond to be prepaid as stated in clause (i) above, together with accrued interest to the date of such prepayment, (A) the amount Outstanding of such Bank Bond shall be reduced by the principal amount of such payment, and (B) interest shall cease to accrue on the principal amount so paid.

(e) Payments and Computations. The Commission will make each payment hereunder not later than \_\_\_\_ p.m. (New York City time) on the day when due, in lawful money of the United States of America and in immediately available funds, to the Bank, at the Payment Office. Whenever any payment to be made under this Agreement shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in the computation of interest or fees, as the case may be. All computations of interest hereunder and all fees shall be made on the basis of a year of 365/366 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

(f) Default Rate. If the Commission shall fail to pay when due (whether at maturity or otherwise) any Obligation, each such unpaid Obligation shall bear interest for each day from and including the date it was so due until paid in full at a rate per annum equal to the Default Rate.

(g) No Drawings to Pay Bank Bonds. The principal amount of Bank Bonds and the interest thereon shall not be paid with the proceeds of a Drawing under the Letter of Credit.

(h) Maximum Interest Rate; Payment of Fee. The "Excess Amount" for each Bank Bond shall be the aggregate amount obtained by multiplying the principal amount due on such Bank Bond on any day by the positive difference between (w) the Bank Rate or Default Rate otherwise applicable to such Bank Bond and (x) the Maximum Interest Rate, for each day during any period that the Bank Rate or Default Rate is higher than the Maximum Interest Rate (the "Excess Interest Period"). The Excess Amount for each Bank Bond shall be reduced by the aggregate amount obtained by multiplying the principal amount due on such Bank Bond on any day by the negative difference between (y) the Bank Rate or Default Rate otherwise applicable to such Bank Bond and (z) the Maximum Interest Rate, for each day following any Excess Interest Period that such Bank Bond continues to accrue interest at the Maximum Interest Rate. As long as a Bank Bond is Outstanding, if the Bank Rate or Default Rate relating to such Bank Bond shall change, the Excess Amount, if any, shall be recalculated using the then current Bank Rate or Default Rate. In the event that the Bank Rate or Default Rate applicable to a Bank Bond on any day falls below the Maximum Interest Rate, interest on the principal amount due on such Bank Bond shall continue to accrue, but only until such Bank Bond is paid in full, at the Maximum Interest Rate until such time as the Excess Amount is reduced to zero. Upon termination of this Agreement, the Commission shall pay to the Bank a fee in an amount equal to the aggregate unpaid Excess Amount, if any, for all Bank Bonds. The amount of the fee payable to the Bank under this Section 2.02(h) shall be in consideration for the limitation of the rate of interest on the Bank Bonds to the Maximum Interest Rate.

(i) Repayment Obligation. The obligation of the Commission to reimburse the Bank for Drawings, in accordance with this Agreement, as evidenced by the Bank Bonds shall constitute a Repayment Obligation within the meaning of and with the effect set forth in Section 2.15 of the 1991 Master Resolution.

(j) Credit Provider Bonds. Anything herein to the contrary notwithstanding, Credit Provider Bonds registered in the name of the Bank pursuant to the 1991 Master Resolution, shall constitute further security for the payment by the Commission to the Bank of Unreimbursed Drawings evidenced by Bank Bonds.

### Section 2.03. Fees{ TC }.

(a) Facility Fee. The Commission hereby agrees to pay to the Bank on July 1, 20\_\_, for the period commencing on the Closing Date and continuing up to and including June 30, 20\_\_, and thereafter quarterly in arrears on the first Business Day of each October, January, April and July occurring thereafter up to the Letter of Credit Termination Date and on the Letter of Credit Termination Date, a non-refundable facility fee (the "Facility Fee"). Such fee shall consist of the sum of the following: \_\_\_% per annum on the Stated Amount of the Letter of Credit (without regard to any temporary reductions resulting from Interest Drawings and Liquidity Drawings occurring thereunder from time to time) during each related period. Such fee shall accrue from the Closing Date through the Letter of Credit Termination Date and

shall be calculated on the basis of a 365/366-day year, as appropriate, and the actual days elapsed.

(b) Termination Fee. If the Letter of Credit is terminated by the Commission prior to the first anniversary of the Closing Date, the Commission agrees to pay to the Bank a fee, payable to the Bank within thirty (30) days from the date of termination, equal to the annual Facility Fee the Bank would have received, based on the Stated Amount of the Letter of Credit as of the Closing Date but for such termination, less any portion of the annual Facility Fee previously received by the Bank with respect to the Letter of Credit; provided, however, that if the Bank invokes the provisions of Section 2.04, or if the Bank's ratings shall have been lowered below \_\_\_\_\_ by Moody's or \_\_\_\_\_ by S&P or \_\_\_\_\_ by Fitch, and as a result the Commission elects to replace the Letter of Credit, the Commission shall not be subject to such fee.

(c) Drawing Fees. The Commission agrees to pay to the Bank in connection with every Drawing upon the Letter of Credit, a nonrefundable drawing fee of \$\_\_\_\_. Such drawing fees shall be payable quarterly in arrears on the first Business Day of each January, April, July and October (commencing on July 1, 20\_\_), and on the Letter of Credit Termination Date.

(d) Transfer Fees. The Commission agrees to pay the Bank all reasonable costs and expenses in connection with any transfer of the Letter of Credit to a successor Trustee including the full amount of the Bank's reasonable attorney's fees including fees of outside counsel. Such transfer fees shall be payable on the effective date of such transfer.

(e) Amendment Fees. The Commission agrees to pay to the Bank, in connection with any amendment of the Letter of Credit, a non-refundable amendment fee of \$\_\_\_\_ plus the full amount of the Bank's reasonable attorney's fees including fees of outside counsel.

(f) Initial Legal Fees. The Commission shall pay to the Bank on the Closing Date all reasonable costs and expenses incurred by the Bank and its counsel in connection with the preparation, execution and delivery of this Agreement and any other documents and instruments that may be delivered in connection herewith and therewith (including fees in an amount not to exceed \$\_\_\_\_\_ in aggregate (excluding out of pocket expenses) of counsel for the Bank).

#### Section 2.04. Increased Costs{ TC }.

(a) Except as otherwise required by law, each payment by the Commission to the Bank under this Agreement shall be made without defense, setoff or counterclaim and without any withholding for or on account of any present or future taxes (other than taxes imposed on or measured by the net income, gross income, gross receipts, or other measures of income or profits or capital of the recipient imposed by any jurisdiction having control of such recipient) imposed by or within the jurisdiction in which the Commission is domiciled, any jurisdiction from which the Commission makes any payment hereunder, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is so

required, the Commission shall pay such additional amount as may be necessary to ensure that the net amount actually received by the Bank free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which the Bank would have received had such withholding not been made. If the Bank pays any amount in respect of any such taxes, penalties or interest, the Commission shall reimburse the Bank for that payment on demand. If the Commission pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank on or before the thirtieth day after payment.

(b) If any change in any law or regulation or in the interpretation thereof by any court or administrative or Governmental Authority charged with the administration thereof shall impose, increase or deem applicable any reserve, special deposit or similar requirement against the obligations of the Bank or any Participant (other than as a result of the acts, omissions or financial condition of the Bank or such Participant) and the result of any such event above shall be to increase the cost to the Bank or such Participant of its obligations hereunder or under the Letter of Credit or of the holding by the Bank of any Bank Bond (which increase in costs shall be the result of the Bank's or such Participant Bank's pro rata allocation of the aggregate of such cost increases resulting from such events), then, upon written demand by the Bank to the Commission, the Commission shall pay to the Bank within thirty (30) days of such demand, the amount of such increased costs from the date of such change. The Bank shall submit to the Commission a certificate setting forth in reasonable detail the amount of such increased costs as a result of any such event (which such certificate shall be conclusive (absent manifest error) as to the amount thereof). The Bank shall notify the Commission of any such impending or announced change in law, regulation or interpretation promptly upon receipt by it of actual notice of such change; provided, however, that any delay or failure to so notify the Commission shall not in any manner relieve the Commission or the Bank of their obligations under this Agreement.

(c) If the Bank or any Participant shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of increasing the amount of capital required to be maintained or reducing the rate of return on capital of the Bank or such Participant as a consequence of the Bank's or such Participant's obligations hereunder or under the Letter of Credit or the holding by it of its Bank Bonds pursuant hereto to a level below that which the Bank or such Participant could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by any amount deemed by the Bank or such Participant to be material then, upon written demand by the Bank to the Commission, the Commission shall pay to the Bank within thirty (30) days of such demand, the amount of such reduction from the date of such change. The Bank shall submit to the Commission a certificate setting forth in reasonable detail the amount as will compensate the Bank for such reduction as a result of any such event (which such certificate shall be conclusive (absent manifest error) as to the amount thereof). The Bank shall notify the Commission of any such impending or announced change in law, regulation or interpretation promptly upon receipt by it of actual notice of such change;

provided, however, that any delay or failure to so notify the Commission shall not in any manner relieve the Commission or the Bank of their obligations under this Agreement.

(d) Notwithstanding anything to the contrary contained in this Section 2.04, the Commission shall have no obligation to pay amounts pursuant to this Section 2.04 in an amount greater than that which it would have been required to pay if the Bank had not participated any interest in the Letter of Credit.

Section 2.05. Adjustment of Facility Fees; Extension of Letter of Credit{ TC }. On the Expiration Date and each anniversary thereof (each a "Reset Date") prior to the Agreement Termination Date, the Bank shall have the option to:

(a) adjust or confirm the Facility Fee paid by the Commission pursuant to Section 2.03 hereof, effective for a one year period starting on such Reset Date, by giving written notice to the Commission (a "Fee Notice") setting forth the new Facility Fee or confirming the existing Facility Fee, at least [six (6) months] prior to such Reset Date. Thereupon, the Expiration Date shall be extended for a period of one year and the Bank shall deliver to the Commission an extension of the Letter of Credit in the form of Annex \_\_\_ to the Letter of Credit; or

(b) permit the Letter of Credit to expire pursuant to its terms on such Reset Date by not providing the Fee Notice as set forth in Section 2.05(a) above. On the Expiration Date the Letter of Credit shall expire pursuant to its terms. Unless otherwise due prior thereto, upon the date that the Letter of Credit expires or terminates pursuant to its terms or otherwise, all indebtedness owing under all Bank Bonds, including all principal owing thereunder and accrued interest thereon, and all fees and other Obligations of the Commission under this Agreement, shall become immediately due and payable and the Commission shall immediately pay all such amounts to Bank.

Section 2.06. Limited Obligations{ TC }. Notwithstanding any other provision of this Agreement or any other Related Document to the contrary, all Obligations to the Bank under this Agreement, including Bank Bonds, are limited obligations of the Commission and payable solely from Net Revenues as provided in the 1991 Master Resolution and other amounts as set forth in Section 5.01 of the 1991 Master Resolution.

Section 2.07. Obligations Unconditional{ TC }. Subject to Section 2.06, the Commission's obligation to reimburse the Bank for each payment made under the Letter of Credit honoring any Drawing made by the Trustee and all of the Commission's other obligations under this Agreement and the Bank Bonds shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Commission may have against the Bank or against any beneficiary of the Letter of Credit (or any other Person for whom such beneficiary may be acting), or any other Person, including any defense based on the payment by the Bank of any Drawing on the Letter of Credit against presentation of a certificate failing to conform to the terms of the Letter of Credit (provided, that such payment by the Bank shall not have constituted gross negligence or willful misconduct) or based on invalidity, inaccuracy, falsity, or lack of genuineness, whether by forgery, fraud or otherwise, of any document, demand, or statement presented under the Letter of Credit



(provided, that any Bank action taken in reliance on such certificate, statement or other document shall not have constituted gross negligence or willful misconduct) or any failure of the Commission to receive all or any part of the proceeds of the sale of any Bonds with respect to which such Drawing on the Letter of Credit was made by the Trustee or any nonapplication or misapplication by the Trustee of the proceeds of such Drawing, and irrespective of the legality, validity, regularity or enforceability of all or any of the Related Documents or the 1991 Master Resolution, and notwithstanding any amendment or waiver of (other than an amendment or waiver signed by the Bank explicitly reciting the release or discharge of any such obligation), or any consent to departure from, all or any of the Related Documents or the 1991 Master Resolution or any exchange, release, or nonperfection of any collateral securing the Bonds or the obligations of the Commission hereunder or under the 1991 Master Resolution or the Bank Bonds or any expiration of the Letter of Credit pursuant hereto and any other circumstances or happening whatsoever, whether or not similar to any of the foregoing (provided, that such circumstances or happening shall not have constituted gross negligence or willful misconduct of the Bank); provided, that nothing herein shall limit the Commission's right by separate action, suit, proceeding or counterclaim to enforce any of its rights hereunder or to pursue any remedy at law or in equity against the Bank.

### ARTICLE III

#### CONDITIONS PRECEDENT{ TC }

Section 3.01. Conditions Precedent to Effectiveness{ TC }. This Agreement and the Letter of Credit shall become effective when each of the following conditions precedent have been fulfilled in a manner satisfactory to the Bank, such satisfaction to be conclusively evidenced by the issuance of the Letter of Credit by the Bank:

(a) Delivery of Documents. The Bank shall have received on or before the Closing Date the following, each in form and substance satisfactory to the Bank and its counsel and, unless indicated otherwise, dated the Closing Date:

(i) executed copies of the Agreement, the 1991 Master Resolution and the Related Documents, dated their respective dates, and any amendments and supplements thereto, and a specimen copy of the Bonds;

(ii) a certificate of a duly authorized officer of the Commission, certifying as to the incumbency and signature of each of the officers of the Commission authorized to sign this Agreement and the Related Documents to which the Commission is a party;

(iii) a certified copy of the resolution of the Commission approving the execution, delivery and performance of this Agreement and the Related Documents to which the Commission is a party, certified by a duly authorized officer of the Commission on the Closing Date, which certificate shall state that the resolution has not been amended or annulled and is in full force and effect on the Closing Date;

(iv) the audited financial statements of the Commission for the Fiscal Year ended [FY END DATE], and a copy of the annual operating budget of the Commission;

(v) copies of opinions of Orrick, Herrington & Sutcliffe LLP and The Law Offices of Ronald E. Lee, Co-Bond Counsel for the Commission, (A) as to the validity of the Bonds issued pursuant to the 1991 Master Resolution; (B) as to the validity of the Bank Bonds issued pursuant to the 1991 Master Resolution; (C) as to the pledge of Net Revenues as security for the payment of the Bonds and the Bank Bonds; and (D) to the effect that interest on the Bonds will be exempt from gross income for Federal income tax purposes;

(vi) a certificate of a duly authorized officer of the Commission, certifying that all conditions precedent with respect to the execution of this Agreement and the Related Documents shall have been satisfied and that, except as previously disclosed to the Bank, there has been no adverse change in the financial condition, business, assets, liabilities or prospects of the Commission since [FY END DATE];

(vii) an opinion of the City Attorney of the City to the effect that the Agreement and the Related Documents are valid and binding agreements of the Commission enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium or other laws affecting creditors' rights and to general principles of equity and that the 1991 Master Resolution, including each supplement and amendment thereto, was duly adopted and is in full force and effect;

(viii) written confirmation that the Bonds are rated Aaa/VMIG 1 by Moody's, AAA/A-1+ by S&P and AA/F1+ by Fitch;

(ix) a certificate of the Trustee, as to such matters as the Bank may reasonably request;

(x) an opinion of counsel to the Trustee, as to such matters as the Bank may reasonably request;

(xi) an opinion of United States counsel to the Bank, as to such matters as the Commission may reasonably request; and

(xii) written confirmation that the Trustee has received Bank Bonds in blank executed by the Commission for safekeeping to be completed by the Trustee for any unreimbursed Drawing on the Letter of Credit.

(b) Representations; No Defaults. The following statements shall be true and correct on and as of the Closing Date, and the Bank shall have received a certificate signed by the appropriate officer of the Commission, dated the Closing Date, stating that:

(i) the representations of the Commission contained in Section 4.01 hereof are true and correct on and as of the Closing Date as though made on and as of such date; and

(ii) giving effect to the issuance of the Letter of Credit and the execution and delivery of this Agreement by the Commission, there exists no Default, Event of Default or Event of Termination.

(c) No Material Adverse Change. As of the Closing Date, the Bank shall have determined (in its reasonable judgment) that no material adverse change in the financial condition, business, assets, liabilities or prospects of the Commission shall have occurred.

Section 3.02. Conditions Precedent to Each Drawing{ TC }. The obligation of the Bank to honor any Drawing is subject to the fulfillment of each of the following conditions precedent:

(i) The Bank shall have received (or waived the receipt of, in the sole discretion of the Bank) a Drawing certificate in strict conformity with the Letter of Credit; and

(ii) The Agreement Termination Date shall not have occurred.

Section 3.03. Notice of Termination{ TC }. The Bank may, but is not required to, deliver a notice, in accordance with Section 7.03 hereof, to the Trustee (a "Notice of Termination") at any time that the Bank shall have determined that an Event of Default or Event of Termination shall have occurred and is continuing. Notwithstanding anything in this Section 3.03 which may be to the contrary, a Notice of Termination shall not affect the obligation of the Bank to honor demands for payment under the Letter of Credit with respect to Bonds authenticated prior to the receipt by the Trustee of such Notice of Termination. The Bank shall concurrently furnish a copy of any Notice of Termination to the Commission and the Remarketing Agent, but the failure to so provide such copy shall not render ineffective any such Notice of Termination.

#### ARTICLE IV

##### REPRESENTATIONS OF THE COMMISSION{ TC }

Section 4.01. Representations of the Commission{ TC }. The Commission represents to the Bank as follows:

(a) Legal Existence; Powers. The Commission (i) is a commission of the City and County of San Francisco organized and existing under the Charter, and (ii) has the legal right, power and authority to (A) control its properties and to carry on its business as now being and hereafter proposed to be conducted, (B) execute and deliver this Agreement and the Related Documents, (C) perform all its obligations under this Agreement and the Related Documents, (D) issue the Bonds in accordance with the 1991 Master Resolution, and (E) repay all Bank Bonds, to pay all interest thereon, and to pay all fees and other amounts payable hereunder.

(b) Due Authorization; No Violation; No Conflicts. The execution, delivery and performance by the Commission of this Agreement and the Related Documents to which the Commission is a party have been duly authorized by all necessary action on the part of the Commission, and do not (i) violate the Charter, or any material provision of any court order by which the Commission is bound, (ii) conflict with, violate or contravene any material provision of existing law or regulation, or any order or decree or any court, tribunal, Governmental Authority, (iii) conflict with, violate or cause a default, or with the passage of time or the giving of notice, or both, would cause a default under any material provision of any bond, note or other evidence of indebtedness or mortgage, indenture, contract or other agreement to which the

Commission is a party; and no consent of any Person and no license, approval or authorization of or notice to or registration, filing or declaration with, any Governmental Authority, bureau or agency is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Related Documents or for the Commission to issue the Bonds or incur the Obligations in accordance with this Agreement or, if required, the same has been obtained and is in full force and effect or will be obtained in sufficient time in order to fully perform under this Agreement, or (iv) result in the imposition of any Lien on amounts in the Revenue Fund, except as provided herein and in the 1991 Master Resolution.

(c) Validity. This Agreement, the 1991 Master Resolution and the Related Documents to which the Commission is a party each constitute a legal, valid and binding agreement or obligation, as the case may be, of the Commission, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally, (ii) the availability of equitable remedies which may be limited by equitable principles of general applicability and (iii) limitations on remedies against public agencies such as the Commission available under applicable California laws and regulations.

(d) Litigation. There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the Issuer after due inquiry, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the transactions contemplated by or the validity of this Agreement, the 1991 Master Resolution or any of the Related Documents, (ii) the status of the Issuer as a charter city and county, (iii) the exemption of interest on the Bonds from federal income tax, or (iv) the Issuer's property, assets, business operations or condition, financial or otherwise, or its ability to perform its obligations under this Agreement, the 1991 Master Resolution or under the Related Documents.

(e) Accuracy of Financial Reports. The audited financial statements for fiscal years 2007 and 2008, including the balance sheets as of the end of said periods, all examined and reported on by KPMG LLP, independent public accountants, as heretofore delivered to the Bank correctly and fairly present the financial condition of the Issuer as of said dates and the results of the operations of the Issuer for such period as of said dates, and have been prepared in accordance with Generally Accepted Accounting Principles consistently applied except as stated in the notes thereto; and there has been no material adverse change in the condition, financial or otherwise, of the Issuer since the date of preparation thereof (other than as set forth in the Official Statement), from that set forth in said financial statements as of, and for the period ended on, those dates.

(f) Legislation; Referendum. There is no State or local referendum or initiative certified for the ballot, or Federal, State or local legislation enacted or introduced and referred to committee which the Commission has determined would materially and adversely affect the financial condition or business operations of the Commission, or the validity or enforceability of this Agreement, the 1991 Master Resolution or any Related Document, or power of the Commission to carry out the transactions contemplated hereby and thereby.

(g) No Acceleration. No Debt which is recourse to, or secured by, the Revenues (as that term is defined in the 1991 Master Resolution), or any portion thereof, of the Commission, in an amount in excess of \$10,000,000 which is currently outstanding is subject to acceleration of the payment thereof before the scheduled due date thereof at the direction or option of the holders of such Debt or any trustee for such holders.

(h) Disclosure. There is no fact known to the Commission which the Commission has not disclosed to the Bank in writing which materially adversely affects or which the Commission has determined is likely to materially adversely affect the ability of the Commission to perform its obligations hereunder, under the 1991 Master Resolution or under any Related Document.

(i) Security. There are no material Liens on the Net Revenues other than the Liens created by or pursuant to or otherwise permitted by the 1991 Master Resolution and this Agreement. The 1991 Master Resolution does not permit the issuance of any Debt secured by Net Revenues to rank senior to the Bonds or the Obligations. The 1991 Master Resolution requires the first use of Revenues to pay certain operation and maintenance expenses. Except as expressly provided in Section 5.09 hereof, the Lien on the Net Revenues securing the payment of the Bank Bonds ranks on a parity with the payment of principal of and interest on the Parity Bonds (including the Bonds) and is not subordinate to any payment secured by a Lien on the Net Revenues other than payments with respect to the principal of and interest on the Parity Bonds. The pledge of and lien on Net Revenues created by the 1991 Master Resolution and this Agreement are valid and binding on the Commission subject to and in accordance with the provisions of Section 5451 of the California Government Code.

(j) Sovereign Immunity. The Commission is not entitled to claim immunity on the grounds of sovereignty with respect to any action based on contract related to or arising out of its obligations under this Agreement, and to the fullest extent permitted by law, agrees not to assert the defense of sovereign immunity in any proceeding based on contract related to or arising out of its obligations under this Agreement or the Related Documents. The Commission is subject to liability for damages in contract and in tort in the manner and to the extent that the City is subject to such liability as provided by the laws of the State. The Commission is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to municipal corporations, including Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The Commission is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California.

(k) Environmental Laws. The Commission has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which noncompliance or remedial action, if determined adversely to the Commission, would be likely, in the determination of the Commission, to have a material adverse effect on the business operations or financial condition of the Commission or the ability of the Commission to perform its obligations under the 1991 Master Resolution or the Related Documents.

(l) Usury. The terms of this Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

(m) Business of the Commission. The Commission is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock as defined in Regulation U of the Board of Governors of the Federal Reserve System.

(n) Event of Default. No Default, Event of Default or Event of Termination has occurred and is continuing hereunder as of the date hereof.

(o) Accurate Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank by or on behalf of the Commission were, as of their respective dates, accurate in all material respects. Any financial, budget and other projections furnished to the Bank by or on behalf of the Commission were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the Commission's best estimate of its future financial performance. No fact is known to the Commission that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the business operations or financial condition of the Commission, the security for the Bonds, or the Commission's ability to repay when due its obligations under this Agreement or the 1991 Master Resolution except as has been otherwise disclosed to the Bank in writing, including in the documents referred to in the first sentence of this paragraph.

(p) ERISA. The Commission, as an enterprise fund department of the City and County of San Francisco, participates in the San Francisco City and County Employees' Retirement System (the "City Plan"). All required contributions to the City Plan have been made. The City Plan is a governmental plan that is not subject to the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA").

(q) Incorporation of Representations. The Commission hereby makes to the Bank the same representations as were made by it in each Related Document to which it is a party, which representations, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and definition were set forth herein in its entirety. No amendment to such representations or definitions made pursuant to the relevant Related Documents, which amendment could have a material adverse effect on the Bank, shall be effective to amend such representations and definitions as incorporated by reference herein without the prior written consent of the Bank..

Section 4.02. Representations of the Bank{ TC }. The Bank represents to the Commission as follows:

(a) Organization; Power. The Bank is validly organized and existing under the laws of the jurisdiction under which it is organized, and has all requisite power and authority

(i) to conduct its business and to carry on its activities, and (ii) to execute, deliver and perform its obligations under this Agreement.

(b) Valid and Binding Obligations. This Agreement has been duly executed by an authorized representative of the Bank and constitutes the legal, valid and binding obligation of the Bank enforceable against the Bank in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject to general equitable principles.

(c) Offering Materials. The information with respect to the Bank which has been furnished by the Bank for inclusion in the Offering Materials is accurate in all material respects.

(d) Regulatory Approvals. To the best knowledge of the officer executing this Agreement, after reasonable inquiry, each material authorization, consent, approval, license or formal exemption from, or filing, declaration or registration with, any court, governmental agency or regulatory authority (Federal, state or local), required in connection with the execution, delivery and performance by the Bank of this Agreement has been obtained or made and is in full force and effect; provided, that the Bank makes no representation or warranty with respect to Blue Sky or state securities laws.

(e) Litigation. To the best knowledge of the officer executing this Agreement after reasonable inquiry, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board, body or official pending or, to the knowledge of the Bank, threatened against or affecting (i) the transactions contemplated by or the validity of this Agreement, (ii) the Bank's ability to perform its obligations under this Agreement or (iii) which in any material way contests the existence, organization or powers of the Bank or the titles of the officers of the Bank to their respective offices, or which in any manner draws into question the validity or enforceability of this Agreement.

Section 4.03. Survival of Representations{ TC }. All statements contained in (i) any certificate delivered by or on behalf of the Commission on or before the Closing Date or (ii) any certificate delivered by or on behalf of the Commission after the Closing Date, in either case pursuant to or in connection with this Agreement (including, but not limited to, any such statement made in connection with any amendment hereto), shall constitute representations made under this Agreement. All representations made under this Agreement shall be made and shall be true at and as of (a) the date of authentication and delivery of the Bonds under the 1991 Master Resolution and (b) the time of each Drawing under the Letter of Credit, except the representations set forth in the second sentence of Section 4.01(e) hereof.

## ARTICLE V

### AFFIRMATIVE COVENANTS{ TC }

Section 5.01. Financial Statements{ TC }. The Commission shall keep proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to affairs, operations, transactions and activities of the

Commission in accordance with Generally Accepted Accounting Principles consistently applied, and will furnish to the Bank a copy of each of the following:

(a) Within thirty (30) days of its availability, and in any event within two hundred ten (210) days after the close of each fiscal year of the Commission, the Commission's annual report including the balance sheet as of the end of such fiscal year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail, certified by an independent certified public accountant as having been prepared in accordance with Generally Accepted Accounting Principles, consistently applied, such audit having been conducted with generally accepted auditing standards;

(b) Within sixty (60) days after the end of each fiscal quarter: (i) any projections, sensitivity analyses, consultant's reports, and other information that are provided to the Commission or otherwise made available to the public; (ii) a quarterly revenues report in reasonable detail by category; and (iii) any appropriations or supplemental appropriations relating to the Commission approved during such quarter;

(c) A copy of the Commission's budget, prepared by the Commission prior to the beginning of each fiscal year, within sixty (60) days after its approval by the City; and

(d) Such other information respecting the affairs, condition and/or operations, financial or otherwise, of the Commission as the Bank may from time to time reasonably request.

Section 5.02. Notice of Default{ TC }. The Commission covenants that it will deliver to the Bank, immediately after the Commission shall have obtained knowledge of the occurrence of a Default, Event of Default or Event of Termination, the written statement of an authorized officer of the Commission setting forth the details of such Default, Event of Default or Event of Termination and the action which the Commission proposes to take with respect thereto.

Section 5.03. Inspection{ TC }. The Commission covenants that upon reasonable notice it will permit any Person designated by the Bank in writing, at the Bank's expense, to visit any of the properties of the Commission, to examine the municipal books and financial records of the Commission and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Commission with the principal officers of the Commission and its independent public accountants, all at such reasonable times and, so long as no Event of Default or Event of Termination shall have occurred, no more than once every calendar quarter.

Section 5.04. Compliance with Agreements{ TC }. The Commission will observe and perform all of its obligations under this Agreement, the Bonds and the other Related Documents to which it is a party.

Section 5.05. Certain Notices{ TC }. The Commission covenants that it will promptly (but in no event more than five (5) days after the occurrence of each such event or matter) (i) furnish to the Bank a copy of any notice, certification, demand or other writing or communication given by the Trustee to the Commission or by the Commission to the Trustee



under or in connection with the Bonds or any of the Related Documents, (ii) give written notice to the Bank in reasonable detail of any change in the name of the Commission.

Section 5.06. Preservation of Existence{ TC }. The Commission covenants that it will preserve and maintain its legal existence and maintain all franchises, rights and privileges necessary or desirable in the normal conduct of its business and operations.

Section 5.07. Use of Proceeds{ TC }. The Commission shall use the proceeds of the Bonds solely in accordance with the purposes set forth in the 1991 Master Resolution and shall cause the Drawings to be used solely to pay principal of and interest with respect to Bonds.

Section 5.08. Offering Documents{ TC }. As soon as practicable after the issuance of any Parity Bonds or Subordinate Bonds, the Commission shall send a copy of the offering document relating thereto to the Bank.

Section 5.09. Priority of Payments and Pledge of Net Revenues{ TC }.

(a) Priority of Payments; Amortization. Pursuant to Section 2.15 of the 1991 Master Resolution, the obligation of the Commission to make periodic payments of principal and redemption price of and interest on each Bank Bond in order to reimburse the Bank for Drawings under this Agreement shall constitute a Repayment Obligation. Such obligations of the Commission shall be payable out of, and secured by a pledge of and lien and charge on, Net Revenues, equal in right of payment to the obligations of the Commission to pay principal of and interest on the Bonds, but only to the extent that the aggregate amount of such payments with respect to each Bank Bond in each Fiscal Year is less than or equal to a fixed amount, determined as of the date of purchase of such Bank Bond by the Bank, by amortizing the principal amount of such Bank Bond on a level debt service basis over a period equal to 15 years from the date of purchase thereof, with principal deemed to be payable annually commencing on the May 1 next succeeding such purchase date, and interest at the Maximum Interest Rate deemed to be payable annually on the Interest Payment Date next succeeding the date of purchase of such Bank Bonds. Any principal or redemption price of or interest on any Bank Bond which becomes due and payable under this Agreement in any Fiscal Year and which is in excess of the amount determined as set forth in the preceding sentence shall be payable out of, and secured by a pledge of and lien and charge on, Net Revenues, junior and subordinate in right of payment to the obligations of the Commission to pay principal of and interest on the Bonds and the Subordinate Bonds. The rights of the Bank under this Section 5.09 shall be in addition to any rights of subrogation which the Bank may otherwise have or be granted under law or pursuant to any resolution supplemental to the 1991 Master Resolution.

(b) Subordinate Obligations. The obligation of the Commission to pay the Excess Amount and any other amounts due hereunder other than principal and redemption price of and interest on the Bank Bonds shall constitute an obligation of the Commission payable out of, and secured by a lien on, Net Revenues, subordinate in right of payment to the obligations of the Commission to pay principal and redemption price of and interest on the Bonds and Subordinate Bonds pursuant to the 1991 Master Resolution.

(c) Pledge of Revenues. By execution of this Agreement, the Commission does hereby pledge and grant a lien and charge on Net Revenues in the order of priority set forth in paragraphs (a) and (b), above, subject only to the provisions of the 1991 Master Resolution restricting or permitting the application for the purposes and on the terms and conditions set forth in the 1991 Master Resolution.

Section 5.10. Litigation Notice. The Commission shall promptly give notice to the Bank of any action, suit or proceeding known to it at law or in equity or by or before any court, governmental instrumentality or other agency which, in the reasonable judgment of the Commission, if adversely determined, would materially impair the ability of the Commission to carry out its obligations under the Bonds, any Bank Bonds or this Agreement, or would materially adversely affect its assets or financial condition.

Section 5.11. No Preferential Treatment. In the event that the Commission shall enter into any credit agreement, reimbursement agreement or other similar agreement or instrument, or any amendment, supplement or other modification thereof, under which any Person undertakes to make or provide funds to make payment of, or to purchase, Debt of the Commission in an amount in excess of \$10,000,000 secured by Net Revenues on parity with the Bonds which includes remedies not included in this Agreement (including the right to accelerate the payment of the same) or covenants that are more restrictive as to the Commission than those contained in this Agreement, the Commission shall give prompt written notice thereof to the Bank and shall enter into an amendment or amendments to this Agreement to incorporate such remedies and covenants to the extent applicable hereto within thirty (30) days of such amendment, supplement or modification.

Section 5.12. Alternate Credit Facility or Conversion to a Non-Covered Interest Rate. (i) The Commission shall use commercially reasonable efforts to obtain an Alternate Credit Facility to replace this Agreement or to convert the interest rate on the Bonds to a Non-Covered Interest Rate in the event that (A) the Trustee terminates this Agreement pursuant to Section 2.01(d)(ii) hereof, or (B) the Bank shall furnish a Notice of Termination to the Trustee. The Commission agrees that any Alternate Credit Facility will require, as a condition to the effectiveness of the Alternate Credit Facility, that the issuer of the Alternate Credit Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Credit Facility becomes effective, for the purchase of all Bank Bonds at par plus all accrued interest thereon at the Bank Rate or Default Rate, as applicable, through the date such Alternate Credit Facility becomes effective. On such date, any and all Obligations due hereunder to the Bank shall be payable in full to the Bank. The Commission shall not permit an Alternate Credit Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

Section 5.13. Incorporation of Covenants. The covenants of the Commission set forth in Sections 2.11, 2.12, 6.04, 6.05, 6.06 and 6.07 of the 1991 Master Resolution are hereby incorporated by reference in this Agreement for the benefit of the Bank and other Bank Bond owners. To the extent that any such incorporated provision permits any Person to waive compliance with or consent to such provision or requires that a document, opinion, report or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement, such compliance shall be waived, or such provision shall be

consented to, to the extent such waiver, acceptability or consent would have a material adverse effect on the interests of the Bank hereunder, only if it is waived or consented to, as the case may be, by the Bank and such document, opinion, report or other instrument shall be reasonably acceptable or satisfactory to the Bank. No amendment to such covenants (or the defined terms relating thereto) made pursuant to the 1991 Master Resolution shall be effective to amend such incorporated covenants without the written consent of the Bank.

Section 5.14. Subsequent Documents and Instruments{ TC \1 "2"}. The Commission shall execute and deliver to the Bank all such documents and instruments as may be necessary or reasonably required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or reasonably required by the Bank to validate, preserve and protect the rights of the Bank under this Agreement.

## ARTICLE VI

### NEGATIVE COVENANTS{ TC }

Section 6.01. Compliance with Laws, Etc{ TC }. The Commission covenants that it will not violate any laws, rules, regulations or governmental orders to which it is subject, which violation would materially and adversely affect its financial condition, business or results of operations or would materially and adversely affect the Commission's ability to perform its obligations under this Agreement, the 1991 Master Resolution or the other Related Documents to which it is a party.

Section 6.02. Amendments{ TC }. The Commission covenants that it will not, directly or indirectly, amend or modify, or consent to the amendment or modification of the 1991 Master Resolution or the Related Documents in any way that would materially and adversely affect (i) the rights of the Bank thereunder or hereunder or (ii) the obligations of Commission under this Agreement, without the prior written consent of the Bank, which consent will not be unreasonably withheld or delayed.

Section 6.03. General Tax Covenant{ TC }. The Commission will not take any action or omit to take any action that, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from the gross income of the owners for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Section 6.04. Liens{ TC }. Except as permitted by the 1991 Master Resolution, the Commission will not (a) issue any bonds, notes or other evidences of indebtedness of similar nature payable out of or secured by a security interest in or a pledge or assignment of the Net Revenues pledged under the 1991 Master Resolution and held or set aside by the Commission thereunder, or (b) create or cause to be created any Lien on the Net Revenues, or such moneys, securities or funds; provided, however, that in no event shall any lien on any of the funds or accounts created under the 1991 Master Resolution securing the obligation of the Commission to make a termination payment under any Interest Rate Swap (as defined in the 1991 Master

Resolution) be prior to or on parity with the lien securing the Bonds or the Bank Bonds (to the extent on a parity with the Bonds).

Section 6.05. Use of Bank Name{ TC }. The Commission will not use the Bank's name in any Offering Materials relating to the Bonds without the prior written consent of the Bank; provided, that no such consent shall be necessary for use of the Bank's name in the Official Statement dated [FOS DATE].

Section 6.06. No Issuance in Excess of Stated Amount{ TC }. The Commission will not issue or cause the issuance of Bonds in an aggregate principal amount in excess of the Stated Amount of the Letter of Credit.

Section 6.07. Immunities{ TC }. To the fullest extent permitted by law, the Commission agrees not to assert the defense of sovereign immunity in any proceeding related to or arising out of its obligations under this Agreement or the Related Documents.

Section 6.08. Appointment of Successors. The Commission shall not, without the prior written consent of the Bank permit the appointment of a successor Remarketing Agent.

Section 6.09. Voluntary Redemption or Conversion. The Commission shall not voluntarily redeem any Bonds pursuant to Section [30-65.16(b)] of the 1991 Master Resolution prior to redeeming Bank Bonds in full or if, after giving effect to such redemption, there would be any unpaid Excess Amount owing under this Agreement or any other amount in respect of Bank Bonds shall not have been paid in full. The Commission shall not voluntarily convert any Bonds to a Non-Covered Interest Rate pursuant to Section [30-65.10] of the 1991 Master Resolution if, after giving effect to such conversion, there would be any unpaid Excess Amount owing under this Agreement or any other amount in respect of Bank Bonds shall not have been paid in full.

## ARTICLE VII

### EVENTS OF TERMINATION AND DEFAULT; REMEDIES{ TC }

Section 7.01. Events of Termination { TC }. Each of the following shall constitute an Event of Termination under this Agreement:

(a) Any Rating Agency shall (i) downgrade the unenhanced debt rating assigned to any Parity Bonds to below the "BBB+" category or its equivalent or (ii) withdraw their unenhanced debt rating assigned to any Parity Bonds for credit-related reasons.

Section 7.02. Events of Default{ TC }. Each of the following shall constitute an Event of Default under this Agreement:

(a) The Commission shall fail to pay to the Bank (i) the principal of or interest on any Bank Bond when due and such failure continues for a period of one Business Day, or (ii) any other Obligation when due and such failure continues for a period of three (3) Business Days; or

(b) Any representation, certification or statement made by the Commission in this Agreement or in any Related Document or in any certificate or audited financial statement delivered pursuant to this Agreement or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; or

(c) (i) The Commission shall default in the due performance or observance of any term, covenant or agreement contained in Sections 5.04, 5.06, 5.07, 6.01, 6.02, 6.04, 6.06, 6.07; or (ii) the Commission shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement (other than those covered by clauses (a), (b) and (c)(i) of this Section 7.02) and such failure shall remain unremedied for a period of thirty (30) days after the Bank shall have given the Commission written notice of such default; provided, that, so long as the Commission shall be proceeding with due diligence to remedy any default in the due performance or observance of such covenants which, if begun and prosecuted with due diligence, cannot be completed within a period of thirty (30) days, then such 30-day period shall be extended to the extent as shall be necessary to enable the Commission to begin and complete the remedying of such default through the exercise of due diligence, but in no event greater than sixty (60) days; or

(d) The Commission shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) principal or interest on any Parity Bonds; or

(e) A proceeding is instituted against the City or the Commission in a court having jurisdiction over the City or the Commission, any of their activities or any of their properties seeking an order for rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the City or the Commission under applicable law and such proceeding is not terminated for a period of forty-five (45) consecutive days or such court enters an order granting the relief sought in such proceeding or the City or the Commission shall institute or take any corporate action for the purposes of instituting any such proceeding; or the City or the Commission shall become insolvent or unable to pay their respective debts as they mature, or the City or the Commission shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the City or the Commission or for any substantial part of their respective properties, or shall make a general assignment for the benefit of creditors, or the City or the Commission shall fail generally to pay their respective debts or claims as they become due, or there shall be made a declaration of moratorium by a Governmental Authority of appropriate jurisdiction with respect to any debt of the City or the Commission or the City or the Commission shall take any corporate action in furtherance of any of the foregoing; or

(f) This Agreement or any provision hereof, at any time after the execution and delivery hereof, or the 1991 Master Resolution or any provision thereof shall, for any reason, cease to be valid and binding on the Commission or in full force and effect or shall be declared, in a final, non-appealable judgment, to be null and void, or the validity or enforceability of this Agreement, the 1991 Master Resolution or any provision thereof shall be contested (i) by the

Commission or (ii) by any governmental agency or authority having jurisdiction over the Commission, unless with respect to clause (ii) above, the same is being contested by the Commission in good faith and by appropriate proceedings; or the Commission shall deny that it has any or further liability or obligation under this Agreement, the Letter of Credit or the 1991 Master Resolution.

(g) From and after the Closing Date, final judgments and/or orders for the payment of money in excess of \$10,000,000 in aggregate (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the Commission and such judgments and/or orders shall not have been satisfied or paid when due under applicable law.

(h) The Commission shall have defaulted in the payment or performance of any obligation or indebtedness which constitutes Debt which is recourse to, or secured by, the Revenues (as that term is defined in the 1991 Master Resolution), or any portion thereof, of the Commission, issued, assumed or guaranteed by the Commission aggregating in excess of \$10,000,000.

(i) The occurrence of any "event of default" (after giving effect to any applicable cure period) (i) under the 1991 Master Resolution or (ii) under any of the Related Documents (which is not waived pursuant to the terms thereof) if the effect of such event is materially adverse to Bank, in either case, which is not otherwise described in this Section 7.02.

(j) There shall have been rendered a final determination that interest on the Bonds is includable in the gross income of the owners thereof for federal income tax purposes, as a result of the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service.

Section 7.03. Remedies{ TC }. Upon the occurrence of an Event of Termination under Section 7.01 or an Event of Default under Section 7.02, the Bank may, at the same or different times, so long as such Event of Termination or Event of Default shall not have been remedied to the sole satisfaction of the Bank, take one or more of the following actions: (i) declare the principal of and interest on all amounts payable hereunder to be immediately due and payable; provided, that any amounts payable that constitute principal of or interest on Bank Bonds shall be payable on a basis subordinate to the Bonds except to the extent provided in Section 5.09; (ii) give written notice to the Trustee directing the Trustee to cause a mandatory tender for purchase of all outstanding Bonds pursuant to Section 30-65.17 of the 1991 Master Resolution; (iii) proceed to enforce all other remedies available under applicable law and in equity; provided, that, if any event specified in clause (i) of this Section 7.03 occurs, the consequences of the Bank's notice described in clause (ii) immediately above shall result automatically upon the occurrence of such event without notice from the Bank. Except as expressly provided above in this Section 7.03, presentment, demand, protest and all other notices of any kind are expressly waived. The Bank shall promptly give telephonic notice, followed by written confirmation, of any declaration pursuant to clause (i) above to the Commission, the Remarketing Agent and the Trustee. Except as expressly provided above in this Section 7.03, failure to give any such notice shall not impair the effect of such declaration or reduction.

## ARTICLE VIII

### MISCELLANEOUS{ TC }

Section 8.01. Amendments and Waivers{ TC }. No amendment or waiver of any provision of this Agreement, or any other Related Document (that would have a material adverse effect on the Bank), nor consent to any departure by the Commission therefrom shall in any event be effective unless the same shall be in writing and signed by the Bank and, with respect to any amendment, the Commission.

Section 8.02. No Personal Liability of Commission Members and Officials{ TC }. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any present or future member, official, officer, agent or employee of the Commission, in his individual capacity, and neither the members, officers and employees of the Commission, nor any person executing this Agreement shall be liable personally hereunder or be subject to any personal liability or accountability by reason hereof.

Section 8.03. Limitation on Liability{ TC }. As between the Commission and the Bank, the Commission assumes all risks of any act or omission of the Trustee. Neither the Bank nor any of its officers or directors shall be liable or responsible to any person for: (a) the use that may be made of the proceeds of any Drawing or of any Bond, or for any acts or omissions of the Trustee in connection with this Agreement, the 1991 Master Resolution or any of the Related Documents; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentment of documents that do not comply with the terms of this Agreement or the Letter of Credit, including failure of any documents to bear any reference or adequate reference to this Agreement or the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment hereunder, except only that the Commission shall have a claim against the Bank, and the Bank shall be liable to the Commission, to the extent, but only to the extent of (i) the Bank's willful misconduct or gross negligence in determining whether documents presented under this Agreement or the Letter of Credit strictly comply with the terms hereof or thereof; (ii) the Bank's willful misconduct or gross negligence in taking action in reliance on any certificate, statement or other document which is invalid, inaccurate, false or not genuine, whether by forgery, fraud or otherwise; or (iii) the Bank's wrongful failure to honor a Drawing required to be made by the Bank under the Letter of Credit after compliance with all conditions precedent to such Drawing, unless such Drawing was not otherwise permitted by law. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the Trustee and the Commission have notified the Bank in writing that specifically identified documents to be presented to the Bank do not comply with this Agreement or the Letter of Credit.

Section 8.04. Bank Information{ TC }. (a) The Bank agrees to provide to the Commission and the Remarketing Agent, as the Remarketing Agent and/or the Commission shall expressly request, in connection with the preparation by the Commission and/or the Remarketing Agent of Offering Materials, information concerning the Bank on an annual basis (provided that

financial information to be made available by the Bank shall be derived from the most recent annual audited statements available to the Bank); provided, that such requested information is reasonably available to the Bank and is substantially similar in scope to that provided by the Bank in connection with the Official Statement dated [FOS DATE]. With respect to each Offering Material, the Bank further agrees to provide to the Remarketing Agent and the Commission a certificate of an authorized officer of the Bank stating that the information regarding the Bank contained in such Offering Material is accurate in all material respects.

(b) The Bank agrees to promptly notify the Commission, the Remarketing Agent and the Trustee of any suspension, reduction or withdrawal in the ratings of the Bank by any Rating Agency.

Section 8.05. Indemnification. (a) To the extent permitted by law, the Commission agrees to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities and reasonable costs or expenses (including reasonable attorney's fees and expenses) whatsoever which the Bank may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with (i) the offering, sale, remarketing or resale of the Bonds (including by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Related Documents, the Official Statement (other than with respect to the information relating to the Bank under the caption "THE BANK") or in any supplement or amendment thereof or remarketing circular in accordance therewith, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances in which they are or were made, not misleading); (ii) the validity, sufficiency or genuineness of the Related Documents, the 1991 Master Resolution or the Official Statement; or (iii) the execution and delivery of this Agreement, or the making or the failure to honor Drawings under this Agreement; provided, that the Commission shall be relieved of its obligation to so indemnify and hold harmless the Bank if and to the extent that any such claims, damages, losses, liabilities, or costs or expenses are a result of the Bank's honoring or failure to honor Drawings in accordance with the terms and conditions of this Agreement as a result of the Bank's gross negligence or willful misconduct.

(b) To the extent permitted by law, the Commission agrees to indemnify and hold harmless the Bank (on a net after tax basis) from any present or future claim or liability for stamp, transfer, documentary, excise or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any Governmental Authority in connection with the execution, delivery and performance of, or any payment made under, this Agreement, the Bonds and the other Related Documents, or any amendment thereto.

(c) Promptly after receipt by an indemnified party of written notice of the filing of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the Commission under this Section 8.05, notify the Commission in writing of the filing or commencement thereof; but the omission to so notify the Commission shall not relieve the Commission of any liability which it may have to such indemnified party otherwise than under this Section 8.05. The indemnity agreements contained in this Section shall survive the termination, expiration or cancellation of this Agreement.



Section 8.06. Costs and Expenses{ TC }. The Commission agrees to pay the reasonable out-of-pocket costs and expenses (including attorneys' fees and expenses) incurred by the Bank in connection with the occurrence of an Event of Default or Event of Termination under this Agreement.

Section 8.07. Notices{ TC }. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex or similar writing) or by telephone or telecopy (promptly confirmed in writing) and shall be given to such party, addressed to it, at its address or telephone number set forth below or such other address or telephone number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified below and the appropriate answerback is received, (ii) if given by mail, 10 days after such communication is deposited in the mail with first-class postage prepaid, addressed as aforesaid, (iii) if given by telephone or telecopy, when given by telephone or telecopy to the party at its telephone number (if any) specified below or (iv) if given by any other means, when delivered at the address specified below:

<u>Party</u>	<u>Address</u>
Bank:	[BANK] _____ Attention: _____ Telephone: _____ Facsimile: _____
Commission:	San Francisco International Airport Commission Business and Finance Division Terminal 2, Fifth Floor P.O. Box 8097 San Francisco, CA 94128 Attention: Deputy Airport Director – Business and Finance Telephone: 650-821-5035 Facsimile: 650-821-5005
Trustee:	The Bank of New York Trust Company, N.A. 700 S. Flower St., Suite 500 Los Angeles, CA 90017 Attention: Corporate Trust Department Telephone: 213-630-6268 Facsimile: 213-630-6215

Section 8.08. No Waiver; Remedies{ TC }. No failure on the part of the Bank or the Commission to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.09. Successors and Assigns; Participation of Agreement{ TC }. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section 8.08, be deemed to include the successors and assignees of such party, and all covenants, promises and agreements by or on behalf of the Commission which are contained in this Agreement, including the provisions of Sections 2.04 and 8.05 hereof, shall inure to the benefit of the successors and assigns of the Bank. Neither the Commission nor the Bank may transfer its respective rights or obligations under this Agreement without the prior written consent of the other.

Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "Participant"), a participation or participations in all or any part of the Bank's rights and benefits under this Agreement on a participating basis but not as a party to this Agreement (a "Participation"), without the consent of the Commission; provided, that the Bank agrees to give the Commission notice of the grant of any Participation upon the effectiveness thereof. In the event of any such grant by the Bank of a Participation to a Participant, whether or not upon notice to the Commission, the Bank shall remain responsible for the performance of its obligations hereunder, and the Commission shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement.

Section 8.10. Nondiscrimination; Penalties{ TC }.

(a) Nondiscrimination. In the performance of this Agreement, the Bank agrees not to discriminate against any employee, City employee working with or applicant for employment with the Bank, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by the Bank on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes

(b) Nondiscrimination in Benefits. The Bank does not as of the date of this Agreement and will not during the term of this Agreement, in any of their respective operations in San Francisco, on real property owned by the San Francisco, or where work is being performed for the Issuer elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(c) Condition to Contract. As a condition to this Agreement, the Bank shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form

HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(d) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. The Bank shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Bank understands that pursuant to §12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against the Bank and/or deducted from any payments due the Bank.

Section 8.11. MacBride Principles—Northern Ireland{ TC }. The Commission urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code §12F.1 et seq. The Commission urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

Section 8.12. Tropical Hardwood and Virgin Redwood{ TC }. Pursuant to San Francisco Administrative Code §12I.5(b), the Commission urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood or virgin redwood product.

Section 8.13. Sunshine Ordinance{ TC }. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this Paragraph will be made available to the public upon request.

Section 8.14. Notification of Limitations on Contributions{ TC }. Through execution of this Agreement, the Bank acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment to the City, whenever such transaction would require approval by a City elective officer of the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for the contract until the later of either (1) the termination of negotiations for such contract or (2) three months after the date the contract is approved by the City elective officer or the board on which that City elective officer serves.

(a) Requiring Minimum Compensation for Covered Employees{ TC }. For each hour worked by a Covered Employee during a Pay Period on work funded under the Issuer contract during the term of this Agreement, the Bank shall provide to the Covered Employee no

less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the hourly gross compensation portion of the MCO, the Bank shall pay a minimum of \$10.51 an hour beginning January 1, 20\_\_, and a minimum of \$10.77 an hour beginning January 1, 2005 and for the remainder of the term of this Agreement; provided, however, that if the Bank is a Nonprofit Corporation or public entity, it shall pay a minimum of \$9 an hour for the term of this Agreement.

(b) The Bank shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the Issuer with regard to the Bank's compliance or anticipated compliance with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participating in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.

(c) The Bank understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by the Bank of the terms of this Agreement. The Issuer, acting through the Contracting Department, shall determine whether such a breach has occurred.

(d) If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, the Bank fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Bank fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the Issuer, acting through the Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:

(i) The right to charge the Bank an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;

(ii) The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to the Bank under this Agreement;

(iii) The right to terminate this Agreement in whole or in part;

(iv) In the event of a breach by the Bank of the covenant referred to in Subsection (b) of this Section, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and

(v) The right to bar the Bank from entering into future contracts with the Issuer for three years.

Each of the rights provided in this Section 8.19(d) shall be exercisable individually or in combination with any other rights or remedies available to the Issuer. Any amounts realized by the Issuer pursuant to this subsection shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

(e) The Bank represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(f) The Bank shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Bank from the Issuer, which communications are marked to indicate that they are to be distributed to Covered Employees.

(g) The Bank shall provide reports to the Issuer in accordance with any reporting standards promulgated by the Issuer under the MCO, including reports on subcontractors.

(h) The Bank shall provide the Issuer with access to pertinent records after receiving a written request from the Issuer to do so and being provided at least five (5) business days to respond.

(i) The Issuer may conduct random audits of the Bank. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten days of the written notice; and (iv) limited to one audit of the Bank every two years for the duration of this Agreement. Nothing in this Agreement is intended to preclude the Issuer from investigating any report of an alleged violation of the MCO.

(j) Any subcontract entered into by the Bank shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. A subcontract means an agreement between the Bank and a third party which requires the third party to perform all or a portion of the services covered by this Agreement. The Bank shall notify the Department of Administrative Services when it enters into such a subcontract and shall certify to the Department of Administrative Services that it has notified the subcontractor of the obligations under the MCO and has imposed the requirements of the MCO on the subcontractor through the provisions of the subcontract. It is the Bank's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, Issuer may pursue any of the remedies set forth in this Section against the Bank.

(k) Each Covered Employee is a third-party beneficiary with respect to the requirements of subsections (a) and (b) of this Section, and may pursue the following remedies in the event of a breach by the Bank of subsections (a) and (b), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. The Bank understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (1) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due

at the maximum rate then permitted by law; (2) in the event of a breach by the Bank of subsections (a) or (b), the right to seek reinstatement or to obtain other appropriate equitable relief; and (3) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against the Bank arising from this Agreement, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. The Bank also understands that the MCO provides that if the Bank prevails in any such action, the Bank may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

(l) If the Bank is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000 (\$50,000 for nonprofits), but the Bank later enters into an agreement or agreements that cause contractor to exceed that amount in a fiscal year, the Bank shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Bank and this department to exceed \$25,000 (\$50,000 for nonprofits) in the fiscal year.

Section 8.15. Requiring Health Benefits for Covered Employees{ TC }. Unless exempt, the Bank agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this agreement as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/oca/lwlh.htm>. Capitalized terms used in this Section and not defined in this agreement shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, the Bank shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Bank chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Bank is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subsection (a) above.

(c) The Bank's failure to comply with the HCAO shall constitute a material breach of this agreement. Issuer shall notify the Bank if such a breach has occurred. If, within 30 days after receiving Issuer's written notice of a breach of this Agreement for violating the HCAO, the Bank fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Bank fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, Issuer shall have the right to pursue the remedies set forth in 12Q.5(f)(1-5). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the Issuer.

(d) Any Subcontract entered into by the Bank shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations

substantially the same as those set forth in this Section. The Bank shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Bank shall be responsible for its Subcontractors' compliance with this Section. If a Subcontractor fails to comply, the Commission may pursue the remedies set forth in this Section against the Bank based on the Subcontractor's failure to comply; provided, that the Commission has first provided the Bank with notice and an opportunity to obtain a cure of the violation.

(e) The Bank shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the Commission or the City with regard to the non-compliance or anticipated non-compliance by the Bank with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) The Bank represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) The Bank shall keep itself informed of the current requirements of the HCAO.

(h) The Bank shall provide reports to the Commission in accordance with any reporting standards promulgated by the City or the Commission under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(i) The Bank shall provide the Commission with access to records pertaining to compliance with HCAO after receiving a written request from the Commission to do so and being provided at least five business days to respond.

(j) The Commission may conduct random audits of the Bank to ascertain its compliance with HCAO. The Bank agrees to cooperate with the Commission when it conducts such audits.

(k) If the Bank is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but such party later enters into an agreement or agreements that cause the aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Bank and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 8.16. Prohibition on Political Activity with City Funds { TC }. In accordance with San Francisco Administrative Code Chapter 12.G, the Bank may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. The Bank agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Bank

violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit the Bank from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Bank's use of profit as a violation of this section

Section 8.17. Protection of Private Information{ TC }. The Bank has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Bank agrees that any failure of the Bank to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Agreement, bring a false claim action against the Bank pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Bank.

Section 8.18. Graffiti Removal{ TC }. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Bank shall remove all graffiti from any real property owned or leased by the Bank in the City and County of San Francisco within forty eight (48) hours of the earlier of the Bank's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require the Bank to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Section 8.19. Food Service Waste Reduction Requirements{ TC }. The Bank agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are



incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, the Bank agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Bank agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Bank's failure to comply with this provision.

Section 8.20. Airport Intellectual Property{ TC }. Pursuant to Resolution No. 01-0118, adopted by the Commission on April 18, 2001, the Commission affirmed that it will not tolerate the unauthorized use of its intellectual property, including the SFO logo, CADD designs, and copyrighted publications. All proposers, bidders, contractors, tenants, permittees, and others doing business with or at the Airport (including subcontractors and subtenants) may not use the Airport intellectual property, or any intellectual property confusingly similar to the Airport intellectual property, without the Airport Director's prior consent.

Section 8.21. Severability{ TC }. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 8.22. Consent by the Bank{ TC }. Except as otherwise expressly set forth herein to the contrary, if the consent, approval, satisfaction, determination, judgment, acceptance or similar action of the Bank shall be permitted or required pursuant to any provision hereof or any provision of any other agreement to which the Commission is a party and to which the Bank has succeeded hereto, such action shall be required to be in writing and may be withheld or denied by the Bank in its sole discretion.

Section 8.23. No Third Party Rights{ TC }. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person (including the Trustee, the Remarketing Agent or the holder of any Bond), other than the parties hereto and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement.

Section 8.24. Governing Law{ TC }. The obligations of the Bank under this Agreement and any Related Document to which the Bank shall become a party, shall be governed by and construed under the laws of the State of New York. The obligations of the Commission under this Agreement shall be governed by, and construed in accordance with, the laws of the State of California. To the extent permitted by law, the parties hereto hereby waive their right to a trial by jury in connection with any litigation arising from or related to the obligations of the Commission or the Bank under this Agreement.

Section 8.25. Counterparts{ TC }. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 8.26. Prior Agreements Superseded{ TC }. This Agreement supersedes all prior undertaking and agreements, both written and oral, between the Commission and the Bank relating to the Letter of Credit, including those contained in any commitment letter or term sheet between the Commission and the Bank.

Section 8.27. Headings{ TC }. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

AIRPORT COMMISSION OF THE CITY AND  
COUNTY OF SAN FRANCISCO

By \_\_\_\_\_

Name: John L. Martin

Title: Airport Director

APPROVED AS TO FORM  
DENNIS J. HERRERA, CITY ATTORNEY

\_\_\_\_\_  
Deputy City Attorney

[BANK],

By \_\_\_\_\_

Name:

Title:

---

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

dated as of

[DATED DATE]

by and between

AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

and

[BANK],

Relating to:

\$ \_\_\_\_\_  
San Francisco International Airport  
Second Series Variable Rate Revenue [Refunding] Bonds,  
Issue \_\_\_\_

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STANDBY BOND PURCHASE AGREEMENT

BY AND AMONG

AIRPORT COMMISSION OF THE  
CITY AND COUNTY OF SAN FRANCISCO,

THE BANK OF NEW YORK TRUST COMPANY, N.A.,  
AS TRUSTEE

AND

[BANK]

DATED AS OF  
[DATE]

IN CONNECTION WITH

\$ \_\_\_\_\_  
AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO  
SAN FRANCISCO INTERNATIONAL AIRPORT  
SECOND SERIES VARIABLE RATE  
REVENUE REFUNDING BONDS, ISSUE \_\_\_\_\_

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## STANDBY BOND PURCHASE AGREEMENT

THIS STANDBY BOND PURCHASE AGREEMENT (this "Agreement") dated [DATE], by and among AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a charter city and county duly organized and existing under the laws of State of California (the "Issuer" or "Commission"), [THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as Trustee under the 1991 Master Resolution] as hereinafter defined (together with any successors thereto as such Trustee, the "Trustee"), and [BANK], a \_\_\_\_\_ (the "Bank").

### WITNESSETH:

WHEREAS, the Issuer is issuing its San Francisco International Airport Second Series Variable Rate Revenue Refunding Bonds, Issue \_\_\_\_ (the "Bonds") pursuant to and in accordance with [Resolution No. 91-0210, adopted by the Commission on December 3, 1991 (the "1991 Resolution"), as supplemented and amended by, among other resolutions, Resolution No. 98-0114, adopted by the Commission on May 19, 1998 (the "Seventh Supplemental Resolution"), Resolution No. 02-0010, adopted by the Commission on January 8, 2002 (the "Tenth Supplemental Resolution"), Resolution No. 03-0219, adopted by the Commission on October 21, 2003 (as supplemented and amended, the "Eleventh Supplemental Resolution"), Resolution No. 04-0220, adopted by the Commission on November 2, 2004 (the "Twelfth Supplemental Resolution"), Resolution No. 05-0182, adopted by the Commission on October 11, 2005, as amended by Resolution Nos. 07-0267 and 08-0045, adopted by the Commission on December 18, 2007 and March 4, 2008, respectively, and Resolution No. \_\_\_\_\_, adopted by the Commission on \_\_\_\_\_, 20\_\_, [as amended] (the "Sale Resolution")] and the Certificate of Additional Terms of the Commission dated \_\_\_\_\_, 20\_\_ (the "Certificate of Additional Terms") (such 1991 Resolution as supplemented and amended, including by the Seventh Supplemental Resolution, the Tenth Supplemental Resolution, the Eleventh Supplemental Resolution, the Twelfth Supplemental Resolution, the Sale Resolution and the Certificate of Additional Terms, being referred to herein as the "1991 Master Resolution");

[WHEREAS, the payment of the principal of and interest on the Bonds (including Liquidity Provider Bonds, as hereinafter defined) when due is to be insured by a municipal bond insurance policy (together with any and all riders and endorsements thereto, the "Bond Insurance Policy") to be issued by [BOND INSURER] (together with any successor thereto or assignee thereof, the "Bond Insurer"), in favor of the Owners of the Bonds (including the Bank to the extent the Bank is a holder of Liquidity Provider Bonds); and]

WHEREAS, the Bonds are subject to purchase from time to time at the option of the Owners thereof and are required to be purchased in certain events and, to further assure the availability of funds for the payment of the purchase price therefor, the Issuer has provided for the remarketing of such Bonds and, to the extent such remarketing may not be successful, for the purchase of such Bonds by the provider of a liquidity facility, such provider initially being the Bank under the terms hereof;

NOW, THEREFORE, in consideration of the respective agreements contained herein, the parties hereto agree as follows,

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** The following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“*Affiliate*” means a corporation, partnership, association, agency, authority, instrumentality, joint venture, business trust or similar entity organized under the laws of any state that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Issuer.

“*Alternate Liquidity Facility*” means a replacement standby bond purchase agreement or other liquidity facility meeting the requirements of an “Alternate Liquidity Facility” set forth in Section 30-65.18 of the 1991 Master Resolution.

“*Assignee*” has the meaning assigned to such term in Section 8.03.

“*Authorized Denomination*” has the meaning assigned to such term in the 1991 Master Resolution.

“*Available Commitment*” means, on any day, the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

“*Available Interest Commitment*” initially means \_\_\_\_\_ dollars (\$\_\_\_\_\_) (an amount equal to [thirty-six (36)] days’ interest on the Bonds, computed as if the Bonds bore interest at the rate of twelve percent (12.0%) per annum on the basis of a 365-day year and actual days elapsed, and thereafter means such amount automatically adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment pursuant to the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such increase; provided, that after giving effect to such adjustment the Available Interest Commitment shall never exceed \_\_\_\_\_ dollars (\$\_\_\_\_\_). Any adjustments pursuant to clause (a) or (b) above shall occur simultaneously with the event requiring such adjustment.

“*Available Principal Commitment*” initially means \_\_\_\_\_ dollars (\$\_\_\_\_\_) and thereafter means such amount automatically adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment pursuant to Section 2.03; (b) downward by the principal amount of any Bonds purchased by the Bank pursuant to Section 2.02; and (c) upward by the principal amount of any Bonds theretofore

purchased by the Bank pursuant to Section 2.02 which (i) are resold by a Liquidity Provider Bondowner pursuant to Section 2.04(b), and (ii) cease to bear interest at the Liquidity Provider Interest Rate pursuant to Section 2.04(d); provided, that after giving effect to such adjustment, the Available Principal Commitment shall never exceed \_\_\_\_\_ dollars (\$\_\_\_\_\_). Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

“*Bank*” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“*Bond Insurance Policy*” has the meaning assigned to that term in the recitals to this Agreement.

“*Bond Insurer*” has the meaning assigned to that term in the recitals to this Agreement.

“*Bond Insurer Event of Insolvency*” means the occurrence and continuance of one or more of the following events: (a) the issuance, by a court or governmental authority having appropriate jurisdiction, of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Bond Insurer; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its Debts under the laws of the state of incorporation or formation of the Bond Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Bond Insurer of an assignment for the benefit of creditors; (e) the failure of the Bond Insurer to generally pay its Debts or claims as they become due; (f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing or (g) the New York Department of Insurance or another Governmental Authority of competent jurisdiction shall declare a moratorium on the payment of the Bond Insurer’s debt.

“*Bond Interest is Taxable*” means that interest paid or to be paid on a Bond is or will be includable for Federal income tax purposes in the gross income of the Bank, but excluding the inclusion of interest on such Bond as an item of tax preference for purposes of the calculation of an alternative minimum tax imposed on the Bank.

“*Bond Purchase Contract*” means the Bond Purchase Contract, dated \_\_\_\_\_, 20\_\_\_, between the Issuer and \_\_\_\_\_.

“*Bond Register*” means the bond register maintained by the Registrar or other bond registrar designated in accordance with the 1991 Master Resolution.

“*Bonds*” has the meaning assigned to that term in the recitals to this Agreement and shall include, unless the context otherwise requires, all Liquidity Provider Bonds.

“*Book Entry Bonds*” means the Bonds so long as the book entry system with DTC is used for determining beneficial ownership of the Bonds.

“*Business Day*” has the meaning assigned to such term in the 1991 Master Resolution.

“*Capped Rate*” means the lesser of [\_\_\_\_\_] percent ([\_]%) per annum and the Maximum Lawful Rate.

“*Change of Law*” means the adoption, after the Effective Date, of, or the change in, any law, rule, regulation, statute, treaty, guideline or directive of any Governmental Authority or the occurrence, after the Effective Date, of any of the foregoing if adopted prior to the Effective Date or any change after the Effective Date in the application, interpretation or enforcement of any of the foregoing.

“*Closing Date*” means the date on which Bonds are initially issued.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Custodian*” means The Bank of New York Trust Company, N.A. or any successor thereto appointed pursuant to the terms of the Custody Agreement.

“*Custody Agreement*” means the Custody Agreement dated as of even date herewith between the Bank and the Custodian, substantially in the form of Exhibit D hereto, as amended from time to time.

“*Debt*” means (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services; (b) obligations as lessee under leases which are, should be or should have been reported as, capital leases in accordance with Generally Accepted Accounting Principles; (c) current liabilities in respect of unfunded vested benefits under plans covered by Title IV of the Employee Retirement Income Security Act; (d) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss; (e) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed; and (f) all other items or obligations which would be included in determining total liabilities on the balance sheet of a Person; provided, however, that “*Debt*” shall not include trade payables and similar obligations incurred in the ordinary course of business paid according to their respective terms.

“*Default Rate*” means a per annum rate equal to the Reference Rate plus [\_\_\_\_\_] percent ([\_]%).

“*Default Tender*” means a mandatory tender of the Bonds pursuant to Section [30-65.17(f)] of the 1991 Master Resolution as a result of the Bank’s delivery of a Notice of Termination to the Trustee pursuant to Section 7.03(b).

“*Defaulted Interest*” means accrued interest payable on a Bond which was not paid when due under the terms of the 1991 Master Resolution.

“*Determination of Taxability*” means (a) the issuance of a notice of deficiency issued by the Internal Revenue Service to the Bank to the effect that Bond Interest is Taxable, or (b) the delivery to the Bank of a written opinion of nationally recognized bond counsel reasonably acceptable to the Issuer to the effect that Bond Interest is Taxable.

“*Differential Interest Amount*” means, with respect to any Liquidity Provider Bond, the excess of (a) interest which has accrued and could actually be paid on such Liquidity Provider Bond at the Liquidity Provider Interest Rate, as determined in accordance with Section 3.01, up to but excluding the Sale Date, less (b) the amount of interest on such Liquidity Provider Bond received by the Liquidity Provider Bondowner on the Sale Date as part of the Sale Price. “*Differential Interest Amount*” shall not include the Final Excess Bond Interest Amount.

“*Dollars*”, “*USD*”, “*\$*” and “*U.S. Dollars*” means the lawful currency of the United States of America.

“*DTC*” means the Depository Trust Company.

“*Effective Date*” means \_\_\_\_\_, 20\_\_.

“*Eligible Bond*” means any Bond bearing interest at a Variable Rate, other than Bonds owned by, for the account of, or on behalf of, the Issuer or the Bond Insurer, and excludes, in any event, Liquidity Provider Bonds and Bonds that have been removed from coverage under this Agreement by redemption, defeasance or substitution of an Alternate Liquidity Facility.

“*Event of Default*” has the meaning assigned to that term in Section 7.02.

“*Event of Termination*” has the meaning assigned to that term in Section 7.01.

“*Excess Bond Interest*” has the meaning assigned to that term in Section 3.01(c).

“*Excess Bond Interest Amount*” has the meaning assigned to that term in Section 3.01(c).

“*Federal Funds Rate*” means for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by it.

“*Fee Payment Date*” means the first Business Day of [each calendar quarter] during the Purchase Period.

“*Final Excess Bond Interest Amount*” has the meaning assigned to that term in Section 3.01(c).

“*Fitch*” means Fitch, Inc., and any successor rating agency.

“*Generally Accepted Accounting Principles*” means generally accepted accounting principles consistently applied and maintained throughout the period indicated and consistent with the prior financial practice of the Issuer, except for changes permitted by the Governmental Accounting Standards Board or the Financial Accounting Standards Board or any similar accounting authority of comparable standing.

“*Governmental Authority*” means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau, central bank or comparable authority.

“*Immediate Event of Termination*” has the meaning assigned to that term in Section 7.03(a).

“*Interest Component*” has the meaning assigned to that term in Section 2.01.

“*Interest Payment Date*” with respect to Bonds which are not Liquidity Provider Bonds has the meaning assigned to that term in the 1991 Master Resolution and, with respect to Liquidity Provider Bonds, means the first Business Day of each calendar month following the purchase thereof and the day any such Liquidity Provider Bonds are remarketed.

“*Issuer*” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“*Liquidity Provider Bond Days*” means any day on which at [4:00] p.m. a Liquidity Provider Bond exists.

“*Liquidity Provider Bondowner*” means the Bank (in its capacity as Owner (which shall include beneficial owner if the Bonds are Book Entry Bonds) of Liquidity Provider Bonds pursuant to this Agreement) and any Assignee and other Person to whom the Bank has sold Liquidity Provider Bonds or beneficial interests therein pursuant to Section 2.04(a), so long as such Liquidity Provider Bonds have not ceased to be Liquidity Provider Bonds.

“*Liquidity Provider Bonds*” means each Bond purchased with funds provided by the Bank under this Agreement, until such Bonds are remarketed in accordance with Section 2.04(b) or cease to bear interest at the Liquidity Provider Interest Rate pursuant to Section 2.04(d).

“*Liquidity Provider Interest Rate*” means the interest rate applicable from time to time to Liquidity Provider Bonds as specified in Section 3.01 of this Agreement.

“*Mandatory Purchase Date*” means each date Bonds are required to be purchased pursuant to Sections [30-65.17(c), (e), (f) and (g)] of the 1991 Master Resolution.

“*Maximum Bank Bond Rate*” means the lesser of [\_\_\_\_\_] percent ([\_]%) per annum and the Maximum Lawful Rate.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“*Maximum Recoverable Rate*” means the lesser of [\_\_\_\_\_] percent ([\_]%) per annum and the Maximum Lawful Rate.

“*Moody’s*” means Moody’s Investors Service and any successor rating agency.

“*1991 Master Resolution*” has the meaning assigned to that term in the recitals to this Agreement.

“*Non-Covered Interest Rate*” means the Liquidity Provider Interest Rate or a rate of interest borne by the Bonds other than a [Daily Rate or a] Weekly Rate.

“*Notice of Extension*” means a notice in the form of Exhibit C attached hereto.

“*Notice of Purchase*” means a notice in the form of Exhibit A attached hereto.

“*Notice of Termination*” means a notice in the form of Exhibit B attached hereto.

“*Official Statement*” means the Official Statement of the Issuer, dated \_\_\_\_\_, 20\_\_, with respect to the Bonds, and any supplement or amendment thereto.

“*Outstanding*” has the meaning assigned to such term in the 1991 Master Resolution.

“*Owner*” has the meaning assigned to such term in the 1991 Master Resolution.

“*Participant*” means any entity to which the Bank has sold a participation in this Agreement pursuant to Section 8.03.

“*Permitted Minimum Bond Insurer Rating*” means a financial strength rating by Moody’s of Aa3 (or its equivalent) and by S&P and Fitch of AA (or its equivalent).

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

“*Potential Event of Default*” or “*Potential Event of Termination*” means the occurrence of any event which, with the passage of time, the giving of notice, or both, would become an Event of Default or Event of Termination, as the case may be.

“*Prime Rate*” means the rate of interest per annum equal to the rate of interest per annum from time to time announced by the Bank as its prime rate (which is not intended to be the lowest rate of interest charged by the Bank in connection with the extensions of credit to its

customers). Each change in the Prime Rate shall take effect at the time of such change in such prime rate.

“*Purchase Date*” means a Business Day during the Purchase Period on which the Bank is required to purchase Tendered Bonds pursuant to Section 2.02.

“*Purchase Period*” means the period from the Effective Date to and including the earliest of (a) the Stated Expiration Date, (b) the date of receipt by the Bank of a certificate signed by the Trustee stating that this Agreement has been terminated pursuant to the terms of the 1991 Master Resolution because (i) an Alternate Liquidity Facility has been provided and become effective under the 1991 Master Resolution, (ii) no Bonds remain Outstanding under the 1991 Master Resolution or (iii) all of the Bonds have been converted to a Non-Covered Interest Rate, (c) the date specified in a written notice delivered by the Issuer to the Bank, with a copy to the Trustee, that the Issuer has elected to terminate this Agreement pursuant to Section 8.09(b), or (d) the Purchase Termination Date.

“*Purchase Price*” means an amount equal to 100% of the unpaid principal amount of any Tendered Bond, plus accrued and unpaid interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof, without premium, to the Purchase Date; provided, however, that if the Purchase Date is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest; and provided further, that the aggregate amount of the Purchase Price constituting the Interest Component shall not exceed the amount specified in Section 2.01(a).

“*Purchase Termination Date*” means the date on which the Bank is no longer required to purchase Tendered Bonds pursuant to Section 7.03(a), (b), (c) or (d).

“*Rating Agency*” means each of Fitch, Moody’s and S&P.

“*Reference Rate*” means, for any day, a per annum rate equal to (a) during the Purchase Period, the higher of (i) the Prime Rate, or (ii) the Fed Funds Rate plus [\_\_\_\_\_] basis points ([0.\_\_\_\_\_]%), (b) after the Purchase Period, the Prime Rate plus [\_\_\_\_\_] percent ([\_\_\_\_\_]%) per annum, and (c) from and after any Event of Termination, the Default Rate.

“*Registrar*” means The Bank of New York Trust Company, N.A. and its successors and assigns.

“*Related Documents*” means the Custody Agreement, the Bonds, the Bond Insurance Policy and the Remarketing Agreement and all amendments, supplements and modifications thereto.

“*Remarketing Agent*” means [REMARKETING AGENT], and its successors and assigns, as Remarketing Agent for the Bonds, as set forth in the Remarketing Agreement.

“*Remarketing Agreement*” means the Remarketing Agreement dated as of [DATE], between the Issuer and the Remarketing Agent.



“*Sale Date*” has the meaning assigned to that term in Section 2.04(b), and shall not be earlier than the second Business Day following the Business Day on which a Liquidity Provider Bondowner receives a Purchase Notice.

“*Sale Price*” has the meaning assigned to that term in Section 2.04(b).

“*S&P*” means Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies, Inc.

“*Section 3.01(a) Rate*” has the meaning set forth in Section 3.01(c).

“*Senior Lien Bonds*” means “1991 Resolution Bonds” as defined in the 1991 Master Resolution.

“*Stated Expiration Date*” means the later of [5:00 p.m.] on (i) the \_\_\_\_\_ anniversary of the date of execution hereof, or (ii) the last day of any extension of such date pursuant to Section 8.10; provided, however, that if the date specified in (i) or (ii), as applicable, is not a Business Day, the next preceding Business Day.

“*Suspension Event*” means the occurrence of an event which causes the suspension of the obligation of the Bank to purchase Bonds hereunder pursuant to Section 7.03(c) or (d) hereof.

“*Taxes*” has the meaning set forth in Section 2.07(b).

“*Tendered Bonds*” means, as of any date, Eligible Bonds which are tendered or deemed tendered for purchase pursuant to Section 30-65.17 of the 1991 Master Resolution.

“*Term Loan Rate*” means, for any day, a rate per annum equal to the Prime Rate plus [\_\_\_\_\_] percent ([\_]%) per annum.

“*Term Loan Commencement Date*” means the date ninety-one (91) days from the date the Bank shall have purchased any Bond hereunder, provided, that no Event of Termination has occurred and is continuing; and provided further, that the Bond Insurance Policy is in full force and effect on such date.

“*Trustee*” means The Bank of New York Trust Company, N.A. and its successors and assigns.

“*Variable Rate*” means the [Daily Rate or the] Weekly Rate applicable from time to time to the Bonds, as determined in accordance with Section 30-65.06(b) of the 1991 Master Resolution.

“*Written*” or “*in writing*” means any form of written communication or a communication by means of telecopy device, telegraph or cable.

**Section 1.02. Incorporation of Certain Definitions by Reference.** Each capitalized term used herein and not defined herein shall have the meaning provided therefor in the 1991 Master Resolution.

**Section 1.03. Computation of Time Periods.** In this Agreement, in the computation of a period of, time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

**Section 1.04. Construction.** Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, the singular includes the plural and the part includes the whole and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The words "include," "includes," and "including" shall be construed to also mean "without limitation." The section headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified.

**Section 1.05. Accounting Terms and Determinations.** Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with Generally Accepted Accounting Principles.

**Section 1.06. Time.** All times are the times then in effect in New York, New York.

## ARTICLE II

### THE COMMITMENT; FEES AND CERTAIN PAYMENTS

**Section 2.01. Commitment to Purchase Bonds.**

(a) **Commitment.** The Bank agrees, on the terms and subject to the satisfaction of the conditions contained in this Agreement, to extend credit to the Issuer through the purchase of Tendered Bonds, for the Bank's own account, from time to time during the Purchase Period at the Purchase Price. The aggregate principal amount (or portion thereof) of any Bond purchased by the Bank on any Purchase Date shall be an Authorized Denomination applicable to Eligible Bonds pursuant to the 1991 Master Resolution, and the aggregate principal amount of all Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment on such date. The aggregate amount of the Purchase Price comprising interest on the Bonds (the "Interest Component") purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date or (ii) the actual aggregate amount of interest accrued on each such Bond, other than Defaulted Interest, to such Purchase Date; provided, however, that in the event the Purchase Date is also an Interest Payment Date for the Bonds to be purchased, no accrued interest on such Bonds shall be included in the Purchase Price. Any Bonds so purchased shall thereupon constitute Liquidity Provider Bonds and, from

the date of such purchase and while they are Liquidity Provider Bonds, shall bear interest at the Liquidity Provider Interest Rate and have other characteristics of Liquidity Provider Bonds as set forth herein and other characteristics of "Liquidity Provider Bonds" as set forth in the 1991 Master Resolution.

(b) Limited Commitment. The Bank's commitment under this Agreement is limited to the purchase of Tendered Bonds, and does not cover the payment of regularly scheduled principal of or interest on the Liquidity Provider Bonds.

(c) Rights of Bondholder. In the event that the Bank purchases any Tendered Bond in accordance with the provisions of this Section 2.01, in addition to its rights hereunder, the Bank shall be entitled[, subject to the Bond Insurer's rights,] to exercise all of the rights of (except the right to tender Bonds for purchase under the 1991 Master Resolution), and shall be secured to the same extent as, any other Owner of Bonds under the 1991 Master Resolution, including, without limitation, the right to receive payments of principal and interest, all rights with respect to payments under the Bond Insurance Policy, the right to have such Liquidity Provider Bonds remarketed pursuant to the 1991 Master Resolution and the Remarketing Agreement and all rights under the 1991 Master Resolution upon the occurrence and continuation beyond any applicable grace period of any "event of default" under the 1991 Master Resolution.

#### **Section 2.02. Method of Purchasing.**

(a) Notice of Purchase. On the Business Day immediately preceding the date on which Bonds are subject to tender for purchase by the Bank pursuant to the 1991 Master Resolution, the Issuer shall require the Remarketing Agent to give written notice by facsimile, telex or telegram to the Trustee of the principal amount of Bonds to be tendered on the next Business Day for which, as of [4:00] p.m., it did not have commitments for purchase. Upon receipt of such notice, the Trustee shall immediately give written notice by facsimile, telex or telegram to the Bank of the principal amount of Bonds to be tendered on the next Business Day for which, as of [4:00] p.m., the Remarketing Agent did not have commitments for purchase; provided, however, that the failure of either the Remarketing Agent or the Trustee to provide such notices shall not, of itself, negate the obligation of the Bank to purchase Bonds upon and subject to the terms and conditions otherwise provided hereunder. The Trustee shall give notice by telephone, facsimile, telegram or other telecommunication device, promptly confirmed by a written notice to the Bank in the form of Exhibit A pursuant to an optional tender (pursuant to Section 30-65.17(a) of the 1991 Master Resolution) or a mandatory purchase (pursuant to Sections 30-65.17(b) through (g) of the 1991 Master Resolution), by no later than [12:45] p.m. on the Business Day on which Bonds are subject to an optional tender or mandatory tender for purchase. If the Bank receives such notice as provided above, and subject to the satisfaction of the conditions set forth in Section 5.02, the Bank will transfer to the Trustee not later than [3:00] p.m. on such date (a "Purchase Date"), in immediately available funds, an amount equal to the aggregate Purchase Price of all or such portion of such Eligible Bonds as requested by the Trustee. Bonds purchased pursuant to this Section 2.02(a) shall be registered in the name of the Bank, or if directed in writing by the Bank in the name of its nominee or designee, on the Bond Register and shall be promptly delivered by the Trustee to the Custodian to be held as Liquidity Provider Bonds under the Custody Agreement or as the Bank may otherwise direct in writing,

and prior to such delivery shall be held in trust by the Trustee for the benefit of the Bank. If the Bonds purchased pursuant to this Section 2.02(a) are Book Entry Bonds, the beneficial ownership of such Bonds shall be credited to the account of the Bank, or if directed in writing by the Bank, the Custodian or other nominee or designee of the Bank, maintained at DTC.

(b) Remittance of Extra Funds. In the event that any funds paid by the Bank to the Trustee pursuant to Section 2.02(a) shall not be required to be applied to purchase Bonds as provided herein, such funds shall be held and shall be returned to the Bank as soon as practicable by the Trustee and, until so returned, shall be held in trust by the Trustee for the account of the Bank. To the extent any such amounts are not returned to the Bank in immediately available funds by [3:30] p.m. on the same day on which such funds were advanced, such amounts shall bear interest until the date returned to the Bank (but in any event not for less than one day), payable by the Issuer on demand and in any event on the date on which such funds are returned, at a rate equal to the Reference Rate from the date disbursed until the third Business Day immediately following such disbursement, and thereafter at the Default Rate. [The parties hereto acknowledge that such amount is not covered by the Bond Insurance Policy.]

(c) No Liability of Purchaser. The Bank shall not have any responsibility for, or incur any liability in respect of, any act, or any failure to act, by the Trustee (i) to credit the appropriate account with funds made available by the Bank pursuant to this Section 2.02 or (ii) to effect the purchase for the account of the Bank of Bonds with funds provided pursuant to this Section 2.02.

(d) Payment with Own Funds. All purchases of Tendered Bonds made by the Bank hereunder shall be made with the Bank's own funds.

**Section 2.03. Mandatory Reduction of Commitment.** Upon (a) any redemption, prepayment or other payment pursuant to the 1991 Master Resolution of all or any portion of the principal amount of the Bonds (other than Liquidity Provider Bonds) such that such Bonds cease to be Outstanding, or (b) any conversion of all or a portion of the Bonds to a Non-Covered Interest Rate pursuant to Section 30-65.10 of the 1991 Master Resolution, the Available Principal Commitment shall automatically be reduced by the principal amount of such Bonds so redeemed, paid, deemed paid or converted, as the case may be, and the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof in Section 1.01 hereof. The Issuer shall notify the Bank within one (1) Business Day of such redemption, repayment or other payment or conversion of the Bonds.

**Section 2.04. Sale of Liquidity Provider Bonds.**

(a) Right to Sell Liquidity Provider Bonds. The Bank expressly reserves the right to sell, in Authorized Denominations, at any time, any Liquidity Provider Bond or the beneficial interest therein subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made pursuant to Section 2.04(b) hereof or to Assignees pursuant to Section 8.03) will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations. The Bank agrees to notify the Issuer, the Bond Insurer, the Trustee and the Remarketing Agent promptly in writing of any such sale (other than a sale made pursuant to

Section 2.04(b)) and to notify the transferee in writing that (i) so long as such Bond remains a Liquidity Provider Bond, the Bank is not obligated to purchase it hereunder, (ii) there may not be a short-term investment rating assigned to such Bond so long as it remains a Liquidity Provider Bond, and (iii) such Bond is subject to sale, and may cease to be a Liquidity Provider Bond, as provided in Section 2.04(b). The Bank shall provide the Trustee with the written agreement of each Liquidity Provider Bondowner purchasing a Liquidity Provider Bond or beneficial interest therein (A) acknowledging the terms of this Agreement relating to Liquidity Provider Bonds, (B) agreeing not to sell such Liquidity Provider Bond or beneficial interest except for sales to the Bank, sales to a purchaser identified by the Remarketing Agent pursuant to Section 2.04(b), and sales to institutional investors or other entities which customarily purchase tax-exempt securities and who agree to be bound by the sale restrictions of this Section 2.04(a), (C) acknowledging that such Liquidity Provider Bondowner has no right to tender such Liquidity Provider Bond for purchase pursuant to the 1991 Master Resolution, and (D) specifying appropriate notice and account information for purposes of all notices and payments to such Liquidity Provider Bondowner.

(b) Sales by Remarketing Agent. The Bank and, by its acceptance of a Liquidity Provider Bond, each other Liquidity Provider Bondowner, subject to Section 2.04(c), hereby authorize the Remarketing Agent to sell Liquidity Provider Bonds on behalf of the Bank or such other Liquidity Provider Bondowner. If less than all Liquidity Provider Bonds are remarketed on any date, the Liquidity Provider Bonds having the lowest aggregate amount of Excess Bond Interest payable with respect thereto shall be deemed to be remarketed first at a price equal to the principal amount thereof plus unpaid accrued interest thereon to the Sale Date at a price determined by the Remarketing Agent, and agreeable to the Trustee, to facilitate such remarketing (the "Sale Price").

Prior to [11:30] a.m. on any Business Day on which a Liquidity Provider Bondowner holds Liquidity Provider Bonds, the Trustee may deliver a notice (a "Purchase Notice") to a Liquidity Provider Bondowner as registered on the Bond Register and to the Bank stating that the Remarketing Agent has located a purchaser for some or all of such Liquidity Provider Bonds and that such purchaser desires to purchase an Authorized Denomination of such Liquidity Provider Bonds at the Sale Price on the Business Day following the date on which a Liquidity Provider Bondowner receives a Purchase Notice (a "Sale Date"), provided, that the amount of such Liquidity Provider Bonds that are not remarketed shall be in an Authorized Denomination.

A Liquidity Provider Bondowner shall decide whether to sell any Liquidity Provider Bonds by giving written notice of such decision to the Trustee and the Remarketing Agent by [3:00] p.m. on the Business Day preceding the Sale Date. In the event such notice is not timely delivered by a Liquidity Provider Bondowner, such Liquidity Provider Bondowner shall be deemed to have determined to sell such Liquidity Provider Bonds. If a Liquidity Provider Bondowner determines or is deemed to have determined to sell such Liquidity Provider Bonds, such Liquidity Provider Bondowner shall deliver such Liquidity Provider Bonds to the Trustee (or, in the case of Liquidity Provider Bonds which are Book Entry Bonds, shall cause the beneficial ownership thereof to be credited to the account of the applicable Trustee at DTC) by [10:00] a.m. on the Sale Date against receipt of the Sale Price therefor, plus the Differential Interest Amount, if any, in immediately available funds to the Bank at the account specified

pursuant to Section 2.07(a) or at the Liquidity Provider Bondowner's address listed in the Bond Register, as applicable, and such Bonds shall thereupon no longer be considered Liquidity Provider Bonds. Any sale of a Liquidity Provider Bond pursuant to this Section 2.04(b) shall be without recourse to the seller and without representation or warranty of any kind. When Liquidity Provider Bonds are purchased in accordance with this Section 2.04(b), the Trustee, upon receipt of authorization to transfer such Bonds and upon receipt by such Liquidity Provider Bondowner of the Sale Price and the Differential Interest Amount, if any, shall notify the Remarketing Agent and the Issuer that such Bonds are no longer Liquidity Provider Bonds. The Trustee shall not instruct or authorize the Registrar to transfer any such Liquidity Provider Bonds or beneficial interests therein, or re-register the same, pursuant to the instructions of the Remarketing Agent until the Trustee has received from the Liquidity Provider Bondowner written confirmation of the receipt of such funds.

(c) Right to Retain Bonds. If a Liquidity Provider Bondowner notifies the Trustee and the Remarketing Agent by 3:00 p.m. on the Business Day preceding the Sale Date that it will not sell such Liquidity Provider Bonds, such Bonds shall no longer be Liquidity Provider Bonds as of the Sale Date, and the Trustee shall on the Sale Date give notice to such effect to the Remarketing Agent, the Bank and such Liquidity Provider Bondowner. Such election may be revoked by the Liquidity Provider Bondowner at any time prior to 4:00 p.m. on the Business Day preceding the Sale Date.

(d) Bonds Ceasing to be Liquidity Provider Bonds. After any sale of Liquidity Provider Bonds by the Remarketing Agent pursuant to Section 2.04(b), or any election to retain Bonds pursuant to Section 2.04(c), Liquidity Provider Bonds shall from such Sale Date or upon such election cease to bear interest at the Liquidity Provider Interest Rate and shall bear interest at the rate determined by the Remarketing Agent in accordance with the 1991 Master Resolution. Following any sale of Liquidity Provider Bonds pursuant to Section 2.04(b), 8.03 or otherwise, or any election to retain Bonds pursuant to Section 2.04(c), the Bank and any other Liquidity Provider Bondowners shall retain the right to receive payment from the Issuer of any accrued Excess Bond Interest Amounts and interest thereon as provided herein and any other amounts then due and owing under this Agreement.

#### **Section 2.05. Fees and Payments.**

(a) Placement Fee. The Issuer hereby agrees to pay to the Bank on the effective date hereof an amount equal to \$\_\_\_\_\_ as a placement fee.

(b) Commitment Fee. The Issuer hereby agrees to pay or cause to be paid to the Bank a commitment fee at the rate of \_\_\_\_\_ basis points (0.\_\_\_\_%) per annum on the average daily amount of the Available Commitment based on a year of 360 days. Such commitment fee shall be payable quarterly in arrears, on each Fee Payment Date, commencing [DATE], with respect to the period or portion thereof ending on the last day of the preceding calendar month, and on the last day of the Purchase Period. For purposes of this Section 2.05(b) only, the Available Commitment shall be deemed not to be reduced during any period the Bank's obligation to purchase Bonds has been suspended pursuant to Section 7.03(c) or (d) hereof.

(c) Draw Fee. The Issuer agrees to pay to the Bank on each Purchase Date or Sale Date, as applicable, \$\_\_\_\_\_.

(d) Amendment Fee; Transfer Fee. The Issuer shall pay on the date this Agreement or any Related Document is amended or any successor trustee is appointed, to the Bank, a processing fee in an amount equal to \$2,500, plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

(e) Bond Transfer Costs. The Issuer agrees to pay to the Bank on each Purchase Date or Sale Date, as applicable, any charge imposed on the Bank pursuant to the 1991 Master Resolution in connection with the transfer or exchange of Bonds. The Issuer agrees to cause the Registrar to give timely notice of any such charge, including the amount thereof, to the Bank.

(f) Initial Legal Fees. The Issuer shall pay to the Bank on the Effective Date all reasonable costs and expenses incurred by the Bank and its counsel in connection with the preparation, execution and delivery of this Agreement and any other documents and instruments that may be delivered in connection herewith and therewith, in an amount not to exceed \$\_\_\_\_\_ in aggregate (excluding out of pocket expenses).

(g) Payment of Interest Component. The Issuer shall pay the Bank interest at the Liquidity Provider Interest Rate on the amount of the Interest Component, if any, included in the Purchase Price from the Purchase Date until the earliest of (i) the Interest Payment Date next succeeding the Purchase Date, (ii) the date on which such Liquidity Provider Bonds are remarketed, paid at maturity or redeemed, and (iii) the last day of the Purchase Period. Such interest shall be payable on the earliest of the dates specified in clause (i), (ii) and (iii) of the foregoing sentence or such earlier date at the discretion of the Issuer.

The Bank and any Liquidity Provider Bondowner, by acceptance of the Liquidity Provider Bonds, acknowledge that the obligation of the Issuer to pay interest on the Interest Component pursuant to this Section 2.05(g) is not insured under the terms of the Bond Insurance Policy.

(h) Overdue Amounts. If the Issuer shall fail to pay when due any amount owing to the Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Bank on demand interest on the amount in default at the Default Rate from the date such payment became due until payment in full.

(i) Termination Fee. Upon any termination of this Agreement, the Issuer agrees to pay all accrued and unpaid fees to the date of termination and all other amounts due and owing hereunder (including, without limitation, the principal and interest due and owing on Liquidity Provider Bonds). Upon any substitution of an Alternate Liquidity Facility for this Agreement, the Issuer agrees to cause the provider of such Alternate Liquidity Facility to purchase from the Bank any Liquidity Provider Bonds at a price equal to the principal amount thereof, plus all accrued interest thereon. If this Agreement is terminated by the Issuer prior to the \_\_\_\_\_ anniversary of the Effective Date, the commitment fee which would have accrued through such \_\_\_\_\_ anniversary, less any portion thereof previously paid to the Bank, shall be

due and payable upon such termination; provided, however, that the Issuer shall not be required to pay any such fee if such termination is due to a downgrade, suspension or withdrawal of the short-term rating of the Bank used to determine the rating on the Bonds.

**Section 2.06. Yield Protection.**

(a) Reserves. If, after the Effective Date, any United States (or other Governmental Authority having jurisdiction over the Bank, any Assignee [or any Participant]) federal, state or other, law, rule, regulation or guideline, whether or not having the force of law, or the enforcement, interpretation or administration thereof by any court or any administrative or Governmental Authority charged with the interpretation or administration thereof shall at any time (i) impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, pursuant to Regulation D of the Board of Governors of the Federal Reserve System) against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds or bonds by the Bank [or any Participant] or Assignee, or (ii) subject credits or commitments to extend credit extended by the Bank [or any Participant] or Assignee to any assessment or other cost imposed by the Federal Deposit Insurance Corporation or any successor thereto, or (iii) impose on the Bank [or any Participant] or Assignee any other or similar condition regarding this Agreement, the commitment or obligations of the Bank or any Assignee [or any Participant] hereunder or the purchase or holding of Liquidity Provider Bonds, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank [or any Participant] or Assignee of agreeing to issue, issuing or maintaining the Available Commitment or making, funding or maintaining (or agreeing to fund or maintain) purchases of Bonds hereunder or its holding Liquidity Provider Bonds by an amount which the Bank [or any Participant] or Assignee shall deem to be material (which increase in cost shall be the result of the reasonable allocation by the Bank [or any Participant] or Assignee of the aggregate of such cost increases resulting from such events), then, within thirty (30) days after the Issuer's receipt of the Bank's written demand, the Issuer shall pay to the Bank (for itself or the account of such [Participant or] Assignee) from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank [or any Participant] or Assignee for such increased cost from the date of such change, together with interest on each such amount from the date payment is demanded until the earlier of the date of payment in full thereof and the date on which such payment is due at the Reference Rate, and thereafter at the Default Rate.

(b) Capital Charges. If the Bank [or any Participant] or Assignee shall have determined after the Effective Date that the adoption of any applicable law, rule, regulation or guideline (whether or not having the force of law) regarding capital adequacy (including but not limited to any Governmental Authority having regulatory jurisdiction over the Bank [or any Participant] or Assignee) or any change in any applicable law, rule, regulation or guideline, as the case may be, or any change in the enforcement or interpretation or administration thereof by any court or any administrative or Governmental Authority charged with the interpretation or administration thereof, or compliance by the Bank (or any lending office thereof) [or any Participant] or Assignee with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority has or would have the effect of increasing the amount of capital required to be maintained by the Bank or any such [Participant or] Assignee, if any, or reducing the rate of return on capital of the Bank or any such [Participant



or] Assignee, if any, as a consequence of its obligations hereunder or its purchase or holding of Liquidity Provider Bonds to a level below that which the Bank or such [Participant or] Assignee could have achieved but for such adoption, change or compliance (taking into consideration the policies of the Bank or such [Participant or] Assignee, with respect to capital adequacy) by an amount deemed by the Bank or such [Participant or] Assignee to be material, then within thirty (30) days after the Issuer's receipt of the Bank's written demand, the Issuer shall pay to the Bank (for itself or for the account of such [Participant or] Assignee) such additional amount or amounts as will compensate the Bank or its [Participant or] Assignee, if any, as the case may be, for such reduction from the date of such adoption, change or compliance with respect to such law, rule, regulation, guideline, request, or directive, together with interest on each such amount from the date payment is demanded until the earlier of the date of payment in full thereof and the date on which such payment is due at the Reference Rate and thereafter at the Default Rate.

(c) Calculations. Each demand for compensation pursuant to Section 2.06(a) or 2.06(b) shall be accompanied by a certificate of the Bank in reasonable detail setting forth the computation of such compensation (including the reason therefor), which certificate shall be conclusive, absent manifest error, as against all other Persons, including without limitation the Issuer.

The amounts owed by the Issuer as compensation to the Bank pursuant to this Section 2.06 shall be calculated as though the Bank were the holder of all Liquidity Provider Bonds other than Liquidity Provider Bonds held by an Assignee or a Participant, and without regard to any sales of Liquidity Provider Bonds by the Bank pursuant to Section 2.04(a) other than to an Assignee [or Participant]. The benefits of this Section 2.06 shall be available to each Assignee and each Participant.

#### **Section 2.07. Payment Particulars.**

(a) General. Except to the extent otherwise provided in the 1991 Master Resolution with respect to payments on Liquidity Provider Bonds and in Section 2.02(b), all payments by or on behalf of the Issuer under this Agreement shall be made to the Bank prior to [3:00] p.m. on the date such payment is due by wire transfer in Dollars and in immediately available funds to \_\_\_\_\_ Bank (ABA# \_\_\_\_\_) for the account of [BANK] (Acct. # \_\_\_\_\_, Ref: \_\_\_\_\_). Except with respect to payments under Section 2.02(b), any payment received by the Bank after [3:00] p.m. shall be deemed to be received by the Bank on the next succeeding day. Any amount owed to the Bank hereunder which is not paid when due shall bear interest from the date such payment was due until paid in full at a rate equal to the Default Rate, such interest to be payable on demand. All computations of interest and fees shall be made, unless expressly stated otherwise, on the basis of a year of 365 days, actual days elapsed.

(b) Payments on Business Days. Except as may be otherwise provided herein or in the Bonds, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

(c) Net of Taxes. All payments by or on behalf of the Issuer under this Agreement shall be made without counterclaim, set off, condition or qualification, and free and clear of and without deduction or withholding for or by reason of any present or future taxes, levies, imposts, deductions or charges of any nature whatsoever, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being referred to as "Taxes"). If requested, the Bank, any Assignee and Participant shall from time to time provide the Issuer, the Trustee and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank or such Assignee or Participant) with such information and forms as may be required by Treasury Regulations Section 1.1441 or any other such information and forms as may be necessary to establish that the Issuer is not subject to any withholding obligation under Section 1442 or other comparable provisions of the Code. If as a result of a Change of Law, the Issuer shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.07(c)), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Issuer shall make such deductions, and (iii) the Issuer shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Issuer shall make any payment under this Section 2.07(c) to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the Issuer an amount equal to the amount by which such other taxes are actually reduced; provided, however, that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Bank with respect to such Taxes. The source of Issuer payments under this Section 2.07(c) shall be limited to the moneys held in the Revenue Fund created pursuant to the 1991 Master Resolution and available thereunder for such purpose.

(d) Priority of Application. Payments received by the Bank shall be applied, first, to past due interest; second, to current interest; third, to principal; and thereafter to fees, costs, charges and other expenses payable by the Issuer under this Agreement.

### ARTICLE III

#### THE LIQUIDITY PROVIDER INTEREST RATE

##### Section 3.01. Bonds to Bear Interest at Liquidity Provider Interest Rate; Other Interest Provisions.

(a) Liquidity Provider Interest Rate. As provided in the Bonds and the 1991 Master Resolution, any Bond purchased by the Bank pursuant to this Agreement shall thereupon become a Liquidity Provider Bond and shall bear interest at the Liquidity Provider Interest Rate for the period commencing from the date that the Bank shall have purchased such Bond and, subject to Section 2.04(c), continuing until such Bond is paid in full or remarketed as provided in Section 2.04(b) hereof. Subject to Section 3.01(c), the Liquidity Provider Interest

Rate for any Liquidity Provider Bond shall be a rate per annum equal to the Reference Rate; provided, however, that at no time shall the Liquidity Provider Interest Rate exceed the Capped Rate or be less than the applicable rate of interest on Eligible Bonds which are not Liquidity Provider Bonds.

(b) Overdue Rate. If the principal amount of any Liquidity Provider Bond, or any other obligation of the Authority under this Agreement or the Liquidity Provider Bonds (including, to the extent permitted by law, any interest payment required thereunder) is not paid when due (whether by acceleration, redemption or otherwise), such overdue principal payment or other obligation shall bear interest from the date such principal amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at a rate per annum (computed on the basis of a year of 365/366 days and actual days elapsed) equal to the Default Rate from time to time in effect. Such interest shall be payable on demand.

(c) Excess Bond Interest Amount. The rate set forth in Section 3.01(a), without giving effect to the reference therein to this Section 3.01(c) or to the last proviso therein limiting the Liquidity Provider Bonds Rate to the Capped Rate, is referred to in this Section 3.01(c) as the "Section 3.01(a) Rate." The amount of interest, if any, that would accrue on Liquidity Provider Bonds at the Section 3.01(a) Rate on any date but which does not so accrue due to the limitation of the Liquidity Provider Interest Rate to the Capped Rate, but only up to the Maximum Recoverable Rate, shall constitute "Excess Bond Interest". As of any date, the cumulative Excess Bond Interest, if any, on all days since the Effective Date, reduced as set forth in the next sentence, shall constitute the "Excess Bond Interest Amount." If there is any Excess Bond Interest Amount on any date when the Section 3.01(a) Rate is less than the Capped Rate, the Liquidity Provider Interest Rate for such date shall be the Capped Rate rather than the Section 3.01(a) Rate and the Excess Bond Interest Amount shall be reduced on such date by the excess of the amount of interest accrued on such date at the Capped Rate over the amount of interest that would have accrued on such date at the Section 3.01(a) Rate; provided, that if the accrual of interest on Liquidity Provider Bonds at the Capped Rate on any date would result in a reduction of the Excess Bond Interest Amount to a negative number, such Liquidity Provider Bonds shall accrue interest on such date at such lesser rate as shall result in the reduction of the Excess Bond Interest Amount on such date to zero. For so long as a Bond remains a Liquidity Provider Bond, interest thereon at the Liquidity Provider Interest Rate as adjusted pursuant to this Section 3.01(c) shall be insured by the Bond Insurance Policy. If on the date of maturity, redemption or remarketing of any Liquidity Provider Bonds, or on the date any Liquidity Provider Bonds cease to constitute Liquidity Provider Bonds pursuant to Section 2.04(c), there remains any unpaid Excess Bond Interest Amount with respect to such Liquidity Provider Bonds (the "Final Excess Bond Interest Amount"), such Final Excess Bond Interest Amount shall be paid by the Issuer to the Liquidity Provider Bondowner on such date. The amount of such Final Excess Bond Interest Amount shall constitute consideration for the limitation of the rate of interest on the Liquidity Provider Bonds to the Capped Rate. Each Liquidity Provider Bondowner, by acceptance of the Liquidity Provider Bonds, acknowledges that payment of any Final Excess Bond Interest Amount and any interest thereon is not insured under the terms of the Bond Insurance Policy and is subordinate to the Issuer's obligation to pay principal and interest then due and owing of and on the Bonds.

(d) Priority of Payments; Amortization. Pursuant to Section 2.15 of the 1991 Master Resolution, the obligation of the Issuer to make periodic payments of principal and redemption price of and interest on each Liquidity Provider Bond in order to reimburse the Bank for amounts paid under this Agreement for the Purchase Price of any Bonds shall constitute a Repayment Obligation. Such obligations of the Issuer shall be payable out of, and secured by a pledge of and lien and charge on, Revenues, equal in right of payment to the obligations of the Issuer to pay principal of and interest on the Bonds, but only to the extent that the aggregate amount of such payments with respect to each Liquidity Provider Bond in each Fiscal Year is less than or equal to a fixed amount, determined as of the date of purchase of such Liquidity Provider Bond by the Bank, by amortizing the principal amount of such Liquidity Provider Bond on a level debt service basis over a period equal to the lesser of (a) 20 years, or (b) the period ending on the later of (i) the final maturity date of the Bonds payable from or secured by such Credit Facility or Liquidity Facility, as applicable, or (ii) the date the Repayment Obligation is due under Section 3.03(a) hereof (but not earlier than 15 years from the date such Repayment Obligation is incurred), with principal deemed to be payable annually commencing on the next succeeding May 1, and interest deemed to be payable annually commencing on the next Interest Payment Date succeeding the date of purchase of such Bonds. Any principal or redemption price of or interest on any Liquidity Provider Bond which becomes due and payable under this Agreement in any Fiscal Year and which is in excess of the amount determined as set forth in the preceding sentence shall be payable out of, and secured by a pledge of and lien and charge on, Revenues, junior and subordinate in right of payment to the obligations of the Issuer to pay principal of and interest on the Bonds and the Subordinate Bonds. The rights of the Bank under this Section 3.01(d) shall be in addition to any rights of subrogation which the Bank may otherwise have or be granted under law or pursuant to any resolution supplemental to the 1991 Master Resolution.

(e) Subordinate Obligations. The obligation of the Issuer to pay the Final Excess Bond Interest Amount and any other amounts due hereunder other than principal and redemption price of and interest on the Liquidity Provider Bonds shall constitute an obligation of the Issuer payable out of, and secured by a lien on, Revenues, subordinate in right of payment to the obligations of the Issuer to pay principal and redemption price of and interest on the Bonds and Subordinate Bonds pursuant to the 1991 Master Resolution.

(f) Pledge of Revenues. By execution of this Agreement, the Issuer does hereby pledge and grant a lien and charge on Revenues in the order of priority set forth in paragraphs (d) and (e), above, subject only to the provisions of the 1991 Master Resolution restricting or permitting the application for the purposes and on the terms and conditions set forth in the 1991 Master Resolution.

**Section 3.02. Liquidity Provider Bonds Interest Payments and Interest Payment Dates; Notification of Rate.**

(a) Payment of Interest Component. The Issuer shall pay the Bank interest at the Liquidity Provider Interest Rate on the amount of the Interest Component, if any, included in the Purchase Price from the Purchase Date until, and such amount shall be payable on, the earliest of (i) the Interest Payment Date next succeeding the Purchase Date, (ii) the date on which such Liquidity Provider Bonds are remarketed, paid at maturity or redeemed, and (iii) the last

day of the Purchase Period. [The Bank and any Liquidity Provider Bondowner, by acceptance of the Liquidity Provider Bonds, acknowledge that the obligation of the Issuer to pay interest on the Interest Component pursuant to this Section 3.02(a) is not insured under the terms of the Bond Insurance Policy.]

(b) Payment Dates. Notwithstanding anything to the contrary contained in the Bonds or the 1991 Master Resolution, the Issuer agrees that, with respect to each Liquidity Provider Bond, (i) the Interest Component, if any, included in the Purchase Price for such Bond shall be paid as set forth in Section 2.05(g); (ii) except with respect to any Differential Interest Amount, which shall be paid as set forth in Section 2.04(b), and with respect to any Excess Bond Interest, any Excess Bond Interest Amount and any Final Excess Bond Interest Amount which shall be payable in accordance with Section 3.01(c), interest payable pursuant to Section 3.01(a) shall be payable on each Interest Payment Date, upon redemption (to the extent of the interest accrued on the amount being redeemed), at maturity (whether by acceleration, or otherwise), and after maturity on demand. In the event any Liquidity Provider Bond is remarketed or otherwise transferred by the Bank before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Liquidity Provider Bond are paid.

(c) Notification of Rate. The Bank will give telephone notice (promptly confirmed in writing) to the Issuer and the Trustee not later than 10:00 a.m. on each Sale Date of the Differential Interest Amount owed by the Issuer hereunder as a result of any sale of Liquidity Provider Bonds pursuant to Section 2.04(b). Notwithstanding the preceding sentence, the Issuer's obligations to make payments in respect of any Differential Interest Amount (together with accrued interest thereon, if applicable) shall not be discharged or reduced in any way as a result of the Bank's failure to deliver any notice referred to in the preceding sentence. The Bank will, upon the request of the Issuer or the Trustee, notify the Issuer or the Trustee, as the case may be, of the Liquidity Provider Interest Rate in effect during any period in which Liquidity Provider Bonds are held by the Bank or any other Liquidity Provider Bondowners or during which any Differential Interest Amount, Excess Bond Interest, Excess Bond Interest Amount, Final Excess Bond Interest Amount or any amount in respect of the Interest Component remains unpaid. Absent manifest error, the Bank's determination of any of the foregoing shall be binding upon the Issuer and the Trustee.

**Section 3.03.** [Special Redemption of Liquidity Provider Bonds. Pursuant to Section \_\_\_ of the 1991 Master Resolution, Liquidity Provider Bonds are subject to special mandatory redemption over a \_\_\_\_ ( ) year period in \_\_\_\_\_ ( ) equal semi-annual installments, the first such installment to be due on the six month anniversary of the day on which such Liquidity Provider Bonds first became Liquidity Provider Bonds, and the last such installment to include all unpaid principal and interest on such Liquidity Provider Bonds.]

**Section 3.04.** Redemption of Liquidity Provider Bonds. Amounts applied for the redemption of Bonds (whether optional, pursuant to sinking fund requirements or otherwise) shall be used first to redeem Credit Provider Bonds and second to redeem Liquidity Provider Bonds.

**Section 3.05. Bond Insurance Policy.** The Issuer, the Bank and any Liquidity Provider Bondowner (by its acceptance of such Liquidity Provider Bond) each acknowledge and agree as follows:

(a) Principal and redemption price of and interest (up to and including the Capped Rate) on the Liquidity Provider Bonds shall be insured under the terms of the Bond Insurance Policy, in an amount each year equal to the assumed amortization thereof as set forth in Section 3.01(d), until paid in full.

(b) The obligations of the Issuer to pay interest on the Interest Component pursuant to Sections 2.05(g) and 3.02(a) are not insured under the terms of the Bond Insurance Policy.

(c) Any amounts payable by the Issuer to the Bank pursuant to Section 2.02(b) are not insured under the terms of the Bond Insurance Policy.

(d) The obligation of the Issuer to pay any Final Excess Bond Interest Amount pursuant to Section 3.01(c) is not insured under the terms of the Bond Insurance Policy.

(e) Those portions of the payments of principal and redemption price of and interest on the Liquidity Provider Bonds pursuant to Section 3.03 that are in excess of the assumed amortization thereof pursuant to Section 3.01(d) are not insured under the terms of the Bond Insurance Policy.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES

**Section 4.01. Representations of the Issuer.** The Issuer makes the following representations to the Bank:

(a) **Existence and Standing.** The Issuer is a department of the City and County of San Francisco, which is a charter city and county of the State of California duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to execute and deliver this Agreement and the Related Documents to which the Issuer is a party, to adopt the 1991 Master Resolution, and to perform its obligations hereunder and thereunder, and to conduct the business of the Issuer as presently conducted.

(b) **Authorization; Validity and Binding Obligations.** The execution and delivery by the Issuer of this Agreement and the Related Documents to which the Issuer is a party have been duly authorized by all necessary action of the Issuer, the 1991 Master Resolution has been duly adopted by the Issuer, and no further approval, authorization or consents are required by law or otherwise. This Agreement, the 1991 Master Resolution and such Related Documents constitute the legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. Each of this Agreement, the 1991 Master Resolution and

the Related Documents to which the Issuer is a party is or on the Effective Date will be in full force and effect.

(c) Compliance with Laws and Contracts; No Conflicts. Neither the execution and delivery by the Issuer of this Agreement and the Related Documents to which the Issuer is a party, the adoption of the 1991 Master Resolution, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will constitute a material breach or violation of any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, the Charter of the City, or the provisions of any resolution, instrument or agreement to which the Issuer is a party or is subject, or by which it or its property is bound, or conflict in any material respect with or constitute a material default under or result in the creation or imposition of any lien pursuant to the terms of any such resolution, instrument or agreement.

(d) Litigation. There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the Issuer after due inquiry, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the transactions contemplated by or the validity of this Agreement, the 1991 Master Resolution or any of the Related Documents, (ii) the status of the Issuer as a charter city and county, (iii) the exemption of interest on the Bonds from federal income tax, or (iv) the Issuer's property, assets, business operations or condition, financial or otherwise, or its ability to perform its obligations under this Agreement, the 1991 Master Resolution or under the Related Documents.

(e) No Event of Default. No Event of Default, Potential Event of Default, Event of Termination or Potential Event of Termination has occurred and is continuing.

(f) Financial Statements. The audited financial statements for fiscal years 2007 and 2008, including the balance sheets as of the end of said periods, all examined and reported on by KPMG LLP, independent public accountants, as heretofore delivered to the Bank correctly and fairly present the financial condition of the Issuer as of said dates and the results of the operations of the Issuer for such period as of said dates, and have been prepared in accordance with Generally Accepted Accounting Principles consistently applied except as stated in the notes thereto; and there has been no material adverse change in the condition, financial or otherwise, of the Issuer since the date of preparation thereof (other than as set forth in the Official Statement), from that set forth in said financial statements as of, and for the period ended on, those dates.

(g) Official Statement. The information contained in the Official Statement, other than the information provided in writing by the Bank, the Bond Insurer and its Bond Insurance Policy, the reserve fund surety policies and the providers thereof, and DTC for inclusion in the Official Statement as to which the Issuer makes no representation or warranty, is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(h) Bonds; Bond Insurance; Pledge of Revenues. Each Bond, including Liquidity Provider Bonds, will be duly issued under the 1991 Master Resolution and entitled to the benefits thereof to the extent set forth therein and herein, and the Bonds (including all Liquidity Provider Bonds, the mandatory sinking fund redemption of Bonds pursuant to Section 30-65.16 of the 1991 Master Resolution, and the special mandatory redemption of Liquidity Provider Bonds pursuant to Section 3.03(a) hereof) are entitled to the benefits of the Bond Insurance Policy. The Issuer's payment obligations under this Agreement are payable from and secured by a pledge of Revenues in the manner and to the extent set forth in Section 3.01 hereof.

(i) Consents. All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with any court or any Governmental Authority required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this Agreement, the 1991 Master Resolution and the Related Documents have been obtained and are in full force and effect.

(j) Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties, if any, as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation, warranty and definition were set forth herein in its entirety. No amendment to such representations, warranties or definitions made pursuant to the relevant Related Documents, which amendment could have a material adverse effect on the Bank, shall be effective to amend such representations, warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

(k) Accurate Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank by or on behalf of the Commission were, as of their respective dates, accurate in all material respects. Any financial, budget and other projections furnished to the Bank by or on behalf of the Commission were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the Commission's best estimate of its future financial performance. No fact is known to the Commission that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the business operations or financial condition of the Commission, the security for the Bonds, or the Commission's ability to repay when due its obligations under this Agreement or the 1991 Master Resolution except as has been otherwise disclosed to the Bank in writing, including in the documents referred to in the first sentence of this paragraph.

(l) Business of the Issuer. The Issuer is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock as defined in Regulation U of the Board of Governors of the Federal Reserve System.

(m) Legislation; Referendum. There is no State or local referendum or initiative certified for the ballot, or Federal, State or local legislation which has been enacted or introduced and referred to committee which the Commission has determined would materially



and adversely affect the financial condition or business operations of the Commission, or the validity or enforceability of this Agreement, the 1991 Master Resolution or any Related Document, or power of the Commission to carry out the transactions contemplated hereby and thereby.

(n) No Acceleration. No Debt of the Commission in an amount in excess of \$10,000,000 secured by Net Revenues which is currently outstanding is subject to acceleration of the payment thereof before the scheduled due date thereof at the direction or option of the holders of such Debt or any trustee for such holders.

(o) Disclosure. There is no fact known to the Commission which the Commission has not disclosed to the Bank in writing which materially adversely affects or which the Commission has determined is likely to materially adversely affect the ability of the Commission to perform its obligations hereunder or under any Related Document.

(p) Sovereign Immunity. The Commission is not entitled to claim immunity on the grounds of sovereignty with respect to any action based on contract related to or arising out of its obligations under this Agreement, and to the fullest extent permitted by law, agrees not to assert the defense of sovereign immunity in any proceeding based on contract related to or arising out of its obligations under this Agreement or the Related Documents. The Commission is subject to liability for damages in contract and in tort in the manner and to the extent that the City is subject to such liability as provided by the laws of the State. The Commission is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to municipal corporations, including Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The Commission is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California.

(q) Usury. The terms of this Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

**Section 4.02. Representations of the Bank.**

(a) Rating. The Bank represents and warrants that on the Effective Date the Bank is rated \_\_\_/\_\_\_ by Moody's and \_\_\_/\_\_\_ by S&P and \_\_\_/\_\_\_ by Fitch.

(b) Limitations of Bond Insurance Policy. The Bank acknowledges that Excess Bond Interest Amounts and Final Excess Bond Interest Amounts and interest thereon and interest on the Interest Component are not entitled to the benefits of the Bond Insurance Policy and that payment of the Final Excess Bond Interest Amount and interest thereon is subordinate to [the Issuer's obligation to pay principal and interest then due and owing on the Bonds].

## ARTICLE V

### CONDITIONS PRECEDENT

**Section 5.01. Conditions Precedent to Effectiveness.** This Agreement shall become effective on the Effective Date provided that each of the conditions enumerated in this Section 5.01 has been fulfilled to the satisfaction of the Bank. The Bank's execution and delivery of this Agreement shall evidence its agreement that such conditions have been met to its satisfaction or have been waived and that the Effective Date has occurred.

(a) **Representations.** On the Effective Date (and after giving effect to the issuance of the Bonds and the effectiveness of this Agreement), (i) there shall exist no Event of Termination or Potential Event of Termination and no Event of Default or Potential Event of Default, and (ii) all representations and warranties made by the Issuer in this Agreement or in any of the Related Documents to which the Issuer is a party shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time.

(b) **Supporting Documents.** On or prior to the Closing Date, the Bank shall have received, in form and substance satisfactory to the Bank, the following:

(i) true and complete executed originals of this Agreement, each of the Related Documents and the Official Statement and a photocopy of the Bond Insurance Policy;

(ii) the 1991 Master Resolution and resolutions of the Issuer authorizing this Agreement and the Related Documents to which the Issuer is a party and the execution of the Official Statement, certified prior to the Closing Date by the Clerk of the Issuer;

(iii) signature and incumbency certificates, dated the Effective Date, of the signatories of the Issuer executing this Agreement, the Related Documents to which it is a party and the Official Statement;

(iv) a certificate of the Airport Director of the Issuer, dated the Closing Date, to the effect set forth in Section 5.01(a);

(v) executed copies of the legal opinions, certificates, reports and other documents rendered or delivered in connection with the issuance of the Bonds, the Official Statement, the sale of the Bonds pursuant to the Bond Purchase Contract, the delivery of this Agreement and the delivery of the Related Documents; and

(vi) executed legal opinions, dated the Effective Date, addressed to the Bank and in form and substance satisfactory to the Bank (i) of counsel to the Bond Insurer, as to (A) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Bond Insurance Policy and (B) the legality, validity, binding effect and enforceability of the Bond Insurance Policy; (ii) of counsel to the Issuer, to the effect set forth in

Section 4.01(a) through (d) inclusive, and covering such other matters as the Bank may reasonably request; and (iii) of Bond Counsel, covering such matters relating to the Liquidity Provider Bonds and the Issuer's obligations under the Related Documents as the Bank may reasonably request.

(c) Bond Insurance Policy. On or prior to the Effective Date, the Bond Insurance Policy, in form and substance satisfactory to the Bank, shall have been issued by the Bond Insurer and delivered to the Bank, insuring the payment of regularly scheduled principal of and interest on the Bonds and the special redemption of Liquidity Provider Bonds pursuant to Section \_\_\_\_\_ of the 1991 Master Resolution, and such Bond Insurance Policy shall be in full force and effect on the Effective Date.

(d) Custody Agreement. On the Effective Date, the Custody Agreement shall have been duly executed and delivered by the Custodian and shall be in full force and effect.

(e) Other Supporting Documents. There shall have been delivered to the Bank such information and copies of documents, approvals (if any) and records (certified, where appropriate) of corporate and legal proceedings as the Bank may have requested relating to the entering into and performance by each of the parties (other than the Bank) thereto, of each of the Related Documents or the transactions contemplated thereby. The Bank shall have received such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates or executed copies thereof) or opinions as the Bank may reasonably request.

(f) Certain Payments. The Issuer shall have paid all the fees then due referred to in Section 2.05(b) hereof.

(g) Rating. The Bank shall have received satisfactory evidence that the Bonds shall have been rated Aaa/VMIG 1 by Moody's and AAA/A-1+ by S&P and AAA/F1+ by Fitch.

**Section 5.02. Conditions Precedent to Purchase.** The obligation of the Bank to purchase Bonds on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(a) No Event of Termination. No Immediate Event of Termination or Suspension Event shall have occurred and be continuing; and

(b) Receipt of Notice. The Bank shall have timely received by no later than [12:45] p.m. on a Business Day a Notice of Bank Purchase as provided in Section 2.02; provided, that if a Notice of Bank Purchase is not received until after [12:45] p.m. on a Business Day, the Bank will be obligated to purchase Eligible Bonds on the Business Day following receipt thereof, and provided further, that if a Notice of Bank Purchase is received before the end of the Purchase Period, the end of the Purchase Period shall not, in and of itself, relieve the Bank of its obligation to purchase Bonds.

## ARTICLE VI

### COVENANTS

**Section 6.01. Covenants of the Issuer.** During the term of this Agreement, and until the obligations of the Issuer to the Bank under this Agreement are paid in full and the Bank has no further commitment under this Agreement and until payment in full of all Liquidity Provider Bonds, unless the Bank shall otherwise consent in writing, the Issuer covenants and agrees as follows:

(a) **Notices.** The Issuer will promptly furnish, or cause to be furnished, to the Bank notice of (i) the failure by the Bond Insurer to perform any of its obligations under the Bond Insurance Policy, (ii) each demand for payment made under the Bond Insurance Policy, (iii) the failure by the Remarketing Agent or the Trustee to perform any of its obligations under the Remarketing Agreement or the 1991 Master Resolution, (iv) any proposed substitution of this Agreement or of the Bond Insurance Policy, (v) each event or occurrence of which notice is required to be given to the Bank pursuant to the 1991 Master Resolution, (vi) the occurrence of any Event of Termination or Suspension Event or any Event of Default or Potential Event of Default; (vii) any change in the ratings of the Bonds of which the Issuer has actual knowledge; (viii) any ratings which may be assigned to uninsured debt of the Issuer (or any changes in such ratings); and (ix) any shadow rating (or changes therein) assigned to the Bonds of which the Issuer has actual knowledge.

(b) **Compliance With Laws and Agreements.** The Issuer shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the Issuer may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the Issuer's power and authority to execute this Agreement and the Related Documents to which it is a party or to perform its obligations and pay all amounts payable by it hereunder and thereunder. The Commission will observe and perform all of its obligations under this Agreement, the Bonds and the other Related Documents to which it is a party.

(c) **Use of Proceeds.** The Issuer shall (i) use its best efforts to cause the proceeds from purchases of Bonds made hereunder to be used solely to pay the Purchase Price of such Bonds as more fully described in Sections 2.01 and 2.02 hereof, and (ii) use the proceeds of the Bonds for the purpose set forth in the 1991 Master Resolution.

(d) **Related Obligations.** The Issuer shall promptly pay all amounts payable by it under this Agreement and the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Bond Insurance Policy. The Issuer shall use its best efforts to cause the Remarketing Agent at all times to perform its obligations under the Remarketing Agreement.

(e) **Reporting Requirements.** The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of

or in relation to affairs, operations, transactions and activities of the Issuer in accordance with Generally Accepted Accounting Principles consistently applied, and will furnish to the Bank a copy of each of the following:

(i) As soon as available, and in any event within [210] days after the close of each fiscal year of the Issuer, the Issuer's annual report including the balance sheet as of the end of such fiscal year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail, certified by an independent certified public accountant as having been prepared in accordance with Generally Accepted Accounting Principles, consistently applied, such audit having been conducted with generally accepted auditing standards;

(ii) Within 60 days after the end of each fiscal quarter: (i) any projections, sensitivity analyses, consultant's reports, and other information that are provided to the Commission or otherwise made available to the public; (ii) a quarterly revenues report in reasonable detail by category; and (iii) any appropriations or supplemental appropriations relating to the Airport approved during such quarter;

(iii) Promptly, and in any event not later than thirty (30) days after any officer of the Issuer obtains actual knowledge thereof, a certificate of the chief financial officer for the Issuer setting forth the occurrence of any Event of Termination or Potential Event of Termination and any Event of Default or Potential Event of Default, the details thereof and the action which the Issuer is taking or proposes to take with respect thereto;

(iv) Copies of the financial statements of and other information pertaining to the Issuer required to be delivered to the Bond Insurer, no later than the date on which such deliveries are required to be made to the Bond Insurer;

(v) A copy of the Issuer's budget, prepared by the Issuer prior to the beginning of each fiscal year, within sixty (60) days after its adoption;

(vi) As soon as practicable after the issuance of any 1991 Resolution Bonds or any Subordinate Bonds, the Commission shall send a copy of the offering document relating thereto to the Bank; and

(vii) Such other information respecting the affairs, condition and/or operations, financial or otherwise, of the Issuer as the Bank may from time to time reasonably request.

(f) Inspection Rights. The Issuer will permit the Bank, upon reasonable notice and during normal business hours, to meet with officers, directors and employees of the Issuer to discuss the affairs, finances, business (except for information relating to product tests in progress or unpublished articles) and accounts of the Issuer and to visit the Issuer's properties in order to enable the Bank to monitor the Issuer's compliance with this Agreement.

(g) Amendments. The Issuer shall not surrender, cancel, terminate, replace, augment, amend or modify or permit the surrender, cancellation, termination, replacement, augmentation, amendment or modification of, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, the surrender, cancellation, termination, replacement, augmentation, amendment or modification of the Bond Insurance Policy or other Related Documents to which it is a party without the prior written consent of the Bank, which consent shall not be unreasonably withheld or delayed; provided, that, with respect to any surrender, cancellation, termination, replacement, augmentation, amendment or modification of the Bond Insurance Policy, the Issuer must first obtain a written statement of Moody's, S&P and Fitch, as applicable, indicating that such surrender, cancellation, termination, replacement, augmentation, amendment or modification will not result in a suspension, withdrawal or reduction of the then-current ratings on the Bonds.

(h) Voluntary Redemption or Conversion. The Issuer shall not voluntarily redeem any Bonds pursuant to Section 30-65.16(b) of the 1991 Master Resolution prior to redeeming Liquidity Provider Bonds in full or if, after giving effect to such redemption, there would be any unpaid Excess Bond Interest Amount owing under this Agreement or any other amount in respect of Liquidity Provider Bonds shall not have been paid in full. The Issuer shall not voluntarily convert any Bonds to a Non-Covered Interest Rate pursuant to Section 30-65.10 of the 1991 Master Resolution if, after giving effect to such conversion, there would be any unpaid Excess Bond Interest Amount owing under this Agreement or any other amount in respect of Liquidity Provider Bonds shall not have been paid in full.

(i) Alternate Liquidity Facility or Conversion to a Non-Covered Interest Rate. The Commission shall use its best efforts to obtain an Alternate Liquidity Facility to replace this Agreement or to convert the interest rate on the Bonds to a Non-Covered Interest Rate in the event that (A) the Bank shall decide not to extend the Stated Expiration Date pursuant to Section 8.10 hereof, (B) the Commission terminates this Agreement pursuant to Section 8.09 hereof, or (C) the Bank shall furnish a Notice of Termination to the Trustee. The Commission agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the issuer of the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Liquidity Provider Bonds at par plus all accrued interest thereon at the Liquidity Provider Interest Rate or Default Rate, as applicable, through the date such Alternate Liquidity Facility becomes effective. On such date, any and all amounts due hereunder to the Bank shall be payable in full to the Bank. The Commission shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

(j) Appointment of Successors. The Issuer shall not, without the prior written consent of the Bank, (i) permit the appointment of a successor Trustee, or Remarketing Agent or (ii) permit a substitute or additional Bond Insurance Policy to become effective.

(k) Incorporation of Covenants. The covenants of the Issuer set forth in each of the Related Documents to which the Issuer is a party are hereby incorporated by reference in this Agreement for the benefit of the Bank and other Liquidity Provider Bondowners. To the extent that any such incorporated provision permits any Person to waive

compliance with or consent to such provision or requires that a document, opinion, report or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement, such compliance shall be waived, or such provision shall be consented to, only if it is waived or consented to, as the case may be, by the Bank and such document, opinion, report or other instrument shall be acceptable or satisfactory to the Bank. No amendment to such covenants (or the defined terms relating thereto) made pursuant to the Related Documents shall be effective to amend such incorporated covenants without the written consent of the Bank.

(l) Maintenance of Existence. The Issuer will maintain its existence as a department of the City.

(m) Maintenance and Approvals; Filings. The Issuer shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement and the Related Documents to which it is a party.

(n) Regulation U. The Issuer is not engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and will not use the proceeds of the Bonds or any amounts paid by the Bank hereunder so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve System.

(o) 1991 Master Resolution a Contract. The provisions of the 1991 Master Resolution constitute a contract between the Issuer and the Owner or Owners of the Bonds, and any such Owner or Owners, including the Bond Insurer or the Bank in their capacity as Owner, may at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel the performance of all duties required to be performed by the Issuer as a result of issuing the Bonds.

(p) Budget; Audit. As long as any of the Bonds are outstanding and unpaid in principal or interest, the Issuer shall prepare and adopt a budget prior to the beginning of each Fiscal Year, which budget shall provide for appropriations at levels required under the 1991 Master Resolution to make all payments of principal, interest, fees, reserves and any other expenditures required or contemplated under the 1991 Master Resolution with respect to the Bonds. Not later than six (6) months after the close of each Fiscal Year, the Issuer shall cause an audit of its general fund books and accounts to be made by an independent firm of certified public accountants showing the receipts and disbursements made by the Issuer during the previous Fiscal Year.

(q) Subsequent Documents and Instruments. The Issuer shall execute and deliver to the Bank all such documents and instruments as may be necessary or reasonably required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be

necessary or reasonably required by the Bank to validate, preserve and protect the rights of the Bank under this Agreement.

(r) Affiliates. The Issuer shall not permit the Remarketing Agent to sell Tendered Bonds to any Affiliate of the Issuer.

(s) Litigation Notice. The Issuer shall promptly give notice to the Bank of any action, suit or proceeding known to it at law or in equity or by or before any court, governmental instrumentality or other agency which, in the reasonable judgment of the Issuer, if adversely determined, would materially impair the ability of the Issuer to carry out its obligations under the Bonds, any Liquidity Provider Bonds or this Agreement, or would materially adversely affect its business operations or financial condition.

(t) Immunities. To the fullest extent permitted by law, the Commission agrees not to assert the defense of sovereign immunity in any proceeding related to or arising out of its obligations under this Agreement or the Related Documents.

(u) No Preferential Treatment. In the event that the Issuer shall enter into any credit agreement, reimbursement agreement or other similar agreement or instrument, or any amendment, supplement or other modification thereof, under which any Person undertakes to make or provide funds to make payment of, or to purchase, Debt of the Issuer in an amount in excess of \$10,000,000 secured by Net Revenues on parity with the Bonds which includes remedies not included in this Agreement (including, without limitation, the right to accelerate the payment of the same) or covenants that are more restrictive as to the Issuer than those contained in this Agreement, the Issuer shall give prompt written notice thereof to the Bank and shall enter into an amendment or amendments to this Agreement to incorporate such remedies and covenants to the extent applicable hereto within forty-five (45) days of such amendment, supplement or modification.

(v) Bond Insurer Downgrade.

(i) The Commission shall at all times maintain the Insurance Policy so that the Insurance Policy (A) provides coverage in an amount equal to all payments of principal of and interest on the Bonds (whether at the stated rate for Bonds not purchased hereunder or at the Liquidity Provider Interest Rate), (B) includes an endorsement insuring the scheduled redemption of Purchased Bonds pursuant to Section 3.03 and 3.04 hereof, and (C) remains in full force and effect for so long as any payment of principal or interest is outstanding with respect to any Bond (including any Liquidity Provider Bond).

(ii) Notwithstanding any provision of the 1991 Master Resolution to the contrary, so long as this Agreement is in effect, the Commission shall not surrender, cancel, terminate, replace, amend or modify the Insurance Policy without the prior written consent of the Bank.

(iii) Notwithstanding the foregoing, if the long term claims-paying or financial strength rating of the Bond Insurer is lowered below



the Permitted Minimum Bond Insurer Rating, the Commission, within 75 days, shall convert the interest rate on all of the Bonds to a Non-Covered Interest Rate; provided, however, that the Commission shall not be required to comply with the requirement set forth in the immediately preceding sentence if the Commission replaces the Bond Insurer with a substitute Bond Insurer acceptable to the Bank or if the Commission provides an Alternate Liquidity Facility to the Trustee.

(iv) The Commission shall promptly forward to the Bank all notices, if any, received by the Commission from the Bond Insurer under the Insurance Policy.

(w) No Liens. The Issuer shall not create or suffer to exist any lien upon or with respect to any of the funds or accounts created under the 1991 Master Resolution except those liens specifically permitted thereunder; provided, however, that in no event shall any lien on any of the funds or accounts created under the 1991 Master Resolution securing the obligation of the Issuer to make a termination payment under any Interest Rate Swap (as defined in the 1991 Master Resolution) be first in priority to the lien securing the Bonds, the Liquidity Provider Bonds and any other obligations owed the Bank hereunder.

**Section 6.02.** (a) Bank Information. The Bank, during the term of this Agreement, upon the written request and expense of the Issuer, shall provide information for inclusion in the Official Statement regarding the Bank and, upon the Issuer's request, the Bank shall certify that the information so furnished is fair and accurate in all material respects.

(b) Purchase of Bonds by Bank. The Bank and its affiliates, in its or their commercial or investment banking capacities, may in good faith buy and own any Debt of the Issuer, excluding Bonds other than Liquidity Provider Bonds. The Bank acknowledges and agrees that the Remarketing Agents are prohibited from remarketing any of the Bonds to the Bank or its affiliates under the terms of the Remarketing Agreements. If for any reason the Bank nonetheless purchases and holds any Bonds (other than Liquidity Provider Bonds), it shall reimburse the Issuer for the positive difference from time to time, if any, between the interest rate it receives on such Bonds and the interest rate such Bonds would have borne if they were Liquidity Provider Bonds.

## ARTICLE VII

### EVENTS OF TERMINATION AND DEFAULT; REMEDIES

**Section 7.01.** Events of Termination. Each of the following shall constitute an "Event of Termination" under this Agreement:

(a) Non-Payment of Insured Amounts. Any principal or interest due on the Bonds is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy; or

(b) Invalidity or Contest or Invalidity of Bond Insurance Policy. (i) The New York Department of Insurance or a court or other Governmental Authority of appropriate jurisdiction shall find or rule or shall enter an order, judgment or decree that any material provision of the Bond Insurance Policy, with respect to the payment of principal or interest on the Bonds, at any time for any reason ceases to be valid and binding on the Bond Insurer or the New York Department of Insurance or a court or other Governmental Authority of appropriate jurisdiction shall find or rule or shall enter an order, judgment or decree that the Bond Insurance Policy is null and void; or (ii) the Bond Insurer shall (A) in writing to the Trustee claim that the Bond Insurance Policy with respect to the payment of principal or interest on the Bonds is not valid and binding on the Bond Insurer, (B) repudiate in writing the obligations of the Bond Insurer under the Bond Insurance Policy with respect to payment of principal of or interest on the Bonds, or (C) initiate legal proceedings seeking an adjudication that the Bond Insurance Policy, with respect to the payment of principal or interest on the Bonds, is not valid and binding on the Bond Insurer; or

(c) Bond Insurer Insolvency. The occurrence of a Bond Insurer Event of Insolvency; or

(d) Bond Insurer Default on other Policies. Any default by the Bond Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other municipal bond insurance policy issued by the Bond Insurer insuring publicly rated debt and such failure shall continue for thirty (30) days unless the obligation of the Bond Insurer to pay is being contested by the Bond Insurer in good faith by appropriate proceedings; or

(e) Bond Insurer Downgrade. (i) S&P, Moody's and Fitch shall suspend or withdraw the financial strength rating of the Bond Insurer for credit-related reasons or shall reduce such rating below BBB- in the case of S&P, Baa3 in the case of Moody's, and BBB- in the case of Fitch, or (ii) the long term financial strength ratings of the Bond Insurer are lowered below the Permitted Minimum Bond Insurer Rating for credit-related reasons; or

(f) Amendment or Termination of Bond Insurance Policy. The Bond Insurance Policy is surrendered, cancelled, terminated, replaced, augmented, amended or modified in any material respect or the Bond Insurer is substituted with a substitute Bond Insurer (as defined in the 1991 Master Resolution), in each case, by the Issuer or the Trustee and without the prior written consent of the Bank.

**Section 7.02. Events of Default.** Each of the following shall constitute an "Event of Default" under this Agreement:

(a) Misrepresentation. Any material representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(b) Non-Payment of Fees. Non-payment of any amounts payable under Section 2.05 (together with interest thereon at the Default Rate) within thirty (30) days after the

Trustee, the Bond Insurer and the Issuer have received written notice from the Bank that the same were not paid when due; or

(c) Other Non-Payments. Non-payment of any other fees or amounts payable under this Agreement (together with interest thereon at the Default Rate) within thirty (30) days after written notice thereof to the Issuer, Trustee and the Bond Insurer by the Bank; or

(d) Certain Breaches. The breach by the Issuer of any of the terms or provisions of Section 6.01 (c)(i) (in respect of proceeds from the purchases of Bonds hereunder), (g) (in a material respect), (h), (i), (j) (with respect to the Remarketing Agent only), (l) and (v); or

(e) Other Breaches. The breach by the Issuer of any terms or provisions of this Agreement which is not remedied within [thirty] ([30]) days after written notice thereof shall have been received by the Issuer and the Bond Insurer from the Bank; or

(f) Insolvency. The Issuer or the City shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Issuer or the City shall make a general assignment for the benefit of its creditors; or (C) there shall be commenced against the Issuer or the City any case, proceeding or other action of a nature referred to in clause (A) above which (a) results in an order for such relief or in the appointment of a receiver or similar official or (b) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (D) there shall be commenced against the Issuer or the City any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its or their assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (E) there shall have been a declaration of a moratorium of its Debts by the Issuer or by a Governmental Authority with jurisdiction over the Issuer; (F) the Issuer or the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B), (C) or (E) or above; or (G) the Issuer or the City shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its Debts; or

(g) Invalidity. Any material provision of this Agreement or any Related Document shall at any time for any reason cease to be valid and binding on the Issuer or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Issuer or by any Governmental Authority having jurisdiction, or the Issuer shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without the Bank's prior written consent; or

(h) Cross Default. The occurrence of any "event of default" by the Issuer (after giving effect to any applicable cure period) as defined in any of the Related Documents

(which is not waived pursuant to the terms thereof) which is not otherwise described in this Section 7.02, other than the failure of the Bank to provide funds for the purchase of Tendered Bonds when required by the terms and conditions of this Agreement; or

(i) Other Debt. The Issuer shall have defaulted in the payment or performance of any obligation of a principal amount of \$[\_\_\_],000,000 or more which constitutes Debt, and such default permits the acceleration of the payment of moneys; or

(j) Certain Unsatisfied Judgments. A writ of mandate for the payment of more than \$[\_\_\_],000,000 in connection with a final judgment has been issued by a court of competent jurisdiction against the Issuer and has not been stayed within a period of [sixty] ([60]) consecutive days as a result of a subsequent order, an appeal or otherwise.

**Section 7.03. Remedies.** If any Event of Termination or Event of Default shall have occurred and be continuing:

(a) Immediate Event of Termination. In the case of an Event of Termination specified in Section 7.01(a), (b)(i), (c), (d), (e)(i) or (f) (each, an "Immediate Event of Termination") the Available Commitment and Purchase Period and the obligation of the Bank to purchase Bonds shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Bonds. Promptly upon the Bank obtaining knowledge of any such Immediate Event of Termination, the Bank shall give written notice of the same to the Trustee, the Issuer, the Remarketing Agent and the Bond Insurer; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the termination of the Bank's Available Commitment and of its obligation to purchase Bonds pursuant to this Agreement.

(b) Termination with Notice. In the case of an Event of Termination specified in Section 7.01(e)(ii) or an Event of Default specified in Section 7.02(b), (c), (d) (as it relates to Section 6.01(g) and (v)), (f), (g), or (i)), the Bank may terminate the Available Commitment and Purchase Period by giving written notice (a "Notice of Termination") to the Trustee, the Registrar, the Issuer, the Remarketing Agent and the Bond Insurer, specifying the date on which the Available Commitment and Purchase Period shall terminate, which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and on and after the Purchase Termination Date, the Bank shall be under no further obligation to purchase Bonds hereunder.

(c) Suspension relating to Bond Insurance Policy. In the case of a Potential Event of Termination specified in Section 7.01(b)(ii), the Bank's obligations to purchase Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase until the Available Commitment is reinstated as described in this Section 7.03(c). Promptly upon the Bank obtaining knowledge of any such Potential Event of Termination, the Bank shall give written notice of the same to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer of such suspension in writing; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligations to purchase Bonds. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy

shall thereafter enter a final, nonappealable judgment that the Bond Insurance Policy is not valid and binding on the Bond Insurer, then the Bank's obligation to purchase Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall find or rule that the Bond Insurance Policy is valid and binding on the Bond Insurer in a final, nonappealable judgment, the Bank's obligations to purchase Bonds under this Agreement shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall otherwise have terminated or been suspended by its terms or in accordance with Section 7.03(a), (b), (c) or (d)). Notwithstanding the foregoing, if, upon the earlier of the Stated Expiration Date or the date which is two (2) years after the effective date of a suspension of the Bank's obligations pursuant to this Section 7.03(c), litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy that is the subject of such Potential Event of Termination has not been obtained, then the Available Commitment and the obligation of the Bank to purchase Bonds shall at such time immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Bonds.

(d) Other Suspensions. During the pendency of a Potential Event of Termination pursuant to Section 7.01(c) (with respect to an order described in clause (c) of the definition of Bond Insurer Event of Insolvency) or Section 7.01(d), the Bank's obligations to purchase Bonds shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Bonds until the Available Commitment is reinstated as described in this paragraph 7.03(d). Promptly upon the Bank obtaining knowledge of any such Potential Event of Termination, the Bank shall give written notice of the same to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer of such suspension in writing; provided, however, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligations under this Agreement. In the event such Potential Event of Termination is cured prior to becoming an Event of Termination, the Bank's obligations shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall otherwise have terminated or been suspended by its terms or in accordance with Section 7.03(a), (b) or (c)).

(e) Other Remedies. In addition to the rights and remedies set forth in Section 7.03(a), (b), (c) and (d) hereof, in the case of any Event of Termination specified in Section 7.01 hereof or Event of Default specified in Section 7.02 hereof, upon the election of the Bank: (i) all accrued amounts payable hereunder (other than payments of principal and redemption price of and interest on the Bonds or payments of Excess Bond Interest) shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Bond Insurance Policy or otherwise pursuant to law or equity; provided, however, that the Bank shall not have the right to terminate its obligation to purchase Bonds or to declare any amount due hereunder due and payable except as provided herein, or to accelerate the maturity date of any Bonds. Without limiting the generality of the foregoing, the Bank agrees to purchase Bonds on the terms and conditions of this Agreement notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to the Issuer. The Bank will not assert as a defense to its obligation to purchase Bonds under this

Agreement (A) the institution or pendency of a bankruptcy, insolvency or similar proceeding with respect to the Issuer, or (B) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to the Issuer that this Agreement is not enforceable against the Issuer under applicable bankruptcy, insolvency or similar laws. This subsection shall not limit the exercise of the Bank's remedies under any other subsection of this Section 7.03.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01. No Waiver; Remedies.** No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have. No notice to or demand on the Issuer or any other party hereto in any case shall entitle the Issuer or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

**Section 8.02. Amendment.** No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto but only with the consent of the Bond Insurer; provided, that the provisions of Sections 2.05, 2.06 and 2.07, Articles IV, V and VI and Sections 8.07 and 8.08 may be changed, waived, discharged or terminated and the Stated Expiration Date may be extended in accordance with Section 8.10 by instruments in writing signed solely by the Bank and the Issuer and with notice to the Trustee, the Bond Insurer and the Remarketing Agent; provided, further, however, that the provisions of Section 5.02(a) and provisions hereof relating to the coverage or application of proceeds of the Bond Insurance Policy may not be changed, waived, discharged or terminated without the prior written consent of the Bond Insurer. The Issuer shall give notice to S&P, Moody's and Fitch of any amendments to this Agreement as provided in the 1991 Master Resolution.

**Section 8.03. Assignment; Participation.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Issuer may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bank and any assignment in contravention hereof shall be void. The Bank may assign to one or more banks or other entities (collectively, "Assignees") all or any part of any of its rights or obligations hereunder, including, without limitation, the Liquidity Provider Bonds, and to the extent of any such assignment the Bank shall be relieved of its obligations hereunder and each Assignee shall have the same rights and benefits hereunder and under the Bonds, as it would have if it were the Bank hereunder; provided, however, that any such assignment by the Bank which would relieve the Bank of any of its duties or obligations hereunder shall not result in the withdrawal or reduction of the ratings assigned by Moody's, S&P or Fitch to the Bonds and[, if the intended

assignee is a Person which is not an Affiliate of the Bank,] such assignment shall not be effected without the written consent of the Issuer and the Bond Insurer and written notice to the Trustee and the Remarketing Agent. Any such assignment shall constitute a substitution of the Liquidity Provider pursuant to Section 30-65.18(d) of the 1991 Master Resolution. Additionally, the Bank shall have the right at any time to sell, assign, grant or transfer participations in all or part of its obligations hereunder and the obligations of the Issuer hereunder to any Participant without the consent of or notice to the Issuer, Trustee, the Bond Insurer or any other party; provided, that any participation shall not relieve the Bank from any of its obligations hereunder and the Issuer, the Remarketing Agent, Trustee and the Bond Insurer may deal exclusively with the Bank for all purposes of this Agreement, including the making of payment on Liquidity Provider Bonds, notwithstanding such participation. The Purchaser may disclose to any Participants or prospective Participants any information or other data or material in the Purchaser's possession relating to this Agreement, any Related Document and the Bond Insurer without the consent of or notice to the Issuer or the Bond Insurer.

**Section 8.04. Governing Law; Waiver of Jury Trial.**

(a) Except with respect to the authority of the Issuer, which shall be governed in accordance with the laws of the State of California, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (and, for purposes of determining the highest lawful rate, applicable federal law if the application of federal law results in a higher rate of interest) without giving effect to conflicts of laws provisions.

(b) To the extent permitted by law, the Issuer and the Bank each waive their respective rights, if any, to a jury trial of any and all claims or causes of action based upon or arising out of this Agreement and the Related Documents.

**Section 8.05. Indemnification.**

(a) General. To the extent permitted by law, the Issuer agrees to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities and reasonable costs or expenses (including, without limitation, reasonable attorney's fees and expenses) whatsoever which the Bank may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with (i,) the offering, sale, remarketing or resale of the Bonds (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Related Documents, the Official Statement (other than with respect to the information relating to the Bank under the caption "THE BANK") or in any supplement or amendment thereof or remarketing circular in accordance therewith, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances in which they are or were made, not misleading); (ii) the validity, sufficiency or genuineness of the Related Documents or the Official Statement; or (iii) the execution and delivery of this Agreement, or the making or the failure to make purchases of Bonds under this Agreement, provided, that the Issuer shall be relieved of its obligation to so indemnify and hold harmless the Bank if and to the extent that the following two conditions are met: (i) any such claims, damages,

losses, liabilities, or costs or expenses are a result of the Bank's purchase or failure to purchase Tendered Bonds in accordance with the terms and conditions of this Agreement as a result of the Bank's gross negligence or willful misconduct, and (ii) the Bank's purchase or failure to purchase is not caused by the failure of the Remarketing Agent or the Trustee to give notice to the Bank of the tender of Bonds for purchase in the time and manner provided in Section 2.02(a) hereof.

(b) Taxes, Etc. To the extent permitted by law, the Issuer agrees to indemnify and hold harmless the Bank (on a net after tax basis) from (i) any present or future claim or liability for stamp, transfer, documentary, excise or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any Governmental Authority in connection with the execution, delivery and performance of, or any payment made under, this Agreement, the Bonds and the other Related Documents, or any amendment thereto, and (ii) any penalties, interest or similar charges, which may be assessed, levied or collected under the Code as a consequence of the failure of the Bank or any other Liquidity Provider Bondowner to include the interest on or any amount in respect of interest on the Bonds at any time held by the Bank or such other Liquidity Provider Bondowner as gross income in its tax returns for any period prior to a Determination of Taxability.

(c) Notice. Promptly after receipt by an indemnified party of written notice of the filing of any claim or the commencement of any action, the indemnified party, if a claim in respect thereof is to be made against the Issuer under this Section 8.05, shall notify the Issuer in writing of the filing or commencement thereof; but the omission to so notify the Issuer shall not relieve the Issuer of any liability which it may have to such indemnified party otherwise than under this Section 8.05. The indemnity agreements contained in this Section shall survive the termination, expiration or cancellation of this Agreement.

**Section 8.06. Obligations Absolute.** The obligations of the Issuer under this Agreement shall be absolute, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of all or any of the Related Documents or the Bond Insurance Policy;

(b) any amendment or waiver of or any consent to or departure from all or any of the Related Documents or the Bond Insurance Policy;

(c) any exchange, release or non-perfection of any collateral or any release or amendment or waiver of or consent to departure from any guaranty and insurance documents;

(d) the existence of any claim, set off, defense, or other right which the Issuer may have at any time against the Trustee, the Registrar, the Remarketing Agent, the Bond Insurer, the Bank (other than the defense of the payment to the Bank in accordance with the terms of this Agreement) or any other person or entity, whether in connection with this Agreement, the Related Documents or any unrelated transactions;



(e) any certificate, notice or any other document presented under this Agreement, other than by the Bank, proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(f) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing;

provided, that nothing in this Section shall limit the Issuer's right by separate action, suit, proceeding or counterclaim to enforce any of its rights hereunder or to pursue any remedy at law or in equity against the Bank, including in connection with any liability of the Bank pursuant to Section 8.07 hereof.

**Section 8.07. Liability of the Bank.** Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of this Agreement or of any amounts made available by the Bank hereunder by, or for any acts or failures to act of, the Trustee or the Remarketing Agent in connection with this Agreement, including the failure of the Trustee to credit the appropriate account with funds made available by the Bank pursuant to Section 2.02 hereof, to effect the purchase of Tendered Bonds for the account of the Bank with funds provided by the Bank pursuant to Section 2.02(d) hereof or to comply with the applicable provisions of the 1991 Master Resolution; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged by any Person other than the Bank; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement; provided, however, that the Issuer shall have a claim against the Bank and the Bank shall be liable to the Issuer for any and all claims, damages, losses, liabilities and reasonable costs or expenses (including reasonable attorney's fees and expenses) suffered by the Issuer if and to the extent that the following two conditions are met: (i) a court of competent jurisdiction determines in a final, nonappealable judgment that such claims, damages, losses, liabilities and reasonable costs or expenses are a result of the Bank's purchase or failure to purchase Tendered Bonds in accordance with the terms and conditions of this Agreement as a result of the Bank's gross negligence or willful misconduct, and (ii) the Bank's purchase or failure to purchase is not caused by the failure of the Remarketing Agent or the Trustee to give notice to the Bank of the tender of Bonds for purchase in the time and manner provided in Section 2.02(a) hereof; provided, further, that the Bank shall in no event be liable to the Issuer for punitive or consequential damages, and the Issuer hereby waives its right to receive any such damages.

**Section 8.08. Notices.** Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to or filed with Issuer, the Trustee, the Remarketing Agent, the Bank or the Bond Insurer, shall be deemed or have been sufficiently given or filed for all purposes when delivered by hand or when sent by registered mail, return receipt requested, postage prepaid, or, if given by facsimile transmission when receipt is acknowledged by the individual or an authorized representative of the entity specified below; provided, that any such notice, demand, direction, request or other instrument to the Bank shall be effective only when actually received by the Bank:

If to the Issuer: Airport Commission of the  
City and County of San Francisco  
San Francisco International Airport  
International Terminal  
P.O. Box 8097  
San Francisco, California 94128  
Attention: Deputy Airport Director - Business and Finance  
Telephone: 650-821-5035  
Facsimile: 650-821-5005

If to the Trustee or Registrar: The Bank of New York Trust Company, N.A.  
Attention: Corporate Trust Department  
700 S. Flower Street, Suite 500  
Los Angeles, CA 90017  
Telephone: 213-630-6268  
Facsimile: 213-630-6480

If to the Bond Insurer: [BOND INSURER]

Attention:  
Telephone:  
Facsimile:

If to the Remarketing Agent: [REMARKETING AGENT]

Attention:  
Telephone:  
Facsimile:

If to the Bank: [BANK]

Attention:  
Telephone:  
Facsimile:

With a copy to: [BANK]

Attention:  
Telephone:  
Facsimile:

**Section 8.09. Term of the Agreement; Right of Issuer to Terminate Upon Certain Events.**

(a) **General.** The term of this Agreement shall be until the later of (i) the last day of the Purchase Period (as it may be extended pursuant to Section 8.10 hereof), or (ii) the payment in full of the principal of and interest on all Bonds purchased by the Bank hereunder and all other amounts owing to the Bank hereunder .

(b) **Issuer's Right to Terminate.** This Agreement may, with the written consent of the Bond Insurer, be terminated at any time by written notice from the Issuer to the Bank if :

(i) the Bank fails to purchase Bonds when obligated to do so in accordance with the provisions of this Agreement;

(ii) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect the Bank or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding or the Bank shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Bank shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bank or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing.

(iii) the short term rating of the Bank is withdrawn or reduced below "A-1" by S&P or "P-1" by Moody's and the Issuer elects to replace the Bank with an Alternate Liquidity Facility from a provider with a higher rating than the Bank;

(iv) the Bank and the Issuer fail to agree on an amendment to this Agreement as set forth in Section 8.10 hereof and the Issuer elects to replace the Bank with the provider of an Alternate Liquidity Facility; or

(v) (A) the Bank shall have notified the Issuer that pursuant to Section 2.06 it or any Assignee or Participant requires compensation for an increase in costs, reduction in income or additional expense specified therein, (B) the Issuer shall have delivered to the Bank a certificate to the effect that the Issuer has identified a financial institution which will furnish an Alternate Liquidity Facility at a price which is equal to or less than the price charged by the Bank after giving effect to such increased cost and (C) within [ten] ([10]) Business Days following receipt by the Bank of such certificate the Bank shall not have withdrawn or modified

its imposition of increased costs so that the commitment fee charged by the Bank is not in excess of the amount proposed to be charged by such other financial institution; or

(vi) the Issuer for any other reason elects to replace the Bank with the provider of an Alternate Liquidity Facility.

The effective date of a termination on account of an event described in clause (i) or (ii) shall be the earlier of the effective date of an Alternate Liquidity Facility or forty five (45) days from the date of receipt by the Bank of the notice of termination. The effective date of a termination on account of an event described in clause (iii), (iv), (v) or (vi) shall be the effective date of an Alternate Liquidity Facility. The Issuer agrees to send to the Trustee a copy of any termination notice given by the Issuer to the Bank pursuant to this Section 8.09 promptly after delivery of such notice to the Bank.

**Section 8.10. Extension of Purchase Period.** On the Stated Expiration Date and each anniversary thereof (each a "Reset Date") prior to the final expiration of this Agreement, the Bank shall have the option either to (a) adjust or confirm the commitment fee and other fees paid by the Issuer to the Bank pursuant to Section 2.05 hereof, effective for a one-year period starting on such Reset Date, by giving written notice to the Issuer (a "Fee Notice") setting forth the new fees or confirming the existing fees, at least six (6) months prior to such Reset Date, whereupon, if such Fee Notice is approved in writing by the Issuer, the Stated Expiration Date shall be extended for a period of one year; or (b) terminate this Agreement on and as of such Reset Date by not providing the Fee Notice as set forth above. If no Event of Default or Potential Event of Default, Event of Termination or Potential Event of Termination has occurred and is continuing, the Issuer may request in writing to the Bank, at least ninety (90) days but not more than one hundred twenty (120) days prior to the Stated Expiration Date, that the Bank deliver a Fee Notice. The Issuer has no obligation to request a Fee Notice and the Bank has no obligation to deliver any Fee Notice. The Bank agrees to respond to a written request by the Issuer for a Fee Notice (with a copy to the Bond Insurer) within ninety (90) days of receipt of such request. If the Stated Expiration Date is extended as provided in this Section 8.10, the Bank shall give written notice of such extension in the form of Exhibit C to this Agreement to the Issuer, with a copy to the Trustee, the Bond Insurer and the Remarketing Agents. If the Bank fails to respond to the Issuer's request for a Fee Notice within ninety (90) days, the Bank shall be deemed to have rejected such request. Any such extension shall be subject to the prior written consent of the Bond Insurer.

**Section 8.11. Survival.** All representations, warranties, covenants and agreements of the Issuer contained in this Agreement as amended or supplemented from time to time or made in writing in connection herewith (except for the representation in Section 4.01(e) that no Event of Default or Potential Event of Default, Event of Termination or Potential Event of Termination has occurred and is continuing) shall survive the execution and delivery hereof and the purchase of Bonds by the Bank hereunder and shall continue in full force and effect until payment in full of all the obligations of the Issuer hereunder, it being understood that the agreements of the Issuer found in Sections 2.05, 2.06, 2.07 and 8.05 shall survive the termination of this Agreement and payment in full of such obligations.

**Section 8.12. Amendments to Rule 2a-7 of the Securities and Exchange Commission.** If Rule 2a-7 of the Securities and Exchange Commission promulgated under the Investment Company Act of 1940, as amended, is amended so that, (a) in the opinion of counsel to the Issuer, this Agreement must be amended in order for the Bonds to be considered to have a maturity of less than one year under such Rule 2a-7 and (b) the Remarketing Agent certifies in writing that the failure to so amend this Agreement will have an adverse effect on the marketability of the Bonds, then the Bank and the Issuer agree to negotiate in good faith to so amend this Agreement on or prior to the date on which the amendments to Rule 2a-7 are scheduled to be effective. If the Bank and the Issuer are unable to agree on such amendment, the Issuer shall have the right to replace the Bank in accordance with Section 8.09 hereof.

**Section 8.13. Beneficiaries.** This Agreement is not intended and shall not be construed to confer upon any Person other than the parties hereto and their successors and permitted assigns [and Participants] any rights or remedies hereunder provided that (a) the agreement of the Bank to purchase Bonds in accordance with the terms and conditions of this Agreement is made for the benefit of the Owners from time to time of the Bonds and (b) the Bond Insurer and the Trustee shall be third party beneficiaries of this Agreement.

**Section 8.14. Severability.** If any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

**Section 8.15. Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

**Section 8.16. Complete and Controlling Agreement.** This Agreement and the Related Documents completely set forth the agreements between the Bank and the Issuer and fully supersede all prior agreements, both written and oral, between the Bank and the Issuer relating to the matters set forth in this Agreement and such Related Documents.

**Section 8.17. Nature of Payment Obligation of Issuer.** Notwithstanding any other provision of this Agreement, all obligations of the Issuer to the Bank under this Agreement, including with respect to Liquidity Provider Bonds, are limited obligations of the Issuer payable solely from Revenues as provided in the 1991 Master Resolution. The amounts payable hereunder shall not in any manner or to any extent constitute general obligations of the City or of the State of California or any political subdivision of the State of California or a charge upon any general fund or upon any moneys or other property of the City or the State of California or of any political subdivision of the State of California not specifically pledged thereto by the 1991 Master Resolution or this Agreement, nor shall the faith and credit of the City or of the State of California or any political subdivision be pledged to the payment of amounts due hereunder.

**Section 8.18. No Personal Liability of Commission Members and Officials.** No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any present or future Commission member, official, officer, agent or employee of

the Issuer, in his or her individual capacity, and neither the Commission members, officers and employees of the Issuer, nor any person executing this Agreement, shall be liable personally hereunder or be subject to any personal liability or accountability by reason hereof.

**Section 8.19. City Contracting Requirements.** The Bank covenants with and represents to the Commission as follows:

(a) Nondiscrimination; Penalties.

(i) Nondiscrimination. In the performance of this Agreement, the Bank agrees not to discriminate against any employee, City employee working with or applicant for employment with the Bank in any of its operations within the United States or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by the Bank on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) Nondiscrimination in Benefits. The Bank does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(iii) Condition to Contract. As a condition to this Agreement, the Bank shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(iv) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this paragraph by reference and made a part of this Agreement as though fully set forth herein. The Bank shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Bank understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against the Bank and/or deducted from any payments due the Bank.

(b) Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Bank may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Agreement. The Bank agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Bank violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit the Bank from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Bank's use of profit as a violation of this section.

(c) Notification of Limitations on Contributions. Through execution of this Agreement, the Bank acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services or for the furnishing of any material, supplies or equipment to the City, whenever such transaction would require approval by a City elective officer of the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for the contract until the later of either (1) the termination of negotiations for such contract, or (2) three months after the date the contract is approved by the City elective officer or the board on which that City elective officer serves.

(d) MacBride Principles—Northern Ireland. The Commission urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1 *et seq.* The Commission urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

(e) Tropical Hardwood and Virgin Redwood. Pursuant to San Francisco Administrative Code Section 12I.5(b), the Commission urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood product, virgin redwood or virgin redwood product.

(f) Sunshine Ordinance. In accordance with San Francisco Administrative Code Section 67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the Commission and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

(g) Requiring Minimum Compensation for Covered Employees. The Bank agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance ("MCO"), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though

fully set forth. The text of the MCO is available on the web at <http://www.sfgov.org/oca/lwlh.htm>. Capitalized terms used in this paragraph and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, the Bank agrees to all of the following:

(i) For each hour worked by a Covered Employee during a Pay Period on work funded under this Agreement during the term of this Agreement, the Bank shall provide to the Covered Employee no less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the hourly gross compensation portion of the MCO, the Bank shall pay a minimum of \$10.51 an hour beginning January 1, 20\_\_, and a minimum of \$10.77 an hour beginning January 1, 2005 and for the remainder of the term of this Agreement; provided, however, that if the Bank is a Nonprofit Corporation or public entity, it shall pay a minimum of \$9 an hour for the term of this Agreement.

(ii) The Bank shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the Commission or the City with regard to such compliance or anticipated compliance with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participating in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.

(iii) The Bank understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by such party of the terms of this Agreement. The Commission, acting through the City's Contracting Department, shall determine whether such a breach has occurred.

(iv) If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, the Bank fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Bank fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the Commission, acting through the City's Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:

(1) The right to charge the Bank an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;

(2) The right to set off all or any portion of the amount described in subparagraph (iv) of this paragraph against amounts due to the Bank under this Agreement;

(3) The right to terminate this Agreement in whole or in part;

(4) In the event of a breach by the Bank of the covenant referred to in subparagraph (ii) of this paragraph (i), the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and



(5) The right to bar the Bank from entering into future contracts with the Commission for three years.

Each of the rights provided in this subparagraph (iv) shall be exercisable individually or in combination with any other rights or remedies available to the Commission. Any amounts realized by the Commission pursuant to this subparagraph (iv) shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

(v) The Bank represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(vi) The Bank shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Bank from the Commission, which communications are marked to indicate that they are to be distributed to Covered Employees.

(vii) The Bank shall provide reports to the Commission in accordance with any reporting standards promulgated by the Commission or the City under the MCO, including reports on subcontractors.

(viii) The Bank shall provide the Commission with access to pertinent records after receiving a written request from the Commission to do so and being provided at least five (5) business days to respond.

(ix) The Commission may conduct random audits of the Bank. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten (10) days of the written notice; and (iv) limited to one (1) audit of the Bank every two (2) years for the duration of this Agreement. Nothing in this Agreement is intended to preclude the Commission from investigating any report of an alleged violation of the MCO.

(x) Any subcontract entered into by the Bank shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this paragraph. A subcontract means an agreement between the Bank and a third party which requires the third party to perform all or a portion of the services covered by this Agreement. The Bank shall notify the City's Department of Administrative Services when it enters into such a subcontract and shall certify to the City's Department of Administrative Services that it has notified the subcontractor of the obligations under the MCO and has imposed the requirements of the MCO on the subcontractor through the provisions of the subcontract. It is the obligation of the Bank to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, the Commission may pursue any of the remedies set forth in this paragraph against the Bank.

(xi) Each Covered Employee is a third-party beneficiary with respect to the requirements of subparagraphs (i) and (ii) of this paragraph, and may pursue the following remedies in the event of a breach by the Bank of subparagraphs (i) and (ii), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. The Bank understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (i) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (ii) in the event of a breach by the Bank of subparagraph (i) or (ii), the right to seek reinstatement or to obtain other appropriate equitable relief; and (iii) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against the Bank arising from this Agreement, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. The Bank also understands that the MCO provides that if the Bank prevails in any such action, such party may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

(xii) If the Bank is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000 (\$50,000 for nonprofits), but the Bank later enters into an agreement or agreements that cause contractor to exceed that amount in a fiscal year, the Bank shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Bank and this department to exceed \$25,000 (\$50,000 for nonprofits) in the fiscal year.

(h) Requiring Health Benefits for Covered Employees. Unless exempt, the Bank agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/oca/lwlh.htm>. Capitalized terms used in this paragraph and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Bank shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Bank chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Bank is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with subparagraph (i) above.

(iii) The failure by the Bank to comply with the HCAO shall constitute a material breach by such party of this Agreement. The Commission shall notify the Authorized Officer of such party if a breach has occurred. If, within 30 days after receiving the

Commission's written notice of a breach of this Agreement for violating the HCAO, the Bank fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Bank fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the Commission shall have the right to pursue the remedies set forth in Section 12Q.5(f)(1-5). These remedies shall be exercisable individually or in combination with any other rights or remedies available to the Commission.

(iv) Any Subcontract entered into by the Bank shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this paragraph. The Bank shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the City's Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Bank shall be responsible for its Subcontractors' compliance with the HCAO. If a Subcontractor fails to comply, the Commission may pursue the remedies set forth in this paragraph against the Bank based on the Subcontractor's failure to comply, provided, that the Commission has first provided the Bank with notice and an opportunity to obtain a cure of the violation.

(v) The Bank shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the Commission or the City with regard to the non-compliance or anticipated non-compliance by the Bank with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Bank represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Bank shall keep itself informed of the current requirements of the HCAO.

(viii) The Bank shall provide reports to the Commission in accordance with any reporting standards promulgated by the Commission under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(ix) The Bank shall provide Commission with access to records pertaining to compliance with HCAO after receiving a written request from Commission to do so and being provided at least five business days to respond.

(x) The Commission may conduct random audits of the Bank to ascertain its compliance with HCAO. The Bank agrees to cooperate with Commission when it conducts such audits.

(xi) If the Bank is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but such party later enters into an agreement or agreements that cause the aggregate amount of all agreements by such party with Commission to reach \$75,000, all the agreements shall be thereafter subject to

the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Bank and the Commission to be equal to or greater than \$75,000 in the fiscal year.

(i) Airport Intellectual Property. Pursuant to Resolution No. 01-0118, adopted by the Commission on April 18, 2001, the Commission affirmed that it will not tolerate the unauthorized use of its intellectual property, including the SFO logo, CADD designs, and copyrighted publications. All proposers, bidders, contractors, tenants, permittees, and others doing business with or at the Airport (including subcontractors and subtenants) may not use the Airport intellectual property, or any intellectual property confusingly similar to the Airport intellectual property, without the Airport Director's prior consent.

(j) rotection of Private Information. The Provider has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Provider agrees that any failure of the Provider to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Agreement, bring a false claim action against the Provider pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Provider.

(k) Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Bank shall remove all graffiti from any real property owned or leased by the Bank in the City and County of San Francisco within forty eight (48) hours of the earlier of the Bank's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require the Bank to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under

the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

(l) Food Service Waste Reduction Requirements. The Bank agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, the Bank agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Bank agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Bank's failure to comply with this provision.

**Section 8.20. Enforcement by Trustee.** The Bank agrees that the Trustee may enforce the provisions of this Agreement on behalf of the Bondholders against the Bank. The Bank further agrees that if any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, as between the Bank and the Commission, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable as between the Bank and the Trustee, nor shall the same affect the Bank's rights and remedies hereunder, including, under certain circumstances, causing the mandatory tender of Bonds or terminating the obligation of the Bank to purchase Bonds as expressly provided herein.

**Section 8.21. Concerning the Trustee.** The Trustee is executing this Agreement solely in its capacity as Trustee under the Resolution.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement, effective as of the day and year first above written.

[BANK]

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

THE BANK OF NEW YORK TRUST  
COMPANY, N.A., as Trustee

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

AIRPORT COMMISSION OF THE  
CITY AND COUNTY OF SAN  
FRANCISCO, as Issuer

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

APPROVED AS TO FORM:

DENNIS J. HERRERA,  
City Attorney

By: \_\_\_\_\_  
Deputy City Attorney

## EXHIBIT A

### NOTICE OF PURCHASE

The undersigned, a duly authorized officer of The Bank of New York Trust Company, N.A. ("Trustee"), hereby certifies to [BANK] (the "Bank"), in accordance with the Standby Bond Purchase Agreement (the "Standby Purchase Agreement"), dated [DATE] among the Issuer, the Trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement or in the 1991 Master Resolution), that:

1. [Notice of tender of Eligible Bonds for purchase having a Purchase Price\* of \$\_\_\_\_\_ has been received] [Eligible Bonds having a Purchase Price of \$\_\_\_\_\_ have been called for mandatory purchase] pursuant to Section \_\_\_\_\_ of the 1991 Master Resolution, of which \$\_\_\_\_\_ constitutes principal and \$\_\_\_\_\_ constitutes accrued interest.

2. Amounts available for the payment of the Purchase Price of such Eligible Bonds are \$\_\_\_\_\_, of which \$\_\_\_\_\_ is available to pay principal and of which \$\_\_\_\_\_ is available to pay accrued interest.

3. The total principal amount requested hereby for the payment of the principal portion of the Purchase Price of Eligible Bonds is \$\_\_\_\_\_ which amount does not exceed the Available Principal Commitment or the principal amount referred to in paragraph 1 above less the principal amount referred to in 2 above.

4. The total amount requested hereby to pay the portion of the Purchase Price for Eligible Bonds constituting accrued interest is \$\_\_\_\_\_, which amount does not exceed the Available Interest Commitment or the amount of interest referred to in paragraph 1 above less the amount of interest referred to in paragraph 2 above.

5. Eligible Bonds referred to above having a Purchase Price of \$\_\_\_\_\_ [the amount in paragraph 3 plus the amount in paragraph 4] are hereby tendered to the Bank for purchase pursuant to the Standby Purchase Agreement on the date hereof.

6. Upon completion of purchase, the Trustee will [register such Bonds or, if a Bond for which notice of optional tender or mandatory purchase has been given is not delivered, a new Bond issued in replacement of the undelivered Bond, in the name of the Bank or if directed in writing by the Bank its nominee or designee on the Bond Register] [cause the beneficial ownership of such Bonds to be credited to the account of the Bank or if directed in writing by the Bank its nominee or designee with the DTC and register such Bonds in the name of the Bank or its nominee or designee on the Bond Register] [,and will promptly deliver such Bonds to the Custodian or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Bonds in trust for the benefit of the Bank.]

7. The Purchase Date is \_\_\_\_\_.

\* No accrued interest will be included in the Purchase Price if the Purchase Date is an Interest Payment Date.

8. The purchase price for the Bonds is to be paid to the Trustee as follows:

9. To the Trustee's knowledge, no Event of Termination or Potential Event of Termination has occurred and is occurring.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

THE BANK OF NEW YORK TRUST  
COMPANY, N.A.,  
Trustee

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_



**EXHIBIT B**

**NOTICE OF TERMINATION**

The undersigned, \_\_\_\_\_, a duly authorized officer of [BANK] (the "Bank"), hereby notifies the Trustee, the Bond Insurer, the Remarketing Agent and the Issuer, each as defined in the Standby Bond Purchase Agreement (the "Standby Purchase Agreement"), dated [DATE], among the Airport Commission of the City and County of San Francisco, a charter city and county duly organized and existing under the laws of the State of California, the Trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement), that this notice constitutes a "Notice of Termination" in accordance with Section 7.03(b) of the Standby Purchase Agreement as a result of an Event of Termination specified in Section 7.01\_\_\_\_\_ or an Event of Default specified in Section 7.02\_\_\_\_\_. The Available Commitment and Purchase Period shall terminate on \_\_\_\_\_, which date is not earlier than thirty (30) days from the date of receipt of this notice by the Trustee.

[BANK]

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**EXHIBIT C**

**NOTICE OF EXTENSION**

The undersigned, a duly authorized officer of [BANK] (the "Bank"), hereby notifies the Trustee, the Bond Insurer, the Remarketing Agent and the Issuer, each as defined in the Standby Bond Purchase Agreement (the "Standby Purchase Agreement"), dated [DATE], among the Airport Commission of the City and County of San Francisco, a charter city and county duly organized and existing under the laws of the State of California, the Trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Purchase Agreement), that effective upon the Issuer's acceptance as indicated by its signature below, the Stated Expiration Date has been extended from \_\_\_\_\_ to \_\_\_\_\_.

[BANK]

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

## EXHIBIT D

### FORM OF CUSTODY AGREEMENT

CUSTODY AGREEMENT dated [DATE], by and between THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America (the "Custodian") and [BANK], a \_\_\_\_\_ (the "Bank").

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Issuer"), The Bank of New York Trust Company, N.A. as Trustee (the "Trustee," which term shall include any successor thereto appointed pursuant to the terms of the 1991 Master Resolution as defined below) and the Bank have entered into a certain Standby Bond Purchase Agreement dated as of the date hereof (as amended or otherwise modified from time to time, the "Agreement") pursuant to which the Bank has agreed to purchase in certain circumstances the Issuer's \$\_\_\_\_,000,000 San Francisco International Airport Second Series Variable Rate Revenue Refunding Bonds, Issue \_\_\_\_ (hereinafter referred to as the "Bonds"); and

WHEREAS, the Bonds were issued pursuant to Resolution No. 91-0210, adopted by the Commission on December 3, 1991 (the "1991 Resolution"), as supplemented and amended by, among other resolutions, Resolution No. 98-0114, adopted by the Commission on May 19, 1998 (the "Seventh Supplemental Resolution"), Resolution No. 02-0010, adopted by the Commission on January 8, 2002 (the "Tenth Supplemental Resolution"), Resolution No. 03-0219, adopted by the Commission on October 21, 2003 (as supplemented and amended, the "Eleventh Supplemental Resolution"), Resolution No. 04-0220, adopted by the Commission on November 2, 2004 (the "Twelfth Supplemental Resolution"), Resolution No. 05-0182, adopted by the Commission on October 11, 2005, as amended by Resolution Nos. 07-0267 and 08-0045, adopted by the Commission on December 18, 2007 and March 4, 2008, respectively, and Resolution No. \_\_\_\_\_, adopted by the Commission on \_\_\_\_\_, 20\_\_, as amended (collectively the "Sale Resolution") and the Certificate of Additional Terms of the Commission dated \_\_\_\_\_, 20\_\_ (the "Certificate of Additional Terms") (such 1991 Resolution as supplemented and amended, including by the Seventh Supplemental Resolution, the Tenth Supplemental Resolution, the Eleventh Supplemental Resolution, the Twelfth Supplemental Resolution, the Sale Resolution and the Certificate of Additional Terms, being referred to herein as the "1991 Master Resolution"); and

WHEREAS, the 1991 Master Resolution requires that the Bonds delivered by the Owners thereof to the Trustee be purchased under certain circumstances by the Bank under this Agreement; and

WHEREAS, it is a condition to the effectiveness of the Bank's obligations under the Agreement that the Custodian shall have entered into this Custody Agreement; and

WHEREAS, the Custodian has agreed to act as custodian and agent for the Bank as herein provided;

NOW, THEREFORE, in consideration of the mutual covenants recited herein, and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby agreed as follows:

(a) The Bank appoints the Custodian as its agent and bailee for the purpose of receiving Liquidity Provider Bonds (as defined in this Agreement) under this Agreement and holding such Liquidity Provider Bonds for and on behalf of the Bank. The Custodian hereby agrees to hold such Liquidity Provider Bonds for such purpose, as the Bank's agent and bailee. As used herein, the term "Liquidity Provider Bonds" means, unless the context otherwise requires, the beneficial ownership of such Liquidity Provider Bonds during any period that Liquidity Provider Bonds are maintained as Book Entry Bonds.

(b) Except at the written direction of the Bank, the Custodian shall not pledge, hypothecate, transfer or release possession of any Liquidity Provider Bonds held by or registered in the name of the Custodian on behalf of the Bank to any person or in any manner not in accordance with this Custody Agreement and shall not enter into any other agreement regarding possession of Liquidity Provider Bonds without the prior written consent of the Bank. The Custodian will not release Liquidity Provider Bonds to the purchaser of such Liquidity Provider Bonds unless the Bank has delivered to the Custodian, in addition to its written direction contemplated above in this paragraph, written notice (which may be by telex, answerback received) that a portion of the Available Principal Commitment (as defined in this Agreement) in an amount equal to the principal amount of such Liquidity Provider Bonds has been reinstated.

(c) Upon written notice to the Bank and release and delivery to the Bank or its designee of any Liquidity Provider Bonds then held by the Custodian pursuant to this Custody Agreement, the Custodian shall have the right to terminate its obligations with respect to such Liquidity Provider Bonds under this Custody Agreement. The Bank shall have the option to terminate this Custody Agreement at any time upon written notice to the Custodian and, upon such termination, the Custodian will release and deliver to the Bank or its designee any Liquidity Provider Bonds then held by the Custodian hereunder. The Bank may also from time to time request that the Custodian release and deliver to the Bank all or a portion of the Liquidity Provider Bonds then held by the Custodian without termination of this Custody Agreement, and upon receipt of any such request in writing, the Custodian will release and deliver such Liquidity Provider Bonds to the Bank or its designee then held by the Custodian.

(d) In acting under this Custody Agreement the Custodian shall not be liable to the Bank except for negligence or willful misconduct in the performance of its obligations hereunder.

(e) The Custodian's duties are only such as are specifically provided herein, and the Custodian shall incur no fiduciary or other liability whatsoever to the Bank or any other person, except to the extent the Bank incurs loss or liability due to the Custodian's gross negligence or willful misconduct. The Custodian may consult with counsel and shall be fully protected in any action taken in good faith in accordance with such advice. The Custodian may rely conclusively and shall be fully protected in acting upon any written instructions given to it hereunder and believed by it to have been properly executed.

(f) The Custodian may resign at any time by giving written notice thereof to the Bank. Such resignation shall not become effective until a successor Custodian shall have been appointed by the Bank and shall have accepted such appointment in writing. The resigning Custodian may, at the expense of the Issuer, petition any court of competent jurisdiction, including the Supreme Court of the State of New York, for the appointment of a successor Custodian.

(g) This Custody Agreement cannot be amended or modified except in a writing signed by the Bank and the Custodian.

(h) This Custody Agreement shall inure to the benefit of and shall be binding upon the Custodian and the Bank and their respective successor and assigns.

(i) This is the Custody Agreement referred to in the Agreement, and shall be governed by and construed in accordance with the laws of the State of New York, giving effect to conflicts of laws provisions.

(j) This Custody Agreement may be executed in counterparts which, taken together, shall constitute a single document.

(k) All capitalized terms used in this Custody Agreement and not otherwise defined shall have the meaning ascribed thereto in the Agreement.

IN WITNESS WHEREOF, the parties have hereunder set their hands, all as of the date first above written.

THE BANK OF NEW YORK TRUST  
COMPANY, N.A., as Custodian

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

[BANK]

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**SCHEDULE I**

Mandatory Sinking Fund  
Redemption Date  
(May 1)

Mandatory Sinking Fund  
Payment

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**MEMORANDUM**

October 5, 2010

10-0307

OCT 05 2010

**TO:** AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns  
Hon. Richard J. Guggenhime

**FROM:** Airport Director

**SUBJECT:** Bond Resolution Consolidating Prior Commission Resolutions Regarding the Airport's Bonds, Authorizing Additional Airport and SFO Fuel Company LLC Bonds, and Authorizing Certain Other Debt-Related Matters

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

GAVIN NEWSOM  
MAYOR

LARRY MAZZOLA  
PRESIDENT

LINDA S. CRAYTON  
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN  
AIRPORT DIRECTOR

**DIRECTOR'S RECOMMENDATION: APPROVE BOND RESOLUTION CONSOLIDATING PRIOR COMMISSION AUTHORIZATIONS AND APPROVALS INTO A SINGLE BOND RESOLUTION, AUTHORIZING ADDITIONAL AIRPORT AND SFO FUEL COMPANY LLC BONDS TO REALIZE DEBT SERVICE SAVINGS, AND AUTHORIZING CERTAIN OTHER DEBT-RELATED MATTERS**

Executive Summary

The attached Bond Resolution (the "Omnibus Resolution") confirms and extends a number of prior authorizations of the Commission with respect to the Commission's bonds. Its purpose is to consolidate Commission authorizations and approvals that are currently scattered through more than two dozen other resolutions and resolution amendments into a single resolution. This consolidation will eliminate the need for Airport staff and the Airport's financial and legal advisors to sift through numerous resolutions in order to identify and confirm that any particular authorization is in place, and that the terms of that authorization are being observed. In addition, the Omnibus Resolution increases the authorized principal amount of Refunding Bonds that may be issued by the Airport by \$1.6 billion. It also authorizes the issuance of special facility revenue bonds by the Airport to finance or refinance the Airport's fuel distribution system and any capital improvements undertaken by SFO Fuel Company LLC. Prior to issuance of a specific series of bonds, I will come back to the Commission for approval of a Bond Sale Resolution. The Airport's Financial Advisory Committee has reviewed and approved this course of action.

### Refunding Bonds Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Refunding Resolutions") authorizing the issuance from time to time of refunding bonds to refinance the Commission's outstanding debt (the "Refunding Bonds"). The Airport has issued approximately \$5.8 billion of Refunding Bonds pursuant to the Refunding Resolutions, which has resulted in debt service savings of about \$262 million to date, and has allowed the Airport to reduce its counterparty and liquidity provider exposure, to increase the proportion of cash in its debt service reserve funds, and to reduce its exposure to mandatory tenders. There are approximately \$997 million of Refunding Bonds that remain authorized, but unissued pursuant to the Refunding Resolutions. The Omnibus Resolution authorizes the issuance of an additional \$1.6 billion of Refunding Bonds which may be issued over the next two years to realize debt service savings or for other purposes. I will come back to the Commission to approve the sale of individual series of Refunding Bonds.

### Tender Offer Refunding Bonds Authorization

The Omnibus Resolution confirms the prior resolution of the Commission (the "Tender Resolution") authorizing the issuance and sale from time to time of Tender Refunding Bonds to refinance outstanding debt of the Commission ("Tender Refunding Bonds"). A Tender Refunding involves the solicitation of current owners of the Airport's outstanding bonds to tender their bonds for purchase by the Airport from the proceeds of Refunding Bonds issued for that purpose. The Airport has issued approximately \$133 million of Tender Refunding Bonds pursuant to the Tender Resolution. There are approximately \$467 million of Tender Refunding Bonds that remain authorized, but unissued pursuant to the Tender Resolution. The Omnibus Resolution does *not* increase this authorization.

### Variable Rate Bonds Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission authorizing the issuance from time to time of Variable Rate Bonds by the Airport ("Variable Rate Bonds"). The Airport has issued \$1.46 billion of Variable Rate Bonds, which has resulted in debt service savings of about \$80 million to date. The Master Bond Resolution, as supplemented and amended, permits a series of bonds to be issued as Variable Rate Bonds or fixed rate bonds, as approved by the Commission.

The Omnibus Resolution also confirms the prior resolution of the Commission (the "Conversion Bonds Resolution") authorizing the issuance and sale of Variable Rate Bonds (the "Conversion Bonds") for the purpose of converting outstanding bonds bearing interest at rates subject to the federal alternative minimum tax into bonds bearing interest that is free of the alternative minimum tax. These conversions were authorized by the 2009 federal stimulus legislation ("American Recovery and Revitalization Act.") The Airport has issued approximately \$530 million of Conversion Bonds pursuant to the Conversion Bonds Resolution. There are approximately \$20 million of Conversion Bonds which remain authorized, but unissued pursuant to the Conversion Bonds Resolution. The Omnibus Resolution does *not* increase this authorization.

#### Bond Anticipation Notes Authorization

The Omnibus Resolution confirms the prior resolution of the Commission (the "BANs Resolution") authorizing the issuance from time to time of up to \$400 million of Bond Anticipation Notes ("BANs") to provide interim financing in lieu of, or in addition to, the Airport's Commercial Paper Program. The Airport has not yet issued any BANs, so the full authorization of \$400 million remains unissued. The Omnibus Resolution does *not* increase this authorization.

#### Capital Plan Bonds Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Capital Plan Bonds Resolution") authorizing the issuance from time to time of \$718 million of bonds to finance capital projects at the Airport (the "Capital Plan Bonds"). The Airport has issued approximately \$614.3 million of Capital Plan Bonds pursuant to the Capital Plan Bonds Resolution, leaving approximately \$103.7 million of these Bonds that remain authorized, but unissued pursuant to the Capital Plan Bonds Resolution. The Omnibus Resolution does *not* authorize the issuance of any additional Capital Plan Bonds.

#### Commercial Paper Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Commercial Paper Resolutions") authorizing the issuance from time to time of up to \$400 million outstanding at any time of commercial paper to finance and refinance capital projects and other expenditures at the Airport (the "Commercial Paper"). The Omnibus Resolution does *not* increase the authorized amount of Commercial Paper. Commercial Paper is issued as needed to meet the Airport's cash flow needs.

#### Credit Facilities Authorizations

The Omnibus Resolution confirms the prior resolution of the Commission (the "Credit Facilities Resolution") authorizing the Airport Director to obtain credit and liquidity facilities with respect to the Commission's bonds (the "Credit Facilities"). The Omnibus Resolution reauthorizes various types of Credit Facilities, such as standby bond purchase agreements, letters of credit, municipal bond insurance and reserve account surety policies, which have previously been authorized under numerous different resolutions, and approves the forms of agreements relating to these Credit Facilities. I will come back to the Commission for approval of individual standby bond purchase agreements and letter of credit agreements.

#### Related Document and Agreement Authorizations

The Omnibus Resolution reauthorizes various other documents and agreements, including disclosure documents, continuing disclosure agreements and certain investment agreements that have previously been authorized in connection with the Commission's bonds.

### Swap Transaction Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Swap Resolutions") authorizing the execution, amendment, termination and replacement from time to time of interest rate swap transactions (the "Swap Transactions"). The Airport has executed an outstanding \$585 million notional amount of Swap Transactions pursuant to the Swap Resolutions. I do not anticipate the execution of any new Swap Transactions (other than replacement transactions, in the event any remaining swap providers experience further deterioration in their credit ratings). The Omnibus Resolution does *not* authorize the execution of any additional notional amount of Swap Transactions. The Omnibus Resolution does authorize the posting of collateral by the Commission with respect to outstanding Swap Transactions in lieu of terminating that Swap Transaction, in which event the Commission may be responsible for a sizable swap termination payment.

### Other Authorizations

The Omnibus Resolution includes authorizations of various other related matters, including the removal and replacement of various parties to agreements otherwise authorized by the Commission, the selection of parties with which to enter into authorized agreements, the termination and amendment of existing agreements, compliance with applicable Federal tax laws, the changing of the interest period or mode on outstanding Variable Rate Bonds to any other interest period or mode permitted under the Master Bond Resolution, and the remarketing of such outstanding Variable Rate Bonds in a new interest period or mode, and with new terms.

### SFO Fuel Bonds Authorization

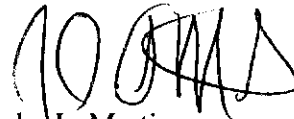
The Omnibus Resolution authorizes the issuance of up to an additional \$125 million of special facility revenue bonds ("Special Facility Bonds") to finance and refinance the Airport's fuel distribution system and additional capital projects undertaken by SFO Fuel Company LLC, which leases and operates the Airport's fuel storage and distribution system. This is the same principal amount previously authorized and issued by the Commission in 1997 and 2000. While these bonds would be payable from the SFO Fuel lease payments and not from general Airport revenues, the Omnibus Resolutions authorize the Airport Director to include additional covenants and undertakings by the Commission to further secure the payment of such Bonds, including covenants to (1) relet the fuel distribution and storage system and related facilities for the benefit of bondholders upon the occurrence of an event of default, (2) refund the Special Facility Bonds with general Airport revenue bonds upon the occurrence of an event of default, (3) pay all or a portion of debt service on the Special Facility Bonds from general Airport revenues upon the failure of SFO Fuel Company LLC to do so, and (4) replenish the debt service reserve account for the Special Facility Bonds from general Airport revenues following a draw thereon. The covenants described in clauses (2), (3) and (4) would require the approval of a majority-in-interest of the airlines that are signatory to the Airport's new Lease and Use Agreement that takes effect on July 1, 2011. The Omnibus Resolution also authorizes the

execution of certain agreements necessary for the issuance of such bonds, and any necessary amendments in connection with such bonds to the lease agreement between the Commission and SFO Fuel Company.

Board of Supervisors Approval

Upon Commission approval, Airport staff will calendar the Omnibus Resolution for approval by the Board of Supervisors.

I recommend that the Commission adopt the attached Omnibus Resolution.



John L. Martin  
Airport Director

Prepared by: Leo Fermin  
Deputy Airport Director  
Business and Finance

Attachment

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0306

AUTHORIZATION TO SOLICIT PROPOSALS TO PROVIDE BOND  
UNDERWRITING AND RELATED SERVICES IN CONNECTION WITH THE  
AIRPORT'S FINANCING PROGRAM

WHEREAS, the Commission currently has \$4.38 billion in General Airport Revenue Bonds outstanding; and

WHEREAS, the Commission seeks to identify ways to reduce its annual debt service costs; and

WHEREAS, the Commission desires to evaluate, and may seek to utilize, a range of financing methods, including but not limited to Current Refundings, Advanced Refundings, Forward Refundings, and;

WHEREAS, the Commission desires to evaluate, and may seek to utilize, a range of financing methods, including but not limited to General Airport Revenue Bonds, Airport Special Facility Financings, Airport PFC-Backed or Similar Financings, Airport Refunding Bond Financings, Airport Variable Rate Bond Financings (including VRDBs and Auction Rate), Municipal Interest Rate and Related Swap Transactions, and Commercial Paper; and

WHEREAS, the Commission may undertake one or more Special Facility Financings involving Structured Investment Products (including Forward Purchase and Sale Agreements), Other Types of Potential Airport-Related Financings (including Tender Refundings, Hotel Financings and Private Placements), and Leveraged Lease, Cross-Border Sale-Leaseback and similar financings; and

WHEREAS the Commission may undertake one or more Special Facility Financings involving SFO FUEL Company, LLC, or other entities, or debt financings for on-Airport facilities; and

WHEREAS, the implementation of any of these financing methods may require the use of investment underwriter banks or other financial institutions to provide investment underwriter banking and related services on a negotiated basis; and

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

WHEREAS, the Commission has previously authorized the execution and delivery of certain agreements related to the 1991 Resolution Bonds and the Subordinate Bonds, and further desires to ratify, approve and confirm such other authorizations; and

WHEREAS, the Commission has previously authorized the issuance of certain special facilities revenue bonds for the benefit of SFO FUEL Company LLC (the "Special Facilities Bonds"), and now desires to authorize the issuance of additional such Special Facilities Bonds to refund the outstanding bonds and for other lawful purposes; now, therefore be it,

RESOLVED, that this Commission authorize the following:

Section 1. Defined Terms. Capitalized terms used but not otherwise defined in this Resolution shall have the meanings set forth in the 1991 Resolution. The resolutions ratified, approved and confirmed by this Resolution are referred to herein collectively as the "Ratified Resolutions." The 1991 Resolution Bonds, the Subordinate Bonds and the Special Facilities Bonds are collectively referred to herein as the "Bonds."

Section 2. Capital Plan Bonds. The Commission, by Resolution No. 08-0035, adopted on February 19, 2008, and Resolution No. 09-0137 adopted on June 2, 2009, respectively (collectively, as supplemented and amended, the "Capital Plan Bond Resolutions"), authorized the issuance of up to \$718,000,000 aggregate principal amount of Capital Plan Bonds for the purposes set forth therein. The Commission has previously issued \$614,260,000 of such Capital Plan Bonds, and \$103,740,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Capital Plan Bond Resolutions and such remaining authorization, and such resolutions shall remain in full force and effect except as modified by this Resolution.

Section 3. Refunding Bonds. The Commission, by Resolution No. 98-0114, adopted on May 19, 1998, as supplemented and amended (the "Seventh Supplemental Resolution"), including by Resolution No. 02-0010, adopted on January 8, 2002 (the "Tenth Supplemental Resolution"), Resolution No. 03-0220, adopted on October 21, 2003 (the "Eleventh Supplemental Resolution"), Resolution No. 04-0220, adopted on November 2, 2004 (the "Twelfth Supplemental Resolution"), Resolution No. 05-183, adopted on October 11, 2005 (as amended by its Resolution No. 07-0043, adopted on February 20, 2007), Resolution No. 08-0152, adopted on August 19, 2008 (the "Fourteenth Supplemental Resolution,"), and Resolution No. 08-0185, adopted on October 7, 2008 (each as supplemented and amended collectively, the "Refunding Bond Resolutions"), authorized the issuance of Refunding Bonds in various principal amounts, of which \$997,345,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Refunding Bond Resolutions and such remaining authorization, and such resolutions shall remain in full force and



AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

effect except as modified by this Resolution. The Commission increases such unissued authorization by \$1.6 billion to \$2,597,345,000.

Section 4. Tender Refunding Bonds. The Commission, by Resolution No. 09-0087, adopted on May 5, 2009 (the "Tender Bonds Resolution"), authorized the issuance of up to \$600,000,000 aggregate principal amount of Tender Refunding Bonds pursuant to the Refunding Bonds Resolutions, of which \$467,085,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Tender Bonds Resolution and such remaining authorization, and such resolutions shall remain in full force and effect except as modified by this Resolution. Refunding Bonds authorized to be issued under any other Resolution may be issued under and pursuant to the Tender Bonds Resolution.

Section 5. Variable Rate Bonds.

(a) AMT Conversions. The Commission, by Resolution No. 09-0059, adopted on March 31, 2009 (as supplemented and amended, the "Variable Rate Refinancing Resolution"), authorized the issuance of up to \$550,000,000 aggregate principal amount of Variable Rate Bonds for the purpose of converting the interest on outstanding Variable Rate Bonds from rates which are subject to the alternative minimum tax to rates which are not, of which \$20,150,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Variable Rate Refinancing Resolution and such remaining authorization, and such resolutions shall remain in full force and effect except as modified by this Resolution. 1991 Resolution Bonds authorized to be issued under any other Resolution may be issued under and pursuant to the Variable Rate Refinancing Resolution.

(b) Interest Period and Mode Changes. The Airport Director, for and on behalf of and in the name of the Commission, is authorized and directed to execute and deliver such documents and take such actions as may be necessary or desirable and in the best interests of the Airport and not otherwise inconsistent with the purposes of this Resolution and the adopted policies of the Commission to change, from time to time, the Interest Period or Mode on all or any portion of outstanding Variable Rate Bonds to any other Interest Period or Mode permitted under the 1991 Resolution, and to cause the remarketing of such outstanding Variable Rate Bonds in the new Interest Period or Mode. In connection therewith the Airport Director is authorized, for an on behalf of and in the name of the Commission, to makes such changes to the terms of such Variable Rate Bonds as the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, may deem necessary or desirable and in the best interests of the Airport, including without limitation to the terms of any debt service reserve account which secures such Variable Rate Bonds.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

Such remarketings shall not constitute a refunding of such Variable Rate Bonds for purposes of this Resolution or the Ratified Resolutions, nor shall it constitute a new "issue" of 1991 Resolution Bonds for purposes of the Charter.

Section 6. Bond Anticipation Notes. The Commission, by Resolution No. 9-0138, adopted on June 2, 2009 (as supplemented and amended, the "BANs Resolutions"), authorized the issuance of up to \$400,000,000 aggregate principal amount of 1991 Resolution Bonds as Bond Anticipation Notes to provide interim financing in lieu of or in addition to the Airport's Commercial Paper program, of which \$400,000,000 remains authorized but unissued. The Commission ratifies, approves and confirms the BANs Resolution and such remaining authorization, and such resolution shall remain in full force and effect except as modified by this Resolution. 1991 Resolution Bonds authorized to be issued under any other Resolution may be issued under and pursuant to the BANs Resolution.

Section 7. Terms of 1991 Resolution Bonds. Anything in the 1991 Resolution to the contrary notwithstanding, 1991 Resolution Bonds, including without limitation the Capital Plan Bonds, the Refunding Bonds, the Tender Refunding Bonds, Variable Rate Bonds, BANs and the Infrastructure Bonds, may be issued as either fixed rate or variable rate bonds pursuant to the Infrastructure Bonds Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution or the Eleventh Supplemental Resolution, as appropriate; in such Series and sub-Series and with such reserve account requirements, if any, as the Airport Director shall determine; *provided, however*, that (i) no 1991 Resolution Bond shall bear interest at a rate in excess of (A) eighteen percent (18%) per annum if issued as a Variable Rate Bond (other than any such 1991 Resolution Bonds held by a Credit Provider or Liquidity Provider), (B) sixteen percent (16%) per annum if issued as taxable fixed rate 1991 Resolution Bonds, or (C) twelve percent (12%) per annum if issued as tax-exempt fixed rate 1991 Resolution Bonds; (ii) the final maturity of any 1991 Resolution Bond shall not be later than forty (40) years from the date of issuance thereof; and (iii) the maturity schedule for each Series thereof shall not result in an increase in aggregate Annual Debt Service of more than the greater of ten percent (10%) or \$35,000,000 in any Fiscal Year unless the Airport Director determines, upon consultation with the Commission's financial advisors, that it is necessary or desirable and in the best interests of the Airport to do so. Unless otherwise determined by the Airport Director, any Series and sub-Series of 1991 Resolution Bonds sold and/or issued and delivered on the same date shall constitute part of the same "issue" for purposes of the Charter.

Section 8. Subordinate Bonds – Commercial Paper Notes. The Commission, by Resolution No. 09-0088, adopted on May 5, 2009, under and pursuant to Resolution No. 97-0146, adopted on May 20, 1997, as supplemented and amended, including

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without limitation by Resolution No. 97-0148, adopted on May 20, 1997, Resolution No. 99-0299, adopted on September 21, 1999, Resolution No. 99-0300, adopted on September 21, 1999, and Resolution No. 09-0088, adopted by the Commission on May 5, 2009, (collectively, the "Commercial Paper Resolutions") authorized the issuance and reissuance from time to time of up to \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of Commercial Paper for the purposes of financing and refinancing various Airport expenditures. The Commission ratifies, approves and confirms the Commercial Paper Resolutions and such authorizations, and such resolutions shall remain in full force and effect except as modified by this Resolution.

Section 9. Credit and Liquidity Facilities. The Commission, by Resolution No. 09-0089, adopted on May 5, 2009 (the "Credit Facilities Resolution"), the Commission authorized the Airport Director to obtain certain credit and liquidity facilities with respect to 1991 Resolution Bonds and Subordinate Bonds, including without limitation the Commercial Paper Notes. The Commission ratifies, confirms and approves the Credit Facilities Resolution, and such resolution shall remain in full force and effect except as modified by this Resolution.

(a) Standby Bond Purchase Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more banks or other financial institutions, including private or governmental entities, whose ratings shall be in the three highest ratings categories (without regard to subcategories) of at least two Ratings Agencies ("Banks") to provide one or more Standby Bond Purchase Agreements ("Standby BPAs") to pay or secure the payment of the principal and/or purchase price of and interest and/or redemption premium on 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more Standby BPAs with such Banks in substantially the form presented to and on file with the Secretary of the Commission, with such changes thereto as may be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

(b) Letters of Credit. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more Banks to provide one or more Letters of Credit ("LOCs") to pay and/or secure the payment of the principal and/or purchase price of an interest and/or redemption premium on 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more LOC Agreements with such Banks in substantially the form presented to and on file with the Secretary of the Commission, with such changes thereto as may be approved by

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the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

(c) Bond Insurance. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more Bond Insurers whose ratings shall be in the three highest ratings categories (without regard to subcategories) of at least two Ratings Agencies to provide Bond Insurance to secure the payment of the principal and/or purchase price of and interest and/or redemption premium on 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more commitments or other agreements with such Bond Insurers in such form as may be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

(d) Reserve Account Surety Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more Bond Insurers to fund up to the amount required to be deposited in the applicable reserve account with respect to any 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more reserve account surety bonds or insurance policies ("Surety Agreements") in substantially the form presented to and on file with the Secretary of the Commission, with such changes thereto as may be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

Section 10. Disclosure Documents. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to cause the preparation of one or more preliminary, final and supplemental Official Statements, Offering Memoranda, Private Placement Memoranda or other disclosure documents, and amendments and supplements thereto (collectively, "Disclosure Documents"), with respect to the issuance, sale, and remarketing from time to time of 1991 Resolution Bonds and Subordinate Bonds. The underwriters, placement agents, remarketing agents, dealers and other similar parties are authorized to distribute such Disclosure Documents as the Airport Director may approve upon consultation with the City Attorney, the Airport's financial advisors, disclosure counsel and bond counsel, such approval to be evidenced conclusively by the delivery of such Disclosure Documents. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to certify that each Disclosure Document is, as of its date, "deemed final" by the Commission within the meaning of and to the extent required by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12").

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Section 11. Continuing Disclosure.

(a) Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to certify and agree on behalf of the Commission to provide certain financial information and operating data of the Commission annually and notices of certain events, if material, pursuant to Rule 15c2-12(b)(5) (unless an exemption from the Rule applies) and to execute and deliver one or more continuing disclosure certificates or agreements for the benefit of the underwriters and the holders and beneficial owners of the 1991 Resolution Bonds, Subordinate Bonds and Special Facilities Bonds in such forms as shall be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors, disclosure counsel and bond counsel, such approval to be conclusively evidenced by the execution and delivery of such certificate or agreement.

(b) Remedies. The Commission covenants and agrees for the benefit of the underwriters, purchasers and holders from time to time of its 1991 Resolution Bonds, Subordinate Bonds and Special Facilities Bonds, respectively, to comply with and carry out all of the provisions of any continuing disclosure certificate or agreement executed and delivered in connection with the issuance thereof, as it may be amended from time to time in accordance with its terms; *provided*, that failure of the Commission to comply with any Continuing Disclosure Agreement shall not be considered an Event of Default with respect to the related Bonds; *provided, however*, that the trustee, fiscal agent, dissemination agent or other similar third party may (and at the written request of the holders of at least 25% of the aggregate principal amount of the related Bonds shall) or any holder or beneficial owner of such 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 thereunder.

Section 12. Swap Transactions.

(a) Reauthorization. The Commission, by Resolution No. 04-0219, adopted on November 2, 2004 and Resolution No. 05-0184, adopted on October 11, 2005, as supplemented and amended (collectively, the "Swap Resolutions") authorized the execution of certain interest rate swap transactions ("Swap Transactions") in the aggregate notional amounts of \$205,100,000 and \$405,000,000, respectively, in connection with the issuance by the Airport of Refunding Bonds as Variable Rate Bonds. The Commission has previously executed total initial aggregate notional amounts of Swap Transactions pursuant to the Swap Resolutions of \$199,900,000 and 385,460,000], respectively, under the Swap Resolutions, leaving remaining authorizations of \$5,200,000 and \$19,540,000, respectively. The Commission

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ratifies, approves and confirms the Swap Resolutions, the remaining authorizations thereunder and the findings and determinations therein, and such resolutions shall remain in full force and effect except as modified by this Resolution.

(b) Authorization of Collateral Posting. In connection with a Swap Transaction, the Airport Director, for and on behalf of and in the name of the Commission, is authorized to obligate the Airport to post collateral, as and to the extent necessary or desirable and in the best interests of the Airport, pursuant to the provisions of a Credit Support Annex.

(c) Maximum Rate. The maximum fixed interest rate the Commission shall be obligated to pay with respect to any Swap Transaction shall not exceed twelve percent (12%) per annum.

Section 13. Forward Purchase and Sale Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to invest and to direct the Trustee to invest amounts on deposit in any debt service reserve account, debt service account or construction account with respect to any 1991 Resolution Bonds, Subordinate Bonds or Special Facilities Bonds from time to time in Permitted Investments, including without limitation pursuant to one or more Forward Purchase and Sale Agreements, substantially in the form presented to and on file with the Secretary of the Commission, with such changes therein as shall be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be conclusively evidence by the execution and delivery of such Agreements. The party to each such Agreement with the Commission shall be a bank or financial institution rated in the three highest rating categories (without regard to subcategories) by at least two Rating Agencies.

Section 14. Removal and Replacement of Other Parties. The underwriters, Trustees, Escrow Agents, Remarketing Agents, Dealers, Credit and Liquidity Facility Providers, Banks, Bond Insurers, Swap counterparties, investment providers and other parties appointed or selected pursuant to this Resolution and the Ratified Resolutions (collectively, "Other Parties") may be appointed, selected, removed, replaced, substituted, re-appointed or otherwise changed at such times as the Airport Director shall determine from time to time in his discretion. The Airport Director is authorized, for and on behalf of and in the name of the Commission, to execute and deliver new agreements with such Other Parties in substantially the same form as the agreement with the party removed, replaced, substituted or otherwise changed, with such changes thereto as the Airport Director shall determine are necessary or desirable and in the best interests of the Airport and consistent with the functions and responsibilities of such parties and the rights and remedies of the Commission, upon

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consultation with the City Attorney, the Airport's financial advisors and bond counsel, which approval shall be conclusively evidence by the execution and delivery of such agreements.

Section 15. Selection of Other Parties. If and to the extent practicable in the determination of the Airport Director, the Airport Director shall select Other Parties through a competitive selection process in accordance with the policies and procedures of the Commission, including without limitation from a pool of such Other Parties previously pre-qualified by the Commission to serve in such capacities.

Section 16. Termination and Amendment of Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to terminate and to enter into amendments, modifications, supplements and extensions to the various agreements authorized and approved pursuant to this Resolution and the Ratified Resolutions; *provided*, that such amendments, modifications and supplements shall not materially increase the obligations of the Commission thereunder or materially reduce the Commission's rights and remedies thereunder without the approval of the Commission. Such amendments, supplements and extensions shall be in such form as the Airport Director may approve, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be conclusively evidence by the Airport Director's execution and delivery thereof.

Section 17. Federal Tax Law Matters.

(a) TEFRA Hearings and Approvals. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to cause the conduct of such hearings and to obtain such approvals from the Mayor or the Board of Supervisors of the City as the Airport Director shall determine is necessary or desirable in order to satisfy the public hearing and approval requirements under Section 147(f) of the Code with respect to the financing of Airport expenditures from the proceeds of tax-exempt Bonds.

(b) Official Intent to Reimburse. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to determine and officially declare that expenditures for Airport-related purposes from sources other than Bond proceeds are expected and intended to be reimbursed from proceeds of tax-exempt Bonds, pursuant to and in accordance with Treasury Regulations Section 1.150-2 or any successor to such section.

(c) Tax-Exempt Status of Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to take such actions and enter into such agreements, including without limitation seeking a private letter ruling or other

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official determination from the Internal Revenue Service in the Department of the Treasury of the United States, in order to secure or assure the tax-exempt status of interest on any Bonds.

Section 18. Special Facilities Bonds.

(a) Authorization. The Commission, by Resolution No. 97-0145, adopted on May 20, 1997 and Resolution No. 00-0175, adopted on May 16, 2000, as supplemented and amended (collectively, the "SFO FUEL Bond Resolutions") authorized the issuance of \$125 million in aggregate principal amount of Special Facilities Bonds to finance certain aviation fueling and related facilities at the Airport (the "SFO FUEL Bonds"), all of which have been issued and a portion of which remain outstanding. The Commission authorizes the issuance of up to an additional \$125 million aggregate principal amount of SFO FUEL Bonds for the purposes of refunding the outstanding SFO FUEL Bonds and financing additions to, replacements of and improvements to the fuel storage and distribution system at the Airport and reimbursements therefore.

(b) Trust Agreement. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to execute and deliver a Trust Agreement and/or Supplements thereto with a bond trustee selected by the Airport Director in connection with the issuance of any such SFO FUEL Bonds in substantially the form presented and on file with the Secretary of the Commission, with such changes thereto as have been approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Such changes may include, without limitation, additional covenants and undertakings by the Commission to further secure the payment of such Bonds, including to (1) relet the Demised Premises and the Facilities for the benefit of bondholders, (2) refund the Bonds with general Airport revenue bonds upon the occurrence of an Event of Default, (3) pay all or a portion of debt service on the Bonds upon the failure of SFO FUEL Company to do so, and (4) replenish the debt service reserve account following a draw thereon.

(c) Fuel System Lease Agreement. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver such amendments to the existing Fuel System Lease between the Commission and SFO FUEL Company LLC, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, as shall be necessary or desirable and in the best interests of the Airport to accomplish the issuance of such SFO FUEL Bonds. Such amendments may include, without limitation:

- (1) An extension of the term of the Fuel System Lease;



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- (2) Changes to the Demised Premises, Right-of-Way and the Facilities and the management and uses thereof;
- (3) Changes to the Ground Rent, Facilities Rent and Additional Rent provisions;
- (4) Changes to the Events of Default and the City's remedies; and
- (5) Changes to conform the Fuel System Lease to the City's current contracting policies.

Section 19. Delegation by Airport Director. The Airport Director is authorized to delegate the authority granted to him pursuant to this Resolution and the Ratified Resolutions in writing to a member of Airport management, upon consultation with the City Attorney.

Section 20. Approval of Board of Supervisors. The Airport Director, for and on behalf of and in the name of the Commission, is authorized and directed to seek any approvals the Airport Director deems necessary or desirable from the Board of Supervisors of the City in order to carry out the intents and purposes of this Resolution.

Section 21. Ratification of Prior Acts. The actions of the officers, agents and employees of the Commission to carry out its intents and purposes taken prior to the adoption of this Resolution are ratified, approved and confirmed.

Section 22. General Authorization. The Airport Director and the other officers, agents and employees of the Commission are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the City Attorney, as may be necessary or desirable and in the best interests of the Airport to carry out the purposes and intents of this Resolution, the Ratified Resolutions, and the other transactions contemplated hereby and thereby.

Section 23. Effectiveness. This Resolution shall become effective on and as of the date of adoption hereof except as otherwise set forth herein, including without limitation in Section 17 hereof.

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**AIRPORT COMMISSION**  
**CITY AND COUNTY OF SAN FRANCISCO**  
RESOLUTION NO. 10-0307

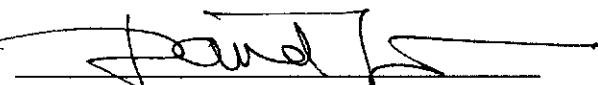
ADOPTED by the Airport Commission of the City and County of San Francisco this 5<sup>th</sup>  
day of Oct., 2010, by the following vote:

Ayes: 5  
Noes: 0  
Absent: 0

[SEAL]

Approved as to Form:

DENNIS J. HERRERA  
City Attorney

By   
David J. Stevens, Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of OCT 05 2010

  
Secretary

San Francisco International Airport

**MEMORANDUM**

November 1, 2016

TO: AIRPORT COMMISSION  
 Hon. Larry Mazzola, President  
 Hon. Linda S. Crayton, Vice President  
 Hon. Eleanor Johns  
 Hon. Richard J. Guggenlime  
 Hon. Peter A. Stern

16-0275

NOV 01 2016

FROM: Airport Director

SUBJECT: Resolution Authorizing the Issuance and Re-Issuance of up to an Additional \$100 Million Aggregate Principal Amount of San Francisco International Airport Subordinate Commercial Paper Notes, Increasing the Authorized Maximum from \$400 Million to \$500 Million Aggregate Principal Amount of Commercial Paper Notes Outstanding at Any Time, to Provide Interim Financing for Capital Projects in the Airport's Approved Capital Plan

DIRECTOR'S RECOMMENDATION: ADOPT THE RESOLUTION AUTHORIZING THE ISSUANCE AND RE-ISSUANCE OF UP TO AN ADDITIONAL \$100,000,000 AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SUBORDINATE COMMERCIAL PAPER NOTES OUTSTANDING AT ANY TIME, UP TO AN AGGREGATE PRINCIPAL AMOUNT OUTSTANDING AT ANY TIME OF NOT TO EXCEED \$500,000,000, AND AUTHORIZING CERTAIN RELATED MATTERS, TO PROVIDE INTERIM FINANCING FOR CAPITAL PROJECTS.

**Executive Summary**

Commercial paper is a short-term debt financing tool that typically bears a low interest rate and has maturities ranging between one day and 270 days. Since 1997, the Airport has utilized up to \$400 million in Commercial Paper Notes as a source of interim financing for capital projects pursuant to Resolution No. 97-0146, as amended. The proposed Supplemental Resolution authorizes the issuance of up to an additional \$100 million total principal amount of Commercial Paper Notes outstanding at any time, which would bring the total principal amount authorization level from \$400 million to \$500 million outstanding at any time. The Commercial Paper Notes program will provide additional interim financing capacity for capital projects, including the projects in the Airport's \$5.7 billion Five-Year Capital Plan, approved by Resolution No. 16-0166. The Airport anticipates continuing to issue Commercial Paper Notes as a source of low-cost interim financing to fund initial project expenditures, and eventually retiring these short-term obligations by issuing the long-term Capital Plan Bonds. Staff reviewed this course of action with the Airport's Financial Advisory Committee on September 9, 2016. An increase in the level of Capital Plan Bond authorization also has been proposed in a separate resolution.

**Prior Commercial Paper Authorizations**

The Commission authorized the issuance and reissuance from time to time of up to \$400,000,000 aggregate principal amount outstanding at any time of Subordinate Bonds in the form of Commercial Paper Notes for the purposes of financing and refinancing various Airport expenditures under and pursuant to the following resolutions (collectively, the "Commercial Paper Resolutions"):

THIS PRINT COVERS CALENDAR ITEM NO. 3

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE  
MAYORLARRY MAZZOLA  
PRESIDENTLINDA S. CRAYTON  
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

IVAR C. SATERO  
AIRPORT DIRECTOR

<u>Resolution No.</u>	<u>Date Adopted</u>	<u>Purpose</u>
97-0146	May 20, 1997 (as supplemented and amended)	Resolution authorizing the issuance of San Francisco International Airport Second Series Subordinate Revenue Bonds
97-0147	May 20, 1997	First Supplemental Resolution providing for the issuance of not to exceed \$400 million aggregate principal amount of Commercial Paper Notes
99-0299	September 21, 1999	Amend and restate the First Supplemental Resolution to provide for a third Series of Commercial Paper Notes (Series C Notes)
09-0088	May 5, 2009	Amend and restate the First Supplemental Resolution to provide for a fourth Series of Commercial Paper Notes (Series D Notes) and to provide for one or more subseries of the Series A, B, C, D Notes to accommodate the use of multiple letters of credit
10-0307	October 5, 2010	To consolidate prior commission resolutions regarding the Airport's bonds and Commercial Paper Notes, authorizing additional airport and SFO Fuel Company LLC Bonds, and authorizing certain other debt-related matters

The Commercial Paper Notes program was utilized as an integral component of the Near-Term Master Plan financing plan in the late 1990's, and has continued to serve the Airport as a valuable source of interim capital financing in connection with the financing of more recent capital projects, such as Terminal 2, Boarding Area E, the new Air Traffic Control Tower, and Terminal 3 East, among others.

### Current Capital Plan

The \$5.7 billion approved Five-Year Capital Plan was adopted by the Commission on June 1, 2016, and includes major capital projects such as the renovations of Terminal 1 and Terminal 3 West, the AirTrain Extension, the new long-term parking garage, and the on-Airport hotel, among others. Approximately \$5.5 billion (or 96.5%) of the Five-Year Capital Plan is anticipated to be funded with the proceeds of new Capital Plan Bonds, with the remainder funded by grants and other capital sources, as shown in the table below.

Financing Sources for Current Five-Year Capital Plan  
(\$ in Millions)

<u>Source of Funds</u>	<u>Five-Year Plan</u>	<u>%</u>
Airport Revenue Bonds ("Capital Plan Bonds")	\$5,503.4	96.5 %
Grants	72.1	1.3%
Other Sources	129.8	2.3%
<b>Total Sources</b>	<b>\$5,705.3</b>	<b>100.0%</b>

Prior to the issuance of Capital Plan Bonds or the receipt of grant funds, Commercial Paper Notes are expected to be used to provide interim financing for many of the projects in the Capital Plan.

### Financing Approach for Capital Plan

The Airport's approach to financing its Capital Plan is typically to issue Commercial Paper Notes to provide interim financing for initial project funding needs, and then to refinance the Commercial Paper Notes with the proceeds of a long-term Capital Plan Bond sale. Under its current financing plan, the Airport intends to issue long-term bonds twice a year, the proceeds of which would be used to refinance Commercial Paper Notes and to provide additional financing for projects.

Because of the relatively low interest rates on Commercial Paper Notes and the ability to issue only when funds are actually needed, the Commercial Paper Notes program, at the increased level of authorization, could save the Airport more than \$30 million in present value debt service costs over the next five years.

**Proposed Resolution**

The proposed Resolution would amend the Commercial Paper Resolutions to authorize the issuance of up to an additional \$100 million aggregate principal amount of Commercial Paper Notes, increasing the maximum authorized level from \$400 million to \$500 million aggregate principal amount of Commercial Paper Notes outstanding at any time, to provide interim financing for capital projects approved by the Commission from time to time.

The approvals in this Resolution are intended to establish a financing mechanism for capital projects approved by the Commission from time to time and do not constitute approval of any particular project, which are approved by separate action of the Commission and/or Board of Supervisors. Proceeds of Commercial Paper Notes will not be used to fund construction of a specific project in the Capital Plan until the necessary environmental review for the project has been completed, if required, and the Commission determines to proceed and California Environmental Quality Act findings have been adopted as required by law. Commercial Paper Note proceeds may also be used to fund planning and development costs necessary to prepare other projects for environmental review and the necessary approvals.

**Related Actions**

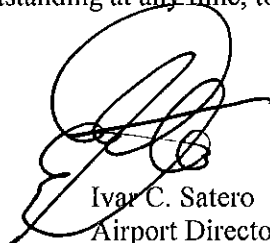
If the Commission and the Board of Supervisors approve the proposed increase in the size of the Airport's Commercial Paper Notes program, staff will pursue a number of required related actions, including but not limited to seeking additional credit support in the form of a letter of credit or similar arrangement. Staff will return to the Commission and the Board of Supervisors for approval to award any new letter of credit in connection with the Commercial Paper Notes program.

**Request to the Board of Supervisors**

If the attached Resolution is adopted by the Commission, I will request that the Board of Supervisors approve the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of San Francisco International Airport Subordinate Commercial Paper Notes, increasing the authorized maximum from \$400,000,000 to \$500,000,000 aggregate principal amount of Commercial Paper Notes outstanding at any time and request an appropriation to spend the proceeds of the additional authorized Commercial Paper Notes.

**Recommendation**

I recommend that this Commission adopt the attached Resolution authorizing the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of San Francisco International Airport Subordinate Commercial Paper Notes, increasing the authorized maximum from \$400,000,000 to \$500,000,000 aggregate principal amount of Commercial Paper Notes outstanding at any time, to provide interim financing for capital projects in the Airport's approved Capital Plan.



Ivar C. Satero  
Airport Director

Prepared by: Leo Fermin  
Chief Business and Finance Officer

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CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-0275

**RESOLUTION AUTHORIZING THE ISSUANCE AND RE-ISSUANCE OF UP TO AN ADDITIONAL \$100 MILLION AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SUBORDINATE COMMERCIAL PAPER NOTES, INCREASING THE AUTHORIZED MAXIMUM FROM \$400 MILLION TO \$500 MILLION AGGREGATE PRINCIPAL AMOUNT OF COMMERCIAL PAPER NOTES OUTSTANDING AT ANY TIME, TO PROVIDE INTERIM FINANCING FOR CAPITAL PROJECTS IN THE AIRPORT'S APPROVED CAPITAL PLAN**

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Commission"), by Resolution No. 97-0147 adopted on May 20, 1997, which Resolution was amended and restated by Resolution No. 09-0088 adopted on May 5, 2009 and supplemented by Resolution No. 10-0307 adopted on October 5, 2010 (collectively, the "CP Resolution"), authorized the issuance from time to time of its San Francisco International Airport Subordinate Commercial Paper Notes ("CP") in an aggregate principal amount outstanding at any time of not to exceed \$400,000,000 for the purpose of providing interim funding for any lawful purposes of the Airport; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of CP, for a new maximum authorized aggregate principal amount of \$500,000,000 of CP outstanding at any time, given the increased financing needs and contingencies of the Airport since such time; now, therefore, be it

RESOLVED, that this Commission authorizes the following:

Section 1. Defined Terms. Capitalized terms used but not otherwise defined in this Resolution shall have the meanings set forth in the CP Resolution.

Section 2. Increased Authorization. The issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of CP outstanding at any time is hereby authorized. The total authorized aggregate principal amount of CP outstanding at any time is increased to \$500,000,000. CP shall be issued for the purpose of providing interim funding for any authorized purposes of the Airport.

Section 3. Board Approval. The Commission hereby authorizes and directs the Airport Director to request that the Board approve this Resolution, including the issuance and re-issuance by the Commission of up to an additional \$100,000,000 aggregate principal amount of CP outstanding at any time, for a new aggregate principal amount of CP outstanding at any time of not to exceed \$500,000,000, and request an appropriation to spend the proceeds of the additional authorized Commercial Paper Notes.

Section 4. Restriction on Expenditure of CP Proceeds. Proceeds of CP shall not be used for construction costs of any project unless the required environmental review, if any, for such project has been completed and the Commission has determined to proceed with such project and California Environmental Quality Act findings have been adopted as required by law. CP proceeds may also be used to fund planning and development costs necessary to prepare other projects for environmental review and the necessary approvals.

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RESOLUTION NO. 18-0275

Section 5.      Ratification of Prior Acts. The actions of the officers, employees and agents of the Commission to carry out the intents and purposes of this Resolution taken prior to the adoption hereof by the Commission are ratified, approved and confirmed.

Section 6.      Delegation by Airport Director. The Airport Director is authorized to delegate the authority granted to him pursuant to this Resolution in writing to a member of Airport management upon consultation with the Office of the City Attorney.

Section 7.      General Authorization. The Airport Director and the other officers, employees and agents of the Commission are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the Office of the City Attorney, as may be necessary or desirable and in the best interests of the Airport to carry out the purposes and intents of this Resolution, and the transactions contemplated hereby.

Section 8.      Ratification of the CP Resolution. The CP Resolution is hereby ratified, approved and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented, including as amended and supplemented by this Resolution. Any provisions of the CP Resolution inconsistent with the provisions of this Resolution are hereby repealed.

Section 9.      Effectiveness. This Resolution shall become effective on and as of the date of adoption hereof.

Section 10.     Severability. Should the application of any provision of this Resolution to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Resolution shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the intent of this Resolution.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-0275

ADOPTED by the Airport Commission of the City and County of San Francisco this 1<sup>st</sup> day of November, 2016  
by the following vote:

Ayes: 5

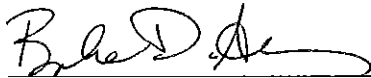
Noes: 0

Absent: 0

[SEAL]

Approved as to Form:

DENNIS J. HERRERA  
City Attorney of the City and  
County of San Francisco

By   
Brooke D. Abola  
Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airport Commission at its meeting of  
November 1, 2016.

\_\_\_\_\_  
Secretary

Page 3 of 3

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*

*at its meeting of* NOV 01 2016

  
Secretary





San Francisco International Airport

January 22, 2021

Angela Calvillo  
Clerk of the Board  
Board of Supervisors  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689

**Subject:** Approval of the Issuance and Re-issuance from Time to Time of up to an Additional \$100,000,000 Aggregate Principal Amount of San Francisco International Airport Subordinate Commercial Paper Notes for Any Lawful Airport Purpose

Dear Ms. Calvillo:

We have enclosed a Board of Supervisors Resolution approving the issuance and re-issuance from time to time of up to an additional \$100,000,000 aggregate principal amount of San Francisco International Airport Subordinate Commercial Paper Notes (CP Notes) for any lawful Airport purpose, and ratifying and confirming certain related Resolutions of the Board and the Airport Commission. Please place this item on the Board of Supervisors' calendar at your earliest convenience.

The Board of Supervisors previously approved the issuance of up to \$500,000,000 of CP Notes to provide interim funding for Airport purposes. We are now seeking authorization from the Board of Supervisors to increase the maximum authorized aggregate principal amount to \$600,000,000 of CP Notes that can be outstanding at any time. The additional CP Notes capacity will provide the Airport Commission the capability to finance the remainder of the current Capital Improvement Plan at lower interest rates in the near-term while also increasing its overall liquidity especially while it recovers from the COVID-19 pandemic.

We have enclosed copies of the Airport Commission's Resolution No. 21-0003, which was adopted on January 19, 2021, with the accompanying Memorandum.

The following is a list of accompanying documents:

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 21-0003;
- Memorandum accompanying Airport Commission Resolution No. 21-0003; and
- Other Airport Commission resolutions referenced in the Board resolution as being on file with the Clerk of the Board.

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED  
MAYOR

LARRY MAZZOLA  
PRESIDENT

ELEANOR JOHNS  
VICE PRESIDENT

RICHARD J. GUGGENHIME

EVERETT A. HEWLETT, JR.

MALCOLM YEUNG

IVAR C. SATERO  
AIRPORT DIRECTOR

Angela Calvillo  
Clerk of the Board  
Board of Supervisors  
January 22, 2021  
Page 2

The following person may be contacted regarding this matter:

Ronda Chu  
Capital Finance Director  
(650) 821-2823  
ronda.chu@flysfo.com

Very truly yours,

*Corina Monzón /s/*

Corina Monzón  
Commission Secretary

Enclosures

cc: Ronda Chu, Finance  
Cathy Widener, Governmental Affairs

**From:** [Dyanna Quizon \(AIR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Cathy Widener \(AIR\)](#); [Corina Monzon \(AIR\)](#); [Carolyn Jayin \(AIR\)](#)  
**Subject:** BOS E-FILE SUBMITTAL: Expand Airport Commercial Paper Program  
**Date:** Friday, January 22, 2021 10:52:58 AM  
**Attachments:** [03. Resolution 21-0003 AUTHORIZING Issuance & Reissuance of Additional \\$100M Aggregate Principal Amt CP Notes.pdf](#)  
[04. Memorandum 21-0003 AUTHORIZING Issuance & Reissuance of Additional \\$100M Aggregate Principal Amt CP Notes.pdf](#)  
[Other Airport Commission Resolutions and Memoranda.zip](#)  
[01. BOS Cover Letter \(Expand Airport Commercial Paper Program\).doc](#)  
[RE BOS E-FILE SUBMITTAL Expand Airport Commercial Paper Program.msg](#)  
[Board Resolution - \\$100M Expansion of CP Program FINAL.DOCX](#)  
[RE Board resolution for \\$100M CP expansion.msg](#)  
[image002.png](#)

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CITY AND COUNTY OF SAN FRANCISCO

AIRPORT COMMISSION

BOARD OF SUPERVISORS LEGISLATION

To: BOS Legislation

Date: January 22, 2021

RE: Approval of the Issuance and Re-issuance from Time to Time of up to an Additional \$100,000,000 Aggregate Principal Amount of San Francisco International Airport Subordinate Commercial Paper Notes for Any Lawful Airport Purpose

Attached is proposed legislation regarding approval of the issuance and re-issuance from time to time of up to an additional \$100,000,000 aggregate principal amount of San Francisco International Airport Subordinate Commercial Paper Notes for any lawful Airport purpose, and ratifying and confirming certain related Resolutions of the Board and the Airport Commission.

The following is a list of accompanying documents:

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 21-0003;
- Memorandum accompanying Airport Commission Resolution No. 21-0003; and
- Other Airport Commission resolutions referenced in the Board resolution as being on file with the Clerk of the Board.

Contacts:

Cathy Widener, Governmental Affairs Administrator  
650-821-5023

Ronda Chu, Capital Finance Director  
650-821-2823

Thank you,



**Dyanna Quizon** (*preferred pronouns: she/her/hers*)

Manager | Government Affairs

San Francisco International Airport | P.O. Box 8097 | San Francisco, CA 94128

Tel 650-821-4005 | [flysfo.com](https://www.flysfo.com)

**From:** [ABOLA, BROOKE \(CAT\)](#)  
**To:** [Dyanna Quizon \(AIR\)](#); [Andrea Guzman \(AIR\)](#); [Patrick Liberatore \(AIR\)](#)  
**Cc:** [Cathy Widener \(AIR\)](#)  
**Subject:** RE: Board resolution for \$100M CP expansion  
**Date:** Thursday, January 21, 2021 3:40:06 PM  
**Attachments:** [Board Resolution - \\$100M Expansion of CP Program FINAL.DOCX](#)

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CONFIDENTIAL AND PRIVILEGED COMMUNICATION

Attached is a Word version of the proposed Board resolution for the \$100M CP expansion – note that this one differs slightly from the version being circulated with the DocuSign because the blank for the Commission resolution number in one of the recitals is completed, and it has my /s/ or “conformed” signature noted. I approve the attached resolution as to form and will work with Renee to get a wet-ink signature to Dyanna in due course. You can share this email with the Board Clerk.

Please let me know if you need anything else from me on this one. Thanks.

**Brooke Abola**

*Pronouns: she/her/hers*

Deputy City Attorney, Airport Team

Office of City Attorney Dennis Herrera

(510) 928-2285 Mobile

(650) 821-5064 Direct