

**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 27th 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

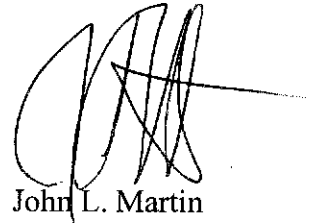
There are five banks in the United States that specialize in providing highly automated Issuing and Paying Agent services required for commercial paper programs of the Airport's size. They are Bankers Trust, First Trust of New York, First National Bank of Chicago, Chase Manhattan Bank and State Street 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.

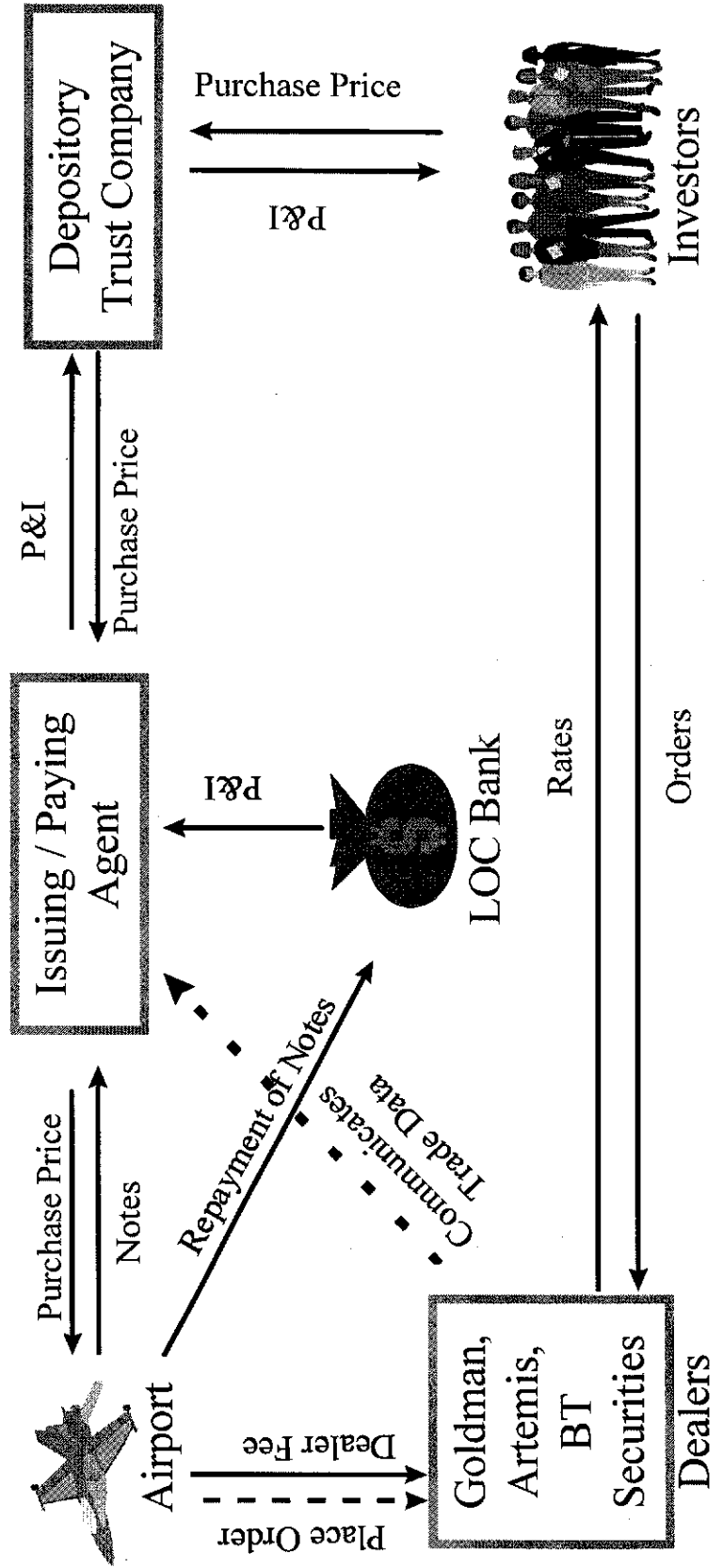
A handwritten signature in black ink, appearing to be 'JL Martin', with a long horizontal line extending to the right.

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

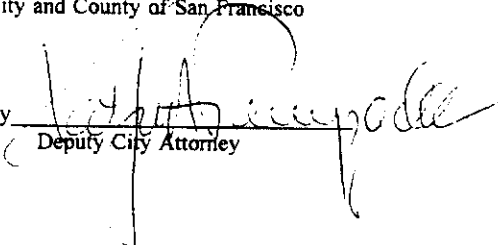
Noes: 0

Absent: 0

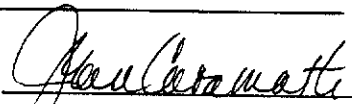
[SEAL]

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

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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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