

\$105,610,000
AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SPECIAL FACILITIES LEASE REVENUE BONDS
(SFO FUEL COMPANY LLC)
SERIES 1997A AND SERIES 1997B

The date of the Official Statement with respect to the referenced Bonds (the "Official Statement") was omitted from the cover thereof. The date of the Official Statement is September 25, 1997.

Smith Barney Inc.

Henderson Capital Partners, Inc.

\$105,610,000

**AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SPECIAL FACILITIES LEASE REVENUE BONDS
(SFO FUEL COMPANY LLC)**

\$93,355,000

\$12,255,000

SERIES 1997A (AMT)

SERIES 1997B (TAXABLE)

Dated: September 1, 1997

Due: January 1, as shown on the inside front cover

The Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC) are being issued by the Airport Commission of the City and County of San Francisco in two separate series, consisting of Series A and Series B. The 1997 Bonds will mature in the years and the principal amounts, and shall bear interest at the rates, shown on the inside front cover. Interest on the 1997 Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 1998. The 1997 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository of the 1997 Bonds. Ownership interests in the 1997 Bonds may be purchased in book-entry form only, in the denominations of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their ownership interests in the 1997 Bonds.

The 1997 Bonds are being issued to finance certain additions and improvements to jet fuel and gasoline delivery facilities serving domestic and international air carriers and ground service equipment users operating at San Francisco International Airport. The 1997 Bonds are limited obligations of the Airport Commission and will be payable as to principal thereof, and interest and premium, if any, thereon, solely from certain amounts ("Facilities Rent") payable to the Airport Commission pursuant to a Fuel System Lease, dated as of September 1, 1997 with SFO FUEL COMPANY LLC, which amounts have been assigned to BNY Western Trust Company, as Trustee, and pledged therefor as described herein, and from amounts on deposit in certain funds and accounts created under the Trust Agreement, dated as of May 1, 1997, between the Airport Commission and the Trustee. SFO FUEL COMPANY LLC is a Delaware limited liability company, the members of which are certain air carriers operating at San Francisco International Airport. Payments of principal of, and interest and premium, if any, on the 1997 Bonds will be guaranteed by

SFO FUEL COMPANY LLC

pursuant to a Guaranty Agreement, dated as of September 1, 1997, between the Company and the Trustee. The Company was formed solely for the purpose of leasing, financing, improving, operating and maintaining the fuel delivery system at the Airport. Pursuant to an Amended and Restated Fuel System Interline Agreement, dated as of September 1, 1997, among the Company and certain Contracting Airlines serving the Airport, the Contracting Airlines are obligated to make payments each month to the Company which in the aggregate are sufficient, together with payments received by the Company from other users of the fuel and gasoline delivery system at the Airport, to pay all costs of the Company, including Facilities Rent in an amount equal to principal of, premium, if any, and interest on the 1997 Bonds.

The 1997 Bonds will be subject to optional, mandatory and extraordinary redemption prior to maturity as more fully described herein.

The 1997 Bonds are special limited obligations of the Airport Commission payable as to principal thereof, premium, if any, and interest thereon, solely from the Trust Estate. The 1997 Bonds will not constitute a general obligation of, or be secured by, a pledge of, the faith and credit or the taxing power of the City, the State of California, or any political subdivision of the State. The 1997 Bonds will not constitute an indebtedness of the Airport Commission except to the extent provided in the Trust Agreement. Neither the State of California, any political subdivision of the State of California, nor the City (other than the Airport Commission) will be obligated to pay the principal of, premium, if any, or interest on the 1997 Bonds, or other costs incident thereto. The Airport Commission will be obligated to make such payments only from the Facilities Rent and other amounts pledged therefor pursuant to the Trust Agreement.

Payment of the principal of and interest on the 1997 Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 1997 Bonds.

Ambac

In the opinion of Orrick, Herrington & Sutcliffe LLP and Pamela S. Jue, Attorney at Law, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the

Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series A Bond during any period such Series A Bond is held by a person who is a "substantial user" of the facilities financed by the 1997 Bonds or is a "related person" within the meaning of Section 147(a) of the Code. Co-Bond Counsel observe, however, that interest on the Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series B Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the 1997 Bonds is exempt from State of California personal income taxes. Co-Bond Counsel express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 1997 Bonds. See "TAX MATTERS" herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY FOR OR TERMS OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH HEREIN.

The 1997 Bonds are offered when, as and if issued by the Airport Commission and delivered to the Underwriters, subject to the approval of legality thereof by Orrick, Herrington & Sutcliffe LLP and Pamela S. Jue, Attorney at Law, Co-Bond Counsel, and certain other conditions.

Certain legal matters will be passed upon for the Airport Commission by the City Attorney, for SFO FUEL COMPANY LLC by Sherman & Howard LLC, Denver, Colorado and Ellman Burke Hoffman & Johnson, San Francisco, California, for the Underwriters by Stradling, Yocca, Carlson & Rauth, a Professional Corporation, San Francisco, California, and Lofton, De Lancie & Nelson, San Francisco, California, Co-Underwriters' Counsel, for the trustee by Lillick & Charles LLP, San Francisco, California, and for Ambac Assurance Corporation by its counsel. It is expected that delivery of the 1997 Bonds will occur through the DTC book-entry system in New York, New York on or about October 7, 1997.

Smith Barney Inc.

Henderson Capital Partners, Inc.

(continued from first page)

MATURITY SCHEDULE
\$105,610,000
AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SPECIAL FACILITIES LEASE REVENUE BONDS
(SFO FUEL COMPANY LLC)

SERIES 1997A BONDS (AMT)
\$81,090,000 Serial Bonds

<u>Maturity (Jan 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price or Yield</u>	<u>Maturity (Jan 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price or Yield</u>
2007	\$1,175,000	4.70%	4.75%	2019	\$4,750,000	5.25%	5.55%
2008	2,755,000	5.25	4.85	2020	5,000,000	5.25	5.543
2009	2,900,000	4.90	4.95	2021	5,260,000	5.25	5.536
2010	3,045,000	5.00	5.05	2022	5,540,000	5.25	5.530
2011	3,195,000	5.00	5.15	2023	5,830,000	5.25	5.570
2012	3,355,000	5.00	5.20	2024	6,135,000	5.25	5.565
2013	3,525,000	5.00	5.25	2025	6,460,000	5.25	5.559
2014	3,700,000	5.00	5.30	2026	6,795,000	5.25	5.555
2018	4,515,000	5.25	5.558	<u>2027</u>	7,155,000	5.25	5.550

\$12,265,000 5 1/8% Term Bonds due January 1, 2017 Yield 5.48%

(Accrued Interest to be added)

SERIES 1997B BONDS (TAXABLE)

\$12,255,000 Serial Bonds

<u>Maturity (Jan 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price or Yield</u>
2002	\$1,905,000	6.33%	100%
2003	2,025,000	6.38	100
2004	2,155,000	6.44	100
2005	2,295,000	6.52	100
2006	2,445,000	6.59	100
2007	1,430,000	6.62	100

(Accrued Interest to be added)

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 1997 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy the 1997 Bonds, nor shall there be any sale of the 1997 Bonds, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale, or in which any person making such an offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. No dealer, sales representative or other person has been authorized by the Airport Commission, the City, the Company or the Underwriters to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Airport Commission, the City, the Company, the Underwriters or any other person. The information contained herein has been obtained from the Airport Commission, the Company and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

CITY AND COUNTY OF SAN FRANCISCO

Willie L. Brown Jr., *Mayor*

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Henry E. Berman, *President*

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Leland Yee

Louise H. Renne, *City Attorney*
Edward M. Harrington, *Controller*
Mary I. Callanan, *Treasurer*

CONSULTANTS AND ADVISORS

Airport Consultant

John F. Brown Company, Inc., Cincinnati, Ohio

Co-Bond Counsel

Orrick, Herrington & Sutcliffe LLP, San Francisco, California

Law Offices of Pamela S. Jue, San Francisco, California

Trustee

BNY Western Trust Company, San Francisco, California

Co-Financial Advisors

Lazard Frères & Co. LLC, San Francisco and New York
Siebert Brandford Shank & Co. LLC, San Francisco and Seattle

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OFFICIAL STATEMENT

Relating to

\$105,610,000

**AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SPECIAL FACILITIES LEASE REVENUE BONDS
(SFO FUEL COMPANY LLC)**

\$93,355,000

SERIES 1997A (AMT)

\$12,255,000

SERIES 1997B (TAXABLE)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page hereof and appendices hereto, is to furnish information in connection with the sale by the Airport Commission (the "Airport Commission") of the City and County of San Francisco (the "City") of its Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), issued in two separate series consisting of Series A in the aggregate principal amount of \$93,355,000 (the "Series A Bonds") and Series B in the aggregate amount of \$12,255,000 (the "Series B Bonds," and together with the Series A Bonds, the "1997 Bonds"). Unless otherwise indicated herein, capitalized terms used in this Official Statement have the meanings ascribed thereto in Appendix B or Appendix C hereto.

The 1997 Bonds are being issued to finance the costs of acquisition, construction, modification, expansion and installation of certain additions, replacements and improvements (as further described herein, the "Improvements"), to the jet fuel receipt, storage and distribution system (the "Fuel System") currently serving San Francisco International Airport (the "Airport"), certain diesel and gasoline storage and delivery facilities for ground services equipment users at the Airport (the "Gasoline Facilities"), and related environmental costs. Proceeds of the 1997 Bonds will also be applied to fund a debt service reserve account, and to pay capitalized interest on the 1997 Bonds, costs of issuance, and first year operating expenses of SFO FUEL COMPANY LLC, a Delaware limited liability company (the "Company"). See the caption "THE FUEL SYSTEM AND THE IMPROVEMENTS."

Pursuant to a Fuel System Lease, dated as of September 1, 1997 (the "Fuel System Lease"), by and between the Airport Commission and the Company, certain elements of the Fuel System at the Airport (the "Demised Premises") together with certain rights-of-way (the "Right-of-Way"), will be leased or granted by the Airport Commission to the Company. Pursuant to the Fuel System Lease, the Company will be obligated to construct and install the Improvements and to operate and maintain the Demised Premises and the Right-of-Way. See APPENDIX B "SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND FUEL SYSTEM LEASE."

The 1997 Bonds will be issued pursuant to a Trust Agreement, dated as of May 1, 1997 (the "Trust Agreement"), by and between the Airport Commission and BNY Western Trust Company, as trustee (the "Trustee"). Pursuant to the Trust Agreement, the Airport Commission will pledge and assign to the Trustee, as security for the 1997 Bonds, the Revenues (which consist primarily of the Facilities Rent), together with the right of the Airport Commission under the Fuel System Lease to payment of the Facilities Rent. See "SECURITY FOR THE 1997 BONDS — The Trust Estate."

The Company is unconditionally obligated under the Fuel System Lease to pay, among other costs, Facilities Rent for the use and occupancy of the Demised Premises and Right-of-Way. The Facilities Rent is payable at such times and in such amounts as are necessary to pay principal of, premium, if any, and interest on

the 1997 Bonds when due, and to maintain the required balance in the Debt Service Reserve Account created pursuant to the Trust Agreement (the "Debt Service Reserve Account").

The Company is a Delaware limited liability company whose members are certain air carriers serving the Airport (together with air carriers who become members, and less any air carriers who withdraw as members, from time to time subsequent to the delivery of the 1997 Bonds, the "Contracting Airlines"). See the caption "THE COMPANY." The Company was formed pursuant to and is governed by the Amended and Restated Limited Liability Company Agreement of SFO FUEL COMPANY LLC, dated as of September 1, 1997 (the "LLC Agreement"), by and among the Contracting Airlines. See APPENDIX C "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT." The Company has only nominal capitalization, limited assets, and no employees, and will contract with a fuel system operator for operation of the Demised Premises and Right-of-Way. See "THE COMPANY — The Fuel System Operating Agreement." The Company's sole source of operating income, therefore, will be from the operation of the Demised Premises and Right of Way and the Gasoline Facility. See the caption "CERTAIN BONDOWNERS' RISKS — Certain Risks with Respect to the Company." Contracting Airlines and other air carriers serving the Airport will continue to be able to purchase jet fuel from any fuel supplier which has inventory in the Fuel System at the Airport.

The Company and the Contracting Airlines have entered into an Amended and Restated Fuel System Interline Agreement, dated as of September 1, 1997 (the "Interline Agreement"). Pursuant to the Interline Agreement, the Contracting Airlines are jointly liable for the sum of all costs, liabilities and expenses payable by the Company in relation to the administration and operation of the Company and the operation and maintenance of the Demised Premises and the Right-of-Way, including without limitation Facilities Rent. In the event of a default by any Contracting Airline, the remaining Contracting Airlines are obligated to pay the Company their pro-rata share of the amount in default. See the caption "CERTAIN BONDHOLDERS' RISKS — Withdrawals of Contracting Airlines." *The payments made to the Company by the Contracting Airlines pursuant to the Interline Agreement constitute the primary source of, and security for, the payment of the 1997 Bonds.* See the caption "SECURITY FOR THE 1997 BONDS — The Interline Agreement."

Membership in the Company is open to all air carriers serving the Airport. All air carriers which desire to become members of the Company must execute the LLC Agreement and the Interline Agreement, and comply with certain conditions set forth in such agreements. See the caption "THE COMPANY — Members and Contracting Airlines" and APPENDIX C "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT." Contracting Airlines may withdraw from the Interline Agreement, and thereby surrender their membership in the Company, subject to certain conditions. These conditions include but are not limited to certain contingent obligations to pay amounts to the Company in connection with the Company's obligations under the Fuel System Lease and Guaranty upon a default by the remaining Contracting Airlines. See the caption "CERTAIN BONDHOLDERS' RISKS — Withdrawals of Contracting Airlines."

Payment of the principal of, premium, if any, and interest on the 1997 Bonds will be guaranteed to the Trustee by the Company pursuant to the terms of a Guaranty, dated as of September 1, 1997 (the "Guaranty"). Pursuant to a Security Agreement, dated as of September 1, 1997 (the "Security Agreement"), the Company, in order to secure the Company's payment obligations under the Guaranty, will grant to the Trustee, for the benefit of the owners of the 1997 Bonds, a security interest in certain collateral, including without limitation all right, title and interest of the Company in and to the Interline Agreement. See the captions "SECURITY FOR THE BONDS — The Guaranty" and " — The Security Agreement."

The 1997 Bonds are special limited obligations of the Airport Commission and will be payable as to principal thereof, premium, if any, and interest thereon, solely from the Trust Estate. The 1997

Bonds will not constitute a general obligation of, or be secured by a pledge of the faith and credit or the taxing power of, the City, the State of California, or any political subdivision of the State. The 1997 Bonds will not constitute an indebtedness of the Airport Commission except to the extent provided in the Trust Agreement. Neither the State of California, the City (other than the Airport Commission), nor any political subdivision of the State will be obligated to pay the principal of, premium, if any, or interest on the 1997 Bonds, or other costs incident thereto. The Airport Commission will be obligated to make such payments only from the Revenues and other amounts pledged therefor pursuant to the Trust Agreement.

The 1997 Bonds will not be secured by a mortgage or other lien on the Demised Premises or the Right-of-Way or any other portion of the Fuel System or any other real property or improvements thereto of the Company or the Airport Commission. The 1997 Bonds will not be secured by a pledge of or lien on any revenues derived by the Airport Commission from the ownership or operation of the Airport, other than the Facilities Rent payable by the Company under the Fuel System Lease.

Payment of the principal of and interest on the 1997 Bonds will be insured by a municipal bond insurance policy (the "Policy") to be issued simultaneously with the delivery of such 1997 Bonds by Ambac Assurance Corporation (the "Insurer"). See the caption "BOND INSURANCE" and APPENDIX E "PROPOSED FORM OF BOND INSURANCE POLICY" for additional information about the Insurer and the Policy.

This Official Statement includes changes to the information under the caption "THE COMPANY - The Fuel System Operating Agreement" and the caption "CERTAIN BONDHOLDERS' RISKS - Limitations on Remedies" as originally presented in the Preliminary Official Statement, dated September 25, 1997. The changes reflect a change made to the Fuel System Maintenance Operation and Management Services Agreement (as defined below) shortening the term thereof from five years to four years and a change to a provision of the Fuel System Lease, respectively.

This Introduction contains certain information for general reference only. It is not intended to be a summary of the security for or terms of this issue. Investors are advised to read the entire Official Statement including the Appendices hereto to obtain information essential to the making of an informed investment decision. This Official Statement contains summaries and descriptions of the 1997 Bonds, and certain provisions of the Trust Agreement, the Fuel System Lease, the LLC Agreement and the Interline Agreement and descriptions of the Guaranty, the Security Agreement, the Fuel System Operating Agreement and the Chevron Tank Farm Agreement. All references to such agreements and documents are qualified in their entirety by reference to the definitive forms of such agreements and documents, which are available from the Airport Commission, the Fuel Company Operator and the Company. Any statements or information involving matters of opinion or estimates are represented as opinions or estimates made in good faith, and are not a representation of fact, and no assurance can be given that facts will materialize as so opined or estimated.

APPLICATION OF THE 1997 BOND PROCEEDS

The following table sets forth the estimated application of the 1997 Bond proceeds (exclusive of accrued interest, \$793,660.00 of underwriter's discount and \$3,116,184.45 of original issue discount):

	Series A Bonds	Series B Bonds	Total
Deposit to 1997 Construction Account ⁽¹⁾	\$65,342,740.61	\$9,033,957.17	\$74,376,697.78
Deposit to Debt Service Reserve Account	7,531,525.00	--	7,531,525.00
Deposit to 1997 Capitalized Interest Account	15,034,364.75	2,687,305.67	17,721,670.42
Costs of Issuance (including bond insurance premium)	1,628,621.61	441,640.74	2,070,262.35

⁽¹⁾ Includes estimated cost of the Improvements, \$7,916,765.91 to be applied to environmental remediation and \$1,337,191.26 to be applied to pay the Company's first year operating costs. The Company estimates that such 1997 Bond proceeds, together with estimated investment income on the funds on deposit in the 1997 Construction Account, will be sufficient in amount to complete the Improvements and environmental remediation and to pay the first year operating costs of the Company.

DESCRIPTION OF THE 1997 BONDS

General Terms

The 1997 Bonds will be dated September 1, 1997, will be issued in the aggregate principal amount of \$105,610,000, will bear interest from the dated date thereof at the rates set forth on the inside cover page hereof, payable semiannually on January 1 and July 1 of each year commencing January 1, 1998, and will mature on January 1, in the years and in the principal amounts set forth on the inside cover page hereof. Interest on the 1997 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Book-Entry Only System

The 1997 Bonds will initially be executed and delivered as one fully registered bond for each maturity of each series, in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered Owner of all the 1997 Bonds. Beneficial ownership interests in the 1997 Bonds will be available in book-entry form only, in denominations of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the 1997 Bonds ("Beneficial Owners") will not receive certificates representing their interests in the 1997 Bonds purchased. Payment of the principal of and redemption premium, if any, on the 1997 Bonds will be made upon surrender thereof at the office of the Trustee in San Francisco, California. Interest on the 1997 Bonds will be paid by the Trustee by check or draft mailed to the persons shown as the registered owners of the 1997 Bonds as of the fifteenth day of the calendar month preceding each applicable interest payment date. However, while held in book-entry form, all payments of principal, premium and interest will be made by wire transfer from the Trustee to DTC or its nominee as the sole registered owner of the 1997 Bonds. Payments to Beneficial Owners are the responsibility of DTC and its participants ("Participants"). See APPENDIX D "BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange

The 1997 Bonds will be issued only as fully registered bonds, with the privilege of transfer or exchange of 1997 Bonds of other authorized denominations of the same series, aggregate principal amount, maturity, and interest rate as set forth in the Trust Agreement. All such transfers and exchanges shall be without charge to the

owner, with the exception of any taxes, fees or other applicable governmental charges. While the 1997 Bonds are in book-entry only form, beneficial ownership interests in the 1997 Bonds may only be transferred through securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations (“Direct Participants”) and securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”) as described in Appendix D.

Redemption Provisions

Sinking Fund Redemption

The Series A Bonds maturing January 1, 2017, are subject to mandatory redemption prior to maturity, in part, by lot, from mandatory sinking fund payments, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, on each January 1, from January 1, 2015, to and including January 1, 2017, as follows:

<u>Year</u> <u>(January 1)</u>	<u>Amount</u>
2015	\$3,885,000
2016	4,085,000
2017*	4,295,000

* Final Maturity

Optional Redemption

The Series A Bonds maturing on and after January 1, 2009, are subject to optional redemption prior to their fixed maturity dates, at the option of the Airport Commission upon the written request of the Company, from any source of available funds (other than mandatory sinking fund payments), as a whole or in part on any date (and by lot within maturity if less than all of the Series A Bonds of such maturity are then called for redemption) on and after January 1, 2008, at the following redemption prices (computed upon the principal amount of Series A Bonds called for redemption), together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u> <u>(inclusive)</u>	<u>Redemption Price</u>
January 1, 2008 through December 31, 2008	101%
January 1, 2009 through December 31, 2009	100½
January 1, 2010 and thereafter	100

The Series B Bonds are not subject to optional redemption.

Extraordinary Redemption

The 1997 Bonds are subject to extraordinary redemption as a whole or in part on any date, at a redemption price equal to the principal amount of such 1997 Bonds to be redeemed, without premium, plus accrued interest, if any, to the date fixed for redemption as follows:

- (i) unless the Company elects to continue to operate and to repair or replace the damaged, destroyed or condemned Facilities in accordance with the Fuel System Lease, in the event of damage to or condemnation or sale under threat of condemnation of the Demised Premises and Right-of-

Way, from net proceeds of insurance or condemnation deposited in the Redemption Account in accordance with the Fuel System Lease; and

(ii) from unexpended proceeds of the 1997 Bonds upon the written order of the Airport Commission at the written request of the Company in accordance with the Fuel System Lease. See the caption "THE FUEL SYSTEM AND THE IMPROVEMENTS — Estimated Cost of the Improvements."

Method of Redemption

If less than all of the 1997 Bonds Outstanding are to be called for redemption, the series and maturities of the 1997 Bonds to be called and redeemed shall be selected by the Commission at the written request of Company, and notification of such selection shall be provided to the Trustee not later than ten Business Days before the last date on which the Trustee is required to give notice of redemption to the Bondholders. If less than all the 1997 Bonds of a maturity are to be redeemed prior to maturity, the specific 1997 Bonds to be called and redeemed shall be selected by lot by the Trustee or in such manner as the Trustee in its discretion may determine.

In case part, but not all, of an Outstanding 1997 Bond shall be called for redemption prior to maturity, the Holder thereof may present and surrender such 1997 Bond to the Trustee for payment of the redemption price of the principal amount thereof so called for prior redemption, and there shall be executed, authenticated and delivered to or upon the order of such Holder, without charge therefor, a 1997 Bond or 1997 Bonds of the same series and maturity for the unredeemed balance of the principal amount of the 1997 Bond so surrendered, at the option of such Holder.

Notice of Redemption

Notice of redemption of 1997 Bonds shall be given by the Trustee as soon as practicable following receipt by the Trustee of written notice of the event that triggers such redemption. If the Company elects to optionally redeem 1997 Bonds or redeems 1997 Bonds from unexpended proceeds as described above, the Company shall request the Airport Commission to give and the Airport Commission shall give written notice to the Trustee not later than 45 days before the proposed Redemption Date. Upon receipt of such notice or in the event 1997 Bonds are otherwise required to be redeemed, the Trustee shall prepare a notice of redemption. Redemption notices shall set forth (i) the Redemption Date, (ii) the place or places where 1997 Bonds will be redeemed, including the name and address of any redemption or paying agent, (iii) the premium, if any, or accrued interest, if any, that will be paid on the Redemption Date, (iv) the CUSIP numbers assigned to the 1997 Bonds to be redeemed, (v) the interest rates, the serial numbers and maturities of the 1997 Bonds selected for redemption, except that where all of the 1997 Bonds of a series are to be redeemed, the serial numbers and maturities thereof need not be specified, (vi) the date of mailing of the notice to Bondholders, and if the notice is an optional redemption, describing the circumstances under which said redemption may be deemed canceled. Such redemption notice shall further state that on the specified Redemption Date there shall become due and payable each 1997 Bond or portion thereof being redeemed and that from and after such date interest thereon shall cease to accrue and be payable, but that in the event that on or before the Business Day before the specified Redemption Date with respect to optional redemptions, the Trustee shall not have sufficient funds to pay the Redemption Price on all 1997 Bonds called for redemption, such redemption shall be deemed canceled. In case any 1997 Bond is to be redeemed in part only, the notice of redemption which relates to such 1997 Bonds shall state the portion of the principal amount thereof to be redeemed and that on or after the Redemption Date, upon surrender of such 1997 Bond, a new 1997 Bond or 1997 Bonds of the same series, interest rate and maturity and in principal amount equal to the unredeemed portion of such 1997 Bond will be issued.

DEBT SERVICE REQUIREMENTS

The following table sets forth the annual debt service requirements for the 1997 Bonds payable in each of the following years.

Bond Year Ending January 1	Series A Bonds		Series B Bonds		Total 1997 Bond Debt Service
	Principal	Interest	Principal	Interest	
1998*	\$ --	\$1,609,047.92	\$ --	\$264,663.00	\$1,873,710.92
1999*	--	4,827,143.76	--	793,989.00	5,621,132.76
2000*	--	4,827,143.76	--	793,989.00	5,621,132.76
2001*	--	4,827,143.76	--	793,989.00	5,621,132.76
2002*	--	4,827,143.76	1,905,000.00	793,989.00	7,526,132.76
2003	--	4,827,143.76	2,025,000.00	673,402.50	7,525,546.26
2004	--	4,827,143.76	2,155,000.00	544,207.50	7,526,351.26
2005	--	4,827,143.76	2,295,000.00	405,425.50	7,527,569.26
2006	--	4,827,143.76	2,445,000.00	255,791.50	7,527,935.26
2007	1,175,000.00	4,827,143.76	1,430,000.00	94,666.00	7,526,809.76
2008	2,755,000.00	4,771,918.76	--	--	7,526,918.76
2009	2,900,000.00	4,627,281.26	--	--	7,527,281.26
2010	3,045,000.00	4,485,181.26	--	--	7,530,181.26
2011	3,195,000.00	4,332,931.26	--	--	7,527,931.26
2012	3,355,000.00	4,173,181.26	--	--	7,528,181.26
2013	3,525,000.00	4,005,431.26	--	--	7,530,431.26
2014	3,700,000.00	3,829,181.26	--	--	7,529,181.26
2015	3,885,000.00	3,644,181.26	--	--	7,529,181.26
2016	4,085,000.00	3,445,075.00	--	--	7,530,075.00
2017	4,295,000.00	3,235,718.76	--	--	7,530,718.76
2018	4,515,000.00	3,015,600.00	--	--	7,530,600.00
2019	4,750,000.00	2,778,562.50	--	--	7,528,562.50
2020	5,000,000.00	2,529,187.50	--	--	7,529,187.50
2021	5,260,000.00	2,266,687.50	--	--	7,526,687.50
2022	5,540,000.00	1,990,537.50	--	--	7,530,537.50
2023	5,830,000.00	1,699,687.50	--	--	7,529,687.50
2024	6,135,000.00	1,393,612.50	--	--	7,528,612.50
2025	6,460,000.00	1,071,525.00	--	--	7,531,525.00
2026	6,795,000.00	732,375.00	--	--	7,527,375.00
2027	7,155,000.00	375,637.50	--	--	7,530,637.50

* Interest on a portion of the 1997 Bonds is capitalized through the projected end of construction of the Improvements being financed.

THE FUEL SYSTEM AND THE IMPROVEMENTS

The Airport Near Term Master Plan

The Airport Commission has adopted an Airport Master Plan Development Program (the "Airport Master Plan"). The Airport Master Plan provides, among other things, for the development of a new International Terminal Complex with two new boarding areas. Completion of the new International Terminal Complex will permit the reworking of the existing international terminal at Boarding Area D. Remote aircraft

parking and new cargo facilities, extensive infrastructure work and supplementary projects are also included in the Airport Near Term Master Plan as discussed below.

The Airport Master Plan includes certain Near Term Master Plan ("NTMP") projects. The NTMP projects have been approved by the Commission and the Board of Supervisors. Environmental review and approval of these projects under the California Environmental Quality Act ("CEQA") were completed in 1992. The acquisition and construction of the Airport NTMP projects commenced in 1994 and is currently projected to be completed in the year 2001.

Existing Fuel System

Fuel Supply Pipelines. Jet fuel currently is delivered to the Airport by various suppliers through one or more pipelines which terminate on the Airport and are connected to the Chevron Tank Farm.

Distribution System. The Fuel System includes an approximately 1.7 mile pipeline distribution system which transports jet fuel from the tanks and other personal property (the "Chevron Tank Farm") owned by Chevron Products Company, a division of Chevron U.S.A., Inc., a Pennsylvania corporation ("Chevron") and located on an approximately 8.24 acre site (the "Tank Farm Site") owned by the City, to a point near Boarding Area F. Near Boarding Area F, the pipeline links up with a pipeline loop which, until construction of the new International Terminal Complex commenced, serviced the entire Airport terminal complex. The pipeline loop transports jet fuel to various hydrant systems through which air carriers and into-plane agents access jet fuel for loading onto aircraft. Substantially all of the existing pipeline distribution system will be leased by the Airport Commission to the Company.

Storage. The Fuel System includes the Chevron Tank Farm, with a storage capacity of approximately 6.9 million gallons, on the Tank Farm Site. The Tank Farm Site will be leased by the Airport Commission to the Company and subleased to Chevron prior to the delivery of the 1997 Bonds. Chevron will retain ownership of the Chevron Tank Farm. A smaller tank farm, with a storage capacity of approximately 2.3 million gallons, which is operated by PS Trading, Inc. (the "PST Tank Farm") and is connected to the Chevron Tank Farm, will not be leased to or operated by the Company. The combined storage capacity of the Tank Farm and the PST Tank Farm represents approximately a four day supply of jet fuel at a fiscal year 1995-96 maximum daily consumption of 2.5 million gallons per day at the Airport.

Hydrant Facilities. Most of the hydrant systems at the Airport are owned by or leased to individual air carriers and others and connect to the pipeline distribution system at various locations.

Other Facilities. The Fuel System also includes two fuel loading facilities that supply refueler vehicles and serve areas in the Airport not served by hydrant systems. See APPENDIX A "REPORT OF THE AIRPORT CONSULTANT" for additional information. The fuel loading facilities will be leased by the Airport Commission to the Company.

The portions of the Fuel System that will be leased by the Airport Commission to and operated by the Company prior to delivery of the 1997 Bonds will not include all components of the Fuel System at the Airport. All of the jet fuel distributed at the Airport is distributed through some portion of the Demised Premises and the Right-of-Way. In fiscal year 1996, the Fuel System delivered approximately 860 million gallons of jet fuel. See APPENDIX A "REPORT OF THE AIRPORT CONSULTANT" for additional information concerning the Fuel System.

The Improvements

On and after the delivery of the 1997 Bonds, the Company is obligated pursuant to the Fuel System Lease to undertake the Improvements. Design of the initial components of the Improvements was commenced in mid-1996, and design on all components of the Improvements currently is approximately 25% complete. The Company currently expects that final design of all components of the Improvements will be completed by the Company in September, 1998. The Company began construction of certain portions of the Improvements in August, 1997, and the Company currently expects all components of the Improvements to be completed in September, 2001, at a total estimated construction cost of approximately \$65,854,800, excluding environmental costs. Environmental costs, including remediation, are estimated by the Company at \$8,497,000. Approximately \$3,444,400 of additional estimated costs have been incurred by the Airport Commission, the Company and Chevron to date and will be reimbursed to the Airport Commission, the Company and Chevron from 1997 Bond proceeds. For a more detailed breakdown of the current estimated cost of the components of the Improvements see the caption "THE FUEL SYSTEM AND THE IMPROVEMENTS — The Improvements — Estimated Cost of the Improvements" below.

The Improvements, excluding environmental remediation, currently consist of fifteen discrete components, as follows:

Improvements to the Distribution Piping Network

Replacement of Existing Distribution Header. This project will replace an existing 16-inch distribution header (the "Distribution Header"). The Distribution Header is required to complete the fuel system distribution loop around the Passenger Terminal/Boarding Area Complex.

Installation of Connector Piping Between Boarding Areas C and D. When completed, this 24-inch connector piping will complete a distribution loop around the Passenger Terminal/Boarding Area Complex. This new segment of connector piping will be installed between the existing 24-inch Chevron line at Boarding Area D and the existing 16-inch line at Boarding Area C. The connection piping will be 3,000 feet in length when completed and will be installed in one of the busiest areas of the Airport operations area, which contains many existing utilities.

UAL Cargo - New Supply Piping. This project will permit construction of the new Boarding Area G. The existing 10-inch supply header will be removed and relocated.

Connector Piping between Boarding Areas B and F. This connector piping will complete the fuel distribution loop around the Passenger Terminal/Boarding Area Complex. Approximately 3,000 feet of 24-inch line has been recently installed to facilitate site preparation for Boarding Area G and the International Passenger Terminal Building. To complete the fuel distribution loop, an additional 4,000 feet of 16-inch pipe will be installed. The connection points of the new piping segment will be the 24-inch Chevron line at Boarding Area F and the 16-inch line at Boarding Area B. New concrete valve vaults will also be installed. The realignment of Taxiways A and B will require a portion of the 24-inch line to be relocated from under the taxiways.

New Supply Main from the Tank Farm. A new 24-inch pipeline will supplement the existing 24-inch pipeline from the tank farm. The new pipeline will connect to the main distribution loop. The new supply line will reduce the likelihood of temporary or permanent disruption of service to the primary distribution system. Further, projected new demand will approach the maximum capacity of the existing single 24-inch main line. As a result, the new 24-inch pipeline will be needed in addition to the existing pipeline to adequately provide for projected increases in jet fuel demand at the Airport.

New Hydrant Systems

Boarding Area G - Hydrant System. This project will provide hydrant fueling capability to twelve wide-body aircraft gate positions at the new Boarding Area G and three off-gate parking positions adjacent to Boarding Area G. The hydrant system will be comprised of approximately 5,000 feet of 16-inch piping, 45 hydrant pits, 6 isolation valve pits, cathodic protection and an emergency fuel shut-off system. The hydrant system will be connected to the distribution loop as well as to the Boarding Area F hydrant system at Gate 75.

North Field Cargo - Hydrant System. A new hydrant system, with the capacity to serve up to six wide-body aircraft, will be constructed at the new North Field Cargo Complex. This project will install approximately 1,500 feet of 12-inch piping, up to twelve hydrant pits, two isolation valve pits, cathodic protection and an emergency fuel shut-off system. Fuel will be supplied from the existing 24-inch Chevron supply header and the new 24-inch supply main from the Chevron Tank Farm.

Boarding Area A - Hydrant System. This project will install hydrant fueling capability for twelve wide-body aircraft gate positions at the new Boarding Area A. The hydrant system will consist of approximately 3,500 feet of 16-inch piping, 36 hydrant pits, five isolation valve pits, cathodic protection and an emergency fuel shut-off system. The hydrant system will connect to the Passenger Terminal/Boarding Area Complex fuel distribution loop.

Boarding Area D Hydrant System Modifications. Upon completion and occupancy of Boarding Areas A and G, the existing Boarding Area D will become a domestic terminal with at least fourteen aircraft gate positions configured for operations by narrow-body jet aircraft. The existing Boarding Area D has ten aircraft gates. The existing hydrant fueling system will be modified by this project to conform to the change in aircraft mix.

Reliability and Control Improvements

Distribution Piping - System Evaluation. In order to complete the installation of new pipeline in the Fuel System, a series of integrity tests will be performed on the existing 24-inch and 16-inch piping systems. Testing will include hydrostatic pressure testing, cathodic protection testing and testing of the piping wall thickness and coating conditions at random locations.

Leak Detection System. Pursuant to the requirements of the California State Fire Marshall's Office and the Airport Commission, an Airport-wide leak detection system will be installed. The type of system to be installed has not been finalized due to the ongoing development of available technology. Possible types of systems include pressure-step, pressure-temperature and other pressure related concepts. Certain non-pressure related systems have been considered but will not be used. Leak detection isolation and control valve vaults will be integrated into the Fuel System at key service and supply points.

Emergency Fuel Shut-Off. In the existing Fuel System, activation of any emergency shut down button at a boarding area gate shuts down the transmission of jet fuel through the entire Fuel System. The existing Fuel System remains down until the exact cause of the shut down is determined. Then, the suspect area is shut off manually, allowing the remainder of the Airport to begin receiving fuel. The new Airport-wide emergency fuel shut-off system will contain fiber optic lines and will allow the operator of the Fuel System and other parties operating a part of the Fuel System to shut down only the specific portion of the Fuel System with the operational problem or disruption.

Ground Services Equipment-Related Facilities

Remote Refueler - Loading System. An additional two-position refueler loading facility will be constructed at the existing refueler area, which will include new area paving, one two-position bottom loading island, area lights, and an oil-water separator.

GSE Fueling Stations. This project will construct one ground service equipment (“GSE”) fueling system which can be utilized by all ground services equipment users at the Airport. The GSE fueling station will consist of two 15,000 gallon tanks, one for diesel fuel and one for motor gasoline, at the location of the existing truck rack facility.

Maintenance and Operations Facility

Maintenance and Operations Facility. The maintenance and operations facility will house a staff of operators, maintenance, and administrative personnel dedicated to the maintenance and operation of the Demised Premises and the Right-of-Way. Additionally, the maintenance and operations facility will provide a maintenance bay for maintenance and repairs associated with the Demised Premises and the Right-of-Way.

Estimated Cost of the Improvements

The Company currently estimates the construction cost of the Improvements, excluding environmental costs, as follows:

THE IMPROVEMENTS

Description	Cost
Improvements to Distribution Piping Network	
Replacement of Existing Distribution Header	\$ 1,833,100
Boarding Area "C" to "D" Connector	3,649,700
UAL Cargo Connector	512,700
Boarding Area "B" to "F" Connector Piping	4,347,100
New Supply Main from Tank Farm	8,447,100
New Hydrant Systems	
Boarding Area "G" Hydrant System	5,931,200
North Field Cargo Hydrant System	1,338,200
Boarding Area "A" Hydrant System	5,723,500
Boarding Area "D" Hydrant System Modifications	1,769,700
Reliability and Control Improvements	
Distribution Piping System Evaluation	357,000
Leak Detection System	7,539,900
Emergency Fuel Shut-Off	1,956,200
Ground Services Equipment-Related Facilities	
Remote Refueler Loading Facility	1,899,200
GSE Fueling Station	1,923,600
Maintenance & Operations Facility	
Total Project Construction Cost	<u>\$ 49,627,100</u>
Engineering and Project Administration	7,881,400
Other Costs	1,290,400
Contingency	<u>7,055,900</u>
Total Construction Budget	<u>\$ 65,854,800</u>
Construction Costs Incurred to Date	3,444,400
Total Overall Construction Budget	<u>\$ 69,299,200</u>

SOURCE: The Company.

See the captions "THE FUEL SYSTEM AND THE IMPROVEMENTS — The Improvements" and "— Environmental Costs" and "CERTAIN BONDHOLDERS' RISKS — Costs and Schedule of the Improvements" below for information which could result in the cost of the Improvements or the cost of environmental remediation increasing from the current estimates. See the caption "DESCRIPTION OF THE 1997 BONDS — Redemption Provisions — Extraordinary Redemption" for a discussion of use of excess 1997 Bond proceeds, if any, to redeem 1997 Bonds.

PST Facilities

PS Trading, Inc. ("PST") currently operates the PST Tank Farm, portions of the existing pipeline system ("PST Pipelines") and a hydrant system serving Boarding Area A (the "PST Hydrant System"). The Airport Commission and the Company do not currently expect that the PST Tank Farm will be incorporated into the Demised Premises and the Right-of-Way operated by the Company. Portions of the

PST Pipeline and the PST Hydrant System have been disconnected from the Fuel System in conjunction with ongoing construction at the Airport. The Airport Commission and the Company expect the remaining portion of the PST Pipeline as well as the PST Hydrant System to be disconnected from the Fuel System on or prior to the year 2000 in connection with demolition of existing Boarding Area A. In the event that PST were to object to disconnection of the PST Pipeline or the PST Hydrant System, the Airport Commission and the Company do not expect significant delays in construction of the Improvements or a material adverse impact on the cost of the Improvements. See the caption "CERTAIN BONDHOLDER RISKS — Exclusive Use and Operation of the Fuel System."

Environmental Costs

During the course of the Company's construction of the Improvements, the Company anticipates that the Company will incur environmental costs to address any contaminated soil and groundwater which may be encountered, and to conduct the environmental management associated with environmental remediation projects. The Company currently estimates environmental costs will be \$8,497,000. The estimated environmental costs will be financed with proceeds of the 1997 Bonds. See the caption "APPLICATION OF THE 1997 BOND PROCEEDS." Because new fuel lines will be constructed by the Company, construction of such portions of the Improvements will involve substantial excavation. Based on other construction and environmental projects at the Airport, the Company expects that some of the excavated soil will be contaminated with petroleum hydrocarbons from previous releases or other contaminants. The portion of this material which contains contamination above pre-established cleanup standards for the Airport will require treatment or disposal. Groundwater and surface water generated during storm events also are expected to enter the excavations and will require removal to facilitate construction. The Company expects that such water will contain levels of hydrocarbon contaminants and must be containerized, tested, and treated prior to discharge into the Airport's industrial waste treatment system.

Since much of the construction of the Improvements will occur at sites which may be contaminated, the construction of Improvements will require environmental management tasks to be conducted. These activities will include preparation of environmental plans and reports in advance of the construction activities, environmental investigation prior to excavation, and management of the contaminated soil and groundwater encountered during the construction of the Improvements.

The Company expects that approximately 30% of the environmental costs may be recovered by the Company from the parties responsible for the contamination. This percentage may increase or decrease based on the type and amount of contamination actually encountered, the locations where contamination is encountered and the willingness of the tenants at the Airport to work cooperatively to facilitate the allocation of liability. There can, however, be no assurance that any such costs will be recovered by the Company from responsible parties. In the event that total environmental costs exceed the budgeted amount, amounts invoiced to the Contracting Airlines and other users of the Demised Premises and Right-of-Way for the use thereof may be increased, and such increase could be material.

Estimated Jet Fuel Consumption at the Airport

Information concerning jet fuel consumption by air carrier at the Airport for fiscal years prior to fiscal year 1996 is not available. Set forth below is a table reproduced from APPENDIX A "REPORT OF THE AIRPORT CONSULTANT" which lists the total annual jet fuel consumption at the Airport reported to the Airport Consultant for the fiscal years 1993 through 1996.

**ESTIMATED JET FUEL CONSUMPTION
SAN FRANCISCO INTERNATIONAL AIRPORT
(for the 12 months ended June 30; in thousands of gallons)**

<u>Year</u>	<u>Gallons</u>
1993	714,500
1994	771,000
1995	818,000
1996	860,450

SOURCE: John F. Brown Company, Inc.

Set forth below is a table listing Contracting Airlines and other air carriers operating at the Airport and annual jet fuel gallonage figures for fiscal year 1996 as estimated by the Airport Consultant. The Contracting Airlines and other air carriers are listed in descending order within user category based upon their jet fuel gallonage consumption at the Airport for fiscal year 1996. Contracting Airlines include United Air Lines, American Airlines, Delta Airlines, Continental Airlines, Northwest Airlines and Japan Air Lines.

**ESTIMATED JET FUEL CONSUMPTION BY AIRLINE
SAN FRANCISCO INTERNATIONAL AIRPORT
(for the 12 months ended June 30; in gallons)**

<u>User Category Airline</u> ¹	<u>1996</u>
U.S. flag Passenger Airlines:	
United Airlines ³	375,000,000 ²
American Airlines ³	50,067,375
Northwest Airlines ³	45,054,650
Delta Airlines ³	36,885,287
Continental Airlines ³	25,662,121
USAirways	21,654,997
Trans World Airlines	11,672,255
Alaska Airlines	11,150,050
American Trans Air	7,615,877
Southwest Airlines	7,015,264
Rich International	5,990,909
Other	<u>20,060,732</u>
Total:	617,829,517
Foreign-flag Passenger Airlines:	
Singapore Airlines	36,642,693
Japan Air Lines ³	20,734,330
British Airways	20,078,872
EVA Airways	18,353,418
Korean Air	17,647,821
Lufthansa German Airlines	14,655,511
Asiana Airlines	14,614,546
China Airlines	13,132,389
Virgin Atlantic Airways	12,963,134
Philippine Airlines	9,935,685
Air Canada	7,817,304
Air France	7,479,426
KLM Royal Dutch Airlines	7,336,493
Air China (CAAC)	7,174,712
Other	<u>11,030,167</u>
Total:	219,596,501
All-cargo Airlines:	
U.S. - flag cargo carriers	9,968,350 ²
Foreign-flag cargo carriers	<u>9,615,294</u>
Total:	19,583,644
FBO (Signature/AMR Combs)	3,252,737
All Other	<u>187,519</u>
TOTAL	<u>860,449,918</u>

SOURCE: John F. Brown Company Inc.

¹ Airlines that uplifted fewer than 5 million gallons of fuel are grouped as "Other."

² Estimated by John F. Brown Company Inc.

³ Constitutes a Contracting Airline.

For a forecast of jet fuel consumption at the Airport for fiscal years 1997 through 2003, see APPENDIX A "REPORT OF THE AIRPORT CONSULTANT."

Estimated Fuel System Charges at the Airport; Factors Influencing Fueling Options at the Airport

Estimated Fuel System Charges at the Airport. The Company estimates that charges paid by air carriers for fueling at the Airport will include a "through-put" charge collected by Chevron of \$.0110 per gallon for the use of the Chevron Tank Farm. Additionally, based on current cost estimates of the Improvements, the Company projects charging the Contracting Airlines from \$.0087 to \$.0256 per gallon for use of the Demised Premises and the Right-of-Way (the "Fuel System Charge"), excluding any through-put charges imposed by Chevron paid by the air carriers, depending on the location of an air carrier's operations within the Airport and the air carrier's total gallonage. See APPENDIX A "REPORT OF THE AIRPORT CONSULTANT." Set forth below is the Company's comparison of charges for the use of fuel systems at certain U.S. airports.

<i>Airport</i>	<i>Average Fuel System Charges</i>
San Francisco International Airport	\$.0210 per gallon ¹
Los Angeles International Airport	.0180 per gallon ²
Boston Logan Airport	.0270 per gallon ²
Denver International Airport	.0341 per gallon ²

¹ Amount is the average charge estimated by the Company and includes charges for use of the Demised Premises and Right-of-Way after completion of the Improvements as estimated by the Company and a \$.0110 through-put charge payable to Chevron. The range of charges to Contracting Airlines, including the cost of the Improvements and through-put charges payable to Chevron, as currently estimated by the Company ranges from \$.0197 to \$.0366 per gallon.

² Includes charges for tank farm and fuel distribution system. Charges are estimates obtained by the Company from representatives of the respective airports listed.

Cost overruns or delays in the completion of the Improvements may result in increased charges to the Contracting Airlines under the Interline Agreement and to other users of the Demised Premises and Right-of-Way. Such increased charges could be material. See the captions "THE FUEL SYSTEM AND THE IMPROVEMENTS — Environmental Costs" and "CERTAIN BONDHOLDERS' RISKS — Costs and Schedule of the Improvements." The actual charges per gallon also will vary from estimates to the extent that the actual total gallonage delivered by the Company is greater than or less than projected.

Factors Influencing Fueling Options at the Airport. As described in the Airport Consultant's Report, both the cost of jet fuel at the Airport and at nearby airports and the nature of a particular flight influence whether an air carrier chooses to refuel at the Airport and the extent of such refueling. A detailed discussion of the factors influencing fueling options at the Airport is included in the report of the Airport Consultant. See APPENDIX A "REPORT OF THE AIRPORT CONSULTANT." The Airport Consultant Report concludes that as to international flights, which accounted for approximately 47% of jet fuel consumed at the Airport in fiscal year 1996, there is little opportunity to tanker fuel either to or from the Airport. With respect to long haul domestic flights (over 600 miles), which constituted 46% of the jet fuel consumed at the Airport in fiscal year 1996, the Airport Consultant reports that there is generally little capacity available or incentive for the tankering of fuel. The Airport Consultant's Report states that the amount of fuel tankering engaged in for price reasons in the recent past likely has been minimal.

SECURITY FOR THE 1997 BONDS

The Trust Estate

The Airport Commission has pledged to the Trustee pursuant to the Trust Agreement and has granted a security interest to secure the payment of the principal of, premium, if any, and interest on the 1997 Bonds, in accordance with their terms and the provisions of the Trust Agreement (the "Trust Estate"): (i) the Revenues (as defined in the Trust Agreement), (ii) the rights of the Airport Commission under the Fuel System Lease to payment of the Facilities Rent, (iii) amounts in the funds and accounts established under the Trust Agreement (except the Rebate Fund and the Company Operation Fund), (iv) all property which is by the express provisions of the Trust Agreement required to be subjected to the lien thereof, and (v) any additional property that may from time to time, be subjected to the lien of the Trust Agreement by or on behalf of the Airport Commission. Amounts on deposit in the above-described funds and accounts will include 1997 Bond proceeds in the 1997 Construction Fund (as defined in Appendix B hereto) prior to expenditure in accordance with the Trust Agreement, amounts in the Bond Fund (as defined in Appendix B hereto), including, but not limited to, the Debt Service Reserve Account, amounts in the Capitalized Interest Fund (as defined in Appendix B hereto) prior to expenditure, and insurance proceeds deposited in the Bond Fund, if any. See APPENDIX B "SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND FUEL SYSTEM LEASE."

The term "Revenues" is defined in the Trust Agreement to mean (i) Facilities Rent, (ii) any interest or income derived from the investment of any funds provided for in the Trust Agreement and constituting part of the Trust Estate, and (iii) insurance proceeds and condemnation awards. The term "Facilities Rent" is defined in the Fuel System Lease to mean the rent paid by the Company to the City thereunder, and, following termination of the Fuel System Lease under certain circumstances described in the Fuel System Lease, any net reletting payments to the extent provided in the Fuel System Lease. See the caption "CERTAIN BONDHOLDERS' RISKS — Termination of the Fuel System Lease."

The 1997 Bonds will not be secured by a mortgage or other lien on the Demised Premises and the Right-of-Way or any other portion of the Fuel System or any part of the other real property or improvements thereto of the Company or the Airport Commission. The 1997 Bonds will not be secured by a pledge of or lien on any revenues derived by the Airport Commission from the ownership or operation of the Airport, other than the Facilities Rent payable under the Fuel System Lease. In particular, Ground Rent and Additional Rent, both as defined in the Fuel System Lease, will not be pledged or available to pay or secure the payment of the 1997 Bonds.

Payment by the Company of Facilities Rent

The primary source for the payment of principal of, premium, if any, and interest on, the 1997 Bonds will be the payment by the Company of Facilities Rent pursuant to the Fuel System Lease. Under the Fuel System Lease, the Company is unconditionally obligated to pay to the Trustee Facilities Rent at such times and in such amounts as are necessary to pay principal of, premium, if any, and interest on the 1997 Bonds when due, including without limitation upon the redemption or acceleration thereof, and to maintain the required balance in the Debt Service Reserve Account.

Pursuant to the Fuel System Lease and the Guaranty, the Company covenants and agrees that, in the event that at any time the Company has insufficient funds on hand to pay amounts then due under the Fuel System Lease or the Guaranty, including without limitation Facilities Rent and Additional Rent, and any other obligations of the Company then due and payable, the Company will pay any amounts then due under the Fuel System Lease and the Guaranty prior to the payment of any other such obligations. See APPENDIX B "SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND FUEL SYSTEM LEASE."

The Interline Agreement

The Company and the Contracting Airlines have entered into the Interline Agreement. The Company's primary source of income will be payments made by the Contracting Airlines pursuant to the Interline Agreement and certain other amounts collected by the Company from Non-Contracting Users (as defined below) and Gasoline Facility Users. Pursuant to the Interline Agreement, the Contracting Airlines are jointly liable for all costs, liabilities and expenses payable by the Company in relation to the administration and operation of the Company and the operation and maintenance of the Demised Premises and the Right-of-Way (the "Total Fuel System Charge"), including without limitation the Facilities Rent and all other amounts owed by the Company pursuant to the Fuel System Lease, or the Guaranty, or in connection with the Company's operation of the Gasoline Facility or otherwise. See APPENDIX C "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT." The Total Fuel System Charge will be allocated among the Contracting Airlines pursuant to a formula set forth in the Interline Agreement. In the event of a default by any Contracting Airline, the remaining Contracting Airlines are obligated to pay the Company their pro rata share of the amount in default. In addition, each Contracting Airline which withdraws from the Interline Agreement remains contingently liable for its pro rata share of all obligations of the Company (including without limitation the payment of Facilities Rent) for the period and in the amounts set forth in the Interline Agreement. See the caption "CERTAIN BONDHOLDERS' RISKS — Withdrawals of Contracting Airlines." The payments made to the Company by the Contracting Airlines pursuant to the Interline Agreement constitute the primary source of, and security for, the payment of the 1997 Bonds. The Company may also impose fees on air carriers (or their fuel suppliers) which are not signatories to the Interline Agreement ("Non-Contracting Users") for use of the Demised Premises and the Right-of-Way. Such fees will reduce the amounts otherwise due to the Company from the Contracting Airlines under the Interline Agreement.

Pursuant to the Interline Agreement, each Contracting Airline has agreed that the Fuel System will be the sole and exclusive facility for the receipt, storage and distribution of jet fuel at the Airport. See the caption "CERTAIN BONDHOLDERS' RISKS — Exclusive Use and Operation of the Fuel System."

Debt Service Reserve Account

At the time of issuance of the 1997 Bonds, an amount will be deposited into the Debt Service Reserve Account in the Bond Fund established pursuant to the Trust Agreement equal to the least of (i) the maximum amount of principal and interest payable on the 1997 Bonds during any Bond Year (as such term is defined in Appendix B hereto), (ii) 10% of the original proceeds of the 1997 Bonds (less any original issue discount, if any, plus premium, if any), and (iii) 125% of the average annual principal and interest payable on the 1997 Bonds during any Bond Year (the "Debt Service Reserve Account Requirement"). During any period in which 1997 Bonds are outstanding, the Debt Service Reserve Account will be maintained at the Debt Service Reserve Account Requirement. The Trustee is obligated to transfer amounts from the Debt Service Reserve Account to the Interest Account, the Principal Account and/or the Redemption Account in the Bond Fund, in that order, if the amounts on deposit in such accounts are insufficient to pay the principal of, premium, if any, or interest on any 1997 Bonds when due.

The Trustee is obligated to establish the market value of investments in the Debt Service Reserve Account five Business Days prior to each Interest Payment Date, each Redemption Date, any date on which 1997 Bonds are defeased, and immediately after making any withdrawal from the Debt Service Reserve Account.

Notwithstanding the foregoing, the Airport Commission may at any time satisfy the Debt Service Reserve Account Requirement in whole or in part by providing the Trustee with a Credit Facility (as such term is defined in Appendix B hereto) in lieu of cash. Such Credit Facility must be issued by a provider whose ability to pay is then rated in the highest rating category by at least one Rating Agency (as such term is defined in

Appendix B hereto). See APPENDIX B “SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND FUEL SYSTEM LEASE.”

The Guaranty

Pursuant to the Guaranty, the Company irrevocably guarantees to the Trustee for the benefit of the Bondholders (i) the full and prompt payment when due, by acceleration or otherwise, of the principal of, premium, if any, and interest on the 1997 Bonds in accordance with the terms of the 1997 Bonds and the Trust Agreement, and (ii) the full and prompt payment of all other sums when due under the terms of the Trust Agreement, together with any interest accrued thereon (the obligations described in items (i) and (ii) collectively shall be referred to as the “Guaranteed Obligations”). See the caption “CERTAIN BONDHOLDERS' RISKS — Limitations on Exercise of Remedies — Trustee’s Remedies under the Guaranty” and “ — Federal Bankruptcy Code Considerations — The Guaranty.”

The Security Agreement

Pursuant to the Security Agreement, in order to secure the payment and performance by the Company of all Guaranteed Obligations pursuant to the Guaranty, the Company has assigned, pledged and granted to the Trustee an exclusive security interest in all right, title and interest of the Company, whether now owned or after acquired, in and to the following (collectively, the “Collateral”): (a) the Interline Agreement and any Non-Contracting User Agreement and any Gasoline Facility Access Agreement (as such terms are defined in the Interline Agreement) the Company may enter into from time to time, as such agreements may be amended, supplemented, substituted or renewed from time to time (collectively, the “Company Agreements”); all rights of the Company under the Company Agreements; all amounts payable to or receivable by the Company thereunder; all books, records and information relating to the Company Agreements and/or to the other Collateral, and all rights of access to such books, records, and information; (b) all accounts and accounts receivable of the Company; (c) subject to the terms of the Fuel System Lease, insurance proceeds, refunds and premium rebates in respect of the Demised Premises and Right-of-Way; and (d) all proceeds of the foregoing including, without limitation, whatever is receivable or received when Collateral or proceeds is sold, collected, exchanged, returned, substituted or otherwise disposed of, whether such disposition is voluntary or involuntary, including, subject to the terms of the Fuel System Lease, rights to payment and return premiums and insurance proceeds under insurance with respect to any Collateral, and all rights to payment with respect to any cause of action affecting or relating to the Collateral. See “CERTAIN BONDHOLDERS' RISKS — Federal Bankruptcy Code Considerations — The Guaranty.”

Limited Obligations

The 1997 Bonds are special limited obligations of the Airport Commission payable as to principal thereof, premium, if any, and interest thereon, solely from the Trust Estate. The 1997 Bonds will not constitute a general obligation of, or be secured by a pledge of the faith and credit or the taxing power of, the City, the State or any political subdivision of the State. The 1997 Bonds will not constitute an indebtedness of the Airport Commission except to the extent provided in the Trust Agreement. Neither the State, any political subdivision of the State, nor the City (other than the Airport Commission) will be obligated to pay the principal of, premium, if any, or interest on the 1997 Bonds, or other costs incident thereto. The Airport Commission will be obligated to make such payments only from the Revenues and other amounts pledged therefor pursuant to the Trust Agreement.

Bond Insurance

The Insurer will issue, concurrently with the delivery of the 1997 Bonds, the Policy insuring the scheduled payment when due of principal of and interest on the 1997 Bonds. See the caption "BOND INSURANCE" and APPENDIX E "PROPOSED FORM OF BOND INSURANCE POLICY."

Additional Bonds of the Airport Commission

The Airport Commission may issue one or more series of additional bonds ("Additional Bonds"), on a parity with the 1997 Bonds, to refund any series of Bonds or portion thereof outstanding under the Trust Agreement, to pay the costs of the Improvements or additions, modifications, improvements, repairs or replacements thereto, or to finance additional facilities on property at the Airport owned by the Airport Commission and leased to the Company pursuant to the Fuel System Lease. Such Additional Bonds may be issued upon the receipt by the Trustee of, among other things, an opinion of Bond Counsel (as such term is defined in the Trust Agreement) to the effect that, among other things, the supplemental Trust Agreement providing for the issuance of such Additional Bonds is a valid and binding obligation of the Airport Commission; a certificate of the Company consenting to and approving the issuance of such Additional Bonds; and funds either from the proceeds of such Additional Bonds or from any other source, or a credit facility, for deposit in the Debt Service Reserve Account, which together with amounts then on deposit in the Debt Service Reserve Account, cause the balance in such account to be equal to the Debt Service Reserve Account Requirement for the Bonds immediately after the issuance of such Additional Bonds.

BOND INSURANCE

There follows under this caption certain information concerning Insurer and the terms of the Policy relating to the 1997 Bonds. The information contained under this caption has been supplied by Insurer. No representation is made by the Airport Commission, the Company or the Underwriters as to the accuracy or completeness of such information, or the absence of material adverse changes therein at any time subsequent to the date hereof.

Payment Pursuant to Municipal Bond Insurance Policy

The Insurer has made a commitment to issue the Policy relating to the 1997 Bonds effective as of the date of issuance of the 1997 Bonds. Under the terms of the Policy, the Insurer will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 1997 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Airport Commission (as such terms are defined in the Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 1997 Bonds, and once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 1997 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 1997 Bonds, the Insurer will remain obligated to pay principal of and interest on outstanding 1997 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 1997 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 1997 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Airport Commission has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of the 1997 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 1997 Bonds to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the 1997 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 1997 Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

In the event that the Insurer were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$2,736,000,000 (unaudited) and statutory capital of approximately \$1,548,000,000 (unaudited) as of June 30, 1997. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch Investors Service, L.P. have each assigned a triple-A claims-paying ability rating to the Insurer.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in its Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the 1997 Bonds.

The Insurer makes no representation regarding the 1997 Bonds or the advisability of investing in the 1997 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official

Statement other than the information supplied by the Insurer and presented under the heading "BOND INSURANCE" and APPENDIX E "PROPOSED FORM OF BOND INSURANCE POLICY."

Available Information

The parent company of the Insurer, Ambac Financial Group, Inc. ("Ambac Financial"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. Ambac Financial's Common Stock is listed on the NYSE.

Copies of the Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by Ambac Financial with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

- (1) Ambac Financial's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 and filed on March 31, 1997;
- (2) Ambac Financial's Current Report on Form 8-K dated March 12, 1997 and filed on March 12, 1997;
- (3) Ambac Financial's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1997 and filed on May 15, 1997.
- (4) Ambac Financial's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1997 and filed on August 14, 1997.

All documents subsequently filed by Ambac Financial pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "BOND INSURANCE — Available Information."

CERTAIN BONDHOLDERS' RISKS

The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the 1997 Bonds. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of any 1997 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the 1997 Bonds, together with all other information in this Official Statement in order to make an informed investment decision with respect to the 1997 Bonds. There can be no assurance that other risk

factors are not or will not become material in the future. See APPENDIX A “REPORT OF THE AIRPORT CONSULTANT.”

Levels of Aviation Activity

A principal determinant of future fuel demand at the Airport is future air travel potential in the Airport's service area, including the population and economy of the area, the cost and convenience of air travel for the Airport's users, the state of the U.S. and international airline industries and the capacity of the local and national aviation infrastructure. No assurance can be given that the present levels of demand for fuel either in the aggregate or by particular air carriers at the Airport will be maintained in the future. Lower than projected Airport traffic and fuel demand could adversely impact overall user costs for the Fuel System, including Contracting Airlines' payment obligations under the Interline Agreement and payments from Non-Contracting Users. See “CERTAIN BONDHOLDERS' RISKS — Certain Risks with Respect to the Company” and APPENDIX A “REPORT OF THE AIRPORT CONSULTANT.”

Costs and Schedule of the Improvements

The costs and schedule of the Improvements may be affected by many factors. These include physical challenges, including construction in bay mud, which requires compliance with various environmental criteria and limits the nature and methods of construction which may be used. Additionally, certain areas of the Airport do not provide direct ingress and egress of construction employees and vehicles. As a result, work on certain parts of the Airport operations area will be restricted to certain levels of personnel and to certain numbers of workers at any given time. Construction of the Improvements will involve coordination with other ongoing construction projects at the Airport, and may be complicated by the existing Airport facilities as well as unexpected or unforeseen physical conditions or geological features. Work on other elements of the NTMP has resulted in unexpected or unforeseen delays. Delays encountered in connection with bay mud or as a result of construction of other elements of the NTMP could result in delays in completion of the Improvements and/or increased costs in connection with completion of the Improvements.

Additionally, because the Improvements involve the expansion of the existing Fuel System, unanticipated challenges may be encountered when upgrading or adding new systems to the Fuel System. While the Company and its engineers have made an effort to anticipate and budget for potential problems, there can be no assurance that unanticipated challenges or problems will not arise, or that the Fuel System will function as anticipated upon completion. The ability of the Company to complete the Improvements within budget and on schedule could be adversely impacted by various factors, including without limitation (1) estimating errors, (2) design and engineering errors, (3) changes in construction plans, (4) litigation that delays construction activities, (5) unforeseen site conditions, (6) labor difficulties, (7) adverse weather conditions, (8) contractor defaults, and (9) unanticipated levels of inflation. Failure to complete the Improvements within budget and on schedule could increase materially the amounts the Contracting Airlines are obligated to pay under the Interline Agreement and the amounts payable by Non-Contracting Users. See “THE COMPANY — General.”

Seismic Risks

The Airport is located in a seismically active region. The Airport could sustain extensive damage to its facilities, including the Fuel System, in a major earthquake, both from ground motion and possible liquefaction of underlying soils. Damage could include pavement displacement (which could, in the worst case, necessitate the closing of one or more runways for extended periods of time), distortions of pavement grades, breaks in utility, drainage and sewage lines, displacement or collapse of buildings, rupture of gas and fuel lines, and collapse of dikes at the Airport with consequential flooding.

Modern design practices, which take into consideration the potential for earthquake damage, have been utilized in the design of the more recent buildings and facilities constructed by the Airport, including all terminal buildings and the Airport garage. Structures built in recent years have all been designed in accordance with the earthquake resistance standards contained in local building codes. The Improvements have been designed and will be constructed in accordance with current earthquake resistance standards. Upon completion of the Improvements, automatic monitors will be designed to shut down isolation valves in the event of an earthquake, thereby segmenting the Fuel System and thus minimizing the release of jet fuel upon any rupture of a fuel line.

In October 1989, an earthquake measuring 7.1 on the Richter scale and with an epicenter approximately 50 miles south of the Airport struck the San Francisco Bay Area. There was no damage to the runways and no material structural damage to the terminal buildings at the Airport or to the Fuel System. The Airport contingency plans for such emergencies were implemented immediately. As a result, although the Airport was closed and flights were diverted to other airports or canceled, the Airport was reopened to the public and was operational within twelve hours. The Airport Commission financed the \$13.7 million costs of all repairs resulting from the earthquake from funds on hand.

Certain Risks with Respect to the Company

The Company was organized on May 28, 1997. The Company has only nominal capitalization, limited assets and no employees. The Company will contract with the Fuel System Operator, as hereinafter defined, for operation of the Fuel System. See "THE COMPANY — The Fuel System Operating Agreement." The Company will fund its estimated first-year operating expenses from proceeds of the 1997 Bonds. No financial statements of the Company are currently available.

Pursuant to the Fuel System Lease and the Guaranty, the Company has covenanted that it will not engage in any business or activity other than the construction, operation and maintenance of the Demised Premises and the Right-of-Way, and the receipt, storage and distribution of jet fuel and gasoline at the Airport for Airport-related uses and activities incident or ancillary thereto. The Company's sole source of operating income, therefore, will be from the operation of the Demised Premises and Right-of-Way. In particular, the payments made to the Company by the Contracting Airlines pursuant to the Interline Agreement, together with amounts collected by the Company from Non-Contracting Users and Gasoline Facility Users, will constitute the Company's sole source of operating income.

Withdrawals of Contracting Airlines

Pursuant to the Interline Agreement and the LLC Agreement, any air carrier serving the Airport may become a Contracting Airline and a member of the Company upon execution of those respective agreements and the deposit of the required amount in its operating reserve account with the Company, among other conditions. See the caption "THE COMPANY — Members and Contracting Airlines" and APPENDIX C "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT." Contracting Airlines may withdraw from the Interline Agreement and as Members of the Company, subject to certain conditions. These obligations include but are not limited to certain contingent obligations to pay amounts to the Company in connection with the Company's obligations under the Fuel System Lease and the Guaranty upon a default by the remaining Contracting Airlines. See APPENDIX C "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT."

Exclusive Use and Operation of the Fuel System

Under the Fuel System Lease, the Company and the Airport Commission have agreed that the Fuel System will be the sole and exclusive facility for the receipt, storage and distribution of jet fuel at the Airport. The Airport Commission has also covenanted in the Trust Agreement that the Fuel System is and shall be the

sole and exclusive facility for the receipt, storage and distribution of jet fuel at the Airport, provided that such covenant shall not be binding on the Airport under certain conditions (the "Exclusivity Covenants"). See APPENDIX B "SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND FUEL SYSTEM LEASE." The Airport Commission has secured waivers from the air carriers serving the Airport which are signatories to long-term Lease and Use Agreements with the Airport Commission, as well as from certain other tenants at the Airport, pursuant to which such air carriers and other tenants have waived any rights under their respective agreements to install, operate or maintain separate jet fuel delivery systems.

Federal law contains restrictions on the grant of an exclusive right to conduct an aeronautical activity at an airport which receives federal airport improvement grants (the "FAA Non-Exclusivity Rules"). The Airport Commission receives such federal airport improvement grants ("Federal Grants") pursuant to which the Airport Commission has made required grant assurances to the FAA that the Airport Commission will not grant to anyone providing aeronautical services to the public the exclusive right to use the Airport.

The applicability of the FAA Non-Exclusivity Rules to the Fuel System Lease is unclear. Several airports in the United States operate their fuel systems in a manner similar to the manner contemplated by the Fuel System Lease and the Interline Agreement, and to the Airport Commission's and Company's knowledge, the FAA has not objected to such arrangements. The Airport Commission believes that in the event the FAA Non-Exclusivity Rules were applicable to the Fuel System Lease and the Exclusivity Covenants were found to violate the FAA Non-Exclusivity Rules, the most likely remedy for such violation would be that the FAA may withhold future Federal Grants. The Airport Commission believes that the withholding of future Federal Grants or the exercise of other similar remedies would not have a material adverse effect on the ability of the Airport Commission to pay principal of and interest on the 1997 Bonds. However, if the Airport Commission were required to provide or permit an additional fuel delivery system at the Airport or multiple operators of fuel delivery systems, such competing fuel systems could have a material adverse effect on the ability of the Company to pay Facilities Rent and the ability of the Airport Commission to pay principal and interest on the 1997 Bonds. See the caption "SECURITY FOR THE 1997 BONDS — The Trust Estate."

Termination of the Fuel System Lease

Pursuant to the terms of the Fuel System Lease, after an Event of Default the Airport Commission may, under certain circumstances as described in APPENDIX B "SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND FUEL SYSTEM LEASE," terminate the Fuel System Lease. If the Airport Commission elects to terminate the Fuel System Lease due to the failure by the Company to punctually pay Facilities Rent, the Airport Commission is obligated under the terms of the Fuel System Lease to use commercially reasonable efforts to relet the Demised Premises and grant the right to use the Right-of-Way for the remainder of the original term of the Fuel System Lease. In the event that the Airport Commission terminates the Fuel System Lease and relets the Demised Premises and grants the right to use the Right-of-Way for the remainder of the original term of the Fuel System Lease, there can be no assurance that the net reletting proceeds received by the Airport Commission and available to pay principal of or interest on in the 1997 Bonds will be sufficient therefor.

If the Airport Commission is unable to relet the Demised Premises and grant the right to use the Right-of-Way for such term and elects to operate them itself, the Airport Commission is not obligated to apply amounts the Airport Commission may receive, if any, with respect thereto to the payment of the 1997 Bonds. In such event, the only source of payment for the 1997 Bonds would be the Debt Service Reserve Account, other amounts on deposit in certain funds and accounts created under the Trust Agreement, amounts realized by the Trustee under the Guaranty and pursuant to the Security Agreement and amounts collected by the Airport Commission from the Company as a result of the exercise of remedies under the Fuel System Lease. The likelihood of the Trustee realizing amounts under the Guaranty and pursuant to the Security Agreement may be limited, however, as the Company's sole source of operating income will be from operation of the Demised

Premises and the Right-of-Way, including amounts payable by the Contracting Airlines under the Interline Agreement. The ability or willingness of the Contracting Airlines to make payments to the Company to support the obligations of the Company under the Guaranty while not paying amounts under the Interline Agreement to support the obligation of the Company to pay Facilities Rent is unknown.

Limitations on Exercise of Remedies

The Airport Commission will pledge and assign to the Trustee its right to receive the Facilities Rent payable by the Company under the Fuel System Lease. The Airport Commission will not otherwise assign any of its rights or remedies under the Fuel System Lease to the Trustee. The 1997 Bonds will be further secured by a Guaranty directly from the Company to the Trustee.

Under California law, there are and may be certain procedural limitations on the Airport Commission's exercise of remedies under the Fuel System Lease, and there also may be certain procedural limitations on the Trustee's exercise of remedies under the Guaranty, which are further described below. The time required to exercise remedies under the Fuel System Lease and the Guaranty upon a default by the Company thereunder may be affected by such procedural limitations.

The following is a brief discussion of certain provisions of California law regarding limitations on remedies available to lessors of real property, is only a general description thereof, is not intended to be exhaustive or definitive, and is qualified in its entirety by reference to applicable statutes and to the decisions of the California courts interpreting and applying such statutes.

Limitations on Remedies under the Fuel System Lease. California law, including applicable provisions of the State's Civil Code, specifies the remedies available to a lessor for breach of a lease of real property. Upon a default by a lessee, the Civil Code generally permits a lessor to (i) sue for rent as it becomes due, without terminating the lease; or (ii) terminate the lease and sue for damages in an amount equal to the present value of the rental payments otherwise due, less the amount of loss the lessee proves that the lessor could have reasonably avoided through a reletting of the premises. California law also permits liquidated damages provisions in leases, provided that they are reasonable at the time the lease is executed. California law generally does not permit the direct acceleration of the full amount of the rental payments due under a lease upon a default by the lessee thereunder.

Upon the occurrence and continuance of an Event of Default under the Trust Agreement, the Trustee may, and under certain circumstances must, declare that principal amount of the 1997 Bonds immediately due and payable. The Fuel System Lease requires that the Company must pay Facilities Rent in an amount sufficient to pay the 1997 Bonds when due, including upon acceleration thereof. In addition, the Company has agreed under the Fuel System Lease, upon a default in its obligation to pay Facilities Rent, to pay as liquidated damages an amount equal to the outstanding principal amount of the 1997 Bonds and interest then due on the 1997 Bonds.

In any litigation brought to enforce remedies under the Fuel System Lease upon a default thereunder by the Company, a court may conclude that the requirement that the Company pay Facilities Rent in an amount equal to the amount due under the Trust Agreement upon an acceleration of the 1997 Bonds is, in effect, an impermissible acceleration of rent due under a lease of real property, and refuse to enforce payment. A court may also conclude that the liquidated damages provision under the Fuel System Lease was "unreasonable" at the time the Fuel System Lease was executed. In either event, the Airport Commission's remedies under the Fuel System Lease would then be limited to the two remedies, described above, which are permitted by California law and expressly set forth in the Fuel System Lease. That is, the Airport Commission could sue the Company for Facilities Rent as it becomes due under the Fuel System Lease, or terminate the Fuel System Lease and sue for damages in an amount equal to principal of and accrued interest on the 1997 Bonds, the present value of the Ground Rent and Additional Rent which would have been due, and any other detriment caused by such default.

Pursuant to the Fuel System Lease, the Airport Commission has agreed to pay into the Bond Fund for application in accordance with the Trust Agreement any amounts attributable to unpaid Facilities Rent collected by the Airport Commission in exercising its remedies under the Fuel System Lease upon a default by the Company thereunder.

Trustee's Remedies under the Guaranty. Pursuant to the Guaranty, the Company will guaranty the payment when due of the principal of, premium, if any, and interest of the 1997 Bonds. The Guaranty, by its terms, will not be a guaranty of the payments due from the Company under the Fuel System Lease. Nonetheless, upon a default by the Company under the Fuel System Lease and a suit by the Trustee directly against the Company under the Guaranty, a court may conclude that the Guaranty was in fact a guaranty of the payments due under the Fuel System Lease. This would subject the Guaranty and therefore also the Security Agreement to the same procedural limitations under California law, described above, applicable to the exercise of remedies upon a default under a lease. As a practical matter, therefore, the Trustee likely would bring a single suit which included an action for payment under the Guaranty, and an action for damages under the Fuel System Lease.

Federal Bankruptcy Code Considerations

The Fuel System Lease. In the event a bankruptcy case is filed with respect to the Company under the United States Bankruptcy Code (the "Bankruptcy Code"), a bankruptcy court could determine that the Fuel System Lease is an executory contract or unexpired lease pursuant to Section 365 of the Bankruptcy Code. In that event, a trustee in bankruptcy or the Company as a debtor-in-possession might reject the Fuel System Lease. Under the Bankruptcy Code, any rejection of the Fuel System Lease could result in a claim for termination damages, which claim would rank as that of a general unsecured creditor of the Company. The bankruptcy courts could also determine that the Fuel System Lease constituted an unexpired lease of non-residential real property. Upon such determination, any claims for termination damages would be limited to the rent payable under the Fuel System Lease (without acceleration) for the greater of one year or 15% of the remaining term of the Fuel System Lease, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the Airport Commission repossessed, or the Company surrendered, the leased property, plus any unpaid rentals under the Fuel System Lease (without acceleration) on the earlier of such dates. In this event, any claim with respect to 1997 Bonds that do not mature (absent acceleration) within the period of one year or 15% of the remaining term of the Fuel System Lease (but not in excess of three years) following the bankruptcy commencement date (i.e., the earlier of (a) or (b) above) could be limited to the interest which would accrue on such 1997 Bonds during such period and may not permit a claim for the recovery of principal. As a result, unless amounts are recovered other than under the Fuel System Lease, Bondholders could suffer a substantial loss with respect to their investment in the 1997 Bonds.

The Guaranty. Pursuant to the terms of the Guaranty, the Company will guarantee to the Trustee, for the benefit of the owners of the 1997 Bonds, the full and prompt payment of the principal and premium, if any, on the 1997 Bonds when and as the same shall become due and payable as provided in the Trust Agreement, whether at the stated maturity thereof, by redemption, acceleration or otherwise, and the full and prompt payment of the interest on the 1997 Bonds when and as the same shall become due and payable as provided in the Trust Agreement. The obligations covered by the Guaranty are intended by the parties to be independent of those set out in the Fuel System Lease, and to be enforceable without regard to the validity or enforceability of the Fuel System Lease or any obligation of the Company contained therein. In the event a bankruptcy case were filed with respect to the Company, the Trustee may file a claim pursuant to the Guaranty, independently of any claim under the Fuel System Lease, for the payment of all amounts, if any, required for the payment of the principal of, premium, if any, and interest on the 1997 Bonds when due. Such claim, if allowed, would rank as that of a general unsecured creditor of the Company. A bankruptcy court could determine, however, that the Trustee's claim under the Guaranty should be limited to the same extent as the Bankruptcy Code limitation of claims for termination damages with respect to non-residential real property leases described above in connection with a claim under the Fuel System Lease. *In such an event, the Guaranty and therefore also the Security Agreement might provide no additional security for payments due on the 1997 Bonds.*

The Interline Agreement. In the event of a bankruptcy involving any party to the Interline Agreement (including the Company), the obligations of such party under the Interline Agreement would be subject to approval by the bankruptcy court of an election by or on behalf of such party to assume or reject the contract. Such an election could be made any time during the case. The non-defaulting parties could ask the bankruptcy court to compel the bankrupt party to elect whether to assume or reject the Interline Agreement prior to the end of the case. However, so long as the bankrupt party was not partaking of any benefit under the Interline Agreement or was paying its allocable share of reasonable costs for post-petition services, it is unlikely that a court would compel such an election. Termination of the rights of a bankrupt party under the Interline Agreement merely because of a bankruptcy filing would be unenforceable. The bankrupt party would be permitted to enjoy the benefits of the contract without formally assuming the same, and irrespective of pre-petition defaults, so long as it paid its allocable share of reasonable costs for post-petition services. The bankrupt party would be required to cure any pre-petition defaults as a condition to assuming the contract. Upon curing defaults in connection with assuming the contract, the bankrupt party could assign its rights thereunder irrespective of any limitations or prohibitions thereon. Any damages resulting from a breach or termination of the Interline Agreement in connection with a rejection thereof would be treated as general unsecured pre-petition claims in such party's bankruptcy. Accordingly, any rights of the Company or the Trustee in respect of claims under the Interline Agreement against a Contracting Airline which is subject to a bankruptcy proceeding may be limited and may increase the risk of nonpayment or impair the security for the 1997 Bonds.

No Representation or Warranty. No representation or warranty is made by the Airport Commission or the Company that any claim under the Fuel System Lease, the Guaranty, the Security Agreement or the Interline Agreement will be allowed or that any recovery on any such claim will be permitted under the United States Bankruptcy Code in a proceeding involving the Company or a Contracting Airline.

No Title Insurance

It has not been the practice of the Airport Commission or its tenants to undertake surveys of real property leased at the Airport, or to record leases or other real property conveyances in the offices of the San Mateo County Recorder. In addition, no policy of title insurance will be obtained with respect to the Fuel System Lease or the Airport Commission's interest in the Demised Premises or Right-of-Way. As a result, other parties may not be precluded from asserting prior interests in the Demised Premises and the Right-of-Way.

THE COMPANY

General

The Company was organized on May 28, 1997, as a limited liability company under the laws of the State of Delaware for the purpose of leasing, constructing, and operating the Fuel System. The Company was formed pursuant to and is governed by the LLC Agreement. See APPENDIX C "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT." The Company has only nominal capitalization, limited assets, and no employees. The Company will contract with the Fuel System Operator for operation of the Fuel System. See "THE COMPANY — The Fuel System Operating Agreement." See the caption "CERTAIN BONDHOLDERS' RISKS — Certain Risks with Respect to the Company."

Membership in the Company is open to all air carriers serving the Airport. An air carrier must execute the LLC Agreement and the Interline Agreement, and comply with certain conditions set forth in such agreements. See the caption "THE COMPANY — Members and Contracting Airlines" and APPENDIX C "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT." Contracting Airlines may withdraw from the Interline Agreement, and thereby surrender their

membership in the Company, subject to certain conditions and contingent obligations. See the caption "CERTAIN BONDHOLDERS' RISKS — Withdrawals of Contracting Airlines."

Members and Contracting Airlines

The members of the Company consist of those air carriers serving the Airport which have executed the LLC Agreement and the Interline Agreement and have satisfied certain other conditions. No air carrier which is not a Contracting Airline can be a member of the Company. All air carriers serving the Airport may become Contracting Airlines and members of the Company by satisfying the required conditions.

As of the date of this Official Statement, there are 6 Contracting Airlines and members of the Company which together accounted for approximately 64.45% of the total gallonage of jet fuel boarded at the Airport during the twelve months ended July 31, 1997. Such Contracting Airlines and their percentage shares of the total jet fuel gallonage at the Airport during the twelve months ended July 31, 1997 are as follows:

<u>Air Carrier</u>	<u>Share of Gallonage (Twelve Months Ended July 31, 1997)</u>
United Airlines	43.81%
American Airlines.....	5.63
Northwest Airlines.....	5.03
Delta Airlines	4.55
Continental Airlines.....	3.31
Japan Air Lines.....	<u>2.12</u>
Total	64.45%

SOURCE: SFO FUEL COMPANY LLC

The Company anticipates that additional domestic and foreign commercial air carriers representing a substantial portion of the remaining jet fuel boarded at the Airport will ultimately become members of the Company and Contracting Airlines. However, there can be no assurance that additional air carriers will become members of the Company and Contracting Airlines. The Interline Agreement allows the Company to charge air carriers which are not Contracting Airlines a higher Fuel Delivery System Charge than that paid by Contracting Airlines. Contracting Airlines may withdraw as Members of the Company and from Interline Agreement subject to certain conditions. See APPENDIX B "SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT."

Corporate Governance

The Company is governed by a Fuel Committee comprised of one representative appointed by each Contracting Airline. The Company's Fuel Committee is charged with the management of the business and affairs of the Company, including decisions related to the planning, installation, expansion, contraction, operation and management of the Demised Premises and Right-of-Way. The day-to-day management and operation of the Demised Premises and Right-of-Way are vested in the chairperson of the Fuel Committee and an Executive Committee that may be established by the Fuel Committee.

Except as provided below, the Fuel Committee is authorized to take actions upon an affirmative vote of a "Majority-in-Interest" of the Fuel Committee members. A Majority in Interest is defined in the Interline Agreement to mean those members, or their respective Fuel Committee representatives, as the case may be, that collectively constitute or represent, as the case may be, more than: (a) fifty percent (50%) in number of the members not then in default under the LLC Agreement or the Interline Agreement and (b) fifty percent (50%) of the total gallonage of the Contracting Airlines for the twelve months prior to the month in which the vote is taken of the members not then in default under the LLC Agreement or the Interline Agreement. In the case of approval of amendments to the Interline Agreement or the approval of capital costs in addition to the Improvements, the percentages set forth in the definition above of "Majority-in-Interest" are increased from 50% to 75%.

The Company has requested the issuance of the 1997 Bonds.

The Fuel System Operating Agreement

During the term of the Fuel System Lease, the Company expects to contract with a third party to operate and maintain the Demised Premises and the Right-of-Way at the Airport. The Company initially will contract with Aircraft Service International, Inc. (the "Fuel System Operator") pursuant to the Fuel System Maintenance, Operation and Management Services Agreement, dated on or before the date of issuance of the 1997 Bonds (as amended from time to time, the "Fuel System Operating Agreement") for the management, maintenance and operation of the Demised Premises and Right-of-Way, including the Improvements, and the performing of various administrative functions for the Company. In particular, the Fuel System Operator will perform all billing, invoicing, collections and record-keeping with respect to charges imposed on the Contracting Airlines and Non-Contracting Users. The Fuel System Operating Agreement has a term of four years and, unless renewed, will expire in September, 2001. The Fuel System Operating Agreement may be terminated by either party if the other party is not performing its obligations under the Fuel System Operating Agreement. The Interline Agreement provides that the Fuel System Operator may be changed from time to time as determined by the Fuel Committee. Under the Fuel System Lease, the selection of a Fuel System Operator is subject to the prior approval of the Airport Director.

Operating Reserve Accounts

Pursuant to the Interline Agreement, each Contracting Airline is required to deposit and maintain with the Company an operating reserve account equal to twice such Contracting Airline's estimated average monthly share of the Total Fuel System Charge (as such term is defined in Appendix C hereto) for the previous twelve (12) months. The Company may draw on a Contracting Airline's operating reserve account upon any failure of such Contracting Airline to pay any amount due under the Interline Agreement. The Company anticipates that it will require the establishment and maintenance of similar operating reserve accounts by Non-Contracting Users.

Chevron Tank Farm Agreement

The Tank Farm Site is being subleased to Chevron, simultaneously with the execution of the Fuel System Lease, pursuant to a Tank Farm Agreement, dated as of September 1, 1997, by and between the Company and Chevron (the "Tank Farm Agreement"). Title to the Chevron Tank Farm located on the Tank Farm Site will remain in Chevron. The Chevron Tank Farm can be removed by Chevron at the expiration of the sublease agreement. The Tank Farm Agreement expires by its terms on June 30, 2006. The Tank Farm Agreement is expressly subject and subordinate to the terms and conditions of the Fuel System Lease. Chevron is obligated under the Tank Farm Agreement, among other things, to operate and maintain the Chevron Tank Farm and the Tank Farm Site and to coordinate operations with the Fuel System Operator.

CONTRACTING AIRLINES

Available Information

The Contracting Airlines are noted under the caption "THE COMPANY — Members and Contracting Airlines." The principal domestic Contracting Airlines, or their respective parent corporations, and foreign Contracting Airlines with American Depository Receipts ("ADR's") registered on a national exchange are subject to the information requirements of the Securities Exchange Act of 1934, and in accordance therewith file reports and other information with the Securities and Exchange Commission. Certain information, including financial information, concerning such domestic airlines or their respective parent corporations and such foreign airlines, is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the Public Reference Room of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices at 500 West Madison Street, Chicago, Illinois 60601-2511; 75 Park Place, New York, New York 10007; and the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 (for certain airlines whose stock or whose parent's stock is traded on the New York Stock Exchange). Copies of such reports and statements can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, each airline is required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Records Division, Research and Special Programs Administration, United States Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590.

Contracting Airlines owned by foreign governments, or foreign corporations operating Contracting Airlines (unless such Contracting Airlines have ADR's registered on a national exchange), are not required to file information with the SEC. Contracting Airlines owned by foreign governments, or foreign corporations operating Contracting Airlines, file limited information only with the United States Department of Transportation.

Pursuant to the Interline Agreement, each Contracting Airline is required to provide certain ongoing financial disclosure to the Company, the Airport Commission and the Trustee as the Company or the City may reasonably request. See the caption "CONTINUING DISCLOSURE." The Company has covenanted in its Continuing Disclosure Agreement to require those Contracting Airlines which were responsible for 10% or more of the Total Fuel System Charges in any given fiscal year to provide ongoing financial disclosure for such fiscal year.

The Airline Industry

The airline industry is cyclical and characterized by intense competition and variable demand. Traffic volumes in the airline industry are affected by general and localized economic conditions as well as seasonal demand patterns. Airline operating costs can also be affected by fluctuations in the cost of jet fuel, new labor agreements and other factors. As a result of these factors, the profitability of the industry and of individual airlines can fluctuate dramatically from quarter to quarter and from year to year. In addition, the airline industry is competitive as to fares, schedules, service and routes. Profit levels in the industry are highly sensitive to the extent to which carriers engage in such competition, and to changes in capital costs.

Since 1985, a series of airline mergers, takeovers, asset transfers, and bankruptcies has consolidated the airline industry. In 1990 and 1991, reduced airline passenger revenues, combined with increased costs of fuel and other operating factors, created record airline industry losses and put particular pressure on financially weak or highly indebted airlines. In recent years, several such airlines have been forced to seek protection from their creditors, sell productive assets, lay off workers, reduce service, or, in at least three cases, discontinue operations.

Neither the Airport Commission nor the Company make any representation as to the business operation or financial condition of any Contracting Airline.

THE AIRPORT COMMISSION AND THE AIRPORT

The Airport Commission

The Airport commenced operation on June 7, 1927. The Airport was originally operated under the direction of a committee of the City's Board of Supervisors. On January 8, 1932, the responsibility for the day-to-day management of the Airport was granted to the City's Public Utilities Commission. In June 1970, San Francisco voters approved a Charter amendment placing the Airport under the jurisdiction of an "Airport Commission."

The Airport Commission operates the Airport as a separate enterprise department of the City. The Airport Commission consists of five members appointed by the mayor for four-year overlapping terms. All appointments are subject to rejection by a two-thirds vote of the Board of Supervisors and any member may be removed by a three-fourths vote of the Board of Supervisors for official misconduct. The current members of the Airport Commission and their respective terms are as follows:

<u>Member</u>	<u>Occupation</u>	<u>Term Ends August 31 of</u>
Henry E. Berman, <i>President</i>	Consultant to Joseph E. Seagram and Sons, Inc.	1999
Roland A. Quan, <i>Vice President</i>	Partner, public accounting firm of Lee, Quan, Ho & Le	1998
Michael S. Strunsky	Chairman/CEO, Apersey Construction	1997
Larry Mazzola	Business Manager and Financial Secretary/Treasurer, Local Union 38	1998
Linda S. Crayton	Manager, AT&T	2000

Senior management of the Airport Commission is led by the Airport Director ("Director"), who has full power and authority to administer the affairs of the Airport Commission as the chief executive officer thereof. Under the Charter, the Director is appointed by the Mayor from candidates submitted by the Airport Commission. Once appointed by the Mayor, the Director serves at the pleasure of the Airport Commission.

Under the Charter, the Airport Commission is responsible for the construction, management, supervision, maintenance, extension, operation, use and control of all property, including the portions of the Fuel System owned by the City, as well as the real, personal and financial assets under its jurisdiction. The Airport Commission also has the authority to issue revenue bonds for Airport-related purposes, subject to approval by the Board of Supervisors. Finally, the Airport Commission has exclusive power to fix and adjust Airport rates, fees and charges for services provided at the Airport.

The Airport

San Francisco International Airport is the principal commercial service airport for the San Francisco Bay Area. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and San Francisco Bay. The Airport is one of the largest airports in the United States both in terms of passengers (5th) and air cargo (11th). The Airport is

also a major origin and destination point and one of the nation's principal gateways for Pacific traffic. The Airport additionally serves as a domestic hub and Pacific gateway for United Airlines.

Current Airport Facilities

The Airport occupies approximately 5,171 acres, of which 2,383 acres have been developed for Airport use. Approximately 2,788 acres are tidelands, which have not been developed.

The runway and taxiway system occupies approximately 1,700 acres and includes four intersecting runways, three of which are equipped with ILS (instrument landing systems) for arrivals. Each of the four runways is 200 feet wide and is paved with asphaltic concrete. The east-west runways, 28R-10L and 28L-10R, are 11,870 and 10,600 feet long, respectively. The north-south runways, 1R-19L and 1L-19R, are 9,500 and 7,000 feet long, respectively. The current runway system can accommodate the arrival and departure at maximum loads of all commercial aircraft planned for service in the 1990s. The runways at the Airport are built on bay tidelands which were filled during and shortly after World War II. As a result, the runways continue to settle at various rates, and require periodic repair and maintenance work.

The Airport currently has three terminal buildings consisting of approximately 2.6 million square feet of space. The current International (Central) Terminal primarily handles international arrivals and departures. The North and South Terminals handle domestic, Canadian and Mexican flights. A 6,750 space short-term parking garage is connected to the terminals by six pedestrian tunnels and two pedestrian bridges. A long-term parking lot of approximately 4,500 spaces is located one mile from the terminal complex on Airport property. Free shuttle bus service is provided between the long-term parking lot and the terminals.

The North Terminal was completed in 1979 as the initial phase of the Airport's Modernization and Renovation Program, which extended from 1969 through 1988. Phase II, involving the renovation of the original Central Terminal as the international arrivals and departures terminal, was completed in 1983. Phase III, which was completed in 1988, involved the renovation of the South Terminal.

The Airport has 75 gates, 34 of which can handle wide-body aircraft. Sixty-two of the gates are under exclusive lease by 9 airlines pursuant to the long-term Lease and Use Agreements, which expire in 2011. The Airport's other 13 gates are used by airlines either under 30-day permits or on a joint-use basis. The Airport has obtained control of these gates by way of airline consolidation and the Airport's buyout of airline improvements. As a result of its rights under the Lease and Use Agreements and its control of gates which are not subject to Lease and Use Agreements, the Airport has been able to accommodate new entrants as necessary.

The airlines have made substantial investments in facilities at the Airport. The United Airlines maintenance operations center, containing approximately 3 million square feet of building and hangar floor area, is one of United's two principal maintenance facilities, and one of the world's largest private aircraft maintenance facilities. Major maintenance facilities are also operated at the Airport by American Airlines, Delta Air Lines and Northwest Airlines. The airlines have constructed these maintenance facilities under long-term ground leases. Certain other airlines operate significant line maintenance facilities at the Airport.

Passenger Traffic

In fiscal year 1996-97, according to traffic reports submitted by the airlines, the Airport served approximately 39.1 million passengers (enplanements and deplanements), and handled 427,658 total flight operations, including 399,210 scheduled air carrier operations. For calendar year 1996, the Airport was ranked the fifth most active airport in the United States in terms of total passengers, according to the Airports Council International (the "ACI"). The Airport was ranked the third most active airport in the United States in terms of pure domestic origin and destination passengers, according to 1996 U.S. Department of Transportation statistics.

International passenger traffic has been growing at a faster rate than domestic traffic. From fiscal year 1986-87 to fiscal year 1996-97, international passenger traffic increased by 120%. During this same period, domestic passenger traffic term increased by 22%.

Air traffic data for the past ten fiscal years are presented in the table below.

<u>Fiscal year</u>	<u>Scheduled Aircraft Arrivals & Departures</u>	<u>Air Traffic Data</u>			<u>% Annual Change</u>
		<u>Enplanements and Deplanements</u>			
		<u>Domestic</u>	<u>International</u>	<u>Total</u>	
1996-97	399,210	32,267,567	6,833,050	39,100,617	4.7%
1995-96	397,300	31,021,507	6,313,683	37,335,190	7.6
1994-95	396,264	29,208,875	5,480,966	34,689,841	4.9
1993-94	394,367	28,198,334	4,865,080	33,063,414	3.3
1992-93	388,605	27,595,102	4,398,500	31,993,602	2.1
1991-92	385,237	27,310,530	4,039,311	31,349,841	1.7
1990-91	399,144	26,968,991	3,863,655	30,832,646	4.3
1989-90	385,524	25,664,115	3,903,890	29,568,005	(2.5)
1988-89	404,473	26,701,822	3,634,416	30,336,238	1.7
1987-88	430,410	26,431,246	3,388,824	29,820,070	1.5

SOURCE: San Francisco Airport Commission.

Cargo Traffic

In fiscal year 1996-97, according to traffic reports submitted by the airlines, Airport air cargo volume was 743,328 metric tons, including U.S. mail, freight and express shipments. A total of 376,492 metric tons of international cargo was handled at the Airport, compared to 366,836 metric tons of domestic cargo. The Airport was ranked twelfth in the United States in terms of air cargo volume in Calendar Year 1996, according to the ACI.

For fiscal year 1995-96, the Airport accounted for 51% of total air cargo at the three San Francisco Bay area airports. Metropolitan Oakland International Airport accounted for 42% and San Jose International Airport accounted for 7% of the total. Amounts for Metropolitan Oakland International Airport and San Jose International Airport are not available for fiscal year 1996-97. The Airport handled 99% of the Bay Area's international air cargo in fiscal year 1995-96. Oakland had the largest share of the domestic air cargo market, which is attributable to its traffic in express shipments. This activity requires significant land area which is not available at the Airport.

The following table provides information concerning cargo traffic at the Airport for the last ten fiscal years.

Cargo Traffic Data
Air Cargo On and Off
(in metric tons)

<u>Fiscal Year</u>	<u>Freight and Express</u>	<u>U.S. and Foreign Mail</u>	<u>Total Cargo</u>	<u>Percent Annual Change</u>
1996-97	589,742	153,586	743,328	6.6%
1995-96	555,771	141,637	697,408	0.4
1994-95	558,245	136,436	694,681	8.6
1993-94	508,970	130,916	639,886	5.4
1992-93	486,588	120,517	607,105	2.1
1991-92	475,408	119,412	594,820	2.9
1990-91	460,946	117,355	578,301	4.0
1989-90	445,174	110,955	556,129	(2.1)
1988-89	460,847	107,264	568,111	0.1
1987-88	460,974	106,770	567,744	7.6

SOURCE: San Francisco Airport Commission.

Airline Service

In fiscal year 1996-97, the Airport was served by 64 airlines. All eight major U.S. air carriers provided scheduled service. A list of the air carriers operating at the Airport during fiscal year 1996-97 appears in the following table:

Air Carriers Serving the Airport (Fiscal year 1996-97)

Domestic Passenger Air Carriers

Alaska Airlines¹
American Airlines
American Trans Air
America West Airlines
Continental Airlines
Delta Airlines¹
Frontier Airlines
Hawaiian Airlines
Midwest Express
Northwest Airlines¹
Reno Air
Rich International
Southwest Airlines
Tower Air
Trans World Airlines
Tristar Airlines
United Airlines¹
USAirways
Vanguard Airlines
Western Pacific Airlines

Foreign Flag Carriers

Aeroflot Russian International Airlines
Air Canada
Air China (CAAC)
Air France
Allegro Airlines
Asiana Airlines
British Airways
Canadian Airlines International
China Airlines
EVA Airways
Japan Air Lines
KLM Royal Dutch Airlines
Korean Air
LACSA
Lufthansa German Airlines
Mexicana Airlines
Philippine Airlines
Singapore Airlines
Taca International Airlines
Virgin Atlantic Airways

Cargo Only Carriers

American International Airways
Atlas Air
Cargolux Airlines International
DHL
Emery Worldwide
FedEx
Malaysia Airlines
Martinair Holland
Nippon Cargo
Polar Air Cargo
Union Flights

Commuter Air Carriers²

Air 21
Skywest Airlines (Delta Connection)
Trans States Airlines (USAirways Express)
Westair (United Express)
Wings West (American Eagle)

Seasonal/Charter Air Carriers

El Al Israel Air
Finnair
Great American Airways
Iberia Airlines
LTU International
Miami International
Sobelair
Sun Country Airlines

¹ Provided international and domestic air passenger service at the Airport.

² The term "commuter air carrier" as used in this listing refers to those air carriers that primarily operate aircraft with 90 seats or fewer and provide service between two or more points at least five times per week.

SOURCE: San Francisco Airport Commission.

During fiscal year 1996-97, true direct service by the airlines at the Airport was provided to more than 118 cities in the United States. Thirty-two airlines provided service to over 54 international destinations.

During fiscal year 1996-97, United Airlines handled approximately 54% of the total enplaned passengers at the Airport; American Airlines and Delta Air Lines handled approximately 6% each. In terms of international enplanements, United handled approximately 39% of the passengers, British Airways and Air Canada each handled 6%. United operates one of its four United States hubs at the Airport. Its other three hubs are operated at Chicago O'Hare, Denver International, and Dulles International near Washington, D.C.

Total enplanements for the Airport's most active airlines are shown in the table below.

Total Enplanements By Airline
(fiscal years)

<u>Airline</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1996-97 % of Total</u>
United	7,605,242	8,168,137	8,822,211	9,831,581	10,464,905	53.5
Delta	1,099,957	1,045,654	1,040,940	1,063,476	1,154,882	5.9
American	1,017,340	946,067	1,045,245	1,127,384	1,138,198	5.8
Northwest	755,682	683,310	685,225	768,822	786,577	4.0
Continental	691,352	666,060	645,867	637,242	687,903	3.5
USAirways	1,082,768	964,001	716,703	580,354	558,202	2.9
Westair (United Express)	687,680	651,367	672,811	605,528	533,107	2.7
Alaska	324,103	393,914	479,264	513,576	504,019	2.6
Southwest	503,836	608,559	559,680	508,505	483,231	2.5
America West	<u>375,798</u>	<u>343,022</u>	<u>329,125</u>	<u>337,506</u>	<u>361,826</u>	<u>1.9</u>
Subtotal	14,143,758	14,470,091	14,997,071	15,973,974	16,672,850	85.3
All others	<u>1,836,103</u>	<u>2,085,402</u>	<u>2,375,653</u>	<u>2,705,898</u>	<u>2,882,224</u>	<u>14.7</u>
TOTAL	<u>15,979,861</u>	<u>16,555,493</u>	<u>17,372,724</u>	<u>18,679,872</u>	<u>19,555,074</u>	<u>100.0</u>
Percent Annual Change	2.0%	3.6%	4.9%	7.5%	4.7%	

SOURCE: San Francisco Airport Commission.

Domestic and international enplanements by airline are shown in the tables below.

Domestic Enplanements By Airline
(fiscal years)

<u>Airline</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1996-97 % of Total *</u>
United	6,651,636	7,194,590	7,758,075	8,570,399	9,139,866	56.6
Delta	1,067,379	996,294	1,019,671	1,041,025	1,146,418	7.1
American	1,017,340	946,067	1,045,245	1,127,384	1,138,198	7.0
Continental	691,352	666,060	645,867	637,242	687,903	4.3
Northwest	677,476	609,358	605,883	670,616	682,778	4.2
USAirways	1,082,768	964,001	716,703	580,354	558,202	3.5
Westair (United Express)	687,680	651,367	672,811	605,528	533,107	3.3
Southwest	503,836	608,559	559,680	508,505	483,231	3.0
Alaska	255,305	325,729	417,724	458,218	426,729	2.6
America West	<u>375,798</u>	<u>343,022</u>	<u>329,125</u>	<u>337,506</u>	<u>361,826</u>	<u>2.2</u>
Subtotal	13,010,570	13,305,047	13,770,784	14,536,777	15,158,258	93.9
All Others	<u>759,153</u>	<u>791,321</u>	<u>849,545</u>	<u>993,594</u>	<u>990,462</u>	<u>6.1</u>
TOTAL	<u>13,769,723</u>	<u>14,096,368</u>	<u>14,620,329</u>	<u>15,530,371</u>	<u>16,148,720</u>	<u>100.0</u>
Percent Annual Change	0.9%	2.4%	3.7%	6.2%	4.0%	

SOURCE: San Francisco Airport Commission

* Total does not equal 100% due to rounding.

International Enplanements By Airline
(fiscal years)

<u>Airline</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1996-97 % of Total *</u>
United	953,606	973,547	1,064,136	1,261,182	1,325,039	38.9
British Airways	138,462	178,513	183,783	195,275	206,371	6.1
Air Canada	112,134	121,930	130,883	166,022	196,230	5.8
Singapore	114,861	116,878	115,191	157,286	182,888	5.4
Lufthansa	90,831	94,436	117,022	125,081	162,539	4.8
Mexicana	132,814	112,699	130,731	133,233	146,337	4.3
Virgin Atlantic Airlines	¹	10,430 ¹	89,229	102,199	104,825	3.1
JAL	89,531	88,618	89,634	98,230	104,288	3.1
Northwest	78,206	73,952	79,342	98,206	103,799	3.0
Philippine	<u>79,971</u>	<u>76,860</u>	<u>75,986</u>	<u>88,476</u>	<u>97,468</u>	<u>2.9</u>
Subtotal	1,790,416	1,847,863	2,075,937	2,425,190	2,629,784	77.2
All others	<u>419,772</u>	<u>611,262</u>	<u>676,458</u>	<u>724,311</u>	<u>776,570</u>	<u>22.8</u>
TOTAL	<u>2,210,188</u>	<u>2,459,125</u>	<u>2,752,395</u>	<u>3,149,501</u>	<u>3,406,354</u>	<u>100.0</u>
Percent Annual Change	9.7%	11.3%	11.9%	14.4%	8.2%	

SOURCE: San Francisco Airport Commission

¹ Virgin Atlantic Airways began operations at the Airport in May 1994.

* Total does not equal 100% due to rounding.

Approximately 75% of the passenger traffic at the Airport is "origin and destination" traffic, where San Francisco is the beginning or end of a passenger's trip. This traffic pattern is in contrast to many other major Airports, which have a higher percentage of connecting passengers, largely as a result of airline hubbing practices. Historically, when airlines have reduced or ceased operations at the Airport, other airlines have

absorbed the traffic with no significant adverse impact on Airport traffic levels or revenues. Therefore, the Airport's traffic levels and revenues may not be as vulnerable to changes in airline hubbing practices or to financial difficulties of individual airlines as are certain other airports in the United States.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending, or to the knowledge of the Airport Commission or the Company threatened against the Airport Commission or the Company or, to their knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement or the validity of the 1997 Bonds, the Fuel System Lease, the Trust Agreement, the Interline Agreement, the Guaranty, the Security Agreement or any other agreement or instrument to which the Airport Commission or the Company is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

The Air Transport Association of America has sued the City and Airport Commission challenging the applicability of the City's Domestic Partners Benefits Ordinance to airlines operating at the Airport. The ordinance generally bars the City from entering into contracts or leases with another party unless such party provides the same benefits to registered domestic partners of its employees as it does to spouses of its employees. The Airport Commission does not believe that any potential outcome of the lawsuit would effect the validity of the 1997 Bonds, the Fuel System Lease, the Trust Agreement or any other agreement or instrument to which the Airport Commission is a party and which is used or contemplated for use in the transaction contemplated by this Official Statement. The Company has been found not to be in violation of the Ordinance. Neither the Airport Commission nor the Company can make any representation as to the ultimate outcome of the litigation.

CONTINUING DISCLOSURE

The Airport Commission and the Company have each covenanted in a Continuing Disclosure Certificate and Continuing Disclosure Agreement, respectively, for the benefit of owners of the 1997 Bonds to provide certain financial information and/or operating data relating to the Airport and the Company, as the case may be, by not later than the 270 days following the end of the Airport's fiscal year (currently its fiscal year ends on June 30) (the "Annual Report"), commencing with the report for fiscal year ending June 30, 1997, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the Airport Commission and the Company, as the case may be, with each Nationally Recognized Municipal Securities Information Repository. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in APPENDIX H "PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATES" hereto. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12(b)(5)"). The Airport Commission has previously entered into other continuing disclosure agreements and has not previously defaulted on any of its obligations under such continuing disclosure agreements. The Company has not previously entered into any continuing disclosure agreements.

Pursuant to the Interline Agreement, each Contracting Airline has agreed to provide such information, including for purposes of ongoing disclosure, as may be reasonably requested from time to time by the Company or the City. In addition, each Contracting Airline has agreed pursuant to the Interline Agreement to execute any documents or agreements relating to its continuing disclosure obligations as may be necessary or expected in connection with the financing of the Demised Premises and the Right-of-Way. In order to comply with Rule 15c2-12(b)(5), the Company has covenanted in its Continuing Disclosure Agreement to require each Contracting

Airline which accounts for ten percent (10%) or more of the Total Fuel Delivery System Charges in any fiscal year to provide certain financial and operating data to the Company for such fiscal year.

The Airport Commission shall have no responsibility or liability to the owners of the 1997 Bonds (or the owner of any beneficial interest therein) or any other person with respect to the information provided by the Company or any Contracting Airline. The Company shall have no responsibility or liability to the owners of the 1997 Bonds (or the owner of any beneficial interest therein) or any other person with respect to the information provided by any Contracting Airline.

RATINGS

Upon the issuance by the Bond Insurer of its Policy, Standard & Poor's Ratings Service, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Investors Service LLP ("Fitch") will assign the 1997 Bonds ratings of "AAA" and Moody's Investors Service ("Moody's") will assign the 1997 Bonds a rating of "Aaa." Such ratings are based in part upon the Policy and upon information provided by the Airport Commission and the Company. See the caption "BOND INSURANCE" herein. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations, and are not a recommendation to buy, sell or hold the 1997 Bonds. An explanation of the significance of such ratings may be obtained from S&P at 25 Broadway, New York, New York 10004, (212) 208-1974, from Moody's at 99 Church Street, New York, New York 10007 (212) 553-0470, and from Fitch at One State Street Plaza, New York, New York 10004 (212) 908-0500. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the 1997 Bonds. The Airport Commission, the Company and the Underwriters have no obligation to contest any such revision or withdrawal.

UNDERWRITING

The 1997 Bonds are being purchased for reoffering to the public by Smith Barney Inc. and Henderson Capital Partners, Inc. (the "Underwriters") at an aggregate purchase price of \$101,700,155.55 (representing the principal amount of the 1997 Bonds less an underwriters' discount of \$793,660.00 and original issue discount of \$3,116,184.45) plus accrued interest on the 1997 Bonds from the date thereof to the delivery date. The bond purchase agreement by and between the Underwriters and the Airport Commission, and acknowledged and agreed to by the Company, provides that the Underwriters will purchase all of the 1997 Bonds if any are purchased, subject to certain conditions set forth therein. In connection with the sale of the 1997 Bonds, the Company has provided certain indemnities to the Airport Commission and the Underwriters.

The Underwriters may offer and sell the 1997 Bonds to certain dealers (including depositing the 1997 Bonds into unit investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP and Pamela S. Jue, Attorney at Law, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is exempt from State of California personal income taxes. HOWEVER, NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO

COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL TAX PURPOSES OF INTEREST ON THE SERIES B BONDS, AND INTEREST ON THE SERIES B BONDS THEREFORE WILL NOT BE EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the further opinion of Co-Bond Counsel, based upon the same analysis and assumptions, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes, except that no opinion is expressed as to the status of interest on any Series A Bond during any period that such Series A Bond is held by a "substantial user" of the facilities financed by the Series A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Co-Bond Counsel observe, however, that interest on the Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A copy of the proposed form of opinion of Co-Bond Counsel is set forth in Appendix F hereto.

The difference (if any) between the issue price of any maturity of the 1997 Bonds and the amount to be paid at maturity of such 1997 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 1997 Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 1997 Bonds, which with respect to the Series A Bonds is excluded from gross income for federal income tax purposes, and which with respect to the 1997 Bonds is exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 1997 Bonds is the first price at which a substantial amount of such maturity of the 1997 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 1997 Bonds accrues daily over the term to maturity of such 1997 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 1997 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 1997 Bonds. Owners of the 1997 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 1997 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 1997 Bonds in the original offering to the public at the first price at which a substantial amount of such 1997 Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series A Bonds. The Commission and the Company have covenanted to comply with certain restrictions designed to ensure that interest on the Series A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series A Bonds. The opinion of Co-Bond Counsel assumes compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series A Bonds may adversely affect the value of, or the tax status of interest on, the Series A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Series A Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 1997 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel express no opinion as to any 1997 Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP and Pamela S. Jue, Attorney at Law.

Although Co-Bond Counsel are of the opinion that interest on the Series A Bonds is excluded from gross income for federal income tax purposes and interest on the 1997 Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 1997 Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status or the owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the 1997 Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, and Pamela S. Jue, Attorney at Law, San Francisco, California, Co-Bond Counsel, the proposed form of which is attached hereto as Appendix F. Such opinion recites that Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Airport Commission by the City Attorney; for the Company by Sherman & Howard LLC, Denver, Colorado and by Ellman Burke Hoffman & Johnson, San Francisco, California; for the Underwriters by Stradling, Yocca, Carlson & Rauth, a Professional Corporation, San Francisco, California and Lofton, De Lancie & Nelson, San Francisco, California; for the Trustee by Lillick & Charles LLP, San Francisco, California; and for the Insurer by its counsel.

MISCELLANEOUS

This Official Statement has been duly authorized, executed and delivered by the Airport Commission and approved by the Company.

The summaries and descriptions of provisions of the Fuel System Lease, the Trust Agreement, the Interline Agreement, the LLC Agreement, the Fuel System Operating Agreement, the Tank Farm Agreement, the Guaranty, the Security Agreement and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of the Fuel System Lease, the Trust Agreement, the Interline Agreement, the LLC Agreement, the Guaranty, the Fuel System Operating Agreement, the Tank Farm Agreement, and the Security Agreement may be obtained from the Trustee or, during the offering period, from the Underwriters. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

AIRPORT COMMISSION OF THE CITY AND
COUNTY OF SAN FRANCISCO

By: /s/ John L. Martin
Airport Director

Approved by:

SFO FUEL COMPANY LLC

By: /s/ Robert M. Sturtz
Chairman, Fuel Committee

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APPENDIX A

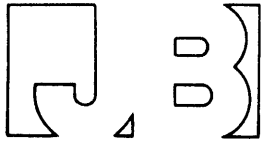
REPORT OF THE AIRPORT CONSULTANT
in connection with the proposed issuance of
SAN FRANCISCO INTERNATIONAL AIRPORT
SPECIAL FACILITIES LEASE REVENUE BONDS
(SFO FUEL COMPANY LLC)

Prepared for
AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Prepared by
JOHN F. BROWN COMPANY, INC.
Cincinnati, Ohio

September 17, 1997

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JOHN F. BROWN COMPANY, INC.
AIRPORT MANAGEMENT CONSULTANTS

September 17, 1997

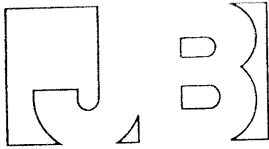
Mr. Henry E. Berman
President
San Francisco Airport Commission
City and County of San Francisco
San Francisco International Airport
San Francisco, California 94128

Dear Mr. Berman:

We respectfully submit the Report of the Airport Consultant. The Report was prepared for informational purposes in connection with the planned issuance by the San Francisco Airport Commission (the Commission) of San Francisco International Airport Special Facilities Lease Revenue Bonds.

The Commission, under Section 4.115 of the Charter of the City effective July 1, 1996, is authorized to incur debt to finance capital improvements at the Airport. Pursuant to, and subject to the requirements of, Section 2.16 of Resolution No. 91-0210, as amended and supplemented (the 1991 Resolution), that authorizes the issuance of San Francisco International Airport Second Series Revenue Bonds, the Commission "may (a) designate an existing or planned facility . . . as a 'Special Facility,' (b) provide that revenues earned . . . with respect to such Special Facility shall constitute 'Special Facility Revenues' [which are excluded from the revenues pledged to the payment of Airport Revenue Bonds], and (c) issue [debt payable from Special Facility Revenues to fund] such Special Facility."

In May 1997, the Commission authorized the issuance of up to \$125,000,000 of debt as San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 1997A & B (the 1997 Special Facilities Bonds) pursuant to a trust agreement, dated as of May 1, 1997, (the Special Facilities Trust Agreement). On May 20, 1997, the Commission authorized a lease (the Fuel System Lease) with SFO FUEL COMPANY LLC (the Company). Certain of the payments required from the Company under the Fuel System Lease are Special Facility Revenues which are intended to be the source of payment of the 1997 Special Facilities Bonds. The Company will pay its obligations (including the payments that are Special Facility Revenues) from charges assessed to users of the Fuel System. The Company will



Mr. Henry E. Berman, President
San Francisco Airport Commission

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September 17 1997

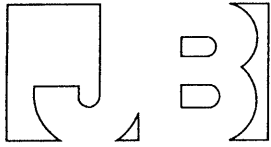
provide for access to jet fuel by all Airport users through various types of agreements and through facilities that allow for the operation of fueling trucks.

The Company is a Delaware limited liability company whose members are certain air carriers serving the Airport. Management of the Company is provided for through a Fuel Committee which is composed of one representative of each member of the Company. In order to be a member of the Company, an airline must execute the Amended and Restated Fuel System Interline Agreement (the Interline Agreement) and thereby become a Contracting Airline. The Interline Agreement provides means for other airlines currently operating at the Airport or which, in the future, start service to the Airport to elect to become Contracting Airlines. The Interline Agreement sets forth the procedures for recovering costs of the Company from the Contracting Airlines. The failure of a Contracting Airline to pay its share of the Company's costs creates an obligation upon the other Contracting Airlines to pay a pro rata share of the defaulting airline's obligation.

Based upon the assumptions set forth in our Report, we prepared an imputed cost per gallon of jet fuel for each of the fiscal years covered in the Report. (The Report uses the fiscal year of the Commission that ends on June 30. However, the Company intends to use a fiscal year that ends on December 31.) During the fiscal years of the Commission when debt service is paid entirely from capitalized interest, this imputed per gallon cost is 3/10th of a cent or less. When capitalized interest expires, the imputed amount increases to one cent per gallon in each of the last two fiscal years shown (i.e., FY2002 and FY2003). We also prepared a pro forma projection of charges for an assumed group of Contracting Airlines using Boarding Areas "A" and "G" of the new International Passenger Terminal Building in FY2003. The pro forma per gallon rates varied from 1.1 cents to 2.5 cents per gallon among this assumed group of Contracting Airlines. Variances will occur between users of a cost center and users of the entire system given that the fuel system charges are calculated based upon the use of multiple cost centers and upon allocation of part of the recoverable costs on a basis other than gallons of fuel (i.e., assessing 10 percent of the Common Use Area Cost Center requirement on an equal basis to each Contracting Airline).

The Report is made expressly subject to the following conditions and stipulations:

1. The analyses and assumptions presented in this Report, including the Exhibits which are an integral part of this Report, were reviewed with representatives of the Commission and the Company.
2. The assumptions are based, in part, on information provided to us by the Commission and the Company, some of which was provided to the Commission and the Company by airlines and others. These assumptions are also based upon



Mr. Henry E. Berman, President
San Francisco Airport Commission

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September 17 1997

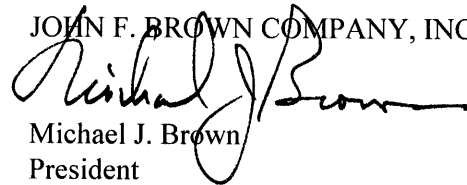
information from various other sources. Such information was not independently verified by us, may be incomplete, and may change after the date of the Report.

3. Actual results will vary from estimates because events and circumstances frequently do not occur as expected, and such variances may be material. John F. Brown Company, Inc., however, has no responsibility to update this Report for events and circumstances occurring after the date of this Report.
4. We believe the assumptions are appropriate in light of the purpose for which the Report was prepared.

The John F. Brown Company, Inc. has served as Airport Consultant on previous airport revenue bond issues of the Commission. We are pleased to have had the opportunity to be of service to the Commission in this special financing.

Respectfully submitted,

JOHN F. BROWN COMPANY, INC.



Michael J. Brown
President

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BACKGROUND

We provide in this section an overview of the existing fuel system at San Francisco International Airport (SFO or the Airport), including a description of the facilities currently in place and a brief outline of the fueling practices. We then present a summary of the proposed changes to the fuel system.

A. CURRENT FUELING FACILITIES AND PRACTICES

The existing fuel system at SFO consists of three components, namely (1) fuel storage facilities, (2) fuel distribution system, including refueler stations, and (3) hydrant systems. The fuel storage facilities are fed by a fuel supply system. Each of these components is described below along with a description of how the fuel is loaded into aircraft at the Airport.

Fuel Supply System

Jet fuel consumed at SFO is delivered to the Airport via a pipeline operated by Santa Fe Pacific Pipeline Partners, Ltd. (SFPPP). Fuel from various oil companies, independent brokers, and fuel suppliers is delivered to a large SFPPP station in Richmond, California and transported via pipeline to a SFPPP terminal facility at Oakland International Airport. From there, the fuel is transported via a pipeline that runs underneath San Francisco Bay, through to the SFPPP Brisbane Terminal located about five miles north of the Airport, and from there to the SFPPP Manifold Terminal located adjacent to the bulk fuel storage area at SFO. Fuel is pumped from the Manifold Terminal to the fuel storage facilities at the Airport.

Under the current configuration, the SFPPP pipeline is capable of delivering 3.5 million gallons per day. SFPPP can provide additional throughput capacity, when it is needed in future, to deliver up to 4.3 million gallons per day. Average daily consumption at SFO in FY1996 was 2.35 million gallons per day. The Commission's 1996 Fueling System Master Plan forecast average daily consumption to be 4.0 million gallons per day in 2015.

Fuel Storage Facilities

There are two bulk fuel storage facilities at SFO. The primary facility, operated by Chevron Products Company, a division of Chevron U.S.A., Inc. (Chevron), includes five above-ground storage tanks, with a combined capacity of approximately 6.9 million gallons, as well as associated salt towers, piping, and filtration systems. A similarly-equipped but smaller facility, owned by PS Trading, Inc. (PST), has four above-ground storage tanks with a combined capacity of 2.3 million gallons. Fuel from the PST facility is no longer pumped to satellite storage facilities and, instead, is pumped into the Chevron bulk fuel storage facility as a supplement to the overall Airport supply.

The combined capacity of the Chevron and PST fuel storage facilities is roughly 9.2 million gallons, about 4 days supply for SFO at the FY1996 average daily rate of consumption.

As a supplement to its on-Airport bulk storage facility, Chevron leases an additional 10.7 million gallons of fuel storage capacity at the SFPPP Brisbane Terminal north of the Airport.

The normal pricing practice is for the airlines to negotiate jet fuel supply arrangements with fuel suppliers that include delivery to the bulk storage facility at SFO. The airlines are free to make those supply arrangements with any of a large number of fuel companies. In turn, Chevron receives, stores, and manages the inventory of fuel from other suppliers in return for a charge of approximately one cent per gallon. Fuel inventories of the various suppliers are commingled in the bulk storage tanks. It is our understanding that Chevron and the other fuel suppliers take the cost of on-Airport storage into account in pricing their product to the airlines.

Fuel Distribution System

The distribution system encompasses the network of piping through which fuel is transported from the bulk storage facilities to the individual aircraft hydrant fueling systems described below. The piping system supplies fuel to most of the facilities on the Airport. A single 24-inch line runs from the Chevron bulk fuel storage facility to a point near Boarding Area F, where it links with a loop that, until recently, ran around the entire terminal complex; a segment of the loop was removed to facilitate construction of the new International Passenger Terminal Building.

The piping system distributes fuel to hydrant systems at Boarding Areas A, C, D, E, and F, at the airline cargo facilities operated by Northwest and American located northwest of the passenger terminal, and at the cargo facility operated by Japan Airlines and at the United Airlines Maintenance Center, both located at the north end of the Airport.

There are also two fuel loading facilities that supply the refueler vehicles that serve (1) the other areas of the Airport which do not have hydrant systems, such as Boarding Area B, the FedEx cargo facility at the north end of the Airport and the remote aircraft parking areas, and (2) the commuter carriers operating smaller turboprop aircraft. (See Table I.1.)

Several different sizes of refueler vehicles are used at SFO, according to the refueling task. The smallest vehicles (2,200-gallon capacity) are typically used in the refueling of the turboprop aircraft that require over-wing fueling. The largest vehicles (10,000-gallon capacity) are used for refueling the largest aircraft. At the extreme end of the scale, a trans-oceanic Boeing 747-400 aircraft parked off-gate may require more than 40,000 gallons and will need to be refueled by as many as five loads from the largest refueling vehicles.

Table I.1
CURRENT FUELING FACILITIES, BY CARRIER USER
SAN FRANCISCO INTERNATIONAL AIRPORT
May 1997

Location at Airport	Carrier Users
Served by Hydrant Systems:	
1. Passenger Terminal	
Boarding Area A	Southwest, USAirways
Boarding Area C	Northwest, Delta, Delta Connection (SkyWest) Hawaiian,
Boarding Area D	All international arrivals by U.S.-flag passenger airlines, and all foreign-flag passenger airlines ¹
Boarding Area E	American, Western Pacific, Canadian, Reno, Vanguard, United
Boarding Area F	United
2. Cargo Facilities	
Northwest	Northwest
American	American, All Nippon Cargo
3. JAL Cargo Facility	Japan Airlines
4. United Airlines Maintenance Operations Center	United
Served by Refueler Vehicles:	
1. Passenger Terminal	
Boarding Area A	USAir Express (TransStates)
Boarding Area B	Continental, Alaska, TWA, Midwest Express, Frontier, America West, American Trans Air, Tower Air, Air Canada
Boarding Area E	American Eagle (Wings West)
United Express facility	United Express (WestAir)
2. Cargo Facilities	
United ²	United
FedEx	FedEx
3. Remote Aircraft Parking Area	All other passenger carriers and cargo-only carriers not listed elsewhere Carriers unable to obtain gates at the terminal, including those forfeiting gate positions due to off-schedule operations
4. Fixed Base Operator (AMR Combs)	General aviation, mostly corporate aircraft

SOURCES: SFIA Airport Wide Fueling System Master Plan, P&D Consultants, Inc. and Argus Consulting, Inc., April 1996; Aircraft Service International, Inc.

NOTES: ¹Excluding flights arriving already pre-cleared through U.S. Customs and Immigration in Canada.

²The United cargo facility has a hydrant system which is currently inactive.

Fuel Hydrant Systems

As noted above, there is a hydrant system in use at each of the boarding areas of the SFO passenger terminal except for Boarding Area B. PST installed the hydrant system at Boarding Area A, Delta and Northwest occupy the hydrant system at Boarding Area C, and Aircraft Service International, Inc. (ASII) installed and operates the hydrant system at Boarding Area D. The hydrant systems at Boarding Areas E and F are occupied and operated by American and United respectively.

The hydrant systems at each of the specific airline cargo facilities and at United's Maintenance Operations Center are also operated by the individual airlines.

Into-wing Fueling Services

Airlines at SFO are responsible for loading the fuel into their aircraft. They accomplish this either by using their own ground personnel or by hiring the services of an into-wing fueling firm. Normally, the airlines are free to choose from these two options; all international flights operating at Boarding Area D, however, are fueled by ASII.

United and American each use their own ground staff to load fuel into the aircraft operating their respective domestic flights. American also provides into-wing fueling services to most (but not all) of the other airlines operating at gates on Boarding Area E.

Other airlines operating at SFO (other than American, United, and those airlines fueled by AMR Combs) contract with ASII to load fuel into their aircraft. ASII maintains and operates numerous hydrant carts for this purpose, along with a current fleet of 13 refueling vehicles for non-hydrant fueling.

B. PROPOSED FUELING FACILITIES

The Airport's Master Plan Development Program is already underway. Construction has begun on the new International Passenger Terminal Building with two passenger boarding areas to be designated "A" and "G". Once the new terminal is completed and Terminal D is no longer needed for international operations, it will be converted from a facility with 8 wide-body and 2 narrow-body gates to one with at least 14 gates for aircraft operating domestic flights. The Program also calls for new cargo facilities, additional remote parking positions, extensive infrastructure work, and other supplementary facilities at SFO. When the Program is completed, the Airport will have approximately 30 additional gates for passenger flight operations and 10 additional parking positions for remote and cargo aircraft.

A Fuel System Expansion Plan has been developed to provide for the improvements of the existing fuel system required as a result of the Master Plan Development Program construction. The projects comprising the proposed Fuel System Expansion Plan are listed in Table I.2. The projects fall generally into five categories, namely, (1) improvements to the distribution piping network, (2) new hydrant systems, (3) ground vehicle-related facilities, (4) reliability and control improvements, and (5) a maintenance and operations facility. The following is a brief description of the projects in each of those categories.

Improvements to Distribution Piping Network

A number of improvements will be made to the functionality, capacity, and reliability of the network of piping that transports fuel from the Chevron bulk fuel storage facility to the various user facilities at the Airport.

The new piping connections and valve vaults provided by projects 1.1, 1.2, and 1.5 will complete the fuel distribution loop around the Passenger Terminal/Boarding Area complex.

A new line will be installed from the distribution loop to the hydrant system at United's cargo facility. This line will also be capable of supplying other off-gate aircraft in the future.

Lastly, an additional large-diameter line will be installed to supplement the single existing main line across the Airport from the bulk fuel storage facility. An additional line is required for several reasons, including (a) redundancy, to maintain the distribution system when the existing supply line may be temporarily disrupted, (b) capacity to meet future demand requirements, which the Master Plan forecasts will exceed the capacity of the existing line, and (c) the need to maintain discharge pressures at the hydrants as demand increases.

New Hydrant Systems

New hydrant systems will be installed in several of the operating areas that are being developed as part of the Airport's Master Plan Development Program.

Hydrant systems will be installed at each of the two boarding areas ("A" and "G") being constructed as part of the new International Passenger Terminal. Each system will provide hydrant fueling capability to 12 wide-body aircraft gate positions and will be connected to the fuel distribution loop around the terminal complex.

Table I.2
FUEL SYSTEM EXPANSION PROGRAM
SAN FRANCISCO INTERNATIONAL AIRPORT

Description	Project No.	Cost
Improvements to Distribution Piping Network		\$ 18,789,700
Replace 16-inch PST Connector (AF6)	1.1	1,833,100
Boarding Area "C" to "D" Connector (AF9)	1.2	3,649,700
UAL Cargo Connector (AF10)	1.3	512,700
Boarding Area "B" to "F" Connector Piping (AF12)	1.5	4,347,100
New 24-inch Supply Main from Tank Farm (AF19)	1.14	8,447,100
New Hydrant Systems		14,762,600
Boarding Area "G" Hydrant System (AF11)	1.4	5,931,200
North Field Cargo Hydrant System (AF14)	1.6	1,338,200
Boarding Area "A" Hydrant System (AF16)	1.7	5,723,500
Boarding Area "D" Hydrant System (AF25)	1.11	1,769,700
Reliability and Control Improvements		9,853,100
Evaluation of Existing Piping (AF21)	1.9	357,000
Leak Detection System (AF24)	1.10	7,539,900
Emergency Fuel Shut-off System	1.15	1,956,200
Ground Vehicle-related Facilities		3,822,800
Refueler Loading Facility (AF18)	1.8	1,899,200
GSE Fueling Station	1.13	1,923,600
Maintenance & Operations Facility	1.12	<u>2,398,900</u>
Total Project Construction Cost		\$ 49,627,100
Engineering, Project Administration, and Reimbursements		11,325,800
Other Costs ¹		2,644,400
Contingency		<u>7,055,900</u>
Subtotal		\$ 70,653,200
Estimated Environmental Costs ²		<u>8,497,000</u>
Total Budget for Bond Issuance		\$ 79,150,200

SOURCE: SFO FUEL COMPANY LLC.

NOTE: ¹Includes amount of first-year operating expenses that will be funded from bond proceeds.

²A consultant to the Company estimates that of the environment costs related to remediation (\$7.4 million) approximately 30 percent might be recovered from parties responsible for the contamination.

The existing hydrant system in Boarding Area D will be modified from 10 positions, 8 of which are configured for international wide-body operations, to at least 14 positions configured for domestic operations by jet aircraft. This project will be started only after the new hydrant systems are completed at the new International Passenger Terminal Boarding Areas A and G.

Hydrant fueling capability will also be provided to serve 5-to-6 wide-body aircraft at the new North Field Cargo area. Fuel will be supplied to the hydrant system from the main line leading from the Chevron bulk fuel storage facility.

Reliability and Control Improvements

Three projects are directed at the need to better ensure that the fuel distribution systems are physically sound, will give early warning of problems, and will provide a high degree of control flexibility in an emergency situation.

The existing piping system will be subjected to rigorous technical tests in an overall evaluation of integrity, prior to implementation of the new fuel distribution system at the Airport.

Secondly, an Airport-wide leak detection system will be installed as an integral part of both the existing and new distribution and hydrant systems. New leak-detection technology will be applied in an effort to detect problems before they become serious and to meet environmental and safety requirements for the Airport's fuel distribution system.

Lastly, an Airport-wide emergency fuel shut-off system will be installed which will allow certain sections of the fuel distribution system at the Airport to be shut down selectively, if desired, in an emergency. This will replace the existing shut-off system which results in a total shut-down of the fuel supply to the entire Airport. The new shut-off system will permit the fuel system operator to respond appropriately, for example, to a minor operational problem at a specific gate, without disrupting the rest of the operations at the Airport.

Ground Vehicle-related Facilities

While these two projects differ in certain respects, they both involve facilities that will load fuel into vehicles that move about the Airport property.

An additional two-position facility for loading jet fuel into the aircraft refueler vehicles will be constructed, to augment the capacity provided by the two existing such facilities which are located at Chevron's bulk fuel storage facility and adjacent to the passenger terminal apron.

The other project will provide a facility to supply the diesel and motor gasoline needed to operate the numerous ground service equipment (GSE) vehicles on the Airport. This facility will replace the current system of smaller fueling trucks which are dispatched to the boarding areas to fuel the various GSE vehicles. The facility will provide operational efficiencies, reduced vehicle congestion, and cost savings to the carriers, and improved security and safety for the Airport.

Maintenance and Operations Facility

A facility will be constructed to house the fuel system operator's staff and to provide a maintenance bay from where repairs to the distribution system can be carried out.

Project Budget

The total budget used for the issuance of bonds related to the Fuel System Expansion Plan is \$79.2 million which includes an amount estimated to fund the Company's first-year operating expenses. Included in this budget is a 12 percent contingency on certain of the elements for unforeseen costs.

During the course of the construction of the facility improvements, environmental costs will be incurred to address any contaminated soil and groundwater which may be encountered, and to conduct the management associated with environmental remediation projects. Although no assurance can be given, a consultant to the Company estimates that approximately 30 percent of the environmental remediation costs might be recovered from the parties responsible for the contamination.

II. FUEL DEMAND CHARACTERISTICS

In this section, we examine the air travel demand and the level of flight activity at SFO, which together serve as the base for jet fuel consumption at the Airport and thus use of the fuel distribution system. The factors influencing refueling decisions by the airlines are identified. We then examine jet fuel consumption at SFO by the three key operational segments, namely, international flights, domestic long-haul flights, and domestic short-haul flights, with specific focus on United Airlines as the major jet fuel user. The section closes with a forecast of jet fuel consumption at the Airport which directly relates to use of the fuel distribution system.

A. OVERALL MARKET STRENGTHS

SFO is one of the highest-activity airports in the world. It ranked 8th among world airports in 1995 in terms of passengers and 20th in terms of cargo. Nationally, SFO ranked 5th among U.S. airports in terms of passengers and 11th in terms of cargo.

A total of 18.7 million passengers were enplaned at SFO in FY1996, representing an average annual growth rate of 4.0 percent from FY1990. The Airport saw year-over-year enplanement increases throughout the lengthy and severe economic recession experienced in California in the early 1990s. Approximately 75 percent of enplanements at SFO are originating passengers, with connections comprising the remainder. Overall, we forecast passenger traffic at SFO to grow at 3.1 percent annually, on average, through FY2006.¹

Growth in air cargo traffic paralleled passenger growth over the past six years. A total of 780 million pounds was handled at SFO in FY1996, representing an average annual growth rate of 3.8 percent from FY1990.

Analysis of operational and traffic data for the past six fiscal years reveals a number of significant trends at SFO. Presented in Table II.1 are several activity measures, first, for jet operations only and, secondly, for all aircraft operations at SFO in both FY1991 and FY1996. The three key trends were as follows:

- i) There was a substantial increase in the stage length of jet flights operated at SFO. Not only did the average nonstop jet flight increase from 1,465 to 1,753 miles, but an increase occurred in all three operational sectors: U.S.-flag carrier domestic and international flights and foreign-flag carrier international flights.
- ii) There was a modest increase in the size of aircraft operated at SFO. Both U.S.-flag and foreign-flag carriers slightly increased the seating on their jet flights, from a combined average of 163 seats in FY1991 to 169 seats in FY1996. Over the five-year period, as

¹Report of the Airport Consultant contained in the San Francisco International Airport Second Series Revenue Bonds (Issue 13 and Issue 14) of the Airport Commission of the City and County of San Francisco, November 1996, on page A-15.

Table II.1
5-YEAR COMPARISON OF FLIGHT OPERATIONS, AIRCRAFT SIZE, AND PASSENGER TRAFFIC
SAN FRANCISCO INTERNATIONAL AIRPORT
 (for the 12 months ended June 30)

	1991				1996			
	U.S.-flag Carriers		Foreign Flags	SFO TOTAL	U.S.-flag Carriers		Foreign Flags	SFO TOTAL
	Dom.	Intl.			Total	Dom.		
Passenger Jet Flights only:								
Passenger flight departures	139,246	5,066	144,312	7,101	151,413	134,618	7,065	141,683
Departing seats (in thousands)	21,278	1,355	22,633	2,011	24,644	20,717	1,935	22,652
- Average seats per flight	153	267	157	283	163	154	274	160
Onboard passengers (in thousands)	12,980	918	13,898	1,120	15,018	14,544	1,431	15,975
- Average passengers on each flight	93	181	96	158	99	108	203	113
Outbound nonstop RPMs (in millions) ¹	16,100	3,600	19,700	3,373	23,073	19,110	5,708	24,818
Outbound nonstop ASMs (in millions) ¹	24,740	5,318	30,058	6,052	36,110	26,727	7,720	34,447
- Average flight distance (in miles)	1,163	3,925	1,328	3,009	1,465	1,290	3,990	1,521
Average utilization of aircraft capacity:								
- Departing seats occupied	61.0%	67.7%	61.4%	55.7%	60.9%	70.2%	74.0%	70.5%
- RPMs divided by ASMs	65.1%	67.7%	65.5%	55.7%	63.9%	71.5%	73.9%	72.0%
All Flights:								
Enplaned passengers (in thousands)	13,486	869	14,355	1,053	15,408	15,530	1,440	16,970
Flight departures			185,067	8,412	194,369 ²			183,177
Landed weight (millions of pounds)			26,058	3,390	29,452 ²			26,710
- Average landed weight per flight (pounds)			140,803	402,996	151,526			145,815

SOURCES: Jet Flights only: DOT Schedules T-3 and T-100; All Flights: San Francisco Airport Commission; Calculated figures (in italics): John F. Brown Company, Inc.

NOTES:

¹RPMs=Revenue passenger-miles; ASMs=Available seat-miles.

²SFO Total includes all aircraft operations, including military and non-commercial flights.

well, the landed weight of aircraft operated by all carriers serving SFO increased, on average, from 151,500 to 161,100 pounds per landing.

- iii) By more than one measure, the passenger loads carried on flights at SFO increased considerably from FY1991 to FY1996. The number of passengers enplaned on both jet and turboprop flights grew by more than three million compared to an increase of only about one million departing seats. The average number of passengers on board departing jet flights increased from 99 to 116 per flight, increasing the proportion of departing jet seats that were occupied to 69 percent in FY1996.

Although there was little change in the number of flights operated at SFO from FY1991 to FY1996, the Airport experienced an increase in the proportion of operations by jet aircraft and a decline in the proportion of turboprop flights. From FY1991 to FY1996, jet flights increased at SFO from about 80 percent to nearly 82 percent of total operations.

SFO is the primary airport which, together with airports in Oakland and San Jose, serves the populous and affluent San Francisco Bay Area. The Bay Area's population of 6.61 million (1996) represented 2.5 percent of the United States population. Its per capita personal income in 1994 was nearly 27 percent above that of California and 30 percent above the national average.

With the headquarters of 24 Fortune 500 companies located within its boundaries, much of the Bay Area's economy is founded on high-tech manufacturing, financial services, and international trade. The Bay Area is home to the 2nd largest population of Asian and Pacific ancestry in the U.S. and the 4th largest population of Hispanic origin; these residents create social, cultural, and economic links to nations around the Pacific Rim. One of the top-rated tourist destinations in the United States, San Francisco had 4.5 million visitors in 1995.

International Activity

SFO experienced strong and accelerating growth in international enplaned passengers between FY1991 and FY1996, averaging 10.4 percent annually. (See Table II.2.) We forecast international enplanements to grow at the rate of 6.7 percent per year, on average, during the 10-year period from FY1996 to FY2006.

International enplanements at SFO are a mix of passengers originating and terminating their trips at the Bay Area and those connecting at the Airport. Of the 3.15 million travelers who boarded international flights at SFO in FY1996, more than half (approximately 1.7 million) were estimated to be originating passengers. The remainder (approximately 1.45 million) were roughly evenly split between connections from domestic flights and connections from other international flights.

Table II.2
ENPLANED PASSENGER TRENDS
SAN FRANCISCO INTERNATIONAL AIRPORT
 (for the 12 months ended June 30; in thousands)

Destination	1991	1996	AAG
SFO Total	15,409	18,680	3.9%
International	1,923	3,150	10.4%
U.S. Flag	869	1,440	10.6
Foreign Flag	1,054	1,710	10.2
Domestic	13,486	15,530	2.9%
Originating	10,630	12,309	3.0
Connecting	2,856	3,221	2.4

SOURCES: San Francisco Airport Commission; DOT Schedules T-3 and T-100; DOT, *Air Passenger Origin-Destination Survey*, reconciled to DOT Schedule T-100.

NOTE: AAG=Average annual growth rate.

SFO plays a significant role on the West Coast as a gateway for international air travel, ranking second to Los Angeles International Airport (LAX) in terms of international arriving passengers. Nearly one quarter of all passenger trips between the U.S. and the Far East flowed through SFO in 1995.

International passenger traffic at SFO is carried by a large and diverse group of carriers. Although United accounted for the largest share (40 percent) of international enplanements in FY1996, the remaining 60 percent were carried by several U.S.-flag airlines and 25 foreign-flag airlines.

In April 1997, 19 airlines operated a total of 297 flights per week nonstop from SFO to 21 international destinations. Although the largest number (111, or 37.4 percent of the total) of weekly international flights from SFO were destined for Asian and Pacific cities, 28.3 percent of the flights were to destinations in Canada, 18.1 percent to Europe, and 16.2 percent to Mexico and Central America. U.S.-flag airlines operated 135 (45.5 percent) of the weekly international flights while the remaining 162 weekly flights (54.5 percent) were operated by foreign-flag airlines.

Although international cargo handled at SFO grew at 6.5 percent per year on average over the past ten years, it showed particularly strong growth in recent years (up 17.6 percent in FY1995, and a further 14.6 percent in FY1996). International air cargo accounted for about half of all cargo handled at the Airport in FY1996. Only about 28 percent of international cargo at SFO was handled by U.S.-flag airlines, with the majority (72 percent) handled by foreign-flag airlines.

Domestic Activity

SFO has experienced more modest increases in domestic enplaned passengers, averaging 3.2 percent annually from FY1990 to FY1996. We forecast a somewhat lower rate of growth (2.2 percent per year) for domestic passenger enplanements at SFO through to FY2006.

Compared to most major U.S. hub airports, a relatively high proportion of passengers enplaned on domestic flights at SFO either originate or terminate their trips at the Bay Area. Of the 15.5 million domestic enplanements at SFO in FY1996, 12.3 million (79 percent) were originating passengers; the remainder (21 percent) were passengers connecting from both domestic and international flights.

Domestic passenger traffic at SFO has shown a moderate, but increasing, degree of carrier concentration. United and its codesharing United Express affiliate, WestAir, together boarded 59 percent of all passengers enplaned on domestic flights at the Airport in FY1996. The next two airlines (American and Delta) each accounted for about seven percent of total domestic enplanements.

In April 1997, 21 airlines operated a total of 495 flights per day nonstop from SFO to 57 U.S. cities. Of these, 400 were operated using jet aircraft and 95 were turboprop flights. The top three routes (i.e., to the Los Angeles area, Seattle, and San Diego) accounted for 27 percent of total domestic flight departures from SFO.

Over the past decade, the two other commercial service airports in the Bay Area, Oakland International Airport (OAK) and San Jose International Airport (SJC), have seen substantial increases in domestic passengers, primarily short-haul and medium-haul traffic. Despite this, SFO continues to serve most of the medium-haul passengers and virtually all of the long-haul and international passengers traveling to and from the Bay Area, as well as the vast majority of connecting traffic.

Growth in domestic cargo handled at SFO, which averaged 3.2 percent annually in the latter half of the 1980s, slowed significantly in the 1990s, primarily due to a shift by FedEx of some of its flight activity to a new facility at OAK. The proportion of domestic cargo carried on all-cargo aircraft increased at SFO over the past five years. Nearly 20 percent of domestic cargo handled at the Airport in FY1996 was carried on all-cargo aircraft, up from 8 percent in FY1991; the remainder was carried in the cargo compartments of passenger aircraft.

B. FACTORS INFLUENCING AIRLINE REFUELING DECISIONS

Each time one of its aircraft lands at an airport, a decision must be made by airline officials as to whether to refuel and, if so, the quantity of fuel to load. The airline often has no alternative but to fill the fuel tanks to capacity. In other situations, the aircraft may reach its maximum allowable take-off weight before the fuel tanks are completely filled. For certain flight itineraries, there may be sufficient tank capacity and available weight to permit additional fuel to be loaded so that no fuel, or less fuel, will be required at the next stop. These decisions are made dynamically, throughout the day, typically with the help of computer programs designed to calculate the fueling patterns that will minimize the total fuel cost to the airline. The results of these calculations are communicated to the captain of each flight who has final discretion as to

the amount of fuel that is actually loaded on the aircraft at each airport. The fuel cost optimization programs take several factors into account; the key ones are discussed below.

Fuel consumption varies by size of aircraft. Generally, the larger the aircraft, the greater is the fuel burn for a trip of given distance and the fewer gallons of fuel that are required per seat. As airlines introduce newer, more fuel-efficient aircraft into their fleets, their fuel consumption per seat-mile shows a gradual decline.

Fuel consumption varies by distance flown or, more specifically, by the time taken to accomplish the flight leg. All other things being equal, a four-hour flight of a given aircraft will burn more fuel than a three-hour flight, regardless of ground distance traveled.

Fuel consumption also varies by aircraft type and according to the nature of aircraft utilization. For example, a 150-seat McDonnell Douglas MD-80 flying short-haul routes with heavy utilization would burn about 5 million gallons per year. At the other extreme, a typical 450-seat Boeing 747-400 flying trans-Pacific routes could burn as much as 15 million gallons of fuel per year, but it would generate well in excess of three times as many seat-miles as the MD-80.

At departure, an aircraft must have on board sufficient fuel to meet the following requirements:

- i) Taxi out, take-off, cruise, approach, landing, and taxi in at destination. The amount of fuel required for this component is related not only to leg distance, but also to the planned altitude and speed of the aircraft, and to forecast storm and wind conditions that may be encountered enroute.
- ii) The required fuel reserve to allow for time that may be spent in a holding pattern over the destination airport prior to obtaining permission to land.
- iii) The required fuel reserve to provide for the possibility that the aircraft will be unable to land at the destination airport and will have to fly to an alternate airport.
- iv) For shorter flight legs, consideration of the maximum landing weight allowed for the particular aircraft type.
- v) For over-water operations, conformance with FAA regulations that apply specifically to twin-engine aircraft.
- vi) For all flights, conformance with FAA regulations that stipulate the minimum amount of fuel that must be on board when the flight lands.

Load-related considerations significantly affect the amount of fuel that must be carried by an aircraft. In general, the heavier the aircraft, the more fuel it will burn. For this purpose, the airline must take into account the total on-board load of passengers, crew, freight, mail, commissary, and other materials, including not only what was enplaned at the airport but also what remained on board the aircraft from the previous flight leg.

Ground time-related considerations are usually not a factor in the fueling decision. In most cases, fueling is accomplished simultaneously with all other elements of the ground handling process (i.e., deplaning and enplaning of passengers, baggage, commissary, and cargo). Most airlines regard as unacceptable departure time delays attributed to fueling, and they tend to monitor closely the timely performance of their fuelers.

In certain instances, however, flight scheduling may require that the aircraft be “turned around” at an airport in the shortest time possible. This could derive from a variety of operational requirements, including such things as the limited availability of gate time at the airport, the need to reach a destination airport prior to its nightly curfew, and the airline’s objective to achieve high aircraft utilization by minimizing turnaround times. Regardless of reason, the result is that a flight may be planned to arrive at a given airport with sufficient fuel on board that it does not need to take on any fuel.

Price-related considerations also influence an airline’s fueling decisions. These considerations are typically related to differentials between airports in total fueling costs and may result in an airline taking on excess fuel at an airport where its fuel cost is lower and loading less fuel at a higher-cost airport.

At each airport, the total cost of fuel for an airline is influenced by four factors, as follows:

- i) the base price which the airline negotiates with one or more oil companies and which normally includes federal taxes and delivery of the fuel to a storage facility located on or near the airport;
- ii) state and local taxes that may be applied to fuel purchases at the airport;
- iii) the cost for distribution of the fuel from the oil companies’ delivery point, which could be located off the airport property, to the terminal facility used by the airline;
- iv) the into-plane cost, which includes the loading of the fuel into the aircraft’s fuel tanks by its own staff or an into-wing fueling firm; in the latter case, the into-plane cost is often bundled into the overall ground-handling cost and may include charges for the use of the hydrant fueling system at the terminal facility.

An airline often negotiates fuel supply agreements with more than one oil company, in order to (1) secure a sufficient supply of fuel at all airports served by the airline, (2) diversify its sources of supply, and (3) obtain the best possible pricing arrangements. The prices that airlines pay for fuel fluctuate daily, however, in response to regional, national, and often, global market conditions. These fluctuations are apparent even in the average prices paid annually for jet fuel by U.S. airlines in the 1990s. (See Table II.3.) The relatively high prices in 1991 reflect the impact of the Gulf War on both domestic and international fuel prices. In January of 1997, the average price of jet fuel paid by U.S. airlines was nearly 74 cents.

Table II.3
AVERAGE PRICE OF JET FUEL¹
U.S. SCHEDULED PASSENGER AIRLINES²
(for the 12 months ended September 30; in cents per gallon)

Year	Domestic Operations	International Operations ³	Total System
1991	76.6	87.7	79.4
1992	62.7	69.6	64.5
1993	60.0	67.5	61.9
1994	54.7	61.5	56.5
1995	54.1	59.8	55.6
1996E	61.2	66.3	62.5

SOURCE: DOT, *FAA Aviation Forecasts: Fiscal Years 1997-2008*, March 1997.

NOTES: ¹Prices reflect average amounts paid to fuel suppliers and do not include state or local taxes, fuel farm storage charges, on-airport distribution, or into-wing refueling charges.

²The 45 U.S. commercial airlines that provided scheduled domestic and international service and reported traffic and financial data to DOT on Form 41.

³Based on fuel consumed on all flight legs operated between the U.S. and other countries, including fuel purchased outside the U.S. Excludes fuel consumed on flight legs operated between non-U.S. airports.

E=Estimated.

Although the base fuel price represents by far the largest component of the total fuel cost for an airline, inter-regional and inter-airport fuel price differentials can be exacerbated by state and local fuel taxes. Distribution and into-plane costs also vary and can add to the differences in fuel costs faced by airlines between one airport and another.

The practice of carrying fuel that is excess to requirements is known in the industry as “tankering” fuel. There are limits to the amount of fuel tankering that an airline can do in order to avoid taking on fuel at a given airport and, hence, a ceiling on the savings it can achieve therefrom. The aircraft’s fuel tanks may not have sufficient capacity, for example, to accommodate excess fuel after the minimum requirement for a particular flight is met. It is also important to recognize that the airline incurs a cost to carry excess fuel. A general rule of thumb apparently used by many pilots is that, for each hour of flight, an aircraft will burn 4 percent of the extra fuel carried; the percentage is higher in newer, more fuel-efficient aircraft which are more payload-sensitive. Despite these limitations, however, the use of fuel tankering can enable airlines to achieve savings that have been estimated to be as much as one percent of total annual fuel cost.²

Table II.4 presents the total volume of jet fuel consumed by U.S. carriers in 1991 and 1996, as compiled by the FAA. The figures in Table II.4 include much of the fuel boarded by U.S. carriers on foreign soil but exclude fuel uplifted by foreign-flag airlines at U.S. airports. Total fuel consumption grew by 2.2 percent over the five-year period, with the rate of growth of fuel consumed in international operations exceeding that of fuel used domestically.

²Michael E. Irrgang, “Fuel Conservation”, *Handbook of Airline Economics*, ed. Darryl Jenkins, (Aviation Week Group, 1996), pp. 367-378.

Table II.4
TOTAL JET FUEL CONSUMPTION¹
UNITED STATES CIVIL AVIATION FLEET
(for the 12 months ended September 30; gallons, in millions)

	1991	1996E	AAG
U.S. Commercial Air Carriers			
Domestic	11,657	13,022	2.2%
International	<u>3,998</u>	<u>4,557</u>	2.7
Air Carrier Total	15,655	17,579	2.3
General Aviation	<u>577</u>	<u>544</u>	-1.2
U.S. Total	16,232	18,123	2.2

SOURCE: DOT, *FAA Aviation Forecasts: Fiscal Years 1997-2008*, March 1997.

NOTES: ¹Includes fuel consumed on flight legs operated between the U.S. and other countries; excludes fuel consumed on flight legs operated between non-U.S. airports.
E=Estimated; AAG=Average annual growth rate.

C. AIRLINE FUELING AT SFO: FY1991 vs. FY1996

This section first provides a breakdown by airline of the estimated total fuel consumption at SFO in FY1996, along with an overall estimate of fuel consumption in the three previous years. The results of an analysis of fuel consumption at SFO are then presented, showing a breakdown by the three user segments: international (including operations by both U.S.- and foreign-flag carriers), domestic long-haul, and domestic short-haul.³ The influence of each segment on fueling activity at SFO is then described.

Fuel Consumption at SFO, by Airline

The estimated number of gallons of jet fuel pumped into aircraft fuel tanks at SFO from FY1993 through FY1996, along with a breakdown of the FY1996 fuel gallonage by airline, are presented in Table II.5.⁴

During FY1996, approximately 860 million gallons of jet fuel were pumped into aircraft operated by commercial airlines at SFO. This represents a 5.2 percent increase from an estimated consumption of 818 million gallons in FY1995.

U.S.-flag passenger airlines accounted for about 618 million gallons in FY1996, representing nearly 72 percent of estimated total jet fuel consumption at SFO. Of that amount, United used an estimated 375 million gallons which was nearly 61 percent of total fuel

³For purposes of this report, we define the terms "long-haul" to include distances of 600 miles and over, and "short-haul" to include distances under 600 miles.

⁴San Francisco Airport Commission does not maintain a record of jet fuel consumption by airline at SFO. For the preparation of this document, we obtained from Chevron and Shell Oil Company the total number of gallons pumped at the Airport in calendar years 1992 through 1996; the total fuel consumption for FY1993 through FY1995 was estimated from the figures for the adjoining calendar years. Specific quantities by airline were obtained from Chevron, which had a 67 percent market share of fuel sales at SFO in FY1996 and from Aircraft Service International, Inc., the firm that pumped into aircraft 69 percent of all fuel consumed at SFO in FY1996. The data obtained did not allow for a breakdown of fuel consumption by airline in the years prior to FY1996.

consumption by U.S.-flag passenger airlines and nearly 44 percent of total fuel consumption at the Airport. The top three users of fuel at SFO in FY1996 were U.S.-flag passenger airlines, namely, United, American, and Northwest; together, the three airlines accounted for nearly 55 percent of all fuel consumed at the Airport.

Foreign-flag passenger airlines accounted for about 220 million gallons in FY1996, representing 25 percent of estimated total jet fuel consumption at the Airport. Asian carriers represented 63.5 percent of all fuel consumed at SFO by foreign-flag passenger airlines; four of the top five foreign-flag users were carriers from the Far East. European airlines consumed 29.3 percent of the foreign-flag total, Canadian airlines used 4.4 percent, and Mexican and Central American airlines accounted for the remaining 2.8 percent.

As a group, all-cargo carriers accounted for a relatively small proportion (2.3 percent) of estimated total jet fuel consumption at SFO. Cargolux, FedEx, and Nippon Cargo were the top three fuel users among all-cargo carriers.

Table II.5
ESTIMATED JET FUEL CONSUMPTION BY AIRLINE¹
SAN FRANCISCO INTERNATIONAL AIRPORT
 (for the 12 months ended June 30; in thousands of gallons)

Airline ²	1993	1994	1995	1996
SFO TOTAL	714,500³	771,000³	818,000³	860,450
U.S.-flag Passenger Airlines:				617,830
United				375,000E ⁴
American				50,067
Northwest				45,055
Delta				36,885
Continental				25,662
USAirways				21,655
TWA				11,672
Alaska				11,150
American Trans Air				7,616
Southwest				7,015
Other				26,052
Foreign-flag Passenger Airlines:				219,597
Singapore				36,643
Japan				20,734
British				20,079
EVA				18,353
Korean				17,648
Lufthansa				14,656
Asiana				14,615
China Airlines				13,132
Virgin Atlantic				12,963
Philippine				9,936
Air Canada				7,817
Air France				7,479
KLM				7,336
Air China				7,175
Other				11,030
U.S.-flag All-cargo Airlines				9,968E
Foreign-flag All-cargo Airlines				9,615
FBO (Signature/AMR Combs)				3,253
All Other				188

SOURCES: Chevron; Shell Oil Company; Aircraft Service International, Inc.

NOTES: ¹Available data did not permit a breakdown by airline for Fiscal Years 1993 through 1995.

²Airlines that uplifted fewer than 7 million gallons of fuel are grouped as "Other."

³Values interpolated from calendar-year figures provided by Chevron and Shell.

⁴Estimate based on 346 million gallons provided by Chevron in FY1996 and a total of 378 million gallons boarded by United at SFO in calendar year 1996. The gallonage that United obtained from Shell in FY1996 was not available.

E=Estimated by John F. Brown Company, Inc. Figures may not sum to totals due to rounding.

International Operations

Flights departing from SFO to international destinations accounted for nearly half of all jet fuel consumed at the Airport in FY1996. Despite the fact that international flights accounted for only 11 percent of all passenger jet departures at SFO, the aircraft operating those flights consumed about 47 percent of all jet fuel boarded. (See Table II.6.)

U.S. airlines accounted for less than half of the approximately 408 million gallons pumped into internationally-bound aircraft at SFO. Foreign-flag airlines boarded about 229 million gallons (56 percent) and U.S.-flag carriers consumed the remaining 178 million gallons (44 percent). Passenger flights accounted for 97 percent (395 million gallons) of all fuel consumed by international flights, with the remaining three percent (13 million gallons) being used by freighter aircraft operating all-cargo flights.

The fueling of international flights at SFO is governed largely by considerations of distance, load, and weather. As noted earlier, 55 percent of all scheduled international flights at the Airport are trans-oceanic, with nonstop legs ranging from 5,155 to 7,416 miles. Required levels of reserve fuel are typically higher for these flights, due to over-water considerations, the weather-related diversions that could be made enroute, and the lack of readily-available alternate airports in some foreign countries. The remainder of the flights operate over long-haul routes to cities in Canada (flight legs between 800 and 2,272 miles) and in Mexico and Central America (flight legs between 1,255 and 2,515 miles).

Table II.6
ESTIMATED JET FUEL CONSUMPTION, BY USER SEGMENT
SAN FRANCISCO INTERNATIONAL AIRPORT
(for the 12 months ended June 30, 1996; in thousands of gallons)

User Segment	Fuel Consumption	Percent of SFO Total
SFO Total	860,449	100.0%
International	407,644	47.4
Foreign-flag carriers	229,318	
U.S.-flag carriers	178,326	
Domestic—Long-haul¹	399,262	46.4
Domestic—Short-haul^{1,2}	53,544	6.2

SOURCES: San Francisco Airport Commission; DOT Schedule T-100; John F. Brown Company, Inc.; Chevron; Aircraft Service International, Inc.

NOTES: ¹Breakdown of fuel consumption between long-haul and short-haul domestic passenger flights by the major carriers was estimated using the ratio of seat-miles flown.

²Under 600 miles.

With respect to aircraft load, international flights tend to operate at a higher level of capacity utilization than domestic flights. Average passenger load factors on international flights operated by U.S. airlines at SFO are higher than on domestic flights, and international passengers

generally travel with greater amounts of checked baggage. In addition, the wide-body aircraft that are used to operate the majority of the international passenger flights at SFO accommodate palletized and containerized cargo which add considerable weight to the aircraft.

Operators of international flights at SFO have little flexibility from the point of view of fueling. In most cases, international flights at SFO are turnaround operations and the aircraft operating those flights must depart at or near their maximum allowable take-off weight. Consequently, there is little opportunity for most international flights to tanker fuel either to or from SFO. The airlines generally obtain their fuel from suppliers at the Airport and pay the current storage, distribution, and into-wing charges. The total cost of fuel, then, is only a secondary consideration for airlines operating international flights at SFO and tends not to influence their fueling decisions to a major extent.

The implications for fueling at SFO can be summarized as follows:

- i) Operators of international flights, which accounted for nearly half (47 percent) of all fuel pumped into aircraft at SFO in FY1996, present a low risk with respect to the likelihood that they will obtain some of their fuel requirements elsewhere. In most cases, they have no practical alternative to obtaining their fuel requirements at the Airport.
- ii) We forecast that the international segment of the passenger market at SFO will grow substantially faster than the domestic segment, and evidence suggests that the growth of international cargo volumes will continue to exceed domestic cargo growth. As a result, international flights will account for an increasing proportion of total fuel consumption at the Airport.

Domestic Long-haul Operations

Domestic long-haul flights consumed nearly as much jet fuel as international flights at SFO in FY1996. (See Table II.6.) Aircraft operating domestic flights over routes longer than 600 miles accounted for over 46 percent of all jet fuel consumed at the Airport.⁵

Passenger airlines boarded about 97 percent (389 out of 399 million gallons) of the fuel consumed by domestic long-haul flights at SFO in FY1996. General aviation and a few all-cargo carriers accounted for the remainder.

Similar to the case with international flight operations, considerations of distance, load, and weather are the primary factors influencing fueling decisions related to domestic long-haul flights at SFO. Most of the Airport's domestic flight destinations are at least 1,000 miles away. Given the smaller types of aircraft generally operated in domestic long-haul service compared to international service, together with the tendency of most major airlines to operate out-and-back

⁵Although flights operating from SFO on routes longer than 600 miles represented just over half (55 percent) of all scheduled domestic jet flights in FY1996, they accounted for the vast majority (89 percent) of the domestic seat-miles flown by the major carriers. On the assumption that fuel consumption correlates roughly with seat-miles, it was concluded that 89 percent of fuel consumed by domestic passenger jet flights at SFO was used on long-haul flights. Combining this finding with fuel volumes used by cargo and commuter flights led to the breakdown of domestic fuel consumption presented in Table II.6.

flights from and to their hub airports, there is often little capacity available for the tankering of fuel.

Although loads carried on domestic long-haul flights include less baggage and cargo than on international flights, the average size of aircraft operated on domestic routes is also smaller.

An additional factor influences airline fueling decisions for domestic long-haul flights: airport fuel costs. For those flights that are able to carry extra fuel, inter-airport fuel cost differentials are taken into account. In cases where the differential is only a few cents per gallon, the cost of carrying the excess weight typically rules out the tankering option. But when the differential increases much above a few cents per gallon, the airlines' fuel cost optimization models may begin to recommend fuel tankering where and to the extent possible.

In general, oil prices are established regionally. For example, prices for fuel at airports on the West Coast tend to be tied to the daily spot market prices at West Coast oil refineries, whereas fuel prices at mid-continent airports are related to the economics of Gulf Coast refineries. Fuel prices negotiated by an airline with an oil company, then, may be similar among West Coast airports, but significantly different from prices at airports in another region of the country. Airlines that operate between the various regions encounter these differentials; when the differentials are sufficiently large, fuel tankering from the lower-cost airports becomes increasingly attractive. This in turn reduces the quantity of fuel uplifted at higher-cost airports.

Representatives of several major airlines reported that the fuel price differentials between SFO and other large West Coast airports do not tend to be large enough to materially affect fueling decisions. However, they stated that the differentials between SFO and various mid-continent airports have occasionally risen to the 10-to-15 cent range; at such times, these airlines' fuel consumption at SFO declined somewhat until the differentials narrowed.

The airlines indicated that the fuel price differentials typically do not stay high for long. Meanwhile, though, the fuel consumption at the higher-cost airport will have dipped as airlines "fueled away" from the airport whenever they could. One major airline, for example, indicated recently that it was currently loading about 20 percent less fuel at a major mid-continent airport than would normally be the case based on the scale of its hubbing operation at that airport, because of relatively high fueling costs caused primarily by state and local taxes.

The implications for fueling at SFO can be summarized as follows:

- i) Given the length of the routes flown, airlines operating domestic long-haul flights from SFO typically lack either the flexibility or the financial incentive, or both, to obtain some of their fuel requirements at other airports in order to limit their consumption at SFO. This segment of users boards almost as much fuel at SFO as the operators of international flights at the Airport, and likewise presents a relatively low risk of obtaining its fuel requirements elsewhere.
- ii) When the fuel cost differentials between SFO and other airports increase beyond certain threshold amounts, airlines reduce their fuel consumption at SFO by tankering fuel where and to the extent possible. Indications are that such reductions in airline fuel

volumes are fairly infrequent, of short duration, and amount to less than 10 percent of the airlines' "normal" gallonage uplift during these periods.

- iii) We forecast that the long-haul segment of the domestic passenger market at SFO will continue to exhibit growth, albeit at a slower rate than the international segment of the market. We anticipate that OAK and SJC will not make sizable gains in their share of this domestic market segment. Consequently, the domestic long-haul segment will continue to be a large consumer of fuel at SFO accounting, however, for a gradually declining proportion of total fuel usage at the Airport.

Domestic Short-haul Operations

Domestic short-haul flights boarded a relatively small proportion of the total amount of fuel consumed at SFO in FY1996. (See Table II.6.) Aircraft operating domestic flights with stage lengths under 600 miles accounted for only about six percent of all jet fuel boarded at the Airport.

The major airlines' jet operations accounted for about 90 percent (48.5 out of 53.5 million gallons) of fuel boarded by short-haul flights at SFO in FY1996. Turboprop flights by commuter airlines accounted for the remaining ten percent of the fuel.

Route distances for the short-haul segment of operations varied from 325 to 599 miles, with flights operating no farther than cities such as San Diego, Las Vegas, Portland, and Salt Lake City. For jet aircraft operating on flight legs such as these, fuel requirements are minimal; jet aircraft can readily operate over two or more of these legs without refueling.

In the short-haul environment, then, three other factors play a significant role in airline fueling decisions, namely, ground time considerations, inter-airport fuel cost differentials, and maximum landing weight.

At SFO, ground time considerations are of particular concern for airlines such as Southwest and United which operate high-frequency short-haul services on certain high-volume routes. An official at United, for example, indicated that aircraft operating its Shuttle service on the West Coast often refuel at every third stop. For an aircraft dedicated to a shuttle-type service on a SFO city-pair, though, refueling at every third stop still results in boarding half of its fuel requirements at one city and half at SFO.

Comments by airline representatives were noted earlier regarding the relatively small fuel price differentials between West Coast cities. Absent other fueling costs exacerbating those price differentials, then, the amount of fuel tankering engaged in for price reasons has likely been minimal along the West Coast. However, the potential exists for the airlines to divert away from airports some of the fuel uplift for their short-haul operations if and when cost differentials warrant.

The constraint of maximum landing weight influences airlines' fuel tankering decisions with respect to short-haul flights. Each type of aircraft has a specified total weight, set by the manufacturer and regulated by the FAA, above which it is not permitted to perform a landing. This does not typically constrain longer-distance flights because they lose considerable weight

(in the form of burned fuel) before they land. For short-haul flights, however, the fuel burn on the first leg is relatively small. Consequently, a short-haul flight may be limited in the amount of excess fuel it can uplift at a given airport.

The implications for fueling at SFO can be summarized as follows:

- i) The operators of short-haul flights are most likely to react to changes in inter-airport fuel cost differentials. Therefore, if fuel costs at SFO rise significantly compared to other airports within 600 miles, the Airport may experience a drop in fuel gallonage boarded by short-haul flights. Conversely, when SFO's fuel costs are significantly lower than at those airports, the Airport may experience a fuel volume increase, primarily for its short-haul flights.
- ii) Although short-haul flights consume over 50 million gallons of fuel at SFO annually, they constitute a relatively small share of total fuel consumption. Moreover, we forecast that the short-haul segment of the domestic market will grow more slowly than the international and domestic long-haul segments at the Airport. Consequently, the short-haul segment poses for SFO both opportunities and risks with respect to fuel consumption that are of relatively minor proportions.

D. UNITED AIRLINES

SFO is a major domestic hub and the principal Pacific gateway for United Airlines. In terms of total 1995 enplanements, SFO ranked third in the airline's system behind only Chicago-O'Hare (ORD) and Denver (DEN). United is by far the biggest user of jet fuel at SFO.

United's Operations at SFO

United significantly expanded the scale of its operations at SFO over the past eleven years. (See Table II.7.) In 1985, the airline operated an average of 105 domestic flight departures per day at SFO and only one daily international flight. In 1996, United operated an average of 223 domestic flight departures and 16 international flights per day at the Airport.

Table II.7
AVERAGE DAILY FLIGHT DEPARTURES AND ENPLANED PASSENGERS¹
UNITED AIRLINES AT SAN FRANCISCO INTERNATIONAL AIRPORT
(for the 12 months ended December 31)

Year	Domestic		International		Total	
	Flights	Passengers	Flights	Passengers	Flights	Passengers
1985	105	9,499	1	49	106	9,548
1986	128	11,519	4	502	132	12,022
1987	138	12,386	5	681	143	13,067
1988	117	12,213	4	739	121	12,952
1989	123	12,448	6	1,206	129	13,654
1990	140	13,440	8	1,880	148	15,320
1991	155	16,088	9	2,126	164	18,214
1992	154	16,433	11	2,556	165	18,989
1993	164	17,628	11	2,683	175	20,311
1994	173	19,258	12	2,900	185	22,158
1995	204	21,178	14	3,085	218	24,264
1996	223	23,348	16	3,467	239	26,815

SOURCES: DOT, Schedules T-3 and T-100.

NOTES: ¹Excludes United Express flights and enplanements.
Passengers may not sum to totals due to rounding.

United has developed a strong presence relative to other airlines operating at SFO. United accounted for about 53 percent of all jet flights at SFO in FY1996, while United Express operated 93 percent of all turboprop flights at the Airport.

Within United's domestic system, SFO is one of the airline's five major hub airports, including ORD, DEN, LAX, and Washington-Dulles (IAD). In 1996, SFO accounted for 12 percent of the airline's total domestic passenger enplanements. SFO is also a key airport in the low-fare "Shuttle by United" operation which, among other things, has expanded United's market presence on the West Coast, made United competitive with low-cost carriers such as Southwest on certain routes under 750 miles, and provided feed traffic to United's domestic, transcontinental, and international services at SFO.

United enplaned substantially more international passengers at SFO in 1996 (1,261,182) than it did at any other airport in its system, including LAX (853,300), ORD (665,401), IAD (605,614), Miami (390,372) and New York-Kennedy (324,414). International enplanements by United at SFO in 1996 were 84 percent higher than in 1990 and accounted for 26 percent of all passengers boarded in 1996 on the airline's international flights at U.S. airports. In April 1997, United operated more international flights from SFO than from all other West Coast airports combined.⁶

United's Maintenance Operation Center at the Airport is one of the world's largest private aircraft maintenance facilities. Under leases that expire in 2003 with an option to extend

⁶United had 16 flights per day at SFO, compared to 11 at Los Angeles (LAX) and none at Seattle (SEA) or Portland (PDX).

for ten years, United occupies 129 acres of land, three million square feet of floor space, and 12 aircraft hangar docks.⁷

United's Fueling at SFO

United was the biggest consumer of jet fuel at SFO by a significant margin in FY1996. (See Table II.8.) Together with its United Express operator, United accounted for approximately 44 percent of all fuel consumed at the Airport.

International operations accounted for nearly 42 percent of United's fuel consumption at SFO in FY1996. United had little flexibility in fueling for these flights; virtually all of the associated fuel requirements were apparently met by suppliers at SFO.

Although long-haul operations represented 41 percent of United's domestic jet departures at SFO in FY1996, they accounted for an estimated 83 percent of all fuel boarded on United's domestic flights and 47.5 percent of the airline's total fuel uplift at the Airport. A United fueling official indicated that the airline's long-haul flights at SFO boarded most of their required fuel at SFO. He cited instances, however, where fuel cost differentials between SFO and certain mid-continent airports were sufficiently large that United's fuel cost optimization program called for some fuel tankering from lower-cost airports. The official indicated that such situations tended to depress United's gallonage at SFO by less than ten percent, were of short duration, and occurred fairly infrequently.

Domestic short-haul operations accounted for an estimated 10.7 percent of United's total consumption of jet fuel at SFO in FY1996. Although short-haul flights represented 59 percent of United's domestic jet operations at the Airport, the estimated fuel consumption by those flights accounted for only about 17 percent of the fuel boarded on the airline's domestic flights. Short-haul jet flights represented only 9.6 percent of United's total fuel uplift at SFO, with the turboprop flight operated by United Express (WestAir) accounting for the remaining 1.1 percentage points.

⁷Per Annual Form 10-K Report of UAL Corporation for the fiscal year ended December 31, 1996.

Table II.8
UNITED AIRLINES' ESTIMATED JET FUEL CONSUMPTION, BY SEGMENT
SAN FRANCISCO INTERNATIONAL AIRPORT
(for the 12 months ended June 30, 1996; in thousands of gallons)

	Fuel Consumption	Percent of UA Total
SFO Total—All carriers	860,449	
UA Total	379,387	100.0%
International¹	158,364	41.7%
Domestic—Long-haul²	180,241	47.5%
Domestic—Short-haul^{2,3}	40,782	10.7%
United jet operations	36,395	
United Express (WestAir)	4,387	

SOURCES: San Francisco Airport Commission; DOT Schedule T-100; John F. Brown Company, Inc.; Chevron; Aircraft Service International, Inc.

NOTES: ¹Excludes United's flights to Canada which operated from domestic gates at SFO.
²Breakdown of fuel consumption between long-haul and short-haul domestic passenger flights by United was estimated using the ratio of seat-miles flown.
³Under 600 miles.
Percentages may not sum to totals due to rounding.

Most of United's short-haul jet flights at SFO in FY1996 were part of its "Shuttle by United" operation which offered travelers lower-priced flights to destinations in California and neighboring states. The factors of ground time minimization and inter-airport fuel cost differentials were considerations in United's fueling decisions for its short-haul flights at SFO. No hard evidence was available to determine whether United's fuel gallonage at SFO was increased or decreased as a result of fuel tankering.

E. FORECAST OF JET FUEL CONSUMPTION AT SFO

The forecast of jet fuel consumption presented in Table II.9 is for the purpose of this report only. The forecast represents our estimate of the general direction and magnitude of changes in the number of gallons of jet fuel boarded on aircraft at SFO through 2003.

Fuel consumption should correlate well with domestic and international ASMs, since ASMs reflect flight leg distance, aircraft size, and number of flights. Passenger traffic in total increased 6.2 percent per year on average between FY1994 and FY1996; in the calendar years from 1994 to 1996, ASMs increased 4.6 percent per year and fuel gallonage grew by 4.4 percent per year.

In the future, we expect passenger traffic and ASMs to increase at roughly equivalent rates and fuel consumption to increase at a somewhat lesser rate than either. We forecast that

enplaned passengers at SFO will increase on average at 3.1 percent per year through to FY2006.⁸ Consequently, we estimate that fuel consumption at the Airport will grow at a lower rate than 3.1 percent per year and hence, at a somewhat lower rate of growth than in the past few years.

We forecast that consumption of jet fuel at SFO will increase at the rate of 2.5 percent per year, on average, between 1996 and 2003. Such average annual rate and the individual annual rates of growth in actual fuel consumption may be above or below the expected trend represented by this forecast.

⁸The enplaned passenger forecast was presented in the Airport Consultant's Report that was prepared by John F. Brown Company, Inc. and included in the Official Statement for SFO General Airport Revenue Bond Issue 12, October 1996.

Table II.9
TRAFFIC AND FUEL CONSUMPTION TRENDS AND FORECAST
SAN FRANCISCO INTERNATIONAL AIRPORT

Fiscal Year Ended June 30	Enplaned Passengers ('000)		Jet Fuel Gallage (millions)		Calendar Year Ended December 31	Onboard Passengers ¹ ('000)		Outbound ASMs ¹ (millions)		Jet Fuel Gallage (millions)		
	Dom.	Intl.	Total	Total		Dom.	Intl.	Dom.	Intl.			
1992	13,648	2,014	15,662	715.2	1992	13,120	2,138	15,258	25,109	13,381	38,490	691.4
1993	13,770	2,210	15,980	715.2	1993	12,952	2,277	15,229	25,237	13,463	38,700	738.4
1994	14,096	2,459	16,555	771.2	1994	13,386	2,581	15,967	25,740	15,879	41,619	804
1995	14,620	2,752	17,373	818.2	1995	13,881	2,887	16,768	25,933	17,900	43,833	832
1996	15,530	3,150	18,680	860.3	1996	14,864 ⁵	3,113 ⁵	17,980 ⁵	26,995 ⁵	18,044 ⁵	45,042 ⁵	877
<u>Forecast:</u>												
1997	15,885	3,372	19,257	882	Forecast:							899
1998	16,250	3,610	19,860	904	1997							921
1999	16,625	3,866	20,491	926	1998							944
2000	17,010	4,140	21,150	949	1999							968
2001	17,406	4,433	21,839	973	2000							992
2002	17,762	4,718	22,480	997	2001							1,017
2003	18,126	5,021	23,147	1,022	2002							1,042
					2003							
Average Annual Rate of Growth:												
1994-96	5.0%	13.2%	6.2%	5.6%	1994-96	6.2% ⁶	11.3% ⁶	7.0% ⁶	2.8% ⁶	7.6% ⁶	4.6% ⁶	4.4%
<u>Forecast:</u>												
1996-2003	2.2%	6.9%	3.1%	2.5%	Forecast:							2.5%

SOURCES: Historical Data: Enplaned Passengers: San Francisco Airport Commission; Onboard Passengers and ASMs: DOT, Schedule T-100 Segment data; Gallage: Chevron, Shell Oil Company; Forecast Data: John F. Brown Company, Inc.

NOTES: ¹For jet flights only. International data for scheduled and nonscheduled (i.e., charter) flights.

²Interpolated from calendar year figures in rightmost column above.

³From Table II.5.

⁴Figures reported by Chevron, plus Shell estimates of 23 million gallons in 1992 and 20 million gallons in 1993.

⁵Data for 12 months ended September 30, 1996.

⁶Adjusted to estimate year-to-year percentage change from 1995 to 1996.

III. FINANCIAL FRAMEWORK

References in this report to the 1991 Resolution, the Special Facilities Trust Agreement, the Fuel System Lease, the Interline Agreement and various other leases and agreements entered into by the City and the Commission do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference thereto. Included below are brief discussions related to certain documents; for a fuller discussion of these documents refer to the Official Statement for the San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 1997A & B. Except as otherwise noted, capitalized terms have the same meaning as in the Special Facilities Trust Agreement.

A. LEGAL FRAMEWORK

The Airport Commission (the Commission) of the City and County of San Francisco (the City), under Section 4.115 of the Charter of the City effective July 1, 1996, is authorized to incur debt to finance capital improvements at the Airport. Pursuant to, and subject to the requirements of, Section 2.16 of Resolution No. 91-0210, as amended and supplemented (the 1991 Resolution), that authorizes the issuance of San Francisco International Airport Second Series Revenue Bonds, the Commission “may (a) designate an existing or planned facility . . . as a ‘Special Facility,’ (b) provide that revenues earned . . . with respect to such Special Facility shall constitute ‘Special Facility Revenues’ [which are excluded from the revenues pledged to the payment of Airport Revenue Bonds], and (c) issue [debt payable from Special Facility Revenues to fund] such Special Facility.”

On May 20, 1997, the Commission authorized a lease (the Fuel System Lease) with SFO FUEL COMPANY LLC (the Company) covering, among others, acquisition, construction, operation, and obligations concerning the Fuel System. (The Fuel System Lease defines the Fuel System as comprising (i) certain land areas and right-of-way used for fueling activities at the Airport, (ii) facilities related to fueling, primarily hydrant systems, leased to certain airlines and others under previous agreements, and (iii) certain personal property, including storage tanks, located on Airport property but owned by Chevron.) Certain of the payments required from the Company under the Fuel System Lease are Special Facility Revenues. The Commission also authorized the issuance of up to \$125,000,000 of debt as San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 1997A & B (the 1997 Special Facilities Bonds) pursuant to a trust agreement, dated as of May 1, 1997, (the Special Facilities Trust Agreement) between the Commission and the Trustee. The source of payment of the 1997 Special Facilities Bonds debt service is the Special Facility Revenues paid by the Company. The Company will pay its obligations (including the payments that are Special Facility Revenues) from charges assessed to Contracting Airlines under the Interline Agreement (as both terms are defined below) and to other users of the Fuel System.

B. SPECIAL FACILITIES TRUST AGREEMENT

In the Special Facilities Trust Agreement, the Commission designates “(i) Facilities Rent [paid by the Company pursuant to the Fuel System Lease], (ii) any interest or income derived from the investment of any of the funds herein provided for and constituting part of the Trust

Estate, and (iii) insurance proceeds and condemnation awards” as Special Facility Revenues pledged to secure payment of the 1997 Special Facilities Bonds. In addition, the Commission grants to the Trust Estate a security interest in its rights under the Fuel System Lease to receive payment of the Facilities Rent. Special Facility Revenues are to be deposited by the Trustee into a separate trust fund to be disbursed according to the requirements of the Special Facilities Trust Agreement.

In Section 7.01 Covenant 11, the Commission covenants “that so long as any [bonds issued under the Special Facilities Trust Agreement are outstanding], the Fuel System is and shall be the sole and exclusive facility for the receipt, storage and distribution of Jet Fuel at the Airport; provided, that this covenant shall not apply if and to the extent . . . that compliance . . . would constitute a breach or violation of written assurances . . . to the FAA [Federal Aviation Administration] in connection with any FAA grant application.”

C. FUEL SYSTEM LEASE

The Company

The Company is a Delaware limited liability company established on May 28, 1997. It is anticipated by the Company that, in time, a number of the domestic and foreign commercial air carriers serving the Airport representing a substantial portion of the jet fuel consumed at the Airport will become members of the Company. The Company was formed to lease, improve, operate, and maintain certain elements of the Fuel System. Management of the Company is provided for through a Fuel Committee which is composed of one representative of each member of the Company.

In order to be a member of the Company, an airline must execute the Amended and Restated Fuel System Interline Agreement (the Interline Agreement) and thereby become a Contracting Airline. The Interline Agreement provides means for other airlines currently operating at the Airport or which, in the future, start service to the Airport to elect to become Contracting Airlines.

Operation, maintenance, and administration for the portions of the Fuel System leased to the Company will be performed by a Fuel System Operator under the terms of a Fuel System Operating Agreement except that the tanks and related parts of the Fuel System remaining in the ownership of Chevron will be operated, maintained, and administered by Chevron on land sub-leased from the Company pursuant to a Tank Farm Agreement. The Company will provide for access to jet fuel by all Airport users through various types of agreements and through facilities that allow for the operation of fueling trucks.

The Lease

By its terms, the Fuel System Lease is effective following the satisfaction of certain conditions delineated in the document. In addition to the execution and approval of the document itself, as well as several related agreements and leases, the Fuel System Lease is not effective

until the Interline Agreement has been executed “by at least four Contracting Airlines taking delivery in aggregate of at least fifty-one percent (51%) of the Jet Fuel delivered at the Airport.” Once effective, the Fuel System Lease expires on June 1, 2028.

The Company is required to pay “Facilities Rent” which is equal to the debt service payments and required bond reserve account deposits related to Special Facilities Revenue Bonds issued for the benefit of the Company. Facilities Rent is paid directly to the Trustee by the Company.

Also pursuant to the Fuel System Lease, the Company is required to pay to the Commission a “Ground Rent” for use of land and right-of-ways. This Ground Rent is not part of the designated Special Facility Revenues, but is general Airport revenue. Also not included as Special Facility Revenues are other payments required of the Company “occasioned by [their] operation of the Demised Premises and the Right-of-Way” such as, utility costs and “Additional Rent.” Additional Rent is for “all expenses of the City in connection with [Special Facilities Revenue] Bonds and all amounts due to the Trustee . . . or any other amounts due from the [Company] under the terms of the [Fuel System] Lease. . . .” In addition, the Company must require each Contracting Airline to maintain amounts in an “Operating Reserve Account” as provided for in the Interline Agreement.

Except with respect to fees, the Company is required to make access to the Fuel System available to all users on an equal and nondiscriminatory basis. The Company is permitted to charge other users higher fees than those charged to Contracting Airlines; however, the effective rate per gallon may not exceed the highest effective rate per gallon charged to any Contracting Airline (prior to certain adjustments) by more than 150 percent for a “Non-Contracting User” or by more than 175 percent for an “Itinerant User.”

D. INTERLINE AGREEMENT

The Interline Agreement sets forth the procedures for recovering costs of the Company from the Contracting Airlines. The Interline Agreement broadly defines the costs to be included in the calculation of fees and charges to the Contracting Airlines as being “the sum of all charges, fees, costs, rents, liabilities and expenses payable by the Company in relation to the organization, administration and operation of the Company and the financing, acquisition, development, lease, installation, construction, improvement, maintenance, operation and management of the Fuel System.”

These costs are allocated between a Common Use Area Cost Center and Individual Use Area Cost Centers. Facilities Rent (i.e., debt service) will be allocated between cost centers based upon the project-related use of proceeds from the 1997 Special Facilities Bonds and any future issuance of debt. It is expected that the other costs of the Company (except insurance and property taxes) will be allocated nearly 100 percent to the Common Use Area Cost Center. However, any such costs directly attributed to an Individual Use Area Cost Center will be allocated to the cost center and recovered, along with any Facilities Rent allocated to such cost center, from the users of the Individual Use Area Cost Center.

Contracting Airlines do not make payments to the Company on the basis of a per gallon fee. On a monthly basis, costs allocated to the Common Use Area Cost Center are reduced by,

among other things, amounts collected from users that are not Contracting Airlines. The net amount is recovered from the Contracting Airlines as follows: 10 percent of the net amount is allocated equally among all of the Contracting Airlines; the other 90 percent is allocated pro rata for each Contracting Airline's gallons of fuel to the total gallons of fuel used for such month's calculation for all of the Contracting Airlines. The sum of these two allocated Common Use Area Cost Center amounts along with any allocated amounts for the use of an Individual Use Area Cost Center are then invoiced to each Contracting Airline. Certain of the cost amounts used in determining the monthly invoices are estimates. Following "the end of each calendar year, the Company shall render an itemized bill (which itemized bill shall be audited by a third party) to each Contracting Airline for the actual [costs of the Company] incurred by and allocable to each Contracting Airline during the preceding calendar year, reflecting any adjustments permitted hereunder."

The failure of a Contracting Airline to pay its share of the Company's costs creates an obligation upon the other Contracting Airlines to pay a pro rata share of the defaulting airline's obligation. Withdrawal by a Contracting Airline from the Interline Agreement is permitted as detailed in the agreement. However, some obligations continue after withdrawal under certain conditions and there are several limitations on the ability to withdraw including that "no Contracting Airline may withdraw from this Interline Agreement . . . if immediately after such withdrawal, no Air Carriers would be a party to this Interline Agreement."

IV. FINANCIAL ANALYSIS

The purpose of this analysis is to evaluate the Company's expected costs to operate the Fuel System and to provide an indication of the effect upon airlines at the Airport from the recovery of these costs by the Company. The period covered by the Report analysis is FY1998, the fiscal year of the Commission⁹ in which issuance occurs, through FY2003, the first full Commission fiscal year during which none of the debt service on the 1997 Special Facilities Bonds is paid from bond proceeds (i.e., as capitalized interest). Exhibits 1.0 through 5.0 follow this section and are an integral part of the analysis.

The analysis and the assumptions used for the analysis were reviewed with representatives of the Commission and of the Company. These assumptions are based, in part, on information provided to us by the Commission and the Company, some of which was provided to them by airlines, fuel suppliers, and other parties. These assumptions are also based upon information from various other sources. Such information was not independently verified by us, may be incomplete, and may change after the date of this Report of the Airport Consultant. Actual results will usually vary from estimates because events and circumstances frequently do not occur as expected, and such variances may be material. We believe the assumptions are appropriate in light of the purpose for which the Report was prepared. John F. Brown Company, Inc. has no responsibility to update this Report for events and circumstances occurring after the date of this Report.

A. ANALYSIS CONTEXT

The fundamental question faced in association with the establishment of an airport fuel system operation which is supported by users of the system through a separate charge (primarily assessed proportional to the gallons of fuel actually used) is whether the additional cost to the users will affect their decisions to buy fuel at the given airport. The implicit request is for an evaluation of the relationship between, among other considerations, the increase, if any,¹⁰ in airlines' costs from the fueling system operation, costs for airlines to attempt to satisfy fueling needs from outside of the airport's fuel system (e.g., "tankering"), and quantification of benefits (e.g., ticket revenues or route structure) realized by airlines from serving the airport. However, given the complexity, inherent imprecision, and subjectivity of such an evaluation, the question is usually phrased as: "What is the per gallon rate?"

The question is phrased in this manner since an estimate of this rate can usually be produced and it permits an accessible, though generalized, means of evaluation. The analysis as discussed in the following section and shown in the accompanying Exhibits provides, among

⁹The Commission uses a fiscal year that ends on June 30. However, the Company intends to use a fiscal year that will end on December 31.

¹⁰Originally, most of the capital costs funded from the 1997 Special Facilities Bonds were to be funded from the Commission's general airport revenue bonds as elements of larger projects. For an individual airline, this may mean an increase or decrease in its payment obligations. But, for airlines as a group, it is a shift in payment mechanism for these costs (given the residual calculation methodology used by the Commission) from terminal rentals and landing fees to invoices from the Company. This is analogous to a City funding sidewalk repairs through special assessments to specific homeowners rather than through the general property tax rate base.

other information, certain imputed per gallon rates based upon the assumptions used for the analysis. However, it is useful to consider this imputed per gallon analysis in a larger context.

In the first full fiscal year of operation during which none of the interest due on the 1997 Special Facilities Bonds will be paid out of bond proceeds (i.e., FY2003), the forecast of fuel consumption at the Airport is approximately 1 billion gallons. If the costs of the Company were to be recovered by a per gallon charge then each \$1 million of Company costs would cause a per gallon rate of only 1/10th of a cent. A rate of one cent per gallon would fund \$10 million dollars of Company cost obligations (which is the approximate amount of Company financial requirements forecast for FY2003).

Thus, if the amount of the Company's financial requirements were to increase by 50 percent to \$15 million, the imputed rate per gallon required for recovery would increase to 1.5 cents. Or, if the gallons of fuel were to be 800 million (less than the amount for FY1996), the imputed rate per gallon required for recovery of the \$10 million of obligations would equal 1.25 cents. If both the cost obligation were to change to \$15 million and the gallons consumed were to be 800 million, then the imputed rate per gallon required for full-cost recovery would increase to only 1.875 cents.

B. ANALYSIS RESULTS

Exhibit 1.0 shows the expected use of bond proceeds for project, environmental, and first year operating costs by cost center. This use of bond proceeds determines the percentages for assessing Facilities Rent (i.e., debt service) related to the 1997 Special Facilities Bonds to cost centers in the Company's fee calculation procedures. Based upon the expected use of bond proceeds, most of these costs (95.8 percent) are allocated to the Common Use Area Cost Center (76.7 percent) and the Individual Use Area Cost Center for Boarding Areas "A" and "G" at the new International Passenger Terminal Building (19.1 percent). The remaining amount (4.2 percent) is distributed between two additional Individual Use Area Cost Centers.¹¹

Facilities Rent is shown in Exhibit 2.0 for each fiscal year covered by the Report analysis. Distribution of the Facilities Rent to cost centers using the percentages derived in Exhibit 1.0 is also shown.

In Exhibit 3.0, the Common Use Area Cost Center net recovery amount is forecast for each year of the forecast period. For the purpose of this forecast, it was assumed that all costs of the Company, other than the portions of Facilities Rent, insurance expense, and property taxes allocated to Individual Use Area Cost Centers, would be recovered through the Common Use Area Cost Center charges. (Should the Company determine that for any given month some of these costs are the obligation of a particular Individual Use Area Cost Center, then such costs would be removed from the Common Use Area Cost Center calculation and recovered from the users of such Individual Use Area Cost Center.) Information supplied by the Company was used

¹¹The Company may identify within the Fuel System more than the three Individual Use Area Cost Centers shown in the exhibit. However, the Interline Agreement limits debt service costs allocable to the North Field Cargo Area if such area is treated by the Company as an Individual Use Area Cost Center. In such instance, any debt service costs in excess of this limit would be treated as costs of the Common Use Area Cost Center.

in the development of the cost amounts. A general inflation rate of 5 percent during the forecast period was used for certain of the cost items.

Common Use Area Cost Center recovery amounts are reduced by certain items to determine the net recovery amount to be charged to airlines. Under terms of a sublease, Chevron will pay rent to the Company for the land comprising the bulk fuel storage facility. Prior to completion of construction, interest earnings on the debt service reserve fund established for the 1997 Special Facilities Bonds are used to fund construction costs. Following completion of construction, those earnings are available to the Company to offset operating costs. In addition, funding of the first-year's operating costs of the Company will be from bond proceeds.

The resultant Net Amount for Recovery as shown on the exhibit is reduced by any amounts paid by Non-Contracting Users and Itinerant Users to determine the obligation of the Contracting Airlines. The obligation amount is allocated among the Contracting Airlines according to the procedure contained in the Interline Agreement. Amounts paid by Non-Contracting Users and Itinerant Users are the result of per gallon rates established periodically by the Company as allowed pursuant to the terms of the Fuel Lease and the Interline Agreement. For purposes of Exhibit 3.0, it was assumed that the Contracting Airlines gallonage would represent 98 percent of the total dispensed by the Fuel System in each year. Per gallon rates were assumed for the Non-Contracting Users and Itinerant Users with such assumed rate being 3.75 cents in FY2003.

Exhibit 4.0 provides an imputed cost per gallon using the Company's total costs and forecast gallons. Total costs for the Company consist of the Net Amount for Recovery for the Common Use Area Cost Center plus the amounts allocated to Individual Use Area Cost Centers for Facilities Rent, insurance expense, and property taxes. During the fiscal years when debt service is paid entirely from capitalized interest, this imputed per gallon cost is 3/10th of a cent or less. When capitalized interest expires, the imputed amount increases to one cent per gallon in each of the last two years (FY2002 and FY2003) of the forecast period. This imputed per gallon cost is based solely upon the Company's net costs. It does not include charges assessed by Chevron for operation of the bulk fuel storage facility. It is anticipated that Chevron will continue its present practice of assessing fuel suppliers a per gallon charge (approximately 1.1 cents per gallon) for each gallon that suppliers pump into Chevron's facilities and that the suppliers will continue to recover Chevron's charges as part of the total per gallon price that they charge the purchasing airline.

Exhibit 5.0 is not a forecast. It is an attempt to illustrate how the charging procedures would apply to users of the Boarding Area "A" and "G" Individual Use Area Cost Center assuming the data used for this pro forma presentation. This is not intended to be a precise projection of fuel consumption, cost obligations, or status (i.e., Contracting Airline or not) for the individual airlines listed in the presentation. For purposes of the pro forma presentation, fuel consumption by the projected 20 Contracting Airlines using Boarding Areas "A" and "G" was assumed to increase by an average annual rate of 3.5 percent from approximately 389 million gallons in FY1996 to 495 million gallons in FY2003 reflecting the expectation that fuel consumption by airlines with international operations will increase at a faster rate than other users of the Fuel System.

Facilities Rent was allocated to the Boarding Area "A" and "G" cost center in Exhibit 2.0. In Exhibit 5.0, that amount plus the allocated insurance and property taxes were allocated to

Contracting Airlines using Boarding Area "A" and "G" based on their proportion of projected fuel consumption. The amount of Common User Area Cost Center costs to be recovered from Contracting Airlines was calculated in Exhibit 3.0. In Exhibit 5.0, 10 percent of that amount was allocated equally among all 35 of the projected Contracting Airlines; the other 90 percent was allocated pro rata for each Contracting Airline's gallons of fuel to the total gallons for all of the Contracting Airlines. The sum of the Facilities Rent allocated directly to the Boarding Area "A" and "G" cost center plus the portion of the Common Use Area Cost Center costs allocated to Contracting Airlines using the Boarding Area "A" and "G" cost center is equal to the total allocated costs. This total was divided by the projected gallons of fuel to arrive at an imputed cost per gallon.

As presented in Exhibit 5.0, the pro forma per gallon rates vary (from 1.1 cents to 2.5 cents per gallon) among the assumed Contracting Airlines of the cost center. Variances will occur between users given that the fuel system charges are calculated based upon the use of multiple cost centers and upon allocation of part of the recoverable costs on a basis other than gallons of fuel (i.e., assessing 10 percent of the Common Use Area Cost Center requirement on an equal basis to each Contracting Airline).

Exhibit 1.0
PROJECT COST BY COST CENTER
SAN FRANCISCO INTERNATIONAL AIRPORT

Description	Common Use Area Cost Ctr.		Individual Use Area Cost Centers			Total Cost
	Cost Ctr.		B/A 'A' & 'G'	B/A 'D'	UAL Cargo	
Replace 16-inch PST Connector	\$1,833,100					\$1,833,100
Boarding Area "C" to "D" Connector	3,649,700					3,649,700
UAL Cargo Connector					512,700	512,700
Boarding Area "G" Hydrant System	4,347,100		5,931,200			5,931,200
Boarding Area "B" to "F" Connector Piping	1,338,200					4,347,100
North Field Cargo Hydrant System						1,338,200
Boarding Area "A" Hydrant System	1,899,200		5,723,500			5,723,500
Refueler Loading Facility	357,000					1,899,200
Evaluation of Existing Piping	7,539,900					357,000
Leak Detection System						7,539,900
Boarding Area "D" Hydrant System	2,398,900		1,769,700			1,769,700
Maintenance & Operations Facility	1,923,600					2,398,900
GSE Fueling Station	8,447,100					1,923,600
New 24-inch Supply Main from Tank Farm	<u>1,956,200</u>					8,447,100
Emergency Fuel Shut-off System	35,690,000		11,654,700	1,769,700	512,700	<u>1,956,200</u>
Subtotal						49,627,100
Engineering and Project Administration	5,667,200		1,534,500	332,700	347,000	7,881,400
Previous Project Costs Incurred	3,444,400		0	0	0	3,444,400
Other Costs	928,000		303,000	46,000	13,300	1,290,400
Contingency	5,074,200		1,657,000	251,600	72,900	7,055,900
Total Construction Budget	50,803,800		15,149,200	2,400,000	945,900	69,299,200
Environmental Costs	8,497,000					8,497,000
First Year Operating Costs	1,354,000					1,354,000
Total Costs for Allocation	<u>\$60,654,800</u>		<u>\$15,149,200</u>	<u>\$2,400,000</u>	<u>\$945,900</u>	<u>\$79,150,200</u>
Allocation Percentages	76.7%		19.1%	3.0%	1.2%	100.0%

SOURCE: SFO FUEL COMPANY LLC.

Exhibit 2.0
FACILITIES RENT ALLOCATION TO COST CENTERS
SAN FRANCISCO INTERNATIONAL AIRPORT
(for the 12 months ending June 30)

	1998F	1999	2000	2001	2002	2003
Series 1997A&B - Debt Service	\$5,091,498	\$6,476,818	\$6,476,818	\$6,476,818	\$8,082,460	\$8,074,201
- Capitalized Interest	(5,091,498)	(6,476,818)	(6,476,818)	(6,476,818)	(539,735)	0
Total Facilities Rent	\$0	\$0	\$0	\$0	\$7,542,725	\$8,074,201
<u>Allocation to Use Area Cost Centers:</u>						
Common	\$0	\$0	\$0	\$0	\$5,785,269	\$6,192,913
Boarding Areas A & G	0	0	0	0	1,440,661	1,542,172
Boarding Area D	0	0	0	0	226,282	242,226
UAL Cargo Area	0	0	0	0	90,513	96,890
Total Allocated	\$0	\$0	\$0	\$0	\$7,542,725	\$8,074,201

SOURCES: Smith Barney, Inc. and John F. Brown Company, Inc.

NOTE: F - Forecast.

Debt service is shown on a deposit requirement basis; amounts for FY1998 are net of accrued interest received at issuance.

Exhibit 3.0
COMMON USE AREA COST CENTER RECOVERY AMOUNT
SAN FRANCISCO INTERNATIONAL AIRPORT

(for the 12 months ending June 30)

	1998F	1999	2000	2001	2002	2003
Allocated Facilities Rent	\$0	\$0	\$0	\$0	\$5,785,269	\$6,192,913
Additional Rent	1,500	20,000	20,000	20,000	20,000	20,000
Ground Rent - Demised Premises	430,000	451,500	474,100	497,800	522,700	548,800
Ground Rent - Right-of-Way	20,000	21,000	22,100	23,200	24,400	25,600
Staffing Costs	315,000	452,600	585,700	659,100	735,500	764,900
Supplies & Materials	330,000	376,000	391,900	411,500	432,100	453,700
Fuel System Operator's Management Fee	146,000	153,000	160,700	168,700	177,100	186,000
Allocated Insurance Expense	190,100	317,600	463,900	506,900	591,600	604,600
Allocated Property Taxes	74,600	95,600	239,100	430,400	498,100	602,500
Fuel System Capital Asset Costs	200,000	50,000	53,000	56,000	59,000	62,000
Extraordinary Costs	0	0	0	0	0	0
Subtotal	\$1,707,200	\$1,937,300	\$2,410,500	\$2,773,600	\$8,845,769	\$9,461,013
Less: Amount Financed from Bonds	(1,286,600)	0	0	0	0	0
Less: Int. Earnings on Debt Serv. Reserve	0	0	0	0	(461,000)	(497,000)
Less: Chevron Sublease Payments	(420,600)	(441,500)	(463,600)	(486,800)	(511,200)	(536,800)
Net Amount for Recovery	\$0	\$1,495,800	\$1,946,900	\$2,286,800	\$7,873,569	\$8,427,213
Recovered From:						
Non-Contracting & Itinerant (2% of gal.)	\$90,400	\$277,800	\$284,700	\$583,800	\$697,900	\$766,500
Contracting Airlines (98% of gallons)	0	1,218,000	1,662,200	1,703,000	7,175,669	7,660,713
Total Payments	\$90,400	\$1,495,800	\$1,946,900	\$2,286,800	\$7,873,569	\$8,427,213

SOURCES: Commission Documents; SFO FUEL COMPANY LLC.; and John F. Brown Company, Inc.

NOTES: F - Forecast. Insurance expense was allocated 80 percent to the Common Use Area Cost Center and 20 percent to Individual Use Area Cost Centers. Property Taxes were also allocated 80 percent to the Common Use Area Cost Center and 20 percent to Individual Use Area Cost Centers. Does not include an amount for potential recovery of environmental remediation costs.

Exhibit 4.0
TOTAL COSTS FOR THE COMPANY
SAN FRANCISCO INTERNATIONAL AIRPORT
(for the 12 months ending June 30)

	1998F	1999	2000	2001	2002	2003
Common Use Area Cost Center:						
Net Amount for Recovery	\$0	\$1,495,800	\$1,946,900	\$2,286,800	\$7,873,569	\$8,427,213
Individual Use Area Cost Center:						
Facilities Rent	0	0	0	0	1,757,456	1,881,288
Allocated Insurance Expense	0	80,900	118,200	129,100	150,700	154,000
Allocated Property Taxes	0	24,400	60,900	109,600	126,900	153,500
Subtotal	0	105,300	179,100	238,700	2,035,056	2,188,788
Total Costs	\$0	\$1,601,100	\$2,126,000	\$2,525,500	\$9,908,625	\$10,616,001
Total Gallonage	904,000,000	926,000,000	949,000,000	973,000,000	997,000,000	1,022,000,000
Imputed Costs per Gallon	\$0.000	\$0.002	\$0.002	\$0.003	\$0.010	\$0.010

SOURCES: Commission Documents; SFO FUEL COMPANY LLC.; and John F. Brown Company, Inc.

NOTES: F - Forecast. Insurance expense was allocated 80 percent to the Common Use Area Cost Center and 20 percent to Individual Use Area Cost Centers. Property Taxes were also allocated 80 percent to the Common Use Area Cost Center and 20 percent to Individual Use Area Cost Centers. Does not include an amount for potential recovery of environmental remediation costs.

Exhibit 5.0
PRO FORMA PROJECTION OF FUEL SYSTEM CHARGES IN FY2003
FOR INTERNATIONAL USERS OF BOARDING AREAS "A" & "G"
SAN FRANCISCO INTERNATIONAL AIRPORT

Airlines	Assumed Gallons	% of B/A		% of Contract		B/A A&G Cost/Center	ALLOCATED COSTS			Imputed Cost Per Gallon
		A&G gals.	40.7	Airline gals.	20.1		Common Use Area Cost Ctr.	10%/1	90%	
United	201,483,000	40.7	20.1	\$727,061	\$21,888	\$1,386,989	\$2,135,938	\$0.011		
Singapore	46,620,000	9.4	4.7	168,231	21,888	320,928	511,046	0.011		
JAL	26,380,000	5.3	2.6	95,194	21,888	181,597	298,679	0.011		
British Airways	25,546,000	5.2	2.6	92,184	21,888	175,856	289,928	0.011		
EVA	23,351,000	4.7	2.3	84,263	21,888	160,746	266,897	0.011		
Korean	22,453,000	4.5	2.2	81,023	21,888	154,564	257,475	0.011		
Northwest	18,686,000	3.8	1.9	67,429	21,888	128,633	217,950	0.012		
Lufthansa	18,646,000	3.8	1.9	67,285	21,888	128,357	217,530	0.012		
Asiana	18,593,000	3.8	1.9	67,094	21,888	127,992	216,974	0.012		
China Airlines	16,708,000	3.4	1.7	60,292	21,888	115,016	197,196	0.012		
Virgin Atlantic	16,494,000	3.3	1.6	59,519	21,888	113,543	194,950	0.012		
Philippine	12,641,000	2.6	1.3	45,616	21,888	87,019	154,523	0.012		
Air Canada	9,945,000	2.0	1.0	35,887	21,888	68,460	126,235	0.013		
Air France	9,515,000	1.9	1.0	34,335	21,888	65,500	121,723	0.013		
KLM	9,335,000	1.9	0.9	33,686	21,888	64,261	119,835	0.013		
Air China	9,128,000	1.8	0.9	32,939	21,888	62,836	117,663	0.013		
Mexicana	3,947,000	0.8	0.4	14,243	21,888	27,171	63,301	0.016		
Allegro	2,425,000	0.5	0.2	8,751	21,888	16,693	47,332	0.020		
Aeroflot	1,566,000	0.3	0.2	5,651	21,888	10,780	38,319	0.024		
Finnair	1,480,000	0.3	0.1	5,341	21,888	10,188	37,417	0.025		
Contracting Airlines B/A "A" & "G"-Total	494,942,000	100.0	49.4	1,786,023	437,755	3,407,133	5,630,910	0.011		
Other Contracting Airlines	506,618,000				328,316	3,487,509				
Total Contracting Airlines	1,001,560,000		50.6		\$766,071	\$6,894,642				
Non-Contracting Users & Itinerant Users	20,440,000		100.0							
Total	1,022,000,000									

SOURCE: John F. Brown Company, Inc.
NOTE: /1 Assumes a total of 35 Contracting Airlines.

APPENDIX B

SUMMARIES OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND FUEL SYSTEM LEASE

The following summaries of certain provisions of the Trust Agreement and Fuel System Lease do not purport to be complete or definitive and are qualified in their entirety by reference to the Trust Agreement and Fuel System Lease, respectively. Copies of the aforementioned documents may be obtained from the Airport Commission at San Francisco International Airport, P.O. Box 8097, San Francisco, California 94128, telephone (650) 373-2889, Attention: Manager, Capital Financing.

Definitions

“Additional Contracting Airline” means an Air Carrier that becomes a party to the Interline Agreement after the effective date of the Interline Agreement pursuant to the terms thereof.

“Additional Facilities” has the meaning set forth in the relevant provisions of the Interline Agreement.

“Additional Rent” means the rent paid by the Company pursuant to the terms of the Fuel System Lease.

“Air Carrier” means any "air carrier" or "foreign air carrier" as such terms are defined in 49 U.S.C. § 1301, as amended, or any successor provision thereto, and which is operating at the Airport on a regularly scheduled basis.

“Airport” means San Francisco International Airport, located in the County of San Mateo, State of California, United States of America.

“Airport Director” means the chief executive officer of the Airport, as appointed by the Commission or his or her duly appointed designee.

“Airport Rules and Regulations” means the rules and regulations adopted from time to time by the Commission for the operation of the Airport.

“Avgas” means gasoline-based aircraft fuel (100LL) meeting the specification of ASTM D-910 (latest revision) and any other quality specifications established by the Company from time to time.

“Bond Fund” means the fund of that name established pursuant to the Trust Agreement.

“Bond Reserve Account” means the account denominated as the "Reserve Account" established in the Bond Fund pursuant to the Trust Agreement.

“Bonds” means the "San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC)" issued by the Commission from time to time in series pursuant to the Trust Agreement, including the 1997 Bonds and any series of Additional Bonds authenticated and delivered under the Trust Agreement.

“Bond Year” means the period of 12 consecutive months ending on June 30 in any year in which Bonds are outstanding.

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

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

“Chevron” means Chevron Products Company, a division of Chevron U.S.A., Inc., a Pennsylvania corporation.

“Chevron Lease” means the lease dated July 1, 1976 pursuant to which the City leases certain real property at the Airport as more particularly described therein to Chevron U.S.A., Inc.

“Chevron Property” means all of the personal property, trade fixtures, equipment and other assets currently situated on Plot 24 at the Airport which are, and will continue to be, owned by Chevron after termination of the Chevron Lease as provided in the Chevron Lease and the Chevron Termination Agreement, as such property is more particularly described on Exhibit D to the Fuel System Lease, together with any additions, improvements or modifications thereto at Chevron’s expense during the term of the Tank Farm Agreement.

“Chevron Termination Agreement” means the termination agreement between the City and Chevron U.S.A., Inc., pursuant to which the Chevron Lease will be terminated as of the Effective Date.

“City” means the City and County of San Francisco, California, acting by and through the Commission, or any governmental agency succeeding such entity in its role as operator of the Airport.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Airport Commission of the City.

“Company” means SFO FUEL COMPANY LLC, a Delaware limited liability company, and its permitted successors and assigns under the Fuel System Lease.

“Completion Date” means the Completion Date (as defined in the related tax certificate) of the acquisition, construction, installation and equipping of Facilities financed by a series of Bonds.

“Construction Contract” means each contract to acquire, construct, modify, expand or install the Facilities or a portion thereof, as the same may be supplemented and amended.

“Continuing Disclosure Certificate” means each Continuing Disclosure Certificate executed by the Company with respect to the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Contracting Airline” means an Air Carrier that is a party to the Interline Agreement and is a member of the Company, including any Additional Contracting Airline.

“Costs” means costs and expenses incurred in acquiring the Site and in acquiring, constructing, modifying, expanding, installing and financing the Facilities, and shall include the following:

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

(b) (i) payment of the costs incurred or to be incurred in connection with or incidental to the acquisition, leasing, construction, development or equipping of the Facilities financed, including administrative, legal, engineering, planning, design, studies, insurance costs, costs of obtaining any applicable licenses or permits and financing costs, and (ii) payment to the Airport Commission or the Company of such amounts, if any, as shall be necessary to pay or reimburse the Airport Commission or the Company in full for all advances and payments made by the Airport Commission or the Company relating to the Facilities financed prior to or after the date of issuance and delivery of the related series of Bonds, including expenditures in connection with acquisition or leasing by the Company of an interest in and to the Site (including the cost of such acquisition and of any rights-of-way or easements relating to or necessary or useful to the Facilities or the Site) site improvement, and all real or personal property necessary or appropriate in connection with the Facilities financed, or any one or more of such expenditures (including architectural, engineering and supervisory services) with respect to any of the foregoing;

(c) Costs of Issuance;

(d) payment of, or reimbursement for, as such payments become due, the fees and expenses of the Trustee, the Registrar, and any Paying Agent and the fees and expenses of their counsel properly incurred under the Trust Agreement during the Construction Period;

(e) payment of the premiums on all insurance required to be taken out and maintained under the Trust Agreement during the Construction Period;

(f) payment of interest on the related series of Bonds during the Construction Period; and

(g) any other costs and expenses relating to the Facilities financed by a series of Bonds authorized under applicable law.

“Costs of Issuance” means all reasonable costs incurred by the Airport Commission or the Company in connection with the issuance of a series of Bonds, including, but not limited to: (a) counsel fees related to the issuance of such series of Bonds (including Bond Counsel, Trustee’s counsel and the City Attorney); (b) financial advisor fees and expenses or underwriter’s compensation incurred in connection with the issuance of such series of Bonds; (c) Rating Agency fees; (d) the initial fees and expenses of the Trustee, the Registrar, and any Paying Agent; (e) accountant fees related to the issuance of such series of Bonds; (f) printing and publication costs; (g) costs of engineering and feasibility studies necessary to the issuance of such series of Bonds; and (h) any other cost incurred in connection with the issuance of the Bonds that constitutes an “issuance cost” within the meaning of Section 147(g) of the Code.

“Debt Service Reserve Account Requirement” means the least of (i) the maximum amount of principal and interest payable on the Bonds during any Bond Year, (ii) 10% of the original proceeds of the Bonds (less original issue discount, if any, plus premium, if any), and (iii) 125% of the average annual amount of principal and interest payable on the Bonds during any Bond Year.

“Demised Premises” means the real and personal property, if any, described in Exhibit B1 to the Fuel System Lease, including the Facilities and the Additional Facilities thereon, as supplemented and amended from time to time in accordance therewith.

“Effective Date” means the date on which all the following conditions are satisfied in full:

(a) Execution of the Fuel System Lease by the City and the Company;

(b) Execution of the Interline Agreement by at least four Contracting Airlines taking delivery in the aggregate of at least fifty-one percent of the Jet Fuel delivered at the Airport, for the most recent calendar year as certified by the Company;

(c) Execution of the Fuel System Operating Agreement by the Company and the Fuel System Operator;

- (d) Execution of the Tank Farm Agreement by the Company and Chevron;
- (e) Execution of the Chevron Termination Agreement; and
- (f) Approval of the Fuel System Lease and the Chevron Termination Agreement by the Commission and by resolution of the City's Board of Supervisors.

"Existing Conditions" means certain environmental conditions at the Airport affecting the Fuel System as more particularly described in the Fuel System Lease.

"FAA" means the Federal Aviation Administration.

"Facilities" means the additions, modifications, replacements and improvements to be constructed and installed on the Demised Premises and Right-of-Way by the Company pursuant to the provisions of the Fuel System Lease, including, without limitation, North Field cargo hydrant system, hydrant systems at Boarding Areas A and G, a 16 inch C-D connector and a 16-24 inch B-F connector.

"Facilities Rent" means the rent paid by the Company to the City pursuant to the Fuel System Lease and, following any termination of the Fuel System Lease described in the Fuel System Lease, any Net Relletting Payments to the extent provided therein.

"Fuel Committee" means the Fuel Committee composed of one representative of each Contracting Airline as more particularly defined in the LLC Agreement.

"Fuel System" means, collectively, the elements of the Jet Fuel receipt, storage, transmission and delivery systems and related facilities, fixtures, equipment and other real and personal property located at the Airport and described on Exhibit A to the Fuel System Lease. The Fuel System is comprised of the following components: (a) the Demised Premises, as identified more particularly on Exhibit B1 to the Fuel System Lease, (b) the Right-of-Way, as set forth on Exhibit B2 to the Fuel System Lease, (c) the elements of the Jet Fuel transmission and delivery systems and related facilities, fixtures, equipment and other real and personal property located at the Airport that are leased to individual Air Carriers or others under those certain agreements entered into between the respective individual parties and the City, all as identified more particularly on Exhibit C to the Fuel System Lease, and (d) the Chevron Property.

"Fuel System Access Agreement" means an agreement between the Company and an Into-Plane Agent to allow access to the Fuel System by the Into-Plane Agent to provide into-plane fueling services to a User.

"Fuel System Interconnect Agreement" means an agreement between the Company and an Air Carrier or other parties to permit interconnection of a hydrant system or other portions of the Fuel System leased to or owned by such Air Carrier or other parties with the portions of the Fuel System on the Demised Premises and in the Right-of-Way.

"Fuel System Lease" means the Fuel System Lease and all amendments and supplements thereto.

"Fuel System Operating Agreement" means the Maintenance, Operation and Management Services Agreement as in effect from time to time between Company and the Fuel System Operator for the maintenance, operation and management of certain elements of the Fuel System as specified and agreed from time to time and the Gasoline Facility, if any. The Fuel System Operating Agreement may be amended from time to time to provide for the maintenance, operation and management of the Tank Farm.

"Fuel System Operator" means a qualified and duly licensed independent contractor of the Company selected by the Company with the approval of the Airport Director, which approval will not be unreasonably withheld or delayed, to operate and maintain certain elements of the Fuel System as specified and agreed from time to time and the Gasoline Facility, if any, and which is delegated authority to act on behalf of the Company in exercising certain specified rights and obligations of the Company, including without limitation

those arising under the Fuel System Lease, the Interline Agreement, the Tank Farm Agreement, the Fuel System Access Agreements, the Fuel System Interconnect Agreements and the Non-Contracting User Agreements, as more particularly described in the Fuel System Operating Agreement.

“Gasoline” means automotive fuel which complies with the quality specifications established by the Company from time to time.

“Gasoline Facility” means collectively an automotive gasoline storage and delivery system and related facilities and appendages, if any, operated by the Company pursuant to the Interline Agreement for the purpose of fueling vehicles related to the servicing of aircraft.

“Government Certificates” means evidences of ownership of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.

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

“Ground Rent” has the meaning ascribed to such term in the Fuel System Lease.

“Interest Payment Date” means, with respect to any series of Bonds, each date specified in the Trust Agreement or in the supplemental trust agreement authorizing the issuance thereof for the payment of interest on such Bonds.

“Interline Agreement” means the agreement (and all amendments or modifications thereto) among the Company and the Contracting Airlines pertaining to the allocation of rentals, rates, fees and charges established pursuant to the Fuel System Lease and other expenses of the Company, including without limitation, those associated with the Fuel System and the Gasoline Facility, if any, and covering other related issues such as default, withdrawal, insurance and indemnification.

“Into-Plane Agent” means any person that: (i) executes a Fuel System Access Agreement; and (ii) obtains all necessary approvals and permits from the City to perform into-plane fueling services for Users at the Airport.

“Itinerant User” means any person who takes delivery of Jet Fuel or Gasoline from the Fuel System and who is neither a Contracting Airline nor a Non-Contracting User.

“Jet Fuel” means kerosene-based jet aircraft fuel meeting the specification of ASTM D1655 (latest revision) and any other quality specifications established by the Company from time to time.

“Non-Contracting User” means a person who has executed a Non-Contracting User Agreement.

“Non-Contracting User Agreement” means the agreement between the Company and any person other than a Contracting Airline desirous of using the Fuel System. Such Non-Contracting User Agreement will contain the terms, obligations and restrictions upon such usage, and appropriate insurance and indemnification provisions.

“Official Statement” means any preliminary or final official statement, prospectus or other offering or disclosure document, prepared in connection with the issuance and sale of the Bonds, and any supplement or amendment thereto.

“Permitted Investments” means and include any of the following, if and to the extent the same are at the time legal for the investment of the moneys proposed to be invested therein:

(a) Government Obligations and Government Certificates.

(b) Obligations issued or guaranteed by any of the following: (i) Federal Home Loan Banks System; (ii) Export-Import Bank of the United States; (iii) Federal Financing Bank; (iv) Government National Mortgage Association; (v) Farmers Home Administration; (vi) Federal Home Loan Mortgage Corporation; (vii) Federal Housing Administration; (viii) Private Export Funding Corporation; (ix) Federal National Mortgage Association; (x) Federal Farm Credit System; (xi) Resolution Funding Corporation; (xii) Student Loan Marketing Association; and (xiii) any other instrumentality or agency of the United States.

(c) Pre-refunded municipal obligations rated in the highest rating category by at least two Rating Agencies and meeting the following conditions:

(i) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal and premium payments of such obligations;

(iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a “State”) to the payment of which the full faith and credit of such State is pledged and that are rated in either of the two highest rating categories by at least two Rating Agencies.

(e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated in the highest rating category by at least two Rating Agencies.

(f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated in the highest rating category by at least two Rating Agencies issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation (“FDIC”). Such deposits or interests must either be: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short term rating categories by at least two Rating Agencies; (iii) if they have a maturity longer than one year, with or issued by banks that are rated in one of the two highest rating categories by at least two Rating Agencies; or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations

and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.

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

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

(i) Repurchase agreements with maturities of either (A) 30 days or less, or (B) longer than 30 days and not longer than one year provided that the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated investment grade ("A" or better) by at least two Rating Agencies. The repurchase agreement must be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria: (1) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations and Government Certificates; (2) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and (3) the third party having possession of the securities has a perfected, first priority security interest in the securities.

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

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

(l) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by at least two Rating Agencies (excluding money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services).

(m) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by at least two Rating Agencies (including money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services).

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

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

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

(q) Any other debt or fixed income security specified by the Airport Commission or the Company (except securities of the City and any agency, department, commission or instrumentality thereof other than the Airport Commission) and either (i) rated in the highest category by at least two Rating Agencies or (ii) as to which at least two Rating Agencies have confirmed in writing that the investment of moneys under the Trust Agreement in such security will not in and of itself result in a rating downgrade or the suspension or withdrawal of the rating then in effect with respect to the Bonds.

“Principal Payment Date” means any date on which principal of the Bonds is scheduled to be paid at maturity.

“Redemption Date” means any date on which Bonds called for redemption are to be redeemed, including each sinking fund payment date.

“Rent” means, collectively, Ground Rent, Facilities Rent and Additional Rent.

“Revenues” means (i) Facilities Rent, (ii) any interest or income derived from the investment of any of the funds herein provided for and constituting part of the Trust Estate, and (iii) insurance proceeds and condemnation awards.

“Right-of-Way” means the rights of way described in Exhibit B2 to the Fuel System Lease, including the Facilities and Additional Facilities thereon, as supplemented and amended from time to time in accordance with the Fuel System Lease.

“Sinking Fund Payment Date” means any date on which Bonds are to be redeemed from mandatory sinking fund payments.

“Site” means the Demised Premises and the Right-of-Way.

“Supplier” means any person which has an agreement with any of the Users for the sale and supply of Jet Fuel or Gasoline at the Airport.

“Tank Farm” means that certain real property known as Plot 24 at the Airport upon which the Chevron Property is located, as more particularly described on Exhibit B1 to the Fuel System Lease.

“Tank Farm Agreement” means the Tank Farm Agreement, if any, between the Company and the Tank Farm Operator for the management, operation and maintenance of the Tank Farm and all improvements thereon. A separate Tank Farm Agreement need not be executed if the Fuel System Operating Agreement is amended to provide for the management, operation and maintenance of the Tank Farm by the Fuel System Operator.

“Tank Farm Operator” means a qualified and duly licensed independent contractor of the Company selected by the Company with the approval of the Airport Director, which approval will not be unreasonably withheld or delayed, that will manage, operate and maintain the Tank Farm pursuant to the terms of the Tank Farm Agreement, if any. As of the Effective Date, the Tank Farm Operator will be Chevron.

“Trust Agreement” means the Trust Agreement, dated as of May 1, 1997, between the Trustee and the City pursuant to which the Bonds will be issued, and any amendments and supplements thereto.

“Trustee” means the bank or trust company appointed by the City as trustee under the Trust Agreement, or any bank or trust company acting in the capacity of a trustee under any bond resolution, trust agreement or other document utilized in connection with financing the Facilities.

“User” means any Contracting Airline, Non-Contracting User or Itinerant User that uses the Fuel System or Gasoline Facility for the receipt, storage or distribution of Jet Fuel or Gasoline for use in or in connection with air transportation.

THE TRUST AGREEMENT

Funds and Accounts; Flow of Funds

Under the Trust Agreement the following funds and accounts are established:

Bond Fund

- Interest Account
- Principal Account
- Debt Service Reserve Account
- Redemption Account

Company Operation Fund

Rebate Fund

Capitalized Interest Fund

1997 Construction Fund

- 1997A Account

- 1997B Account

Capitalized Interest Fund. Amounts on deposit in the Capitalized Interest Fund are transferred to the Interest Account at least one business day prior to the Interest Payment Dates and in the amounts (or such lesser amounts as shall then be on deposit therein) specified in the certificate of the Airport Director. Any amounts remaining on deposit in the Capitalized Interest Fund on the date specified in the certificate of the Airport Director will be transferred to the Redemption Account and be applied as are other amounts therein.

1997 Construction Fund. The Trust Agreement establishes within the 1997 Construction Fund subaccounts designated as the “1997A Account” and the “1997B Account”. The moneys in the 1997 Construction Fund shall be held by the Trustee in trust and, except as otherwise permitted by the Trust Agreement, applied to the payment of the Costs of the Facilities. The Airport Commission makes no representation, warranty, covenant or agreement that the proceeds of the 1997 Bonds or any additional Bonds will be sufficient to pay the Costs of the Facilities. Upon completion of construction of the Facilities, a certificate of the Company stating the fact and the date of such substantial completion and stating that all of the Costs of the Facilities and incidental expenses have been determined and paid (or that all of the Costs of the Facilities have been paid less specified claims which are subject to dispute and for which funds shall be retained in the 1997 Construction Fund until such dispute is resolved), together with an architect’s certificate stating the fact and date of such completion, is required to be delivered to the Trustee and the Airport Commission by the Company. Upon the receipt of such certificates, the Trustee will transfer any remaining balance in the 1997 Construction Fund (less the amount of any retention) to the Redemption Account, unless with respect to 1997 Bonds other than taxable 1997 Bonds, the Company shall deliver to the Trustee an opinion of bond counsel acceptable to the Airport Commission stating that another use of any balance remaining in the 1997 Construction Fund is permissible and will not adversely affect the exclusion of interest on the 1997 Bonds from gross income for federal income tax purposes, in which case the Trustee shall dispose of such funds in accordance with a written order of the Airport Commission which is consistent with such

opinion. Amounts in the Redemption Account will be used in accordance with a written order of the Airport Commission at the direction of the Company (i) to purchase 1997 Bonds in the open market at a price not to exceed the par amount thereof; provided that following their purchase, such 1997 Bonds shall be canceled by the Trustee, or (ii) to redeem the largest portion of 1997 Bonds callable under the Trust Agreement, not exceeding the amount on deposit in the Redemption Account, or (iii) to make principal payments on the 1997 Bonds in accordance with the requirements of the Code.

Interest Account. At least one business day prior to each Interest Payment Date for the Bonds and at least one business day prior to each Redemption Date which is not an Interest Payment Date, the Trustee is required to deposit, or cause to be deposited, in the Interest Account from available Revenues an amount sufficient to increase the balance in such account to an amount equal to the amount of interest becoming due and payable on that date. Moneys in the Interest Account are to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Trust Agreement).

Principal Account. At least one business day prior to each Principal Payment Date, the Trustee will deposit, or cause to be deposited, in the Principal Account from available Revenues an amount sufficient to increase the balance in such account to an amount equal to the principal of the outstanding Bonds becoming due and payable on that date. Moneys in the Principal Account are to be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds as it becomes due and payable whether at maturity or upon acceleration thereof.

Redemption Account. At least one business day prior to each Redemption Date, the Trustee will deposit, or cause to be deposited, in the Redemption Account from available Revenues an amount sufficient, together with other amounts on deposit in such account which are available therefor to pay the redemption price of Bonds to be redeemed on that Redemption Date. Moneys in the Redemption Account are to be used and withdrawn by the Trustee solely for the purpose of paying the principal of, and premium, if any, on the Bonds as they become due and payable on the Redemption Date therefor.

Debt Service Reserve Account. If at any time after the initial deposit, the Trustee determines that the amount in the Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement, the Trustee will immediately notify the Airport Commission and the Company of the amount of such deficiency, and the Company is required to deposit or cause to be deposited in the Debt Service Reserve Account the amount of such deficiency, such payment to be made in accordance with the Fuel System Lease. If amounts on deposit in the Interest Account, the Principal Account or the Redemption Account are insufficient to pay when due the principal of, premium, if any, and interest on any Bond, then the Trustee will transfer from the Debt Service Reserve Account to the following accounts, the following amounts to the extent available in the Debt Service Reserve Account in the following order of priority:

- (i) to the Interest Account, an amount which together with any amount on deposit therein, will be sufficient to pay the interest then due on the Bonds;
- (ii) to the Principal Account, an amount which together with any amount on deposit therein, will be sufficient to pay, whether at stated maturity or upon acceleration, the principal then due on the Bonds; and
- (iii) to the Redemption Account, an amount which together with any amount on deposit therein which is available to pay the redemption price on Bonds to be redeemed, will be sufficient to pay the redemption price then due on the Bonds.

The Trustee will compute the amount in the Debt Service Reserve Account five business days prior to each Interest Payment Date and each Redemption Date, the date of any defeasance and immediately after making any withdrawal from the Debt Service Reserve Account to cover a shortfall in the Interest Account,

the Principal Account or the Redemption Account. In making this computation the Trustee will value obligations purchased as an investment of moneys in the Debt Service Reserve Account at fair market value. If the Trustee determines that the amount in the Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement, the Trustee will promptly notify the Airport Commission and the Company of the amount of such deficiency. If the Trustee determines that the amount in the Debt Service Reserve Account exceeds the Debt Service Reserve Account Requirement, such excess will be transferred (i) prior to the Completion Date of the Facilities financed by a series of Bonds, to the applicable Construction Fund, for deposit in the respective accounts therein on a pro rata basis, and (ii) after Completion Date of the Facilities financed by a series of Bonds, to the Interest Account; provided that if the amount on deposit in the Debt Service Reserve Account will exceed the Debt Service Reserve Account Requirement as a result of the redemption of Bonds or a defeasance of Bonds, the excess as of the date of such redemption or defeasance may at the written request of Company be transferred on such redemption or defeasance date to the Principal Account or Redemption Account or an escrow account established to provide for the defeasance of the Bonds, as the case may be.

Notwithstanding any other provision of the Trust Agreement, the Airport Commission may at any time satisfy the Debt Service Reserve Account Requirement in whole or in part by providing the Trustee with a Credit Facility in lieu of cash. Each such Credit Facility will be issued by a Credit Provider whose ability to pay its Credit Facilities is then rated in the highest rating category by at least one Rating Agency.

Rebate Fund. The Trustee will transfer to the Rebate Fund from other funds and accounts established under the Trust Agreement such moneys as shall be specified by the Airport Commission in accordance with the tax certificates. Moneys on deposit in the Rebate Fund will be paid to the United States Government in accordance with written instructions delivered to the Trustee by the Airport Commission.

Company Operation Fund. The Trustee will deposit from amounts received under the Trust Agreement in the Company Operation Fund such amounts as may be necessary in order to maintain a balance of at least twenty thousand dollars (\$20,000) in such fund. The moneys in the Company Operation Fund will be disbursed by the Trustee upon the written requisition of the Airport Commission for the payment of all reasonable expenses incurred by the Airport Commission in connection with the Bonds and the Trust Agreement. The Trustee shall, from time to time thereafter and as often as necessary, give notice to the Company of Additional Rent required to be paid for deposit in such fund pursuant to the Fuel System Lease.

Surplus Funds. To the extent not deposited into the Company Operation Fund, the Trustee will deposit Additional Rent in the Bond Fund and apply such amounts to the purposes for which such amounts were paid. Any amounts remaining in the Bond Fund and not allocated to any of the accounts therein on the business day following each Interest Payment Date, will be applied to any purpose permitted by the Trust Agreement upon receipt by the Trustee of a written request of the Airport Commission at the written request of the Company.

After payment in full of the principal of, the premium, if any, and interest on all Bonds (or provision for payment thereof as provided in the Trust Agreement) and payment of all fees, charges and expenses of the Airport Commission and the Trustee, any amounts remaining in the Bond Fund and in the Company Operation Fund in excess of amounts required to pay the Bonds and such fees, charges and expenses shall be paid to Company.

Pledge; Trust Estate

Subject only to the provisions of the Trust Agreement permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, under the Trust Agreement there are pledged and a security interest is granted to secure the payment of the principal of, premium, if any, and interest on the Bonds, in accordance with their terms and the provisions of the Trust Agreement, the following (the "Trust Estate"): (i) the Revenues; (ii) the rights of the Airport Commission under the Fuel System Lease to payment

of the Facilities Rent; (iii) amounts in the funds and accounts established under the Trust Agreement (except the Rebate Fund and the Company Operation Fund); (iv) all property which is by the express provisions of the Trust Agreement required to be subjected to the lien thereof; and (v) any additional property that may from time to time, be subjected to the lien of the Trust Agreement by or on behalf of the Airport Commission. Under the Trust Agreement, the Airport Commission designates the Bonds as "Special Facility Bonds" and the Revenues as "Special Facility Revenues" in accordance with its Resolution No. 91-0210, adopted by the Airport Commission on December 3, 1991, as supplemented and amended, and its Resolution No. 97-146, adopted by the Airport Commission on May 20, 1997, as supplemented and amended.

Investments

Moneys in the Bond Fund, the Construction Fund, the Rebate Fund and the Company Operation Fund will be invested by the Trustee in Permitted Investments as directed by the Company; provided that not more than twenty-five percent of the amount on deposit in the Debt Service Reserve Account will at any time be invested in Permitted Investments with maturities in excess of ten years and at least twenty-five percent of the Debt Service Reserve Account Requirement will at all times be invested in Permitted Investments with maturities of three years or less. Moneys in the Capitalized Interest Fund will be invested by the Trustee solely in Government Obligations. In the absence of investment instructions from the Company, the Trustee will invest all funds solely in the Permitted Investments set forth in clause (l) of the definition thereof. Investments and earnings thereon will be deemed at all times a part of the fund or account for which they were made and will be held in that fund or account, except that earnings on investments in the Capitalized Interest Fund and the Debt Service Reserve Account prior to the Completion of the Facilities shall be deposited in the applicable account or accounts within the Construction Fund on a pro rata basis to the original deposits therein upon the issuance of the applicable series of Bonds. Investments are required to mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts.

Covenants

Payment of Principal and Interest. The Airport Commission will punctually pay or cause to be paid, but only from Revenues, the principal and the interest (and premium, if any) to become due in respect of every Bond issued under the Trust Agreement.

Construction of Facilities. Pursuant to the Fuel System Lease, the Airport Commission will use its best efforts to cause the Company to construct that portion of the Facilities to be constructed, in conformity with the Fuel System Lease.

Use of Rental Revenue for Proper Purpose. The Airport Commission covenants that none of the Revenues will be used for any purpose other than as provided in the Trust Agreement.

Further Assurance. Whenever and so often as requested so to do by the Trustee, the Airport Commission will promptly execute and deliver or cause the Company to execute and deliver all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondholders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Maintenance of Revenues. The Airport Commission will at all times maintain and enforce all of its rights and the obligations of the Company under the Fuel System Lease. As soon as practicable following its obtaining knowledge of the occurrence of an Event of Default under the Fuel System Lease, the Airport Commission will notify the Trustee in writing of the occurrence of such Event of Default.

Accounting Records and Reports. The Airport Commission will cause the Company to keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, disbursement, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee and by any Holder of Bonds, or its agent or representative, at reasonable hours and under reasonable conditions. The Airport Commission shall cause the Company not more than 120 days after the close of each fiscal year of the Company to furnish to the Trustee, the Airport Commission and to any Bondholder who shall request the same, the financial statements required to be prepared by the Company in accordance with the Fuel System Lease.

Observance of Laws and Regulations. The Airport Commission will continuously operate the Airport so that all applicable laws, regulations, orders and rulings of any governmental agency or authority having jurisdiction in the premises, including, without limitation, lawful orders and regulations of the FAA, shall be complied with, but the Airport Commission is not be required to comply with any such orders so long as the validity or application thereof are being contested in good faith.

The Fuel System. The Airport Commission covenants that so long as any Bonds are outstanding, the Fuel System is and shall be the sole and exclusive facility for the receipt, storage and distribution of Jet Fuel at the Airport; provided, that this covenant shall not apply if and to the extent that the Airport Commission receives an opinion of counsel acceptable to the Trustee or a written notice, decision or determination from the FAA that compliance with this covenant would constitute a breach or violation of written assurances required by law provided by the Airport Commission to the FAA in connection with any FAA grant application.

Against Liens and Encumbrances. Except as permitted by the Trust Agreement, the Airport Commission may not sell, lease or otherwise dispose of or encumber its interest in the Fuel System Lease, the Site or the Facilities or any part thereof.

Additional Debt. The Airport Commission covenants not to create or permit the creation of or issue any obligations or any additional indebtedness which will be secured by a charge and lien on the Revenues or the Trust Estate, or which will be payable from any of the funds and accounts established and created by or pursuant to the Trust Agreement, except that additional series of Bonds may be issued from time to time pursuant to a supplemental trust agreement subsequent to the issuance of the 1997 Bonds on a parity with the 1997 Bonds and secured by an equal charge and lien on the Revenues and the Trust Estate and payable equally and ratably from the funds and accounts established and created pursuant thereto for one or more of the purposes set forth in the Trust Agreement.

The Airport Commission expressly reserves the right to adopt one or more bond resolutions or to enter into one or more indentures or trust agreements for any of its lawful purposes and to issue bonds or obligations which are not payable from, or secured by, the Revenues and which are not secured by any lien upon the Trust Estate.

To Maintain Insurance. The Airport Commission must cause to be maintained by the Company such insurance as is required pursuant to the Fuel System Lease, and within five business days after notice from the Trustee of any failure of the Company to deposit the required insurance policies, together with appropriate evidence of payment of the premiums therefor, to the Airport Commission and the Company, the Airport Commission is required to use its best efforts to obtain such insurance in such minimum amounts as are specified in the Fuel System Lease or shall pay such premiums, as the case may be, at the Company's expense as provided in the Fuel System Lease.

Continuing Disclosure. The Airport Commission agrees to comply with and carry out all of the provisions of each continuing disclosure certificate executed and delivered in connection with the issuance of a series of Bonds, as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of the Trust Agreement, failure of the Airport Commission or the Company to comply with

any Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and at the written request of the Holders of at least 25% of the aggregate principal amount of the related series of Bonds outstanding, and if such Holders shall have furnished to the Trustee indemnity satisfactory to it, shall) or any Holder or beneficial owner of such series of Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Airport Commission or the Company to comply with their obligations under the continuing disclosure covenant.

To Discharge All Lawful Claims. The Airport Commission is required to: (i) duly observe and comply with all valid requirements of any governmental authority applicable to the Site or the Facilities, or any part thereof, and (ii) except as otherwise permitted in the Trust Agreement, may not create or suffer to be created any lien or charge upon the Site or the Facilities or any part thereof, except the lien and charge of the Trust Agreement; and must pay or cause to be discharged or make adequate provision to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands from labor, materials, supplies or other objects created or caused to be created by the Airport Commission which, if unpaid, might by law become a lien upon the Site or the Facilities or any part thereof; *provided, however*, that the Airport Commission need not pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Application of Proceeds of Insurance and Condemnation

In the event the Trustee receives notice from the Airport Commission or the Company of any condemnation proceedings with respect to the Site or the Facilities or the occurrence of any material damage to or destruction of the Site or the Facilities, and the Trustee receives payment of any insurance proceeds or condemnation award, the Trustee will deposit such amounts in the Bond Fund for the redemption of Bonds. After all of the Bonds have been (or, upon the application of the award or sale proceeds, will be) fully paid (or provision for such payment duly made), and all of the Trustee's fees and expenses have been paid, the Trustee will pay the remainder of such proceeds to the City.

Notwithstanding the above, if no Event of Default has occurred and is continuing and the Company makes the election under the Fuel System Lease to continue to operate or to rebuild, repair or restore all or a portion of the Site or the Facilities, the Trustee shall receive and review a certificate of the Company and architect's certificate and such additional documents, as the Trustee shall request to confirm to the Trustee that either (i) the property forming a part of the Site or the Facilities that was damaged or destroyed or taken by condemnation proceedings is not essential to Company's use or occupancy of the Facilities and the continued operation of the remaining portion of the Site and the Facilities will not have a material adverse effect on the security of the Bonds and the timely payment with respect thereof, taking into account the Debt Service Reserve Account and all other available Revenues; or (ii) that the Site and the Facilities can be restored to a condition satisfactory to the Company and the Airport Commission and that continued operation of the Site and Facilities will not have a material adverse effect on the security of the Bonds and the timely payment in respect thereof, taking into account the Debt Service Reserve Account and all other available Revenues.

If the Trustee shall be satisfied as to the existence of either (i) or (ii) above, then it will deposit the insurance proceeds or condemnation award, as the case may be, (i) in the Bond Fund, if Company does not elect to rebuild, repair or restore the Site and the Facilities, or (ii) in the Construction Fund, and apply such proceeds or award to the Costs of restoring, repairing or rebuilding the Facilities; *provided, however*, that if any Event of Default has occurred and is continuing, the Trustee may apply such proceeds or awards to the repair or restoration of the Site and the Facilities as aforesaid, or to the payment of the principal or redemption price of and interest on the Bonds then outstanding.

Events of Default and Remedies

Each of the following events is an "Event of Default" under the Trust Agreement:

- (a) Failure to pay interest due on any Bond when the same shall have become due and payable;
- or
- (b) Failure to pay the principal of or premium, if any, on the Bonds when the same shall become due and payable whether at maturity, upon redemption, by acceleration or otherwise; or
- (c) The occurrence and continuation of an Event of Default as set forth in the Fuel System Lease constituting a failure to duly and punctually pay Facilities Rent, certain bankruptcy or insolvency events, certain transfers of the Company's interest in the Lease without the Airport Commission's consent and certain abandonment events by the Company; or
- (d) The Airport Commission's election to terminate the Fuel System Lease upon the occurrence and continuation of an Event of Default as set forth in the Fuel System Lease constituting a failure to pay Ground Rent and Additional Rent or breach of certain covenants, promises, and agreements of the Company; or
- (e) Any liability or obligation of the Company under the Guaranty or the Security Agreement shall be contested or denied by the Company or, after the expiration of any applicable notice or grace period, the Company shall fail to observe or perform any provision of the Guaranty or the Security Agreement; or
- (f) The Airport Commission shall fail to observe or perform any other covenant or agreement on its part under the Trust Agreement for a period of 60 days after the date on which written notice of such failure requiring the same to be remedied, shall have been given to the Airport Commission by the Trustee, or to the Airport Commission and the Trustee by the Owners of at least 25% in aggregate principal amount of Bonds then outstanding; *provided, however*, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it will not be an Event of Default as long as the Airport Commission has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy; or
- (g) Certain events relating to the bankruptcy or insolvency of the Airport Commission or the City; or
- (h) The termination or cancellation of the Interline Agreement with respect to all of the Contracting Airlines or the withdrawal of all of the Contracting Airlines therefrom.

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall, exercise all rights and remedies provided for in the Trust Agreement, the Security Agreement or the Guaranty and pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding; and by notice in writing to the Airport Commission, and with the required consent, if any, of any Credit Provider, declare the principal of all Bonds then outstanding to be due and payable immediately, and upon any such declaration the said principal shall become and be due and payable immediately, anything in the Trust Agreement, or in the Bonds, to the contrary notwithstanding; *provided, however*, that if at any time after the principal of the Bonds shall have been so declared and become due and payable the Airport Commission shall pay or shall deposit with the Trustee a sum sufficient to pay all arrears of interest upon all of the Bonds (with interest upon any overdue installments of interest at the rates expressed in the Bonds to the date of such payment or deposit), and all other sums payable under the Trust Agreement shall have been duly paid, and every other default in the performance of any covenant or provision of the Bonds or of the Trust Agreement shall have been made good or secured to the satisfaction of the Trustee or

arrangements deemed by the Trustee to be adequate shall be made therefor, and the required consent, if any, of any Credit Provider to such waiver having been obtained, then and in every such case the Trustee and the Bondholders shall waive, the default and the Trustee and the Bondholders shall rescind and annul, such declaration and its consequences; but no such waiver, rescission or annulment shall extend to or affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

If at any time the moneys in the Bond Fund shall not be sufficient to pay or make provision for payment of the principal of, premium, if any, and interest on the Bonds as the same become due and payable, such moneys, together with any moneys available or thereafter becoming available for such purpose whether through the exercise of the remedies provided for in the Trust Agreement or otherwise, shall be applied by the Trustee as follows: (i) to the payment of costs, expenses, advances and fees; (ii) unless the principal of all of the Bonds shall have become due and payable, the moneys will then be applied: First: To the payment to the persons entitled thereto of all installments of interest then due, in order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably; and Second: To the payment of the principal of the respective Bonds as they become due in accordance with the provisions of the Trust Agreement and, if the amount available shall not be sufficient to pay in full all Bonds due, then to the payment ratably; (iii) If the principal of all of the Bonds shall have become due and payable, the moneys will then be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amount due respectively for principal and interest.

The Holders of a majority in aggregate principal amount of the Bonds then outstanding under the Trust Agreement, with the required consent, if any, of the Credit Provider, if any, shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement; provided, that such direction shall not be otherwise than in accordance with law or the provisions of the Trust Agreement, that the Trustee shall have been indemnified to its satisfaction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Amendments

The Airport Commission and the Trustee may, without notice to or the consent of any of the Bondholders, but with the consent of Company and the Credit Provider, if any, from time to time and at any time, enter into such supplemental trust agreements:

(a) to cure any ambiguity, omission or formal defect, to correct any provision in the Trust Agreement which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Trust Agreement or in any supplemental trust agreement; provided that such action shall not materially adversely affect the interests of the Holders of the Bonds; or

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to subject to the lien and pledge of the Trust Agreement any additional property or collateral; or

(c) to issue additional Bonds; or

(d) to make any changes required to obtain a rating by a Rating Agency; or

(e) to the extent required pursuant to an opinion of bond counsel, to preserve the exclusion of interest on any Bonds (except taxable Bonds) from gross income from federal income tax purposes; or

(f) to the extent required by law, to permit the registration of the Bonds under the Securities Act of 1933, as amended, or any applicable state securities law, or to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended; or

(g) to make any other change which will not materially adversely affect the interests of the Bondholders.

The Holders of not less than sixty percent (60%) in aggregate principal amount of the Bonds then outstanding have the right, from time to time, to consent to and approve the execution by the Airport Commission and the Trustee of such supplemental trust agreements or agreements for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any supplemental trust agreement; *provided, however*, that nothing therein contained shall (i) extend the stated maturity of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon or change any provisions for the mandatory redemption of any Bonds, without the consent of the holder of each Bond so affected, or (ii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Revenues or the Trust Estate prior to or on a parity with the lien of the Trust Agreement, without the consent of the holders of all of the Bonds then outstanding, or (iii) except as expressly permitted by the Trust Agreement, prefer or give priority to any Bond without the consent of the registered owner of each Bond not receiving such preference or priority.

The Trustee

BNY Western Trust Company is serving as Trustee under the Trust Agreement. The Trustee may resign at any time. In addition, the Trustee may be removed at any time by the Airport Commission so long as (a) except in the event the Trustee is insolvent, no Event of Default shall have occurred and be continuing, and (b) the Airport Commission determines that the removal of the Trustee shall not have a material adverse effect upon the rights or interests of the Bondholders. In the event of the resignation or removal of the Trustee, the Airport Commission will appoint a successor Trustee. Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business within the State of California and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trusts created by the Trust Agreement upon reasonable or customary terms.

Amendments of the Fuel System Lease, the Guaranty, the Security Agreement and the Interline Agreement

The Airport Commission, with the consent of the Trustee, may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Fuel System Lease, the Interline Agreement, the Security Agreement or the Guaranty as may be permitted or required (i) by the provisions of the Fuel System Lease or the Trust Agreement, including amendments, changes or modifications to permit the issuance of additional Bonds, (ii) to cure any ambiguity, omission or formal defect or to correct any provision in the Fuel System Lease, the Guaranty, or the Interline Agreement which may be inconsistent with any other provision contained therein, or (iii) in connection with any other change therein unless, in the judgment of the Trustee, such other change would materially adversely affect the interests of the Holders of the Bonds. Notwithstanding the preceding sentence, the Company and the Contracting Airlines may amend the Interline Agreement as and to the extent permitted by the Fuel System Lease without the consent of the Airport Commission, the Trustee or the Bondholders.

Except for the amendments, changes, or modifications described in the preceding paragraph, the Airport Commission and the Trustee are not permitted to consent to any amendment, change or modification of the Fuel System Lease, the Interline Agreement, the Security Agreement or the Guaranty which would permit, or be construed as permitting (a) an extension of the maturity of the principal of or the time for payment of interest on any Bond or (b) a reduction in the principal amount or redemption price of any Bond, or the rate of interest thereon, or (c) the creating of a lien upon or a pledge of the Trust Estate (including, without limitation, the Revenues) pledged under the Trust Agreement ranking prior to or on a parity with the lien and pledge created by the Trust Agreement, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to any other changes in the Trust Agreement, without the consent of the Holders of all Bonds then outstanding. Any other amendment, change or modification to the Fuel System Lease, the Interline Agreement, the Security Agreement or the Guaranty except those described in the preceding paragraph, may not be made without the written approval or consent of the Holders of not less than sixty percent (60%) in aggregate principal amount of the Bonds then outstanding.

Defeasance

If the Airport Commission shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all outstanding Bonds the principal, premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Trust Agreement, the Trust Agreement shall cease to be of further effect, except as to any surviving rights of transfer or exchange of Bonds expressly provided for in the Trust Agreement, and except as to certain tax covenants.

Under the Trust Agreement, Bonds are prior to the maturity or redemption date or dates thereof deemed to have been paid within the meaning and with the effect expressed in the Trust Agreement, if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Airport Commission shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to publish notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, noncallable Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, premium, if any, and interest due and to become due on said Bonds prior to the redemption date or maturity date or dates thereof, as the case may be, together with all fees and expenses of the Trustee, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding one hundred eighty (180) days, the Airport Commission shall have given the Trustee irrevocable instructions to mail a notice to Holders of such Bonds that the required deposit has been with the Trustee and that said Bonds are deemed to have been paid in accordance with the Trust Agreement.

Neither Government Obligations nor moneys deposited with the Trustee pursuant to the Trust Agreement for the defeasance of the Bonds nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, the payment, to the Holders of the Bonds for whose payment or redemption such money or Government Obligations have been deposited with the Trustee, of all sums due thereon for principal, premium, if any, and interest; *provided, however*, that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in non-callable Government Obligations to mature or be withdrawable, as the case may be, not later than the time needed for such payment or redemption.

THE FUEL SYSTEM LEASE

Term

The term of the Fuel System Lease will commence as of the Effective Date and will terminate June 1, 2028, unless terminated earlier in accordance with its terms.

Surrender of Possession

The Company will yield and deliver peaceably to the City possession of the Demised Premises and cease using the Right-of-Way and permanent improvements including the Facilities and any pipelines thereupon on the date of the expiration or termination of the Fuel System Lease, but excluding the Chevron Property unless Chevron is permitted, with the consent of the Company and the Airport Director, to abandon part or all of the Chevron Property, including any additions, improvements and modifications thereto, upon termination of any Tank Farm Agreement between Chevron and the Company. Such properties will be in a condition similar to that which existed at the commencement of the Fuel System Lease or at the time of installation, except for reasonable wear and tear. Upon such surrender, the Company will deliver such quit-claims, releases or other documents that the City may reasonably request to evidence surrender of the Demised Premises and right to use the Right-of-Way. In addition, upon such surrender, the Company will remove from the Demised Premises and Right-of-Way all personal property of the Company.

Reversion

Upon termination of or expiration of the Fuel System Lease, the Company will cease to have any rights with respect to the Demised Premises and the Right-of-Way under the Fuel System Lease.

Lease and Operation of Demised Premises and Right-of-Way

Under the Fuel System Lease the City has leased to the Company and the Company has leased from the City the Demised Premises as more particularly described in Exhibit B1 to the Fuel System Lease and the City has granted to the Company the right to use the Right-of-Way as more particularly described in Exhibit B2 to the Fuel System Lease, on the terms and conditions set forth in the Fuel System Lease and subject to the existence of the Chevron Property. The Company's interest in the Right-of-Way authorized in the Fuel System Lease is a non-exclusive right to use the Right-of-Way solely for the construction, operation, maintenance and repair of the Fuel System and is subject to all previously existing leasehold and right-of-way interests and the uses now or hereafter made by the City for the use of said Airport and in the promotion and accommodation of air commerce, air transportation, aviation or matters incidental thereto.

The City and the Company have acknowledged and agreed that the description of the Demised Premises and the Right-of-Way as set forth in Exhibit B1 and Exhibit B2 to the Fuel System Lease, respectively, may be expanded and contracted from time to time to incorporate improvements, alterations, repairs or other maintenance or construction with respect thereto (including without limitation the Facilities) and that, following the completion of any such improvements, alterations, repairs or other maintenance or construction, Exhibit B1 and Exhibit B2 to the Fuel System Lease will be revised to reflect such changes, subject to the approval of the Airport Director and the Company, and the revised Exhibit B1 and Exhibit B2 will be incorporated into the Fuel System Lease. Each of the foregoing actions may be taken without the requirement of a formal amendment to the Fuel System Lease or the approval of the Trustee or other party other than the Airport Director and the Company. The City and the Company have acknowledged and agreed that the Demised Premises and Right-of-Way do not include, as of the Effective Date, (a) the portions of the Fuel System leased directly to one or more Air Carriers or others, or (b) the Chevron Property, which property is owned by Chevron.

The Company and the City have agreed that the Fuel System will be the sole and exclusive facility for the receipt, storage and distribution of Jet Fuel at the Airport to the fullest extent permitted by applicable law, subject to relevant provisions of the Fuel System Lease.

Ingress and Egress

The Company possesses the right of ingress to and egress from the Demised Premises and Right-of-Way over Airport roads or routes as necessary in fulfillment of the terms of the Fuel System Lease subject to Airport Rules and Regulations, including without limitation those pertaining to badge, permitting, and other security requirements, and has agreed that the exercise of such right (a) will not impede or interfere unduly with the operation of the Airport by the City, its tenants, or other authorized occupants; and (b) may be suspended or revoked by the Airport Director in the event of an emergency or a threat to the Airport. The Company's interest in the Right-of-Way authorized under the terms of the Fuel System Lease is a nonexclusive right to use the Right-of-Way solely for the construction, operation, maintenance and repair of the Fuel System and is subject to all previously existing leasehold and right-of-way interests and the uses now or hereafter made by the City for the use of said Airport and in the promotion and accommodation of air commerce, air transportation, aviation or matters incidental thereto. Notwithstanding the foregoing ingress and egress rights, the Company has no right to place any personal property or equipment on, or conduct any operations in, any areas outside the Demised Premises and Right-of-Way. Truck routes are as designated from time to time by the Airport Director. The aforementioned rights of ingress, egress and roadway use likewise apply to the Tank Farm Operator, the Fuel System Operator and the employees, guests, patrons, and suppliers of the Company, the Tank Farm Operator and the Fuel System Operator, including without limitation the right of transport of equipment, material, cargo, machinery and other property; provided, however, that the City may impose a charge upon suppliers or furnishers of service to the Company, the Fuel System Operator or the Tank Farm Operator in an amount sufficient to compensate the City for the costs incurred by the City in the reasonable regulation by the City of such suppliers or furnishers of service in the exercise by them of the foregoing right of ingress and egress; and provided further, that such right of ingress and egress does not alter or affect whatever contractual arrangements may now or hereafter exist between the City and the suppliers or furnishers of service to the Company, the Contracting Airlines, the Fuel System Operator or the Tank Farm Operator.

The abovementioned rights of ingress and egress across lands of the City are by means of then existing roads and lanes thereon, if such there be, and if there be no such roads and lanes, then over such route as designated by the Airport Director.

No Other Charges

Except as otherwise specifically provided in the Fuel System Lease or as the parties thereto may subsequently agree in writing, or except as required by law, no charges, fees or tolls of any nature (including, but not limited to, fuel flowage charges) may be charged by the City against the Company or the Contracting Airlines or their employees, passengers, furnishers of services or suppliers, including without limitation, the Fuel System Operator and the Tank Farm Operator, for the using, storing, withdrawing, handling, consuming, loading, unloading or other delivery or transport of Jet Fuel.

Facilities Rent

The Company will pay rental under the Fuel System Lease ("Facilities Rent") by making payments to the Trustee for the account of the City on the following dates and in the following amounts:

- (a) (i) On the first business day of each month, the Company will pay an amount equal to at least one-sixth of the aggregate amount of interest becoming due and payable with respect to the Bonds on the next succeeding semiannual Interest Payment Date, until there is accumulated in the Interest Account, an amount, together with other funds on deposit with the Trustee and available

therefor, sufficient to pay interest on the Bonds on the next semiannual Interest Payment Date; provided, that, during the period preceding the first Interest Payment Date on any Series of Bonds, the amount of each monthly installment with respect thereto will be equal to the product of a fraction the numerator of which is one and the denominator of which is the number of whole calendar months from the date of issuance of such Series of Bonds to the first Interest Payment date on such Series of Bonds minus one, times the aggregate amount of interest becoming due and payable on such Series of Bonds on said Interest Payment Date.

(ii) When Bonds are to be redeemed on a Redemption Date which is not an Interest Payment Date, at least one business day prior to the date on which the Trustee is required to provide notice of redemption, the Company will pay an amount which, together with other amounts on deposit in the Interest Account, will be sufficient to pay the interest on such Bonds due on that day.

(b) On the first day of each of the twelve months prior to each Principal Payment Date and Sinking Fund Payment Date, the Company will pay an amount equal to at least one-twelfth of the principal amount and/or mandatory sinking fund payment becoming due and payable with respect to the Bonds on such Principal Payment Date or Sinking Fund Payment Date, as the case may be, until there has been accumulated in the Principal Account or Redemption Account, as applicable, an amount sufficient to pay the principal amount of and/or mandatory sinking fund payment on the Bonds coming due on such Principal Payment Date or Sinking Fund Payment Date.

(c) At least one business day prior to the day on which principal of Bonds is due and payable, other than a Principal Payment Date or Redemption Date, the Company will pay an amount together with other amounts on deposit in the Principal Account, will be sufficient to pay the principal of the Bonds due on that day.

(d) When Bonds are to be redeemed on a Redemption Date which is not a Sinking Fund Payment Date, at least one business day prior to the date on which the Trustee is required to provide notice of redemption, the Company will pay an amount which, together with other amounts on deposit in the Redemption Account, will be sufficient to pay the principal of and premium, if any, on the Bonds to be redeemed on that day.

(e) Not later than the close of business on the last business day of the month following the month during which the Trustee notifies the Company of a deficiency in the amount required to be maintained in the Bond Reserve Account in accordance with the Trust Agreement, the Company will pay an amount equal to the amount of that deficiency.

Additional Rent

In addition to the Facilities Rent, and in the manner hereinafter provided, the Company is required to pay such amounts of additional rent ("Additional Rent") each year as required to pay all expenses of the City in connection with the Bonds and all amounts due to the Trustee under the terms of the Trust Agreement or any other amounts due from the Company under the terms of the Fuel System Lease within thirty days of the date of an invoice from the City or the Trustee to the address indicated on such invoice.

Nature of Obligation

The Company's obligation to make the rental payments required under the Fuel System Lease is absolute and unconditional and is not subject to defense, set-off, counterclaim, recoupment, diminution, abatement, defense or reduction for any reason including, without limitation, whether or not the Company remains in possession of the Demised Premises and Right-of-Way or is able to use the same, or the Fuel System Lease is terminated, or the Demised Premises and Right-of-Way or any interest therein are taken for any period by condemnation or other means by any governmental authority, or the Demised Premises and

Right-of-Way deteriorates or becomes obsolete or is damaged or destroyed for any cause whatsoever, or becomes unusable by the Company, or the City fails to perform and observe any agreement, express or implied, or any duty, liability or obligation arising out of or connected with the Fuel System Lease, or any defect in title to the Demised Premises or Right-of-Way, or any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction or the destruction by fire or other casualty of the Demised Premises or Right-of-Way or any portion thereof, or commercial frustration of purpose, or any change in the tax or other laws or administrative rulings or administrative actions by the United States of America or the State of California or any political subdivision of either, or the taking of title to the Demised Premises or Right-of-Way or the use thereof by exercise of the power of eminent domain.

Nothing in the Fuel System Lease is to be construed as a waiver by the Company of any rights or claims the Company may have against the City or the Trustee under the Fuel System Lease or otherwise, but any recovery upon such rights and claims will be had from the City or the Trustee separately, it being the intent of the Fuel System Lease that the Company will be unconditionally and absolutely obligated to perform fully its obligation to pay Facilities Rent and Additional Rent for the benefit of the City and the Trustee.

Pursuant to the Trust Agreement, the City will pledge, assign and grant a security interest in all moneys received and to be received as Facilities Rent under the Fuel System Lease, subject to certain exceptions in the Fuel System Lease, to the Trustee as security for the Bonds. The Company in the Fuel System Lease consents to such pledge, assignment and grant.

The Company has covenanted and agreed in the Fuel System Lease to pay or provide for the payment of all Facilities Rent and Additional Rent when due thereunder. The Facilities Rent and Additional Rent payable thereunder is designed to be sufficient in time and amount to pay the principal of, premium, if any, and interest on the Bonds. The City will issue the Bonds in consideration of the Company's promise to pay Facilities Rent and Additional Rent thereunder. If the Company breaches its covenant to pay or provide for the payment of Facilities Rent and Additional Rent, the City may default on the Bonds. Consequently, the Company has agreed that, unless the Bonds have been fully paid or provision for payment thereof has been made, in the event of a breach of this covenant it will pay to the City, as liquidated damages and not as penalty, an amount equal to the principal of, premium if any, and interest due on the Bonds and any expenses and fees of the Trustee and the City. Such payment will not be duplicative of any other payment under the Fuel System Lease or any guaranty of the Bonds. The Company and City have agreed that such amount is a reasonable estimate of the damages that the City may actually incur as a result of breach, and that the actual damages may or may not be more or less than such amount. The Company waives any right to claim that the City's actual damages are less than such amount.

The Fuel System Lease will be deemed and construed to be a "net lease," and all rental payments will be absolutely net, free from all claims, demands or offsets against the City or the Trustee of any kind or nature whatsoever; the payments of Facilities Rent are designed to provide the City and the Trustee funds adequate in amount to pay all the principal of and interest on the Bonds as the same become due and payable (with, to the extent permitted by law and as provided in the Trust Agreement, interest on overdue installments at the rate of the lower of twelve percent or the highest rate permitted by law, per annum), and to the extent that the payments of Facilities Rent are not sufficient for the purposes aforesaid, the Company is obligated to pay, and it has covenanted and agreed to pay, upon demand therefor, such further sums of money, in cash, as may from time to time be required for such purposes and all such interest on overdue installments and such sums will be deemed Facilities Rent.

The Company has covenanted and agreed that, in the event that at any time it has insufficient funds on hand to pay amounts then due under the Fuel System Lease or the Guaranty, including without limitation Facilities Rent and Additional Rent, and any other obligations of the Company then due and payable, it will pay any amounts then due under the Fuel System Lease and the Guaranty prior to the payment of any other such obligations.

Other Charges and Fees

The Company's payment of Rent under the Fuel System Lease does not limit the Company's obligation to pay all other charges or fees occasioned by the Company's operation of the Demised Premises and the Right-of-Way, including, but not limited to, utility charges and fees, as set forth in applicable schedules of Airport rates and charges now in force or as amended hereafter.

Acquisition and Construction of the Facilities

The Company will construct the Facilities in accordance with the Fuel System Lease and, with respect to the projects specifically identified in the definition of Facilities in the Fuel System Lease, as contemplated by San Francisco International Airport Near Term Master Plan, as amended from time to time for the Airport. No Facilities may be constructed, installed or removed on or within the Demised Premises and Right-of-Way and no environmental remediation may be undertaken by the Company without the prior written consent of the Airport Director being first had and obtained.

In constructing, installing and removing the Facilities, the Company will comply with the City's contracting requirements as set forth in Exhibit G to the Fuel System Lease.

The Airport Director's approval of improvements, including the plans and specifications therefor, does not constitute a representation or warranty as to conformity, which will remain the Company's sole responsibility. The Company, at its own cost and expense, will procure all permits and insurance necessary for such construction. The Company will require in any construction contract for said improvements that its contractor comply with all applicable statutes, ordinances, codes, rules and regulations.

All construction, alteration, maintenance and repairs of the Facilities by the Company pursuant to the Fuel System Lease are at the Company's sole cost and expense and the Company will keep the Demised Premises and the Right-of-Way and any improvements constructed thereon and therein free and clear of liens for labor and material expended by or for the Company or on its behalf (except when such improvement is constructed by the City) and will indemnify, defend and hold the City harmless from cost, expense and liability, including attorney fees, with respect to any such improvements, additions or alterations made thereto.

The Company has covenanted and agreed that upon request by the City, the Company will execute and deliver to the City a collateral assignment of the Construction Contracts as then in existence. During the construction, modification, expansion or installation of the Facilities pursuant to the Construction Contracts, the Company will have the right and obligation to supervise the construction in the field and the right to approve all changes or modifications in the Construction Contracts. Subject to the provisions of the Trust Agreement and the Fuel System Lease, the City has authorized the Company to make changes in the Construction Contracts; provided, that such changes do not significantly, in the opinion of the Airport Director, materially adversely alter the design capacity or operational characteristics of the Fuel System. The Company will give the City written notice prior to entering into any Construction Contract, which notice will request that the City send to the Company any assignment documents required by the City in connection with the assignment of such Construction Contract to the City pursuant to relevant provisions in the Fuel System Lease. The Company will provide the City with copies of all change-orders promptly after the execution thereof. The City retains the right to approve any change-order which changes the scope of the construction project as contemplated by the Construction Contract. If the Company proceeds with construction on such change-order without the City's prior approval and the Airport Director reasonably determines that such change-order materially adversely alters the design capacity or operational characteristics of the Fuel System or materially adversely affects other Airport operations, the costs of reversing, removing or altering the work covered by such change-order will be borne solely by the Company. If the cost of acquiring, constructing, modifying, expanding and installing the Facilities exceeds the net proceeds of the Bonds, together with any net investment income from the proceeds of the Bonds, the Company is obligated to pay such excess. Subject

to the further provisions of the Fuel System Lease, the Company will cause the acquisition, construction, modification, expansion and installation of the Facilities to be completed with its own funds, if necessary.

Upon request by the City, the Company will assign to the City all warranties and guaranties of contractors, subcontractors, suppliers, architects and engineers for the furnishing of labor, materials or equipment or supervision or design in connection with the Facilities and any rights or causes of action arising from or against any of the foregoing.

The City will not be responsible to the Company or any other party for the performance of the contractor or contractors under the Construction Contracts for the acquisition, construction, modification, expansion and installation or operation of the Facilities in accordance with the Construction Contracts. The City will not be required to pay or provide any moneys for the acquisition, construction, modification, expansion, operation or installation of the Facilities, pursuant to the Construction Contracts or otherwise, except to the extent of the proceeds of the Bonds and income therefrom. Failure of the contractor or contractors to complete the acquisition, construction, notification, expansion and installation of the Facilities in accordance with the Construction Contracts will in no way affect the obligations of the Company under the Fuel System Lease. Subject to the terms of the Trust Agreement, the City has further agreed to permit the Company, in the Company's name, to assert and prosecute all claims against contractors, suppliers or others arising out of the Construction Contracts or the acquisition, construction, modification, expansion or installation of the Facilities; provided, however, that the City will have the right to direct the Company to assert and prosecute all such claims in its name or in the Company's name.

Upon completion of the Facilities, the Company will deliver to the Trustee a Certificate of the Company (as defined in the Trust Agreement) in accordance with the Trust Agreement.

In the event construction by the Company in respect of the Demised Premises and the Right-of-Way or the Company's delay in construction of the Facilities unreasonably delays the pace of construction by the City pursuant to the San Francisco International Airport Near Term Master Plan, as amended from time to time, for the Airport, and such delays are the result of matters within the reasonable control of the Company, the Airport Director will notify the Company in writing of such unreasonable delay and the Company will have thirty days to remedy such delay. If the Company fails to remedy such delay within thirty days after written notice from the Airport Director, such failure will be considered an Event of Default under the Fuel System Lease, and, in addition to any remedy under the Fuel System Lease, the City will have the right, upon written notice to the Company, to take over the management, at the Company's sole cost and expense, of the Company's construction with respect to the Demised Premises and the Right-of-Way.

Title to the Facilities

Work on certain portions of the Facilities may have been commenced prior to the date the Bonds are issued. The Company in the Fuel System Lease grants, assigns and conveys to the City all of its right, title and interest in such work completed or in progress, and the Company will take such further action from time to time as may be necessary to evidence or confirm such title.

Title to all portions of the Facilities will vest in the City as the same are constructed, deposited, erected, installed and/or put in place on the premises.

The Company has agreed to do all acts and execute and deliver all documents necessary to confirm title to the Facilities in the City including, with respect to personal property, filing in such place or places requested by the City all California Uniform Commercial Code financing statements, including amendments and continuation statements.

Alterations to Fuel System

After completion of the Facilities, the Company may, with the prior written consent of the Airport Director and subject to compliance with all applicable permitting and approval requirements of the City, and all of the requirements as set forth in the Fuel System Lease, at its own cost and expense (except as otherwise provided in the Fuel System Lease) or otherwise, install any fixture or improvement or do or make alterations or do any remodeling, repair, construction or modification to the Demised Premises or the Right-of-Way. Any improvements, equipment and other property (including without limitation property that would otherwise be deemed to be fixtures) acquired, constructed, installed, erected or placed by the Company in, on or about the Demised Premises or the Right-of-Way, other than the Chevron Property during the term of the Tank Farm Agreement, will immediately become the property of the City, and will be subject to the Fuel System Lease.

Use of the Fuel System

The Company may use the Demised Premises and the Right-of-Way only for the following purposes: for receipt, distribution, storage and handling and dispensing of Jet Fuel and/or Avgas, and for receipt, distribution, storage and handling, purchase, sale and dispensing of Gasoline; in either case, for aircraft, vehicles and equipment operated by any User and for improvement, maintenance, use and operation of the Fuel System and the carrying on of activities reasonably necessary or convenient in connection with the foregoing.

The rights conferred upon the Company under the Fuel System Lease may be delegated to and exercised by a Fuel System Operator pursuant to the Fuel System Operating Agreement, and by the Tank Farm Operator pursuant to the Tank Farm Agreement, each selected by the Company with the prior written consent and approval of the Airport Director, which approval will not be unreasonably withheld or delayed. The Fuel System Operating Agreement with the Fuel System Operator and the Tank Farm Agreement with the Tank Farm Operator will set forth the duties, responsibilities and compensation of the Fuel System Operator and/or the Tank Farm Operator with respect to the Fuel System as well as the rights and obligations of the Company with respect to the Fuel System Operator and the Tank Farm Operator. Notwithstanding the foregoing, any such delegation may not limit or reduce the obligations and responsibilities of the Company under the Fuel System Lease.

The Company may require, as a condition to the use of any part of the Fuel System, that Non-Contracting Users execute a Non-Contracting User Agreement with the Company and that Into-Plane Agents execute a Fuel System Access Agreement with the Company, each such agreement providing for the payment of fees, appropriate insurance and indemnification provisions and such other matters as may reasonably be required by the Company.

Maintenance and Repair

The Company has agreed to accept the Demised Premises and the Right-of-Way in their present condition "as is" with no representation or warranty by the City with respect to the physical condition of the Demised Premises or the Right-of-Way; provided, however, that the City and the Company have agreed that any and all Existing Conditions are the responsibility of prior users of the Fuel System. **THE CITY HAS MADE NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE DEMISED PREMISES AND RIGHT-OF-WAY, OR WARRANTY WITH RESPECT THERETO. THE COMPANY HAS ACKNOWLEDGED THAT THE CITY IS NOT A CONTRACTOR OR A MANUFACTURER OF THE DEMISED PREMISES AND RIGHT-OF-WAY (OR ANY COMPONENT THEREOF) OR A DEALER THEREIN, AND THAT THE COMPANY IS LEASING THE DEMISED PREMISES AND RIGHT-OF-WAY AS-IS, IT BEING AGREED THAT, SUBJECT TO THE CITY'S AGREEMENTS IN THE FUEL SYSTEM LEASE WITH RESPECT TO**

EXISTING CONDITIONS, ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COMPANY. In no event will the City or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Fuel System Lease or the existence, furnishing, functioning or the Company's use of any facilities or item provided for in the Fuel System Lease.

The Company has agreed to keep the Demised Premises and the Right-of-Way and all Facilities and other improvements in good repair and condition at its own expense, except that the Company will have no obligation to remediate the Existing Conditions. The Company has agreed to maintain and to repair at its own expense any damages caused by its operation of the Demised Premises and the Right-of-Way, and to replace any property of the City used by Company pursuant to the Fuel System Lease which requires replacement by reason of the Company's use thereof, reasonable wear and tear excepted, with property of equal quality. If the Company remediates any Existing Conditions, the Company will provide prior written notice to the City and has the right, on behalf of the City and upon prior written notice to the City, to pursue reimbursement from responsible parties including the City.

The City will have the right, without any obligation to do so, at any reasonable time and as often as it considers necessary (a) to inspect any of the Demised Premises and the Right-of-Way, (b) to enter thereon to make ordinary repairs to City property, and (c) in the event of an emergency, to take such action therein, at the sole cost of Company, as may be required for the protection of persons or property.

The Company has expressly waived all rights to make repairs at the expense of the City or to terminate the Fuel System Lease because of the City's failure to keep the Fuel System in good order, condition, and repair, each as may otherwise be provided under any current or future law or statute. Without limiting the generality of the foregoing, Company has specifically waived provisions of the California Civil Code providing for termination of hiring upon destruction of the thing hired and providing for repairs to and of the Demised Premises and Right-of-Way.

Rates and Charges

The Company or its designee will operate the Fuel System and will, subject to applicable restrictions or requirements imposed by law, fix, charge and collect such rates, fees and charges, including those payable pursuant to the Interline Agreement, for the use of and services provided at the Fuel System which will, together with any other available funds, be sufficient to pay the cost of operating, maintaining and repairing the Fuel System and to pay the principal of and interest and premium, if any, on all outstanding Bonds and other indebtedness as the same become due and to make all payments herein provided for and to pay all other obligations of the Company.

The Company may fix, charge and collect rates, fees and charges for the use of the Fuel System and services provided by the Company to Users of the Fuel System (i) from a Non-Contracting User, at an effective rate per gallon not to exceed 150% of the highest effective rate per gallon charged to any Contracting Airline prior to any adjustments made pursuant to the Interline Agreement and, (ii) from an Itinerant User, at an effective rate per gallon not to exceed 175% of the highest effective rate per gallon charged to any Contracting Airline prior to any adjustments made pursuant to the Interline Agreement; provided, however, that neither a Non-Contracting User nor an Itinerant User may be charged at an effective rate per gallon less than the rate per gallon charged to any Contracting User.

Maintenance of Corporate Existence

The Company has covenanted and agreed that it is and will remain in good standing in the State of Delaware, and is and will remain qualified to do business in the State of California during the term of the Fuel System Lease. The Company has covenanted and agreed for the benefit of the Bondholders that, for so long as any Bonds remain Outstanding, it will not engage in any other business or activity other than (i) the financing, acquisition, development, lease, installation, construction, improvement, maintenance, operation

and management of the Fuel System and any related facilities at the Airport; (ii) the receipt, storage and distribution of Jet Fuel and Gasoline at the Airport for Airport-related uses; and (iii) activities incident or ancillary thereto. So long as any of the Bonds are Outstanding, the Company may not dissolve or consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it or sell all or substantially all of its assets.

City Consent Rights

The Company has covenanted and agreed that it will not amend, revise or terminate the LLC Operating Agreement, Fuel System Operating Agreement, the form of Non-Contracting User Agreement, the Tank Farm Agreement, the form of Fuel System Interconnect Agreement, the form of Fuel System Access Agreement or any similar agreements without the prior written consent of the Airport Director. After execution of any said agreements, the Company has covenanted and agreed that it will not enter into any material amendments, or revisions or terminate any said agreements without the prior written consent of the Airport Director. The Airport Director may not unreasonably delay his or her response in any circumstance covered by the preceding two sentences.

The Company has covenanted and agreed that it will not remove or replace the Fuel System Operator or the Tank Farm Operator without the prior written consent of the Airport Director, which consent will not be unreasonably withheld or delayed.

Continuing Disclosure

The Company has covenanted and agreed that it will comply with and carry out all of the provisions of each Continuing Disclosure Certificate. Notwithstanding any other provision of the Fuel System Lease, failure of the Company to comply with a Continuing Disclosure Certificate will not be considered an Event of Default; provided however, that the Trustee may (and, at the request of the holders of at least 25% aggregate principal amount in outstanding Bonds and if such holders have furnished to the Trustee indemnity satisfactory to it, will) or any bondholder or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company to comply with its continuing disclosure obligations.

Trust Agreement

The Company has covenanted and agreed to construct the Facilities in conformity with any Construction Contracts and relevant provisions of the Fuel System Lease and in conformity with law and all requirements of all governmental authorities having jurisdiction thereover.

Whenever and so often as requested to do so by the Trustee and the City, the Company has covenanted and agreed that it will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondholders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Representations and Warranties of Company Regarding Lease

The Company has represented and warranted to the City that:

(a) The Fuel System Lease is duly authorized, valid, binding and enforceable.

(b) The execution and delivery of, performance of obligations under and compliance with terms of, the Fuel System Lease do not and will not conflict with or constitute a breach of or default under, any law,

administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust, bond, note, resolution, agreement or other instrument to which the Company is bound, nor, except as set forth in the Bonds, Trust Agreement, the Fuel System Lease, the Interline Agreement, the Security Agreement and the Guaranty, will any such execution, delivery, performance or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Company which materially adversely affects the security for the Bonds under the terms of any such law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust, bond, note, resolution, agreement or other instrument.

(c) All consents, approvals and authorizations of governmental or regulatory authorities or by or on behalf of any creditors or any other third party for the valid execution and delivery of the Bonds, the Fuel System Lease, the Trust Agreement, the Interline Agreement, the Security Agreement, and the Guaranty, and the Company's performance of its obligations under and compliance with the terms thereof, have been obtained and are in full force and effect.

(d) There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, public board or body, which has been formally served on the Company, or, to the knowledge of the Company, pending or threatened against the Company seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or the pledge, assignment of, and security interest granted pursuant to the Security Agreement to an extent which would have a materially adverse effect on the security for the Bonds, or in any way contesting or affecting the validity of any proceedings of the Company taken concerning the issuance or sale of the Bonds, the execution and delivery and performance of obligations and compliance with conditions under the Fuel System Lease, the Trust Agreement, the Interline Agreement, the Security Agreement, and the Guaranty or any other agreement or instrument to which the Company is a party or by which the Company or any of its properties are bound affecting the issuance of the Bonds or the exclusion from gross income of interest on the Bonds for federal income tax purposes.

(e) No other approvals of the Company's members or governing body, the Fuel Committee, or any governmental body are required in order for the Company to enter into the Fuel System Lease and perform its obligations and comply with the conditions imposed under the Fuel System Lease.

Taxes and Other Governmental Charges

The Company has agreed to pay all taxes, including, but not limited to, possessory interest taxes, that may be lawfully assessed on the leasehold interest created under the Fuel System Lease and to pay all other taxes, excises, licenses, permit charges or assessments based on the Company's use of the Demised Premises and Right-of-Way that may be imposed upon the Company by law, all of which will be paid when the same become due and payable and before delinquency. The Company has agreed not to allow or suffer a lien for any taxes that are due and payable to be imposed upon the Demised Premises and Right-of-Way without promptly discharging the same, provided that the Company, if so desiring, may have reasonable opportunity to contest the validity of the same. The Company will report any assignment, sublease or other transfer by the Company of any interest in the Fuel System Lease or the Demised Premises and Right-of-Way, or any renewal or extension thereof, to the County of San Mateo Assessor within sixty days after such assignment or sublease transaction, or renewal or extension. The Company has further agreed to provide such information as may be requested by the City to enable the City to comply with any reporting requirements under applicable law with respect to possessory interests.

Other Liens

The Company has agreed not to permit or suffer any vendors', mechanics', laborers', materialmen's, statutory or other liens to be imposed upon the Company's interest in the Demised Premises or the Right-of-Way or any part thereof as a result of its activities without promptly discharging the same; provided, however, that the Company may, if it so desires, contest such liens in good faith. Except as provided by the Trust

Agreement, the Company may in no event permit a lien to be filed or imposed on the City's interest as lessor and fee owner of the Demised Premises and Right-of-Way as a consequence of any act or omission of the Company, the Fuel System Operator, the Tank Farm Operator, any User or any Supplier or as a consequence of the existence of the Company's interest under the Fuel System Lease without promptly discharging the same; provided, however, that the Company may, if it so desires, contest liens on the Company's property in good faith and the Company will have no obligation with respect to any lien arising by, through or under the City and not related to the construction or installation of the Facilities or Additional Facilities. In the event of a contest, the Company will provide a bond in an amount and form acceptable to the City in order to clear the record of any such liens. The Company will assume the defense of and indemnify and hold harmless the City against any and all liens and charges of any and every nature and kind which may at any time be established against said Demised Premises or the Right-of-Way and improvements thereto and thereon owned by the City, subject to the Fuel System Lease, or any part thereof, as a consequence of any act or omission of the Company or as a consequence of the existence of the Company's interest under the Fuel System Lease.

Defaults

The Fuel System Lease provides that any one or more of the following events will constitute an Event of Default:

(a) Failure of the Company to duly and punctually pay the Facilities Rent required to be paid under the Fuel System Lease when due or failure of the Company to pay the Ground Rent and Additional Rent required under the Fuel System Lease when due, and such failure to pay the Ground Rent and Additional Rent continues for a period of more than three days after delivery by the Airport Director of written notice of such breach or default; or

(b) The interest of the Company under the Fuel System Lease is transferred without the prior written approval of the City, except as permitted by the Fuel System Lease; or

(c) The voluntary abandonment, desertion or vacation of the Demised Premises and the Right-of-Way by the Company for a period of more than 30 consecutive days without the consent of the City; provided, however, that if such cessation of or failure to use the Demised Premises and the Right-of-Way is caused by reason of war, strikes, embargoes, riots, civil commotion, unavailability of fuel, materials or supplies, acts of public enemies, earthquakes or other natural disasters, restrictive governmental laws or regulations or action of the elements or any other similar cause beyond the Company's control, and the Company so notifies the Corporation within 20 days from the date that the abandonment or vacation of the Facilities or the Site began, such period of nonuse will be excluded in computing such 30 day period;

(d) Failure by the Company to keep, perform and observe each and every other promise, covenant and agreement set forth in the Fuel System Lease, and such failure continues for a period of more than 30 days after delivery by the Airport Director of a written notice of such breach or default, except where fulfillment of its obligation requires activity over a period of time, and the Company shall have commenced in good faith to perform whatever may be required for fulfillment within 30 days after receipt of notice and continues such performance without interruption except for causes beyond its control; or

(e) Certain events of bankruptcy, insolvency, dissolution, liquidation or reorganization of the Company as specified in the Fuel System Lease.

Remedies

Upon the occurrence and continuance of an Event of Default under Fuel System Lease, the City will have the following remedies which are not exclusive but are cumulative and in addition to any other remedies allowed by law or equity:

(a) The City may terminate the Company's right to possession of the Demised Premises and right to use the Right-of-Way at any time by written notice to the Company. The Company has expressly acknowledged that in the absence of such written notice from the City, no other act of City, including, but not limited to, its re-entry into the Demised Premises and use of the Right-of-Way, its reletting of the Demised Premises and use of the Right-of-Way for the Company's account, or its exercise of any other rights and remedies under the Fuel System Lease, will constitute an acceptance of Company's surrender of the Demised Premises and right to use the Right-of-Way or constitute a termination of the Fuel System Lease or of the Company's right to possession of the Demised Premises and right to use the Right-of-Way.

Upon such termination in writing of the Company's right to possession of the Demised Premises and right to use the Right-of-Way, the Fuel System Lease will terminate and the City will be entitled to recover damages from the Company as provided under the California Civil Code or any other applicable existing or future law, ordinance or regulation providing for recovery of damages for such breach, including but not limited to the following, without duplication of amounts previously received or actually received pursuant to the Fuel System Lease: the reasonable cost of recovering the Demised Premises and use of the Right-of-Way; plus the reasonable cost of removing the Company's additions or improvements to the Demised Premises and Right-of-Way (the "Alterations"), trade fixtures and improvements; plus the worth at the time of award of all unpaid Rent due or earned under the Fuel System Lease prior to the date of termination, less any proceeds actually received by the City for any use of the Demised Premises and use of the Right-of-Way or reletting or any rental actually received by the City from subtenants prior to the date of termination pursuant to and applied as provided in the Fuel System Lease; plus the worth at the time of award of the amount by which the Rent which would be payable by the Company thereunder, as reasonably estimated by the City, from the date of termination until the date of the award of damages, exceeds the amount of such rental loss as the Company proves could have been reasonably avoided; plus the worth at the time of award of the amount by which the Rent which would be payable by the Company under the Fuel System Lease, as reasonably estimated by City, for the remainder of the then term of the Fuel System Lease, after the date of the award of damages exceeds the amount of such rental loss as the Company proves could have been reasonably avoided by use or reletting of the Demised Premises and Right-of-Way, such worth at the time of award being computed by discounting such amount at the discount rate published by the Federal Reserve Bank of San Francisco for member banks at the time of the award plus one percent; plus any other amount not otherwise covered by the foregoing provisions necessary to compensate the City for all the detriment proximately caused by the Company's failure to perform its obligations under the Fuel System Lease or which in the ordinary course of things would be likely to result therefrom; plus such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The "worth at the time of the award" referred to above will be computed by allowing interest on unpaid amounts at the rate of the lower of eighteen percent or the highest rate permitted by law, per annum, or such lesser amount as may then be the maximum lawful annual interest rate for business loans at the date of termination.

(b) The City may continue the Fuel System Lease in full force and effect and may enforce all of its rights and remedies under the Fuel System Lease, including, but not limited to, the right to recover Rent as it becomes due. During the continuance of an Event of Default, the City may enter the Demised Premises and Right-of-Way without terminating the Fuel System Lease and use or sublet all or any part of the Demised Premises and Right-of-Way for the Company's account to any person, for such term (which may be a period beyond the remaining term of the Fuel System Lease), at such rents and on such other terms and conditions as the City deems advisable. In the event of any such subletting, monies and rents received by City from such use or subletting will be applied: first, to the payment of Rent then due and payable under the Fuel System Lease; second, to the payment of future Rent as the same may become due and payable under the Fuel System Lease; third, to the payment of the costs of maintaining, preserving, altering and preparing the Demised Premises and Right-of-Way for subletting, the other costs of use or subletting, including but not limited to brokers' commissions, attorneys' fees and expenses of removal of the Company's personal property, trade fixtures and Alterations; fourth, the balance, if any, will be paid to the Company upon (but not before)

expiration of the Fuel System Lease. If the rents received by City from such use or subletting, after application as provided above, are insufficient in any month to pay the Rent due and payable under the Fuel System Lease for such month, the Company will pay such deficiency to City monthly upon demand. Notwithstanding any such subletting for the Company's account without termination, City may at any time thereafter, by written notice to the Company, elect to terminate the Fuel System Lease by virtue of a previous Event of Default.

The City has the remedy described in California Civil Code Section 1951.4 (City may continue Lease in effect after the Company's breach and abandonment and recover Rent as it becomes due, if the Company has right to sublet or assign, subject only to reasonable limitation).

During the continuance of an Event of Default, for so long as the City does not terminate the Company's right to possession of the Demised Premises and right to use the Right-of-Way and subject to the Fuel System Lease and the options granted to the City thereunder, the City may not unreasonably withhold its consent to an assignment or sublease of the Company's interest in the Demised Premises and Right-of-Way or in the Fuel System Lease.

(c) During the continuance of an Event of Default, the City may enter the Demised Premises and Right-of-Way without terminating the Fuel System Lease and remove all of the Company's personal property, alterations and trade fixtures from the Demised Premises and Right-of-Way and store them at the Company's risk and expense. If the City removes such property from the Demised Premises and Right-of-Way and stores it at the Company's risk and expense, and if the Company fails to pay the cost of such removal and storage after written demand therefor and/or to pay any rent then due, then after the property has been stored for a period of thirty days or more the City may sell such property at public or private sale, in the manner and at such times and places as the City deems commercially reasonable following reasonable notice to the Company of the time and place of such sale. The proceeds of any such sale will be applied first to the payment of the expenses for removal and storage of the property, the preparation for and the conducting of such sale, and for attorneys' fees and other legal expenses incurred by the City in connection therewith, and the balance will be applied as provided in paragraph (b) above and as more particularly set forth in the Fuel System Lease.

The Company has waived all claims for damages that may be caused by the City's reentering and taking possession of the Demised Premises and Right-of-Way or removing and storing the Company's personal property pursuant to the Fuel System Lease, and the Company holds the City harmless from and against any loss, cost or damage resulting from any such act. No reentry by the City will constitute or be construed as a forcible entry by City.

(d) The City may require the Company to remove any and all Alterations from the Demised Premises and Right-of-Way or, if the Company fails to do so within thirty days after the City's request, the City may do so at the Company's expense.

(e) The City may cure the Event of Default at the Company's expense. If the City pays any sum or incurs any expense in curing the Event of Default, the Company will reimburse the City upon demand for the amount of such payment or expense with interest at the rate of the lower of 12% and the highest rate permitted by law from the date the sum is paid or the expense is incurred until the City is reimbursed by the Company. Any amount due the City under this subsection will constitute Additional Rent under the Fuel System Lease.

No action taken pursuant to these provisions will, under any circumstances whatever, deprive the City of the right to collect the Facilities Rent and Additional Rent required to be made by the Company under the Fuel System Lease, nor release the Company from the obligation imposed by the Fuel System Lease to make such payments to the City.

Certain amounts collected pursuant to action taken under these provisions will be paid into the Bond Fund and applied in accordance with the provisions of the Trust Agreement or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Trust Agreement), will be paid to the City.

Remedies; No Waiver

No remedy conferred upon or reserved to the City under the Fuel System Lease is intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Fuel System Lease or existing at law or in equity or by statute. No delay or omission to exercise any right or power occurring upon any default impairs any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the City to exercise any remedy reserved to it in the Fuel System Lease, it will not be necessary to give any notice other than such notice as may be therein expressly required.

Reletting

The City has covenanted that so long as any Bonds remain Outstanding under the Trust Agreement, following the City's election to terminate the Fuel System Lease (which election of termination will be in accordance with relevant provisions of the Fuel System Lease) as a result of an Event of Default consisting of the Company's failure to duly and punctually pay Facilities Rent when due, it will exercise commercially reasonable efforts to relet the Demised Premises and grant the right to use the Right-of-Way for the remainder of the original Lease term. If the Demised Premises and Right-of-Way are so relet and granted by the City, any payments actually received by the City from the replacement lessee or tenant (the "Reletting Payments"), net of (i) ground rent and additional rent due and payable from time to time, and (ii) amounts sufficient to pay or reimburse the City for its costs and expenses in connection with any reletting, including but not limited to fees and costs of alterations and repairs, attorneys' fees, brokerage fees and the administrative costs incurred by the City in connection therewith (the "Reletting Costs"), will be paid or caused to be paid by the City to the Trustee at such times and in such amounts as would otherwise have been due under the Fuel System Lease for Facilities Rent in the absence of an Event of Default thereunder. "Net Reletting Payments" means Reletting Payments minus the sum of the amount of ground rent and additional rent due and payable from time to time, and Reletting Costs. Payments to the Trustee pursuant to the second preceding sentence will in no event exceed the amount of available Net Reletting Payments. The terms "ground rent" and "additional rent" used in this paragraph will have substantially similar meanings and be in substantially similar amounts as Ground Rent and Additional Rent in the Fuel System Lease.

Net Reletting Payments will be deemed to be Facilities Rent for the purposes of the Trust Agreement, but except as provided under the provisions of the Fuel System Lease setting forth the City's remedies in an Event of Default, the receipt of Reletting Payments by the City will have no effect on the City's rights and remedies against the Company or the obligation of the Company to pay Facilities Rent.

The City and the Company have declared and agreed that the covenants and agreements in the first two paragraphs above are expressly for the benefit of the Bondholders and the Trustee, that the Bondholders, the Credit Provider and the Trustee are third-party beneficiaries of such covenants and agreements and that such covenants and agreements will survive any termination of this Lease while any Bonds are Outstanding.

The City's reletting obligations will terminate upon the earlier of payment in full of the Bonds and June 1, 2028.

Limitation on Damages

Notwithstanding anything to the contrary in the Fuel System Lease, in no event will the City or any City-related entity be liable to the Company or any member of the Company for any consequential, incidental, or special damages, or any lost profits or lost revenues.

Notwithstanding any other provisions of the Fuel System Lease or of any guaranty by the Company in respect of the Bonds, under no circumstances will the aggregate amount paid or payable by the Lessee in respect to principal of, premium if any, and interest on the Bonds for (i) damages or liquidated damages thereunder or under the guaranty applicable to the Bonds or (ii) the Facilities Rent, exceed the amount of principal of, premium, if any, and interest on the Bonds.

Amendment of Fuel System Lease

The Fuel System Lease may be amended from time to time by the parties thereto with the consent or approval of the City and subject to the provisions of the Trust Agreement summarized at "-- Amendment of the Fuel System Lease, the Guaranty, the Security Agreement and the Interline Agreement."

Tax Exemption

Neither the Company nor the City may take any action or suffer or permit any other action to be taken or condition to exist (including, without limitation, any change in the use of, or alterations of, the Fuel System) which causes or may cause the interest on the Bonds originally issued as exempt from gross income for federal income tax purposes to be or become included in gross income for purposes of federal income taxation.

Indemnity

The Company has agreed to defend, indemnify and hold harmless the City, the Commission and its members, and all of the officers, agents, and employees of each of them, from and against all costs, losses, claims, damages, liabilities and expenses (including reasonable costs of investigation), and including attorneys' fees, for injuries to or deaths of persons or damage to property arising from Company's use of the Demised Premises and the Right-of-Way pursuant to the Fuel System Lease. The City has agreed that the Company need not release, save harmless or indemnify the City or any other person or entity against: (i) damage to or loss of property, or injury to or death of persons caused by the sole or gross negligence or willful misconduct of the City, its officers, employees, contractors and agents; and (ii) the Existing Conditions. The City has agreed to promptly notify the Company of any loss, cost, expense or liability and provide to the Company reasonable authority, information and assistance related to any claim or action or the defense thereof.

The Company has also covenanted and agreed, at its expense, to pay, and to indemnify the City, the Commission and the Trustee from and against, all costs, losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) and including reasonable attorneys' fees, incurred in obtaining possession of the Demised Premises and the Right-of-Way upon the occurrence of an Event of Default, or in enforcing any covenant or agreement of Company contained in the Fuel System Lease or any related document.

The Company has agreed to indemnify and hold harmless the City, the Commission, the Trustee and each of their respective directors, members, officers, employees, agents and each person, if any, who controls the City, the Commission or the Trustee within the meaning of relevant provisions of the Securities Exchange Act of 1934 from and against any and all losses, claims, damages, liabilities or expenses (including the reasonable costs of investigation and attorneys' fees) to which, jointly or severally, the City, the Commission or the Trustee or any such person may become subject arising out of or relating to the issuance and sale of the Bonds, including without limitation any such loss, claim, damage, liability or expense (or actions with

respect thereto) arising out of or based on any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or any supplement thereto or the omission or the alleged omission to state therein a material fact necessary to make the statements therein, at the time and in the light of the circumstances under which they were made, not misleading; provided, that this covenant does not apply to any indemnified party for any untrue statement of any material fact or omission or alleged omission of any material fact arising out of or based upon statements in the Official Statement made in reliance on and in conformity with information supplied in writing by such indemnified party expressly for use in the Official Statement.

The Company has agreed to pay and reimburse the City for all costs incurred in connection with issuance of the Bonds.

Insurance

The Company will maintain or cause to be maintained throughout the term of the Fuel System Lease, at Company's expense, insurance as follows:

(a) Workers' Compensation insurance, including Employers' liability with limits not less than \$1,000,000 each accident, and \$1,000,000 each disease (Employee and policy);

(b) Comprehensive or Commercial General Liability Insurance with limits of not less than \$300 million for each occurrence Combined Single Limit for Bodily Injury and Property Damage, including coverages for Premises and Operations, Contractual Liability, Personal Injury, Independent Contractors, Explosion, Collapse and Underground Hazards, Broad Form Property Damage, Products Liability and Completed Operations;

(c) Comprehensive or Business Automobile Liability Insurance with limits of not less than \$2 Million for each occurrence Combined Single Limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired automobiles.

(d) Builder's Risk insurance on an all-risk form, excluding earthquake and flood, for 100% of the completed value of all improvements to be constructed under the Fuel System Lease, with any deductible not to exceed \$50,000 each loss. Coverage will also apply to all equipment, materials and supplies to be incorporated in the improvements, including while in transit and in storage off-site, with limits equal to the value of such equipment, materials and supplies. Such policy will insure the City, the Company, the Trustee and contractors and subcontractors of all tiers, as their interests may appear. The Company will notify the City as components of the Facilities are completed and placed in service. Upon such notification such components will be covered under the property insurance provided in accordance with paragraph (e) below and as more particularly set forth in the Fuel System Lease.

(e) Property insurance on an all-risk form, excluding earthquake and flood, in an amount equal to the replacement value of all improvements on the facilities leased under and defined as permanent in the Fuel System Lease (excluding the Chevron Property) with any deductible not to exceed \$50,000 each loss. Should any insured permanent improvements be damaged or destroyed by an insured peril, all proceeds of the property insurance will be used for the repair or replacement of such improvements or for such other purpose as provided in the Fuel System Lease mutually agreed to by the City and the Company, recognizing that the amount of such proceeds may be contingent upon whether repair or replacement is actually accomplished in accordance with the terms of such property insurance. Loss will be payable to the Trustee, subject to the terms of the Fuel System Lease applicable to the use of proceeds of insurance.

Should any of the required insurance be provided under a claims-made form, the Company will maintain such coverage continuously throughout the term of the Fuel System Lease and, without lapse, for a period of three years beyond the Fuel System Lease expiration, to the effect that, should occurrence during

the Lease term give rise to claims made after expiration of the Lease, such claims will be covered by such claims-made policies. Further, notwithstanding anything herein to the contrary, all policies issued by the respective insurers against loss or damage to any Facilities in the Fuel System Lease will provide that all losses will, subject to approval by the City, be adjusted with the Company and the City, and will be payable to the Company, the City or the Trustee, as their respective interests may appear, subject to the terms of the Fuel System Lease applicable to the use of proceeds of insurance.

Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit may not be less than double the occurrence limits specified above.

In the event the Company fails to furnish the City evidence of insurance required under the Fuel System Lease, the City, upon ten days' written notice to the Company of its intention so to do, will have the right to secure the required insurance at the cost and expense of the Company, and the Company is obligated to promptly reimburse the City for the cost thereof plus all expenses incurred by the City related thereto.

In lieu of Worker's Compensation insurance as required by the Fuel System Lease, the Company and/or Chevron may self-insure Worker's Compensation and furnish the City a copy of the current State of California self-insurance certificate. In lieu of other insurance otherwise required by the Fuel System Lease, the Company and/or Chevron may provide equivalent protection under a self-insurance plan acceptable to the Airport Director and the City's Risk Manager and in form approved by the City Attorney; provided, however, that the granting of such permission will in no way void the insurance coverage requirements set forth herein.

Notwithstanding anything in the Fuel System Lease to the contrary, until payment or redemption, or provision therefor, of all Bonds, all proceeds of insurance with respect to loss or damage to, or condemnation of, any Facilities, the Demised Premises or Right-of-Way will be paid to the Trustee under the Trust Agreement (except that proceeds for any one loss not exceeding \$1,000,000 need not be paid to such Trustee but may be paid to the Company and in such case, the Company will apply such funds to the repair, rebuilding, or replacement of the property destroyed, damaged or condemned). Upon payment thereof to the Trustee, if the facility is to be repaired or rebuilt as provided in the Fuel System Lease, the Trustee will deposit the proceeds in the Construction Fund established under the Trust Agreement for application as provided therein. If the Facilities are not to be repaired, replaced or rebuilt, the Trustee will, to the extent possible, use such proceeds to call and redeem Bonds outstanding under the Trust Agreement prior to maturity and for such purpose said proceeds will be deposited in the Redemption Account established under the Trust Agreement. Upon payment or redemption or provision therefor of all Bonds, any remaining insurance proceeds will be distributed to the City. In the event of loss or damage to any Facilities covered by these provisions wherein the insurance recovery is reduced as a result of the application of a deductible, average or distribution clause in excess of \$1,000,000, or the insolvency of the insurer, the Company will deposit with the Trustee or with the City within thirty days after determination of the amount of reduction in insurance proceeds, an amount equal to such reduction. The amounts so deposited with the Trustee or the City will be considered the same as proceeds of insurance and subject to distribution as provided in the Fuel System Lease

Damage, Destruction or Condemnation of the Facilities

The following provisions will apply when no Bonds are Outstanding.

If the Demised Premises or the Right-of-Way, or any portion thereof, are damaged or destroyed by fire or other casualty, the proceeds of insurance required under the Fuel System Lease with respect thereto will be available to the Company, and the Company will, to the extent of such proceeds, and subject to such reasonable terms and conditions as may be imposed by the City, forthwith repair, reconstruct and restore (subject to unavoidable delays) the damaged or destroyed Demised Premises or the Right-of-Way, to (i) substantially the same condition, character and utility value as existed prior to the event causing such damage

or destruction, or (ii) such other condition, character and value as may be agreed upon by the City and the Company.

If, for any reason other than the Company's failure to meet the requirements of the Fuel System Lease, the net proceeds of insurance on account of such damage or destruction are insufficient to restore or replace the Demised Premises or the Right of Way, the Company may elect to terminate the Fuel System Lease and all obligations thereunder, or the City, upon request of the Company, will use commercially reasonable efforts to issue Bonds to cover the cost of the deficiency from the proceeds of such issuance. The Company will use the proceeds of any such Bonds to restore or replace the Fuel System.

Condemnation

The following provisions will apply when no Bonds are Outstanding.

Any condemnation or taking of a substantial part of Demised Premises or the Right-of-Way that results in the Fuel System being unsuitable, or the use thereof being economically unfeasible, is referred to in the Fuel System Lease as a "Total Taking." In the event of a taking of the Demised Premises or the Right-of-Way other than a Total Taking (a "Partial Taking"), the Fuel System Lease will remain in effect and, if the net proceeds of any award received by the City on account of such Partial Taking are sufficient for the purpose, the City will make such net proceeds available to the Company and the Company will forthwith (subject to unavoidable delays) apply such net proceeds to the restoration or replacement of such portion of the Demised Premises or the Right-of-Way so taken as nearly as possible to (i) such condition, character and utility value as existed prior to such Partial Taking, or (ii) to such other condition, character and value as may be agreed upon by the City and the Company.

In the event of a Partial Taking, if the net proceeds of any award received by the City on account of such Partial Taking are insufficient to restore or replace the portion of the Demised Premises or the Right-of-Way so taken, as provided above, the City, upon request of the Company, will use commercially reasonable efforts to issue Bonds to cover the cost of the deficiency from the proceeds of such award and will make such proceeds available to the Company. The Company will use the proceeds of any such financing and the proceeds of such award to restore or replace such portion of the Demised Premises or the Right-of-Way.

In the event of a Total Taking, the Fuel System Lease will terminate and the net proceeds received by the City on account of such Total Taking will be retained by the City.

Redemption of Bonds; Repair and Reconstruction

Notwithstanding anything in the Fuel System Lease to the contrary, so long as the Bonds are outstanding under the Trust Agreement, the following provisions will apply.

If all or any part of the Demised Premises or the Right-of-Way are taken by eminent domain proceedings or otherwise by any governmental authority or sold to a governmental authority threatening to exercise the power of eminent domain, the entire award, subject to relevant provisions of the Fuel System Lease, for such taking or sale proceeds from such sale will be paid to the Trustee without deduction therefrom for any estate hereby vested in the Company.

Subject to relevant provisions of the Fuel System Lease, all proceeds of insurance with respect to loss or damage to the Demised Premises or the Right-of-Way will be paid to the Trustee. Such insurance proceeds will be used by the Trustee, at the direction of Company, subject to the provisions of the Fuel System Lease, for the redemption of Bonds prior to maturity in the manner and at the price set forth in the Trust Agreement.

The Company will give the Trustee and the City prompt written notice of the commencement of any condemnation proceedings, or the occurrence of any material damage or destruction with respect to the

Demised Premises or the Right-of-Way involving amounts in excess of \$1,000,000, and will provide the Trustee and the City with such information pertaining thereto as shall reasonably be requested. No condemnation proceeding involving amounts in excess of \$1,000,000 may be settled without the consent of the Trustee. If the City or the Company is the payee, or one of the payees, of any check or other instrument representing payment of any insurance proceeds or condemnation award involving amounts in excess of \$1,000,000, the City or the Company will endorse the same to the order of the Trustee and deliver the same to the Trustee.

If all or a portion of the Demised Premises or the Right-of-Way is damaged or destroyed or taken by eminent domain proceedings or otherwise by governmental authority involving amounts in excess of \$1,000,000, the Company will cooperate with the Trustee and the City in order to call the Bonds for redemption in accordance with the Trust Agreement. In such event, all insurance proceeds and condemnation awards resulting from any damage, destruction or condemnation will be paid to the Trustee for deposit in the Redemption Account to be applied solely to the redemption of Bonds within 180 days after the receipt of proceeds.

Notwithstanding the foregoing provisions, the Company may elect, within 150 days following the occurrence of such damage, destruction or condemnation involving amounts in excess of \$1,000,000, to continue to operate or to rebuild, repair or restore all or a portion of the Demised Premises or the Right-of-Way and apply the proceeds of any condemnation award or insurance settlement thereto, but only upon the satisfaction of the conditions set forth below and in the Trust Agreement. Proceeds under \$1,000,000 are subject to relevant provisions of the Fuel System Lease.

If the Company proposes to make such an election, it will present to the Trustee with a copy to the City, a certificate, setting forth the following matters:

(a) No Event of Default, and no event or condition which, with notice or the passage of time, would constitute an Event of Default has occurred and is continuing;

(b) The efficient utilization of the Demised Premises or the Right-of-Way has not been impaired to such extent that the ability of the Company to make timely and full payments hereunder will have been materially adversely affected (A) prior to the completion of the replacements, resumption of operations, or restoration of the Demised Premises or the Right-of-Way, or (B) if the Company does not rebuild, repair or restore the portion of the Demised Premises or the Right-of-Way damaged or taken; and

(c) If the Demised Premises or the Right-of-Way are to be repaired or restored, that, to the extent insurance proceeds or condemnation awards may be insufficient to pay the cost of total repair or restoration, the deficiency will be funded by the Company.

The Company will also present to the Trustee such additional documents, including, opinions of the Company's counsel and Bond Counsel and reports on feasibility, covering such matters and in such form as the Trustee shall request and approve. If all of the foregoing conditions have been satisfied, the Trustee will transfer any insurance proceeds or condemnation awards to the Construction Fund and apply the same to the restoration or reconstruction of the Facilities, in accordance with the procedures set forth in the Trust Agreement.

The foregoing provisions are subject to the condition that if, at the time the Demised Premises or the Right-of-Way or any portion thereof is taken or sold or damaged or destroyed, all of the principal of, interest and redemption premium, if any, on the Bonds has been (or upon the application of the award or sale proceeds or insurance proceeds will be) fully paid (or provision for such payment duly made), then the award or sale proceeds or insurance proceeds (or the excess remaining after application of such award or sale proceeds or insurance proceeds as above required) will be distributed to the City and applied in accordance with relevant

provisions of the Fuel System Lease. Under no circumstances, however, will the Company be entitled to any part of the award or sale proceeds or insurance proceeds.

Neither the damage nor destruction of the Demised Premises or the Right-of-Way, in whole or in part, nor any condemnation of the Demised Premises or the Right-of-Way, in whole or in part, nor a sale under threat thereof or otherwise, nor the cancellation of the Fuel System Lease, will release the Company from its obligations under the Fuel System Lease to pay Facilities Rent and Additional Rent to the City (or its assignee) in the aggregate amounts necessary to redeem the Bonds (after taking into account any award or sale proceeds or insurance proceeds), including accrued interest thereon to the date of redemption.

Amendment of Interline Agreement; Termination of Interline Agreement; Maintenance of Billing Procedures

The Company has covenanted and agreed that it will vigorously enforce the terms of the Interline Agreement and provide written notice to the City and Trustee of any "Event of Default" under the Interline Agreement with respect to a Contracting Airline.

The Company will not permit Articles 2 or 7 or Sections 8.01 (a), 13.01, 14.13 or 14.14 of the Interline Agreement or any defined terms used in said Articles or Section to be amended or revised in any manner without the prior written consent of the City and the Trustee, which consent will not be unreasonably withheld or delayed. The Company will not permit Sections 8.02, 9.01, 9.02, 9.03, 9.04, 9.05, 11.01, 11.02, 11.03, 12.02, 12.04, 12.06, 13.02, 14.01, 14.05, 14.07 or 14.08 of the Interline Agreement to be amended or revised without the prior written consent of the Airport Director which consent may not be unreasonably withheld or delayed. The Company has agreed to provide written notice to the Trustee, at the earliest possible date, of the termination or proposed termination of the Interline Agreement pursuant to its terms. The Company will not terminate the Interline Agreement without the prior written consent of the Airport Director which consent may not be unreasonably withheld or delayed. See also "-- Amendment of the Fuel System Lease, the Guaranty, the Security Agreement and the Interline Agreement."

Successors and Assigns

Subject to the relevant provisions of the Fuel System Lease described below, each and all of the conditions and covenants of the Fuel System Lease will extend to and bind and inure to the benefit of the City and the Company, and the legal representatives, successors and assigns of either or both of them.

Sublease and Assignment by the Company; Limitation of Liability

The Company will not assign, transfer or encumber its interest in the Fuel System Lease or any other right, privilege or license conferred by the Fuel System Lease, either in whole or in part, nor sublet or encumber the Demised Premises or the Right-of-Way or any part thereof, without obtaining in advance the written consent of the City as to any material right, privilege or license conferred by the Fuel System Lease, which approval may not be unreasonably withheld or delayed, and except as permitted pursuant to the Trust Agreement. Any such assignment, encumbrance or sublease without the City's and the Trustee's consent will be voidable. No consent to any assignment, encumbrance or sublease will constitute a further waiver of the provisions of this paragraph.

No sublease will be approved by the City which by its terms provides for enrichment of the Company. The Company may not charge sublessees a rental rate per acre or per square foot for the land or improvements which exceeds its direct cost for the space plus such administrative fee as authorized by Commission. Approval of proposed subleases will be conditioned on the Airport Director's determination of the reasonableness of the rental rate as well as on the suitability of the proposed sublessee and use.

Notwithstanding any other provision of the Fuel System Lease, the execution and performance of the Fuel System Operating Agreement or the Tank Farm Agreement will not be deemed to be an assignment, sublease or other transfer for purposes of the Fuel System Lease.

Interpretation

The language of the Fuel System Lease will be construed according to its fair meaning, and not strictly for or against either the City or the Company. The Fuel System Lease will be deemed to be made in the City and County of San Francisco and construed and performed according to the laws of the State of California.

Performance by the City upon Failure by the Company

Except as otherwise provided under the Fuel System Lease, if the Company fails to perform, for a period of thirty days after written notice from the Airport Director, any obligation required by the Fuel System Lease, including the Exhibits thereto, the City may perform such obligation of the Company and charge the Company for the cost to the City of such performance, and the Company will promptly pay such charge; provided, however, that if the Company's failure to perform any such obligation endangers the safety of operations at the Airport, including the Fuel System, and the Airport Director so states in its notice to the Company, the City may perform such obligation of the Company at any time after the giving of such notice and charge the Company for costs of such performance.

Suspension and Abatement

If the City's operation of the Airport or the Company's operations at the Airport are substantially restricted by action of any competent governmental authority with sovereignty over the City, either party hereto will have the right, upon written notice to the other, to a suspension of the Fuel System Lease and an abatement of a just proportion of the services and facilities to be afforded thereunder, or a just proportion of the rental to become due thereunder from the time of such notice until such restriction has been removed; provided, however, that the obligation to pay Facilities Rent thereunder will not be abated and will remain absolute and unconditional. In the event that the Demised Premises and Right-of-Way may be required by the United States for use in connection with national defense, the City, in addition to any other options to terminate, may immediately suspend the Fuel System Lease in its entirety by giving to the Company written notice, if possible; provided, however, that the obligation to pay Facilities Rent under the Fuel System Lease will not be abated and will be absolute and unconditional.

Force Majeure

In the event that either party to the Fuel System Lease is delayed or hindered in or prevented from the performance of any act required thereunder by reason of acts of God, strikes, lockouts, labor disputes, riots, war, acts of public enemies, earthquakes, actions of the elements or civil commotion, then performance of such act will be excused for the period of the delay and the period for the performance of any such act will be extended for a period equivalent to the period of such delay; this provision does not, however, operate to excuse the Company from the timely payment of all sums due under the Fuel System Lease, including without limitation all Facilities Rent.

Effect of City Approvals

Notwithstanding anything to the contrary in the Fuel System Lease, the Company has acknowledged and agreed that the City is entering into the Fuel System Lease as a landowner, and not as a regulatory agency with police powers. Accordingly, any construction, alterations or operations contemplated or performed by the Company thereunder may require further authorizations, approvals, or permits from governmental regulatory agencies, including the Airport's Quality Control Department. Nothing in the Fuel System Lease

will limit the Company's obligation to obtain such other authorizations, approvals, or permits. No inspection, review, or approval by the City pursuant to the Fuel System Lease will constitute the assumption of, nor be construed to impose, responsibility for the legal or other sufficiency of the matter inspected, reviewed, or approved. In particular, but without limiting the generality of the foregoing, in approving plans and specifications for alterations, the City (a) has not warranted that the proposed plan or other action complies with applicable laws, and (b) has reserved its right to insist on full compliance in that regard even after its approval has been given or a permit has been issued.

Prevailing Rates of Wage

The Company has agreed and covenanted that it will comply with the provisions of San Francisco Administrative Code relating to prevailing rates of wage to the extent to which said Ordinance is held enforceable and is applicable to the operations authorized under the Fuel System Lease. The Company will include a similar provision in all subleases and subcontracts permitted under the Fuel System Lease. Such incorporation by reference will not give rise to any rights to enforcement of the provisions of such Ordinance not otherwise available absent such incorporation by reference.

Attorneys' Fees

In the event that the City or the Company fails to perform any of its obligations under the Fuel System Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of the Fuel System Lease, the defaulting party or the party not prevailing in such dispute, as the case may be, will pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights thereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of the Fuel System Lease, reasonable fees of attorneys of City's Office of the City Attorney will be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

Survival of Indemnities

Expiration or termination of the Fuel System Lease will not affect the right of either party to enforce any and all indemnities given or made to the other party under the Fuel System Lease, nor will it effect any provision of the Fuel System Lease that expressly states it shall survive termination thereof. Each party thereto has specifically acknowledged and agreed that, with respect to each of the indemnities contained in the Fuel System Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee.

Payment of Bonds

If the Fuel System Lease continues pursuant to its terms after payment or discharge of the Bonds, or provision therefor, pursuant to the Trust Agreement, the Fuel System Lease will remain in full force and effect except for reference to actions to be taken by or for the benefit of the Trustee.

APPENDIX C

SUMMARIES OF CERTAIN PROVISIONS OF THE LLC AGREEMENT AND INTERLINE AGREEMENT

The following summaries of certain provisions of the Amended and Restated Limited Liability Company Agreement of SFO FUEL COMPANY LLC and of the Amended and Restated Fuel System Interline Agreement do not purport to be complete or definitive and are qualified in their entirety by reference to the Amended and Restated Limited Liability Company Agreement of SFO FUEL COMPANY LLC and of the Amended and Restated Fuel System Interline Agreement, respectively. Copies of the aforementioned documents may be obtained from the Airport Commission.

Definitions

Definitions used in this Appendix C have the meanings set forth below:

"Affiliate" means with respect to a specified Person, any Person that directly or indirectly controls, is controlled by, or is under common control with, the specified Person. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Air Carrier" means any "air carrier" or "foreign air carrier" as such terms are defined in 49 U.S.C. § 1301, as amended, or any successor provision thereto, and which is operating at the Airport on a regularly scheduled basis.

"Capital Account" means, with respect to any Member, the account maintained for such Member in accordance with the provisions of the LLC Agreement.

"Capital Contribution" means, with respect to any Member, the aggregate amount of money contributed to the Company pursuant to the LLC Agreement with respect to such Member's Interest.

"Certificate" means the Certificate of Formation of the Company and any and all amendments thereto and restatements thereof filed on behalf of the Company with the office of the Secretary of State of the State of Delaware pursuant to the Delaware Act.

"Chairperson" means the Chairperson of the Fuel Committee appointed by the Fuel Committee in accordance with the LLC Agreement.

"Common Use Area Cost Center" means, unless otherwise designated by the Company with the consent of the Airport Director and a Super Majority-In-Interest, those certain common use elements of the Demised Premises and Right-of-Way, including without limitation those common use elements utilized for the distribution and transfer of Jet Fuel from the Tank Farm to the various hydrant systems located around the terminal concourses and to the existing truck rack that is not located on the Tank Farm Property, as described on Exhibit A attached to the Interline Agreement and incorporated by reference.

"Company Obligations" means the full and prompt payment when due of the obligations of the Company under the Guaranty in respect of (a) the full and prompt payment when due, by acceleration or otherwise, of the principal of, premium, if any, and interest on the Bonds in accordance with the terms thereof

and the Trust Agreement and (b) the full and prompt payment of all other sums when due under the terms of the Trust Agreement, together with any interest accrued thereon.

"Contracting Airline" means an Air Carrier that is a party to the Interline Agreement and is a Member, including any Additional Contracting Airline.

"Cost Centers" means those areas of the Fuel System which are grouped together for the purpose of accounting for and calculation of the Total Fuel System Charge or any other charges. The Cost Centers named in the Interline Agreement are the (a) Common Use Area Cost Center, and (b) Individual Use Area Cost Centers.

"Covered Person" means a Member, any Affiliate of a Member, any officers, directors, managers, trustees, members, shareholders, partners, employees, representatives or agents of a Member, or their respective Affiliates, or any employee or agent of the Company or any of its Affiliates, or any members of the Fuel Committee or the Executive Committee.

"Delaware Act" means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101, et seq., as amended from time to time.

"Executive Committee" means the committee established by the Fuel Committee pursuant to the LLC Agreement.

"Extraordinary Cost" means a non-recurring expenditure or obligation of the Company that: (a) is not a part of the normal and regular ongoing expense of leasing and operating the Fuel System; and (b) the cost of which is recovered in a manner and over a period determined by the Company. Extraordinary Cost does not include the obligation of non-defaulting Contracting Airlines to provide funds to the Company in the event of a default by a Contracting Airline.

"Facilities" means the additions, modifications, replacements and improvements to be constructed and installed on the Demised Premises and Right-of-Way by the Company pursuant to the provisions of the Fuel System Lease, including, without limitation, North Field cargo hydrant system, hydrant systems at Boarding Areas A and G, a 16 inch C-D connector and a 16-24 inch B-F connector.

"Facilities Rent" means the rent paid by the Company to the City pursuant to specified sections of the Fuel System Lease and Net Reletting Payments (as such term is defined in the Fuel System Lease) to the extent provided in the Fuel System Lease.

"Fiscal Year" means (i) the period commencing upon the formation of the Company as of May 28, 1997 and ending on December 31, 1997, and (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31.

"Fuel Committee" means the committee established to manage the Company pursuant to the LLC Agreement.

"Fuel System" means, collectively, the elements of the Jet Fuel receipt, storage, transmission and delivery systems and related facilities, fixtures, equipment and other real and personal property located at the Airport and described on Exhibit A attached to the Fuel System Lease. The Fuel System is comprised of the following components: (a) the Demised Premises, as identified more particularly on Exhibit B1 attached to the Fuel System Lease, (b) the Right-of-Way, as set forth on Exhibit B2 attached to the Fuel System Lease, (c) the elements of the Jet Fuel transmission and delivery systems and related facilities, fixtures, equipment and other real and personal property located at the Airport that are leased to individual Air Carriers or others under those

certain agreements entered into between the respective individual parties and the City, all as identified more particularly on Exhibit C attached to the Fuel System Lease, and (d) the Chevron Property.

"Fuel System Capital Asset" means the equipment acquired by Fuel System Operator or Tank Farm Operator from time to time upon written direction from the Company for use in connection with the Fuel System.

"Fuel System Lease" means that certain Fuel System Lease by and among the City and the Company, and all other leases, easements, rights-of-way, and other agreements, as amended from time to time, by which the City grants possession and right of use of all or portions of the Fuel System to the Company.

"Fuel System Operating Agreement" means the Maintenance, Operation and Management Services Agreement as in effect from time to time between the Company and the Fuel System Operator for the maintenance, operation and management of certain elements of the Fuel System as specified and agreed from time to time and the Gasoline Facility, if any. The Fuel System Operating Agreement may be amended from time to time to provide for the maintenance, operation and management of the Tank Farm.

"Fuel System Operator" means a qualified and duly licensed independent contractor of the Company selected by the Company with the approval of the Airport Director to operate and maintain certain elements of the Fuel System as specified and agreed from time to time and the Gasoline Facility, if any, and which is delegated authority to act on behalf of the Company in exercising certain specified rights and obligations of the Company, including without limitation those arising under the Fuel System Lease, the Interline Agreement, the Tank Farm Agreement, the Fuel System Access Agreements, the Fuel System Interconnect Agreements and the Non-Contracting User Agreements, as more particularly described in the Fuel System Operating Agreement.

"Fuel System Operator's Management Fee" means the Fuel System Operator's Management Fee as defined in the Fuel System Operating Agreement. The Fuel System Operator's Management Fee is part of the Total Operating Cost.

"Gallorage" means the total number of Gallons of Jet Fuel delivered into the aircraft of a Contracting Airline or Member at the Airport during the relevant period. The Gallorage of each Contracting Airline or Member will be the total of all Jet Fuel delivered into the aircraft of such Contracting Airline or Member at the Airport regardless of whether the Fuel System was used for any part of such delivery.

"Gasoline Facility" means collectively automotive gasoline storage and delivery system and related facilities and appendages, if any, operated by the Company pursuant to the Interline Agreement for the purpose of fueling vehicles related to the servicing of aircraft.

"Ground Rent" means the ground rent in effect from time to time pursuant to the terms of the Fuel System Lease.

"Guaranty" means that certain Guaranty Agreement between the Company and the Trustee with respect to the payment of debt service on the Bonds.

"Individual Use Area Cost Centers" means (a) unless otherwise designated by the Company with the consent of the Airport Director and a Super Majority-In-Interest, those certain elements of the Demised Premises and Right-of-Way that are used by one or more but not all of the Contracting Airlines and (b) those certain elements of the Fuel System leased directly to one of the Contracting Airlines, all as described on Exhibit B attached to the Interline Agreement and incorporated by reference.

"Interest" means a Member's interest in the Company in accordance with the provisions of the LLC Agreement and the Delaware Act.

"Itinerant User" means any person who takes delivery of Jet Fuel or Gasoline from the Fuel System and who is neither a Contracting Airline nor a Non-Contracting User.

"Last Withdrawing Airline" means (a) in the event that the number of Contracting Airlines exceeds five, the Withdrawing Airline the withdrawal of which causes there to be only five remaining Contracting Airlines or (b) in the event that the number of Contracting Airlines has never exceeded five, the first Withdrawing Airline.

"Majority-In-Interest" means, with respect to a vote for or against any matter arising under or related to the LLC Agreement or the Interline Agreement, those Members, or their respective Fuel Committee representatives, as the case may be, that collectively constitute or represent, as the case may be, more than: (a) fifty percent (50%) in number of the Members not then in default under the LLC Agreement or the Interline Agreement and (b) fifty percent (50%) of the total Gallonage for the twelve months prior to the month in which the vote is taken of the Members not then in default under the LLC Agreement or the Interline Agreement.

"Member" means each of the Initial Members and includes any Person admitted as an Additional Member pursuant to the provisions of the LLC Agreement, in such Person's capacity as a member of the Company, and "Members" means two (2) or more of such Persons when acting in their capacities as members of the Company. For purposes of the Delaware Act, the Members will constitute one (1) class or group of members.

"Monthly Gallonage" means the Gallonage of a Member or Contracting Airline for the previous calendar month or the average monthly Gallonage of the Member or Contracting Airline during the preceding twelve (12) months, whichever is greater.

"Non-Contracting User" means a person who has executed a Non-Contracting User Agreement.

"Operating Reserve Account" means, with respect to each Contracting Airline, the account or accounts established and maintained by the Company pursuant to the Fuel System Lease and the Interline Agreement.

"Special Facilities" has the meaning set forth in the Interline Agreement.

"Start-Up Costs" means all operational and non-operational costs of organizing the Company and the other business arrangements related to the Interline Agreement and the Fuel System Lease, making the Fuel System operational, and preparing the Interline Agreement and all agreements related to the Fuel System, including without limitation, attorneys' fees and expenses and costs and expenses of environmental, design, project administration and other consultants that were incurred by or on behalf of any Contracting Airline or the Company or any agent or consultant of either of them prior to the Effective Date and are reimbursable in accordance with the Interline Agreement.

"Storage Fee" means the fee imposed by the Company on a Non-Contracting User for the storage of Jet Fuel in the Fuel System as provided in the Non-Contracting User Agreement.

"Super Majority-In-Interest" means, with respect to a vote for or against any matter arising under or related to the LLC Agreement or the Interline Agreement, those Members, or their respective Fuel Committee representatives, as the case may be, that collectively constitute or represent, as the case may be, more than: (a) seventy-five percent (75%) in number of the Members not then in default under the LLC Agreement or the Interline Agreement and (b) seventy-five percent (75%) of the total Gallonage for the twelve months prior to the

month in which the vote is taken of the Members not then in default under the LLC Agreement or the Interline Agreement;

"Supplier" means any person which has an agreement with any of the Users for the sale and supply of Jet Fuel or Gasoline at the Airport.

"Total Fuel System Charge" has the meaning ascribed to that term in the Interline Agreement.

"Total Fuel System Charge attributable to the Common Use Area Cost Center" has the meaning ascribed to that term in the Interline Agreement.

"Total Fuel System Charge attributable to an Individual Use Area Cost Center" has the meaning ascribed to that term in the Interline Agreement.

"Total Operating Cost" means the Fuel System Operator's Total Operating Cost as defined in the Fuel System Operating Agreement or otherwise determined by the Company.

"User" means any Contracting Airline, Non-Contracting User or Itinerant User that uses the Fuel System or Gasoline Facility for the receipt, storage or distribution of Jet Fuel or Gasoline for use in or in connection with air transportation.

"Vice Chairperson" means the Vice Chairperson of the Fuel Committee appointed by the Fuel Committee in accordance with the LLC Agreement.

"Withdrawing Airline" means any Contracting Airline that has withdrawn from the Interline Agreement pursuant to in the Interline Agreement.

"Withdrawal Date" means the date as of which a Withdrawing Airline will have or be deemed to have withdrawn therefrom pursuant to and subject to the conditions set forth in the Interline Agreement.

"Withdrawal Payment" has the meaning ascribed to that term in the Interline Agreement.

THE LLC AGREEMENT

The Amended and Restated Limited Liability Company Agreement (the "LLC Agreement") of SFO FUEL COMPANY LLC (the "Company") was made as of September 1, 1997, among the Persons executing the LLC Agreement as of September 1, 1997 (the "Initial Members") whose names are as set forth on the execution pages of the LLC Agreement and Schedule A to the LLC Agreement, as amended from time to time, and the Persons who become Members of the Company in accordance with the provisions of the LLC Agreement.

Formation

The Members formed the Company as a limited liability company under and pursuant to the provisions of the Delaware Act and agreed that the rights, duties and liabilities of the Members will be as provided in the Delaware Act, except as otherwise provided in the LLC Agreement. Upon the execution of the LLC Agreement or a counterpart, the Initial Members were deemed admitted as Members of the Company. An authorized person within the meaning of the Delaware Act has executed, delivered and filed (or caused to be filed) the Certificate.

Name

The name of the Company is SFO FUEL COMPANY LLC. The business of the Company may be conducted, upon compliance with all applicable laws, under any other name designated by the Members.

Term

The term of the Company will commence on the date the Certificate is filed in the office of the Secretary of State of the State of Delaware and the Company will have perpetual existence, unless the Company is dissolved in accordance with the provisions of the LLC Agreement. The existence of the Company as a separate legal entity will continue until the cancellation of the Certificate.

Registered Agent and Office. The Company's registered agent and office in Delaware will be The Corporation Trust Company, 1209 Orange Street, Wilmington, County of New Castle, Delaware, 19801. At any time, the Members may designate another registered agent and/or registered office.

Principal Place of Business. The principal place of business of the Company will be at San Francisco International Airport, San Francisco, CA. at the following address: c/o Aircraft Service International, Inc., San Francisco International Airport, Cargo Building 6, Suite 202, San Francisco, CA 94128 (Mailing address: c/o Aircraft Service International, Inc., P.O. Box 280415, San Francisco, CA 94128-0415). At any time, the Members may change the location of the Company's principal place of business.

Purposes and Powers

The Company is formed for the object and purposes of, and the nature of the business to be conducted and promoted by the Company is (a) to lease, finance, construct, develop, acquire and operate a fuel distribution and storage facility at the Airport for the mutual benefit of its Members; (b) to engage in any lawful act or activity for which limited liability companies may be formed under the Delaware Act; and (c) to engage in any and all legal activities necessary, related, convenient, desirable or incidental to the foregoing, including, without limitation, acquiring, holding, managing, operating and disposing of interests in real and personal property.

In fulfilling its functions, the Company will not operate to derive a financial profit from providing services to Members or non-Members. To this end, monies received by the Company from its Members for ordinary operations, whether such monies are received pursuant to the LLC Agreement or the Interline Agreement, will be sufficient only to fulfill the Members' obligations resulting from the Company's ordinary operations. Any amounts received for ordinary operations, whether such monies are received pursuant to the LLC Agreement or the Interline Agreement, which are in excess of the Members' obligations for ordinary operations will be refunded to the Members annually either (at the sole discretion of the Fuel Committee) in cash or through a credit to the Members pursuant to the Interline Agreement. Monies received by the Company from its Members for extraordinary items, such as capital improvements, whether such monies are received pursuant to the LLC Agreement or the Interline Agreement, will be sufficient only to fund the cost of such extraordinary items, and any excess will be refunded to the Members annually either (at the sole discretion of the Fuel Committee) in cash or through a credit to the Members pursuant to the Interline Agreement.

The Company will have the power and authority, and is authorized, to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purposes set forth in the paragraphs above.

The Company may merge with, or consolidate or convert into, another Delaware limited liability company or other business entity (as defined in Section 18-209(a) of the Delaware Act), as permitted under the Delaware Act, upon the approval of a Super Majority-In-Interest.

Capital Contributions and Member's Interest

Concurrently with becoming a Member, each Member must contribute to the capital of the Company the amount of \$1,000, as such amount may be increased or decreased from time to time upon the vote of a Super Majority-In-Interest. Except as so provided, no Member will be required to make any additional capital contribution to the Company. Notwithstanding the foregoing, the limitations on Member liability in the LLC Agreement or any other provision of the LLC Agreement, each Member will be obligated to make all payments due and payable by such Member as a Contracting Airline under, and to perform all obligations of such Member as a Contracting Airline pursuant to, the terms of the Interline Agreement.

A Member's Interest will for all purposes be personal property. A Member has no interest in specific Company property.

Except as otherwise provided in the LLC Agreement, the amount of a Member's Capital Contributions may be returned to it, in whole or in part, at anytime, but only with the consent of a Super Majority-In-Interest. Any such returns of Capital Contributions will be made to all Members pro rata or as otherwise determined by a Super Majority-In-Interest. Notwithstanding the foregoing, no return of a Member's Capital Contributions will be made under the LLC Agreement if such distribution would violate applicable state law. Under circumstances requiring a return of any Capital Contribution, no Member will have the right to demand or receive property other than cash, except as may be specifically provided in the LLC Agreement.

No Member will receive any interest, salary or drawing with respect to its Capital Contributions or its Capital Account or for services rendered to or on behalf of the Company or otherwise in its capacity as a Member, representative on the Fuel Committee, Chairperson or Vice Chairperson, except as otherwise specifically provided in the LLC Agreement.

Except as otherwise provided in the LLC Agreement and by the Delaware Act, the Members will be liable only to make the capital contributions established by the LLC Agreement or a Super-Majority-In-Interest pursuant to the LLC Agreement, and, except pursuant to and as provided in the Interline Agreement, no Member will be required to lend any funds to the Company or, after a Member's Capital Contribution has been fully paid pursuant to the LLC Agreement (as such Capital Contribution amount may be increased or decreased from time to time pursuant to the LLC Agreement), to make any additional capital contributions to the Company. No Member will have any personal liability for the repayment of any Capital Contribution of any other Member.

Members

The Members will have the power to exercise any and all rights or powers granted to the Members pursuant to the express terms of the LLC Agreement and the Delaware Act.

Subject to approval of a Majority-In-Interest, the Company will reimburse the Members for all ordinary and necessary out-of-pocket expenses incurred by the Members on behalf of the Company. Such reimbursement will be treated as an expense of the Company and will not be deemed to constitute a distribution or return of capital to any Member.

To the fullest extent permitted by applicable law, each Member waives any and all rights that it may have to maintain an action for partition of the Company's property.

Transfer

A Member will not sell, assign, transfer, pledge or otherwise dispose of or encumber (collectively, for purposes of the related provisions of the LLC Agreement, a "transfer") all or any part of its Interest in the Company to any Person unless the Company will give its prior written consent to such transfer. The Company may only approve such a transfer to a person who is concurrently becoming a Member and a party to the Interline Agreement. Notwithstanding the foregoing, a Member may transfer all or any part of its Interest in the Company, without first obtaining the Company's consent, to a subsidiary of such Member or to another corporation with which such Member merges or into which such Member consolidates if the transferee is concurrently becoming a Member and a party to the Interline Agreement; provided, that such subsidiary or other corporation is not a Member of the Company immediately prior to the time of transfer.

Termination as Member

Upon the occurrence of any of the following events: (i) the withdrawal of a Member as a Contracting Airline under the Interline Agreement, (ii) default by a Member in the performance of its obligations under the LLC Agreement, (iii) the occurrence of an Event of Default by a Member as a Contracting Airline under the Interline Agreement, or (iv) any event specified in 6 Del. C. §18-304 with respect to a Member, the Company has the right to terminate the Interest of such Member in the Company, effective as of a date specified by the Company by written notice to such Member. From and after the occurrence of any of the events specified in (i) - (iv) above, such Member will have no rights to vote as a Member, nor will its representative have any right to vote on the Fuel Committee or the Executive Committee, and such Member's Gallonage will not be counted, individually or as part of aggregate Gallonage, respecting a Majority-In-Interest, a Super Majority-In-Interest or otherwise in connection with any voting. Notwithstanding the foregoing, such Member will not cease to be, and will remain, a Member of the Company unless the Company elects to terminate such Member. Such Member will not be relieved of any of the responsibilities, liabilities or obligations of a Member under the LLC Agreement because of the occurrence of any of the events specified in (i) - (iv) above. Such Member will remain liable for all of its obligations under the LLC Agreement arising up to and including the effective date of its termination as a Member of the Company.

In the event of any merger, consolidation, conversion, acquisition, or contractual arrangement as a result of which any Member becomes the beneficial owner of more than one Interest (whether directly or through control of one or more other Members), the Company has the right to terminate Interests such that no Member owns, directly or through control of other Members, more than one Interest. Such Member will remain liable for all of its obligations under the LLC Agreement arising up to and including the effective date of any termination of any Interests in the Company.

In the event that the Company has a right to terminate a Member or a Member's Interest pursuant to the LLC Agreement, but is not lawfully permitted to do so, the Company may deliver written notice of such inability to the Member whose status as a Member or Interest in the Company would otherwise terminate whereupon all of such Member's Interest will become a non-voting Interest, and such Member will not be entitled to vote as a Member or have its representative on the Fuel Committee or the Executive Committee vote in such capacity, until such time as the Company is lawfully permitted to and does effect the termination. Such Member will remain liable for all of its obligations under the LLC Agreement arising up to and including the effective date of its termination as a Member of the Company.

If a Member (the "Withdrawing Member") satisfies all of the conditions precedent to withdraw as a party to the Interline Agreement, as set forth in the Interline Agreement, the Withdrawing Member will concurrently withdraw as a Member of the Company. A Withdrawing Member will remain liable for all of its obligations under the LLC Agreement arising up to and including the effective date of its withdrawal as a Member of the Company and as a party to the Interline Agreement.

No Member will have any right or power to withdraw or resign as a Member of the Company or from the LLC Agreement, nor may the Company terminate such Member's Interest in the Company, under any of the circumstances expressly specified in the Interline Agreement.

Fuel Committee

The business and affairs of the Company will be managed by or under the direction of a Fuel Committee composed of one representative appointed by each Member. Each Member's Fuel Committee representative will be a regular salaried employee of such Member unless the Fuel Committee approves, in its sole discretion, appointment of a representative who is not a regular salaried employee of such Member. The Fuel Committee will function in the manner set forth in the LLC Agreement. The Fuel Committee will have the power and authority, acting in accordance with the procedures of the LLC Agreement, to do or cause to be done any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described in the LLC Agreement, including all powers, statutory or otherwise, possessed by managers and/or members of a limited liability company under the laws of the State of Delaware.

Subject to the procedures of the LLC Agreement, the Fuel Committee will establish policy and make all decisions relating to the Company, including without limitation, the planning, financing, installation, construction, expansion, contraction and the establishment of standards for the operation, maintenance and management of the Company and the Fuel System. The Fuel Committee will manage all agreements to which the Company is a party and enforce the rights of the Company and the obligations of the other parties to all agreements to which the Company is a party. The Fuel Committee will act on all matters that are referred to in the LLC Agreement or the Interline Agreement to be done by (i) as applicable, a Majority-In-Interest or Super Majority-In-Interest; (ii) as applicable, a Majority-In-Interest or Super Majority-In-Interest of the Members' representatives on the Fuel Committee; or (iii) as applicable, a Majority-In-Interest or Super Majority-In-Interest of the Members.

Any action of the Fuel Committee may be taken without a meeting if representatives on the Fuel Committee constituting a Majority-In-Interest, Super Majority-In-Interest or all of the representatives on the Fuel Committee, as applicable to the subject action, consent in writing to such action after solicitations of such written consents have been provided to all representatives on the Fuel Committee by teletype, facsimile or letter. Unless otherwise specified in the LLC Agreement or the Interline Agreement, any action of the Fuel Committee may be taken if approved by a Majority-In-Interest. All written consent or consents will be filed with the minutes of the proceedings of the Fuel Committee.

A quorum of the Fuel Committee consists of representatives on the Fuel Committee, or their alternates or assigned proxies, representing a Majority-In-Interest. Any action of the Fuel Committee will be effective if made at a properly called meeting at which a quorum is present and upon the affirmative voice or hand vote of a Majority-In-Interest or such other percentage as may be specifically provided for in the LLC Agreement for a particular action.

Chairperson of the Fuel Committee

The Fuel Committee will elect a Chairperson and may elect a Vice Chairperson from among its representatives. The Chairperson of the Fuel Committee will preside at all meetings of the Fuel Committee and in his or her absence the Vice Chairperson will preside. In the absence of both the Chairperson and the Vice Chairperson, a meeting chairman may be elected by a Majority-In-Interest in attendance at the meeting. The Chairperson of the Fuel Committee will have the power and authority to authorize single expenditures by and on behalf of the Company of Fifty Thousand Dollars (\$50,000) or less without the approval of the Fuel Committee.

In the LLC Agreement, each Member and the Company authorizes and empowers the Chairperson of the Fuel Committee to execute and deliver, for and on behalf of the Fuel Committee and the Company, the Fuel System Lease and all documents contemplated therein, amendments and counterparts to the LLC Agreement accepting Additional Members, and/or any construction, service agreements, financing arrangements, guaranties and related agreements, or other contracts authorized by a Majority-In-Interest in accordance with the terms of the LLC Agreement. Except as specifically provided for otherwise, amendments to the LLC Agreement will be binding upon the Members when executed by a Super Majority-In-Interest, respectively, or by the Chairperson of the Fuel Committee upon written consent of such Super Majority-In-Interest.

Executive Committee

An Executive Committee may be established by a Majority-In-Interest of the Fuel Committee consisting of the Chairperson of the Fuel Committee, who will also serve as Chairperson of the Executive Committee, and a maximum of six (6) other Fuel Committee members elected by the Fuel Committee. The term of the members of the Executive Committee will be the later of one year or until their successors are elected, unless removed by a Majority-In-Interest.

The Executive Committee, subject to control of the Fuel Committee, will be delegated responsibility for the day-to-day management and operation of the Company and the Fuel System. It will perform such other duties as are delegated and assigned to the Executive Committee from time to time by the Fuel Committee. The Executive Committee will have the power and authority to authorize single expenditures by and on behalf of the Company up to the amount of One Hundred Thousand (\$100,000) or less without the approval of the Fuel Committee. The Executive Committee will in no event have any authority greater than the Fuel Committee or be authorized to take any actions which the Fuel Committee could not take.

Consent to Authority

Each of the Members, in its separate capacities as a party to the LLC Agreement and as a Contracting Airline under the Interline Agreement, by signing the LLC Agreement and the Interline Agreement, specifically consents to the authority given in LLC Agreement to the Fuel Committee, the Executive Committee and the Chairperson and Vice Chairperson of the Fuel Committee and certifies (and upon request of the Company will promptly deliver further assurance of its certification) that the persons designated from time to time by such Member as a member of the Fuel Committee are duly authorized to act for and on behalf of such Member.

Not a Partnership or Joint Venture

Neither the LLC Agreement nor the Interline Agreement nor the relationship of the Members as a consequence of their participation in the Company, the LLC Agreement or the Interline Agreement creates a partnership, joint venture or agency relationship between the parties to the LLC Agreement or the Interline Agreement. No Member will have power or authority to bind the Company. No Member may commit any other Member or the Company to any debt or obligation of any type whatsoever other than as specifically provided in

and pursuant to the procedures set forth in the LLC Agreement or in other documents signed by or binding on a Member or the Company.

Amendments

Except as otherwise expressly indicated in the LLC Agreement, the LLC Agreement may be amended only by the Company and Members constituting a Super Majority-In-Interest. An amendment will be effective only if evidenced by a writing which sets forth the text of the amendment and which is signed by the Company and the requisite Members approving the amendment. Each party to the LLC Agreement, by execution of the LLC Agreement, consents to the admission, after the date of execution of the LLC Agreement, of other Members from time to time pursuant to the LLC Agreement without any amendment to the LLC Agreement or any consent of the other Members.

Meetings of the Members

Meetings of the Members may be called at any time by the Chairperson of the Fuel Committee or Members representing not less than twenty-five percent (25%) of the total Gallonage delivered to the Members during the most recent full twelve-month period. Notice of any meeting, stating the time, place and purpose thereof, will be given to all Members not less than twenty (20) days nor more than sixty (60) days prior to the date of such meeting. Each Member may authorize any Person to act for it by proxy on all matters in which a Member is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Member or its attorney-in-fact.

The Members, by the vote of a Majority-In-Interest at a meeting at which a quorum of at least a Majority-In-Interest is present, will establish all other provisions relating to meetings of Members, including without limitation the establishment of a record date or any other matter with respect to the conduct of the meeting or exercise of any right to vote such meeting.

The Company may take any action contemplated by the LLC Agreement as approved by the written consent of all of the Members. In addition, any action contemplated by the LLC Agreement, including any action required to be taken at any meeting of Members, or any action which may be taken at any meeting of such Members, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, will be (a) signed and dated by the requisite number of Members that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted, and (b) delivered to the Company within sixty (60) days of the earliest dated consent by delivery to the Company's principal place of business, or to an officer or agent of the Company having custody of the book in which proceedings of meetings of Members are recorded.

Any meeting of Members, however called and noticed and whenever held, and the transaction of business at such meeting will be as valid as though taken at a meeting duly held after regular call and proper notice if a quorum be present either in person or by proxy and if, either before or after the meeting, each of the Members entitled to vote that was not present in person or by proxy, and did not receive proper notice, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents and approvals will be filed with the Company records or made a part of the minutes of the meeting.

Tax Election

The Company elects to be treated as an association taxable as a corporation for United States federal income tax purposes, pursuant to Treas. Reg. Section 301.7701-3(a). This election was made by timely filing a

properly completed federal form 8832 with the Internal Revenue Service indicating that the Company will be taxed as a corporation from the date of inception.

Distributions

All distributions pursuant to the LLC Agreement will be at such times and in such amounts as will be determined by a Super Majority-In-Interest; provided however, nothing in the LLC Agreement will affect or alter any payments under or distributions pursuant to the Interline Agreement. Notwithstanding any provision to the contrary contained in the LLC Agreement, the Company will not make a distribution to any Member on account of its Interest if such distribution would violate Section 18-607 of the Delaware Act or other applicable law.

Books, Records and Financial Statements

At all times during the continuance of the Company, the Company will maintain, at its principal place of business, separate books of account for the Company that will show a true and accurate record of all costs and expenses incurred, all charges made, all credits made and received and all income derived in connection with the operation of the Company business in accordance with generally accepted accounting principles consistently applied, and, to the extent inconsistent therewith, in accordance with the LLC Agreement. Such books of account, together with a copy of the LLC Agreement and of the Certificate, will at all times be maintained at the principal place of business of the Company and will be open to inspection and examination at reasonable times by each Member and its duly authorized representative for any purpose reasonably related to such Member's Interest.

The Members will prepare and maintain, or cause to be prepared and maintained, the books of account of the Company. The Members will prepare and file, or cause to be prepared and filed, all applicable federal and state tax returns.

For both financial and tax reporting purposes, the books and records of the Company will be kept on the accrual method of accounting applied in a consistent manner and will reflect all Company transactions and be appropriate and adequate for the Company's business.

The financial statements of the Company may be audited annually by an independent certified public accountant, selected by the Company, with such audit to be accompanied by a report of such accountant containing its opinion. The cost of such audits will be an expense of the Company.

Member Liability

Except as otherwise provided by the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, will be solely the debts, obligations and liabilities of the Company, and no Covered Person will be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Covered Person.

To the fullest extent permitted by applicable law, a Member, in its capacity as Member, will have no liability in excess of (a) the amount of its Capital Contributions, (b) its share of any assets and undistributed profits, if any, of the Company, (c) its obligation to make other payments expressly provided for in the LLC Agreement, and (d) the amount of any distributions wrongfully distributed to it.

Exculpation

No Covered Person will be liable to the Company or any other Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company or as a representative to the Fuel Committee or the Executive Committee and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by or pursuant to the LLC Agreement or as a representative to the Fuel Committee or the Executive Committee, except that a Covered Person will be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence or willful misconduct.

A Covered Person will be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company or such Covered Person by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company or such Covered Person, including, without limitation, information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid.

Fiduciary Duty

To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any other Covered Person, a Covered Person acting under the LLC Agreement will not be liable to the Company or to any other Covered Person for its good faith reliance on the provisions of the LLC Agreement and, to the fullest extent permitted by law, will not be liable for monetary damages for breach of any such duties. Duties (including without limitation, fiduciary duties) and liabilities, whether existing at law or in equity, of Covered Persons, are restricted to the fullest extent permitted by law. The parties agree that the provisions of the LLC Agreement that restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity (including the provisions of the foregoing sentence) are intended by the parties to the LLC Agreement to replace and restrict such other duties and liabilities of such Covered Person.

Indemnification and Expenses

To the fullest extent permitted by applicable law a Covered Person will be entitled to indemnification from the Company for any loss, expense (including reasonable attorneys' and other professionals' fees), damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by the LLC Agreement, except that no Covered Person will be entitled to be indemnified in respect of any such loss, expense, damage or claim incurred by such Covered Person by reason of such Covered Person's own gross negligence or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this provision will be provided out of and to the extent of Company assets only, and no Covered Person will have any personal liability on account thereof.

To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person in defending any claim, demand, action, suit or proceeding will be advanced by the Company from time to time prior to the final disposition of such claim, demand, action, suit or proceeding upon request therefor by such Covered Person and receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it will be determined by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified as authorized the indemnification provision of the LLC Agreement.

Insurance

The Company may purchase and maintain insurance, to the extent and in such amounts as a Majority-In-Interest may, in its sole discretion, deem reasonable, on behalf of Covered Persons and such other Persons as a Majority-In-Interest may determine, against any liability that may be asserted against or expenses that may be incurred by any such Person in connection with the activities of the Company or indemnities, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of the LLC Agreement. The Company may enter into indemnity contracts with Covered Persons and such other Persons as a Majority-In-Interest will determine and adopt written procedures pursuant to which arrangements are made for the advancement of expenses and the funding of obligations under the applicable provision of the LLC Agreement and containing such other procedures regarding indemnification as are appropriate.

Outside Businesses

Any Member or Affiliate thereof may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Company, and the Company and the Members will have no rights by virtue of the LLC Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Company, will not be deemed wrongful or improper. No Member or Affiliate thereof will be obligated to present any particular investment opportunity to the Company even if such opportunity is of a character that, if presented to the Company, could be taken by the Company, and any Member or Affiliate thereof will have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment opportunity.

Additional Members

All Air Carriers will be eligible to become Members of the Company, subject to compliance with the requirements of the LLC Agreement and satisfaction of all requirements for admission as a party to the Interline Agreement. Subject to the foregoing, the Company is authorized to admit any Person as an additional member of the Company (each, an "Additional Member" and collectively, the "Additional Members").

In order to become an Additional Member, an Air Carrier must fulfill each of the following conditions:

- (a) Satisfy all requirements set forth in the Interline Agreement in order to become a party to the Interline Agreement other than the requirement of becoming a Member in the Company;
- (b) Execute a counterpart copy of the LLC Agreement and submit it to the Company; and
- (c) Pay to the Company an amount equal to the capital contribution amount required from each Member pursuant to the applicable provision of the LLC Agreement.

Any Air Carrier that wishes to become a Member must give written notice to the Company. The notice must include: (a) written evidence of approval by the City to operate at the Airport; and (b) evidence of compliance with the requirements specified in the preceding paragraph. If the material submitted is found by the Company to comply with the LLC Agreement, then the requesting Air Carrier will be provided a counterpart copy of the LLC Agreement, a statement of the amount of the required capital contribution, and such other documents for signature as may reasonably be required by the Company. If all submissions are in order, the requesting Air Carrier will, upon execution of the LLC Agreement and payment of the required capital contribution, become a Member as of the acceptance date provided in the next succeeding paragraph and,

thereafter, will have the same rights and obligations under the LLC Agreement as all other Members. By execution of the LLC Agreement, each Member represents and warrants to the Company and other Members that it is acquiring its Interest in the Company solely for its own account and not with a view to distribution, transfer or assignment thereof and that it understands and consents to its Interest being subject to the restrictions imposed by law and the LLC Agreement.

The acceptance date for any Additional Member will be the first day of the calendar month (commencing at 12:01 a.m. San Francisco, California time) (the "Acceptance Date") commencing after the date of notification by the Company to such Additional Member of receipt of all required signed documents and payments.

For purposes of computing a Majority-In-Interest and Super Majority-In-Interest, for the first twelve (12) months following the Acceptance Date, the Gallonage of an Additional Member will be the greater of: (i) the estimated Gallonage for the twelve (12) months following the Acceptance Date, as submitted pursuant to the Interline Agreement; or (ii) an amount equal to the actual monthly Gallonage for the previous month, where available, multiplied by twelve.

No Dissolution

The Company will not be dissolved by and the Company will continue without dissolution or the winding up of its affairs in the event of the occurrence of any one or more of the following events (or any other event except as set forth in the next succeeding paragraph): the admission of one or more Additional Members; the termination or withdrawal of one or more Members; any Member ceasing to be a Member of the Company; or the bankruptcy, insolvency or dissolution of one or more Members.

Events Causing Dissolution

The Company will be dissolved and its affairs will be wound up only upon the occurrence of any of the following events:

- (a) the written consent of all Members to such dissolution; or
- (b) the entry of a decree of judicial dissolution under Section 18-802 of the Delaware Act.

Upon dissolution of the Company, the Members will carry out the winding up of the Company and will immediately commence to wind up the Company's affairs; provided, however, that a reasonable time will be allowed for the orderly liquidation of the assets of the Company and the satisfaction of liabilities to creditors so as to enable the Members to minimize the normal losses attendant upon a liquidation. The proceeds of liquidation will be distributed in the following order and priority:

- (a) to creditors of the Company, including Members who are creditors, to the extent otherwise permitted by law, in satisfaction of the liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for distributions to Members and former Members under §18-601 or §18-604 of the Delaware Act; and
- (b) to the Members pro rata in accordance with their Capital Account balance; and
- (c) after the foregoing distributions, any remaining balance as follows: 10% per capita among the Members and the remaining 90% according to the proportion that each Member's Gallonage bears to the total of all then-existing Members' Gallonage, with Gallonage determined as the aggregate amount of Gallonage for the

five (5) years immediately preceding the month of such distribution (or such shorter period of actual operation of the Company). Notwithstanding the foregoing, there will be set off against the amount otherwise distributable to any Member any and all amounts owed to the Company by such Member.

The Company will terminate when all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, will have been distributed to the Members in the manner provided for in the LLC Agreement and the Certificate will have been canceled in the manner required by the Delaware Act.

The Members and former Members will look solely to the Company's assets for the return of their Capital Contributions in accordance with the LLC Agreement, and if the assets of the Company remaining after payment of or due provision for all debts, liabilities and obligations of the Company are insufficient to return such Capital Contributions, the Members and former Members will have no recourse against the Company or any other Member.

Governing Law

The LLC Agreement and the rights of the parties under the LLC Agreement will be interpreted in accordance with the laws of the State of Delaware, and all rights and remedies will be governed by such laws without regard to principles of conflict of laws.

Reservation

Notwithstanding any other provisions of the LLC Agreement, each of the Members reserves the right to contest, and contests, any attempt to enforce the applicability, validity or enforceability of Chapters 12B and 12C of the San Francisco Administrative Code, or any rules or regulations promulgated thereunder, with respect to such Member.

THE INTERLINE AGREEMENT

The AMENDED AND RESTATED FUEL SYSTEM INTERLINE AGREEMENT (the "Interline Agreement") was made and entered into and effective as of September 1, 1997, by and among the Contracting Airlines and SFO FUEL COMPANY LLC, a Delaware limited liability company (the "Company").

Term

The Interline Agreement commences and becomes legally binding upon the Company and each Contracting Airline upon execution by the Company and each such Contracting Airline and will continue in effect until terminated pursuant to its terms.

The Fuel System

The Fuel System will be managed, maintained, and operated to provide: (a) the transmission and delivery of Jet Fuel delivered to the Airport; (b) the transmission and delivery of Jet Fuel into hydrant systems and into refueler vehicles for delivery to aircraft; (c) if and as approved by the Company, the receipt, storage and transfer of Jet Fuel to support User requirements; and (d) other functions as established by the Company from time to time. The Company and the Contracting Airlines have covenanted and agreed that (x) the Fuel System will be the sole and exclusive facility for the receipt, storage and distribution of Jet Fuel at the Airport and (y) the Company may establish standards, practices and fees for access to and the operation and maintenance of all portions of the Fuel System. In addition, and without limiting the generality of the foregoing, if any

Contracting Airline is a party to any lease, permit, license or other agreement with the City, such Contracting Airline waives any rights it may have under such lease, permit, license or other agreement to the use and enjoyment of any rights of way or other rights, with or without charge, for the installation, use or maintenance of conduits, ducts, pipes, wires, motors, tanks and/or filters, and incidental accessories, equipment and devices, connecting airport apron hydrant systems or other fueling systems of such Contracting Airline or any other party to any bulk storage facilities or fuel supply lines other than the Demised Premises and the Right-of-Way, including without limitation any such rights under Sections 2.01.E, 2.01.F and 2.04 of the Airline-Airport Lease and Use Agreement, dated as of July 1, 1981, by and between such Contracting Airline and the City. The waiver of any Contracting Airline set forth in the preceding sentence, and the covenant and agreement of each Contracting Airline set forth in clause (x) above will survive any withdrawal by such Contracting Airline from the Interline Agreement.

Gasoline Facility

The Company may establish a Gasoline Facility. The cost of developing and operating such Gasoline Facility will be allocated only to those Contracting Airlines and other Users who use such Gasoline Facility, on a monthly basis, pro-rata based solely on the number of Gallons of Gasoline withdrawn from such Gasoline Facility that month. The Company will approve from time to time the form of a Gasoline Facility Access Agreement, which also will be subject to approval by the Airport Director, which will be consistent with the Interline Agreement, and which will contain, inter alia, the terms and conditions governing access to and use of the Gasoline Facility, procedures and documentation, fees and charges, qualification and training, and indemnification and insurance provisions. The Gasoline Facility Access Agreement will provide that, so long as the Gasoline Facility User abides by the terms of that agreement and pays the fees and charges provided in the Interline Agreement, its access to and use of the Gasoline Facility otherwise will be nondiscriminatory.

Access to Fuel System

The Company will allow any Person who does not become a party to the Interline Agreement as a Contracting Airline to use the Fuel System for the transmission and delivery and, if approved by the Company, the receipt and storage of Jet Fuel, upon execution by that Person of the then-current Non-Contracting User Agreement.

The Company will approve from time to time the form of a Non-Contracting User Agreement, which also will be subject to approval by the Airport Director, which will be consistent with the Interline Agreement, and which will contain, inter alia, the terms and conditions governing use of the Fuel System, use fees and charges, and indemnification and insurance provisions. The Non-Contracting User Agreement will provide that, so long as the Non-Contracting User abides by the terms of that agreement and pays the fees and charges provided in the Interline Agreement, its access to and use of the Fuel System otherwise will be nondiscriminatory. Notwithstanding anything to the contrary in the Interline Agreement, the Company may charge different fees or rates to each category of User, i.e., Contracting Airlines, Non-Contracting Users and Itinerant Users.

The Company may allow an Into-Plane Agent to access the Fuel System to perform into-plane fueling services at the Airport, subject to the following requirements. Each such Into-Plane Agent: (a) must have entered into an agreement with a Contracting Airline or Non-Contracting User to provide into-plane fueling services at the Airport; (b) must execute a Fuel System Access Agreement; and (c) must comply with all of the terms and conditions of the Fuel System Access Agreement. If service is to be provided by such Into-Plane Agent to an Itinerant User, the Air Carrier or Supplier holding title to the Jet Fuel that is to be provided to the Itinerant User must be either a Contracting Airline or a Non-Contracting User.

Notwithstanding any other provision of the Interline Agreement, any Contracting Airline that desires to perform into-plane fueling must execute a Fuel System Access Agreement. The Company will approve from time to time the form of a Fuel System Access Agreement, which also will be subject to approval by the Airport Director, which will be consistent with the Interline Agreement, and which will contain, inter alia, the terms and conditions governing access to and use of the Fuel System, Into-Plane Agent requirements, procedures and documentation, fees and charges, qualification and training, and indemnification and insurance provisions.

Except as provided for in the Interline Agreement with respect to allocation of the Total Fuel System Charge and otherwise as provided therein, access to the Fuel System by all Contracting Airlines will be on an equal and nondiscriminatory basis, with no Contracting Airlines being afforded priority or preferential treatment over another.

Each Contracting Airline may make arrangements with any Supplier or Suppliers to have Jet Fuel transmitted through or delivered into the Fuel System, in accordance with terms and conditions consistent with the Interline Agreement and the documents referred to therein. Each Contracting Airline has the right that each of its Suppliers will have access to the Fuel System upon execution and delivery by such Supplier of a Non-Contracting User Agreement and the continuing compliance therewith by such Supplier. Notwithstanding the foregoing provisions or any other provision of the Interline Agreement, the Contracting Airlines acknowledge and agree that access to and storage for the Fuel System is limited to the Tank Farm and access and storage of Jet Fuel through the Tank Farm and into the Fuel System will be subject to such arrangements as the Contracting Airlines, the City, the Company, the Non-Contracting Airlines, the Into-Plane Agents and/or the Suppliers may make from time to time with the Tank Farm Operator.

Fuel System Operator

The Company will select, with the prior written consent of the Airport Director, a Fuel System Operator to maintain, operate and manage certain elements of the Fuel System and the Gasoline Facility, if any. The Company will approve the form of the Fuel System Operating Agreement, which also will be subject to approval by the Airport Director and which will be consistent with the Interline Agreement. The Fuel System Operator will execute the Fuel System Operating Agreement with the Company, which will specify the Fuel System Operator's duties, responsibilities and compensation, as well as the rights and obligations of the Company and the Contracting Airlines with respect to the Fuel System Operator. Each Contracting Airline has agreed to execute and/or deliver such documents, if any, as may be reasonably requested by the Company to confirm its individual obligation for payment of its share of the Fuel System Operator's fees.

Fees and Charges

The "Total Fuel System Charge" for any period will be the sum of all charges, fees, costs, rents, liabilities and expenses payable by the Company in relation to the organization, administration and operation of the Company and the financing, acquisition, development, lease, installation, construction, improvement, maintenance, operation and management of the Fuel System and the Gasoline Facility, if any. The Total Fuel System Charge will include, without limitation, the Total Operating Cost, the Ground Rent, the Facilities Rent, the Additional Rent and all other amounts owed by the Company pursuant to the Fuel System Lease, all amounts owed by the Company to the Trustee pursuant to the Guaranty (including without limitation principal, interest and premium, if any, with respect to the Bonds), all amortized capital costs and all other charges, fees, costs, rents, liabilities and expenses payable by the Company in relation to the Fuel System and the Gasoline Facility, if any, and the Company's operations.

In order to allocate the Total Fuel System Charge among the Contracting Airlines, the following Cost Centers are created in the Interline Agreement: (a) Common Use Area Cost Center and (b) Individual Use Area Cost Centers.

The Company will allocate the Total Fuel System Charge for each month among the Cost Centers, and each Contracting Airline will pay its share of the Total Fuel System Charge each month, pursuant to the methodology described below.

(a) The Total Fuel System Charge attributable to the Common Use Area Cost Center for each month will be allocated to and paid by each Contracting Airline according to the following formula:

(i) Ninety percent of the Total Fuel System Charge attributable to the Common Use Area Cost Center for each month will be allocated pro-rata based on the proportion that each Contracting Airline's Gallonage for that month bears to the total Gallonage for that month; and

(ii) Ten percent of the Total Fuel System Charge attributable to the Common Use Area Cost Center for each month will be allocated equally among all Contracting Airlines.

"Total Fuel System Charge attributable to the Common Use Area Cost Center" means the components of the Total Fuel System Charge specifically attributable to the Common Use Area Cost Center, subject to the adjustments provided in paragraphs (d) and (e) below.

(b) The Total Fuel System Charge attributable to an Individual Use Area Cost Center for each month will be allocated to and paid by each Contracting Airline using such Individual Use Area Cost Center according to either of the following formulas, subject to the limitation set forth in the last sentence of this paragraph (b):

(i) the Total Fuel System Charge attributable to each Individual Use Area Cost Center for each month will be allocated (A) by allocating to each Contracting Airline using such Individual Use Area Cost Center all costs directly attributable to such Contracting Airline; and (B) by allocating any remaining costs related to such Individual Use Area Cost Center to the Contracting Airlines using such Individual Use Area Cost Center pro-rata based on the proportion that each such Contracting Airline's Gallonage for that month bears to the total Gallonage for that month of the Contracting Airlines using such Individual Use Area Cost Center; or

(ii) the Total Fuel System Charge attributable to each Individual Use Area Cost Center for each month will be allocated among the Contracting Airlines using such Individual Use Area Cost Center as such Contracting Airlines may agree in writing.

The "Total Fuel System Charge attributable to an Individual Use Area Cost Center" means the components of the Total Fuel System Charge specifically attributable to each Individual Use Area Cost Center, subject to the adjustment provided in paragraph (d) below. Notwithstanding anything to the contrary in the Interline Agreement, without the prior written consent of the Airport Director, in no event will the component of the Total Fuel System Charge consisting of that portion of the Facilities Rent payable with respect to the 1997 Bonds allocated pursuant to paragraph (b) to a Contracting Airline with respect to any Individual Use Area Cost Center (other than the Boarding Area A and G hydrant system Individual Use Area Cost Center) exceed the component thereof allocated to any Contracting Airline with respect to the Boarding Area A and G hydrant system Individual Use Area Cost Center.

(c) The Fuel System Operator's Management Fee will be attributable to the Common Use Area Cost Center.

(d) Any costs included in the Total Fuel System Charge that are not specifically attributable to the Common Use Area Cost Center or the Individual Use Area Cost Centers (including costs not allocated to an Individual Use Area Cost Center as a result of the last sentence of paragraph (b)) will be allocated to the Common Use Area Cost Center; provided, however, that the Company may allocate all or a portion of such costs to Individual Use Area Cost Centers in such manner as it reasonably determines.

(e) The Total Fuel System Charge attributable to the Common Use Area Cost Center for any month will be reduced by items (i), (ii), (iii) and (iv) below, to the extent that such items are accrued and credited by the Company during that month.

(i) All payments received by the Company from Non-Contracting Users and Itinerant Users for use of the Fuel System; provided, however, that the Company may credit to one or more Individual Use Area Cost Centers such portion of the costs and fees paid by Non-Contracting Users and Itinerant Users as are related to such Individual Use Area Cost Centers, or on such other basis as may be reasonable under the circumstances.

(ii) Costs that are allocated by the Company to Individual Use Area Cost Centers. Such costs will be charged to and paid by the Contracting Airlines using such Individual Use Area Cost Centers.

(iii) All payments received by the Company with respect to costs incurred: (A) for the sole benefit of one or more particular User(s); (B) as a result of providing fueling facilities for Gasoline to the Users thereof; or (C) as the result of the negligence of, or damage to the Fuel System caused by, any User or its Into-Plane Agent. Such costs will be charged to and paid by the Persons causing such costs to be incurred.

(iv) Proceeds received by the Company from the sale or disposition of Fuel System Capital Assets and any insurance or condemnation proceeds with respect thereto not otherwise payable to the Trustee, the City, the Fuel System Operator or the Tank Farm Operator.

Extraordinary Costs

The Company may allocate, on the basis of each Contracting Airline's actual Monthly Gallonage for the preceding twelve months, or such shorter period as the Contracting Airline has been a party to the Interline Agreement, or on such other reasonably equitable basis as it may determine in its sole and absolute discretion, Extraordinary Costs that would otherwise be part of the Total Fuel System Charge on a basis other than that provided above and may instruct the Fuel System Operator as to the allocation and collection thereof. In the absence of any such allocation by the Company, Extraordinary Costs will be billed and paid as provided above as part of the Total Fuel System Charge attributable to the Common Use Area Cost Center.

Temporary Shut-Down

In the event that no Jet Fuel has been delivered through the Fuel System for a period of thirty consecutive days, then the Total Fuel System Charge will be allocated among the Contracting Airlines on the basis of average Monthly Gallonage of each Contracting Airline for the twelve months ending immediately prior to the cessation of such deliveries (or, if shorter, the period that the Contracting Airline has been a party to the Interline Agreement).

Invoicing Contracting Airlines

The Company will invoice the Total Fuel System Charge and any other charges due each month as follows:

(a) The estimated Total Fuel System Charge for such month will be determined and allocated in accordance with the above paragraph entitled "Fees and Charges" and will be invoiced on the first day of the second month preceding the month payment is due (utilizing actual Gallonage for the fourth month preceding the month payment is due) to each Contracting Airline;

(b) All costs and fees relating to use of the Fuel System by Non-Contracting Users and Itinerant Users for such month will be invoiced to such persons in accordance with the Non-Contracting User Agreements and Fuel System Access Agreements; and

(c) Costs incurred: (i) for the sole benefit of one or more particular User(s); (ii) as a result of providing fueling facilities for Gasoline to the Users thereof; or (iii) as the result of the negligence of, or damage to the Fuel System, caused by any User or its Into-Plane Agent, will be invoiced to the persons causing such costs to be incurred.

As soon as practicable after the end of each calendar year, the Company will render an itemized bill (which itemized bill will be audited by a third party) to each Contracting Airline for the actual Total Fuel System Charge incurred by and allocable to each Contracting Airline during the preceding calendar year, reflecting any adjustments permitted under the Interline Agreement.

Payments

Each Contracting Airline will make payments to the Company within the time frame set forth below and in accordance with the following:

(i) the amount set forth on any invoice to each Contracting Airline as its estimated Total Fuel System Charge will be due and payable to the Company prior to the first day of the month to which such invoice relates;

(ii) Unless otherwise specified in the Interline Agreement (including without limitation clause (i), above) or on any invoice, the amount set forth on any invoice will be due and payable within fifteen days from the date of the invoice. The amount of any delinquent payment will bear interest at two percent per month (or the maximum rate permitted by law, whichever is lower), from the date such amount is due.

In the event a Contracting Airline fails to pay its share of the Total Fuel System Charge when due (including any amounts due after such Contracting Airline has withdrawn from the Interline Agreement pursuant to the Interline Agreement), and the amount in such defaulting Contracting Airline's Operating Reserve Account is not sufficient to make such payment, each non-defaulting Contracting Airline must pay to the Company, within ten days of demand, its pro-rata share of the amount in default, determined by the Company in accordance with the above paragraph entitled "Fees and Charges" concerning allocation of the Total Fuel System Charge (including those allocations relating to Individual Use Area Cost Centers), but calculated assuming that the defaulting Contracting Airline was not a Contracting Airline for the month in question. Such payments will be deemed to be loans to the defaulting Contracting Airlines and will bear interest at the rate set forth in the provisions of the Interline Agreement relating to reimbursement.

Each Contracting Airline must make payments to the Company in accordance with the terms of the Interline Agreement (including without limitation all payments due in accordance with the above paragraph entitled "Fees and Charges" concerning allocation of the Total Fuel System Charge), with no defense or right of set-off, reduction, counterclaim or recoupment for any reason, including, without limitation, the unenforceability or invalidity of the Interline Agreement, the bankruptcy, insolvency, liquidation or reorganization of the Company, any Event of Default or withdrawal from the Interline Agreement by any other Contracting Airline, any breach by the Company or any other party of any obligation to the Contracting Airline whether under the Interline Agreement or otherwise or any indebtedness or liability at any time owing to the Contracting Airline by the Company, or the failure of the Fuel System to comply with plans and specifications, any defect in title to the Fuel System, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, or the destruction by fire or other casualty of the Fuel System or any portion thereof, commercial frustration of purpose, any change in the tax or other laws or administrative rulings or administrative actions by the United States of America or the State of California or any political subdivision of either, the taking of title to the Fuel System or the use thereof by the exercise of the power of eminent domain, or the termination of the Fuel System Lease.

Operating Reserve Account

To secure the prompt payment by each Contracting Airline of the amounts due from it each month under the Interline Agreement, each Contracting Airline will pay to the Company for deposit, and at all times maintain, in an Operating Reserve Account established and held by the Company an amount equal to twice such Contracting Airline's average monthly share of the Total Fuel System Charge ("Monthly Share") as determined for the previous twelve months in accordance with relevant provisions of the Interline Agreement described below. The Company may draw upon a Contracting Airline's Operating Reserve Account immediately upon and at any time after a failure by such Contracting Airline to pay any amount due under the Interline Agreement. A defaulting Contracting Airline will not be entitled to prior notice of or have the right to consent to any draw from its Operating Reserve Account, and will immediately replenish its Operating Reserve Account after any draw therefrom. The Operating Reserve Accounts will be held by such institutions, and the monies thereon will be invested, as the Company will determine. The Company may commingle each Contracting Airline's Operating Reserve Account into one or more accounts for investment purposes.

Events of Default and Termination

An Event of Default with respect to a Contracting Airline will exist if any one or more of the following events will occur:

- (a) The failure of the Contracting Airline to pay any amount when due under the Interline Agreement in accordance with the terms of the Interline Agreement; or
- (b) The failure by the Contracting Airline to punctually and properly perform any covenant, agreement, obligation, term or condition contained in the Interline Agreement; or
- (c) The Contracting Airline (i) commences a voluntary case under any chapter of the Federal Bankruptcy Code (11 U.S.C. §101, et seq., as amended) as now or hereafter in effect, or consents to (or fails to controvert in a timely manner) the commencement of an involuntary case against the Contracting Airline under said Code; (ii) institutes proceedings for liquidation, termination, dissolution, rehabilitation, readjustment or composition (or for any related or similar purpose) under any law (other than the Federal Bankruptcy Code as now or hereafter in effect) relating to financially distressed debtors, their creditors or property, or will consent to (or fail to controvert in a timely manner) the institution of any such proceedings against the Contracting Airline; (iii) makes an assignment for the benefit of creditors or enter into any arrangement for the adjustment or

composition of debts or claims; (iv) applies for or consent to the appointment of, or the taking possession by, a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of itself or any of its property; or (v) takes corporate action for the purpose or with the effect of authorizing, acknowledging or confirming the taking or existence of any action or condition specified in clause (i), (ii), (iii) or (iv) above; or

(d) The Contracting Airline becomes insolvent (within the meaning of any applicable law), or is unable, or admits in writing its inability, to pay its debts as they become due, or takes corporate action for the purpose or with the effect of authorizing or confirming the taking or existence of any such action or condition; or

(e) A court or other governmental authority or agency having jurisdiction enters a decree or order (i) for the appointment of a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Contracting Airline of any part of its property, or for the winding-up or liquidation of its affairs, and such decree or order remains in force undischarged and unstayed for a period of more than ninety days or (ii) for the sequestration or attachment of any material part of the property of the Contracting Airline without its unconditional return to the possession of the Contracting Airline or its unconditional release from such sequestration or attachment within ninety days thereafter; or

(f) A court having jurisdiction enters an order for relief in any involuntary case commenced against the Contracting Airline under the Federal Bankruptcy Code as now or hereafter in effect, and such order remains in force undischarged and unstayed for a period of more than ninety days; or

(g) A court or other governmental authority or agency having jurisdiction enters a decree or order approving or acknowledging as properly filed or commenced against the Contracting Airline a petition or proceedings for liquidation, rehabilitation, readjustment or composition (or for any related or similar purpose) under any law (other than the Federal Bankruptcy Code as now or hereafter in effect) relating to financially distressed debtors, their creditors or property, and such petition or proceedings is not dismissed within ninety days of the date of filing or commencement.

Consequences of Default

If any Contracting Airline knows of an Event of Default or of facts that lead it to believe an Event of Default has occurred, then it will use commercially reasonable efforts to immediately provide notice in writing to the Company, but absent fraud will not be liable for failure to so notify.

The Company will give notice to the City, the defaulting Contracting Airline and any other person entitled thereto as soon as practicable after receipt of notice from any credible source that there has been an Event of Default under the Interline Agreement. Such Contracting Airline will have ten days from the date of such notice in which to cure such Event of Default. If such Event of Default has not been cured within the ten day period, the defaulting Contracting Airline will be retroactively billed by the Company as a Non-Contracting User from the date of the Event of Default and will continue to be billed as a Non-Contracting User until one month after the defaulting Contracting Airline has cured the Event of Default if, during such one month period, the Contracting Airline has paid when due all monies owed the Company and has otherwise cured the Event of Default and performed all of its obligations under the Interline Agreement. As an additional remedy under the Interline Agreement, the Company may terminate the membership of such defaulting Contracting Airline pursuant to the LLC Agreement, and thereupon, the defaulting Contracting Airline will cease to be a Member and a Contracting Airline under the Interline Agreement. Such defaulting Contracting Airline, during the period of any Event of Default under the Interline Agreement, will remain subject to all obligations in the Interline Agreement as a Contracting Airline but will have no rights to vote as a Contracting Airline nor will its representatives vote as Members with respect to the Company nor will its Gallonage be counted respecting a Majority-In-Interest, a Super Majority-In-Interest or otherwise in connection with any voting. Notwithstanding

anything to the contrary contained in the Interline Agreement, calculation of a Majority-In-Interest or Super Majority-In-Interest in voting with respect to a defaulting Contracting Airline will not include the Gallonage of such defaulting Contracting Airline in the aggregate Gallonage of all Contracting Airlines nor count such defaulting Contracting Airline as a Contracting Airline. A Contracting Airline which has defaulted under the Interline Agreement will not be relieved of any of the responsibilities, liabilities or obligations of a Contracting Airline under the Interline Agreement because of its default.

The Company will have a claim, which the Fuel System Operator is authorized to pursue and collect, against any defaulting Contracting Airline in an amount equal to any payment due, together with interest thereon and expenses of collection as provided in the Interline Agreement, including without limitation amounts due or owed to non-defaulting Contracting Airlines as provided in the Interline Agreement. Such claim may be enforced, immediately upon the occurrence of and after any default of a Contracting Airline, by: (i) terminating fueling service through the Fuel System to the defaulting Contracting Airline; and (ii) pursuing any and all other legal or equitable remedies available to the Company or the Fuel System Operator.

Reimbursement

The Contracting Airlines will be reimbursed by the Company, pro rata, according to the respective amounts advanced as monies are collected from a defaulting Contracting Airline. Pursuant to the Interline Agreement, amounts due from a defaulting Contracting Airline will bear interest from the due date at two percent per month (or the maximum rate permitted by law, whichever is lower).

Costs

The defaulting Contracting Airline will be liable for all reasonable costs and expenses, including reasonable attorneys' fees and disbursements at trial or on appeal, expended in order to collect or attempt to collect any amounts due or owed. Any amounts due from or owed by a defaulting Contracting Airline under the Interline Agreement may be offset against any amounts otherwise payable to such defaulting Contracting Airline by the Company.

Financing; Construction of Additional Facilities

The Company will cause the Fuel System to be acquired, constructed, modified, leased, purchased and financed in accordance with the provisions of the Fuel System Lease. The Company will lease from the City the portions of the Fuel System constituting the Demised Premises and the Right-of-Way.

Financing Information

Each Contracting Airline will provide such information and legal opinions regarding such Contracting Airline from time to time as the Company or the City may reasonably request in connection with the issuance of the Bonds, including for purposes of any initial or ongoing disclosure with respect thereto.

Tax Exemption

Neither the Company nor any of the Contracting Airlines will take any action or suffer or permit any other action to be taken or condition to exist (including, without limitation, any change in the use of, or alterations of, the Fuel System) which causes or may cause the interest on any Bonds issued on a tax-exempt basis to be or become included in gross income for purposes of federal income taxation.

Additional Facilities

The Company and Contracting Airlines may collectively, through the Interline Agreement and the Fuel System Operating Agreement and with the prior written approval of the Airport Director, cause any facilities (other than the Facilities) to be designed, constructed, modified, leased, purchased, acquired and financed as the Company determines from time to time by a Super Majority-In-Interest ("Additional Facilities"). In the event that a Contracting Airline or other person proposes that Additional Facilities include hydrant systems or other systems that have been leased to or operated by such Contracting Airline or other person after the original date of the Interline Agreement, such Additional Facilities will not be acquired unless and until the Contracting Airline or other person proposing the inclusion of such systems, at such person's sole cost and expense, provides a base line environmental analysis sufficient in form and satisfactory in substance to a Super-Majority-In-Interest and satisfies such other conditions as the Super Majority-In-Interest may establish, including without limitation, indemnification of the Contracting Airlines with respect thereto.

Special Facilities

One or more Contracting Airlines may, with the prior written approval of the Company and the Airport Director, construct various aircraft fueling and related facilities that may operate alone or in conjunction with the other portions of the Fuel System, but are used by less than all of the Contracting Airlines ("Special Facilities"). Any such Special Facilities will be reviewed and approved in advance by the Company and the City and must be fully compatible with the Fuel System. The costs of designing, constructing, and maintaining such Special Facilities will be borne solely by those Contracting Airlines using the Special Facilities and will not become part of the Common Use Area Cost Center without approval of the Airport Director and a Super Majority-in-Interest.

Indemnification

Each Contracting Airline (the "Indemnitor") will defend, indemnify, and hold harmless the Company and each of the other Contracting Airlines and their respective officers, employees and agents (collectively the "Indemnitees") against and from any and all liability, claims, suits, judgments, losses, damages, settlements or costs (including reasonable attorneys' fees and expenses) for injuries to or deaths of persons or loss of or damage to property (including financial loss) arising from: (i) the use of the Fuel System by the Indemnitor or its employees, agents, contractors, or invitees; or (ii) any failure by the Indemnitor to pay for Jet Fuel, Gasoline or any other amounts when due or any other breach by the Indemnitor of the Interline Agreement or any related agreement, all except to the extent caused by the negligence or willful misconduct of an Indemnitee.

Admission of Additional Airlines

The use of the Fuel System and the opportunity to become a Member of the Company will be open to all Air Carriers using the Airport. Admission of an Air Carrier to the Interline Agreement and the related agreements as an Additional Contracting Airline will be open to all Air Carriers who are approved by the City to operate at the Airport.

In order to become an Additional Contracting Airline, an Air Carrier must fulfill each of the following conditions:

- (a) Submit to the Company a statement of estimated Gallonage for the twelve months following the requested Acceptance Date;
- (b) Execute a counterpart copy of the Interline Agreement with the Company and submit it to the Company with a copy to the City;

- (c) Establish an Operating Reserve Account and deposit into it the amount determined in accordance with relevant provisions of the Interline Agreement;
- (d) Become a Member of the Company in accordance with requirements established by the Company and pay the late entry fee assessed against an Air Carrier pursuant to the Interline Agreement, if applicable;
- (e) Provide all legal opinions and information required by the Company pursuant to the Interline Agreement.

If an Air Carrier providing service to the Airport on the Effective Date makes a written request to become a Contracting Airline, then it may become a Contracting Airline, subject to compliance with the provisions set forth in the Interline Agreement and subject to payment by such Air Carrier of a \$10,000 late entry fee, if such Air Carrier's Acceptance Date does not occur within ninety days of the Effective Date. The foregoing late entry fee is intended to encourage the participation of Air Carriers offered the opportunity to become Members and thereby reduce the cost of the financing and amortization of the Fuel System, including the indirect cost of undertaking credit responsibility for the obligations incurred thereby, borne in part by each of the Contracting Airlines.

Any Air Carrier not providing service to the Airport on the Effective Date will be offered the opportunity to become a Contracting Airline and may be admitted as a Contracting Airline after commencing operations at the Airport, subject to complying with the provisions set forth in the Interline Agreement.

Withdrawal

If a Contracting Airline or Additional Contracting Airline ceases all operations at the Airport or otherwise elects to withdraw from the Interline Agreement (subject to the limitations set forth in relevant provisions of the Interline Agreement), that Contracting Airline (the "Withdrawing Airline") may submit a written Notice of Withdrawal to the Company not less than sixty days prior to cessation of operations at the Airport or the date on which such Contracting Airline otherwise desires to withdraw, which Notice of Withdrawal will specify the desired Withdrawal Date, which date will be the last day of a calendar month.

The Withdrawing Airline will pay to the Company an amount equal to the sum of its estimated total share of that portion of the Total Fuel System Charge attributable to the Common Use Area Cost Center shared equally among all Contracting Airlines, as determined by the Company pursuant to the Interline Agreement, for the twenty-four-month period following its Withdrawal Date (the "Withdrawal Payment"). No withdrawal will be effective until all amounts due and owing by the Withdrawing Airline pursuant to the Interline Agreement are paid in full, including without limitation the Withdrawal Payment.

A Withdrawing Airline will continue to be liable after the Withdrawal Date for such Withdrawing Airline's allocated share (calculated in accordance with the Interline Agreement) of any cost, claim or liability which occurred or accrued during the time such Withdrawing Airline was a Contracting Airline, up to and including its Withdrawal Date. This obligation of each Contracting Airline will survive any withdrawal by such Contracting Airline from the Interline Agreement.

In the event that, and so long as, all but five of the Contracting Airlines have withdrawn (or, in the event that the number of Contracting Airlines has never exceeded five, any Contracting Airline withdraws) from the Interline Agreement, then any Air Carrier that was a Contracting Airline at any time during the period beginning five years prior to the date of withdrawal of the Last Withdrawing Airline until the occurrence of payment

defaults by all remaining Contracting Airlines will be liable, in the event of payment defaults by all remaining Contracting Airlines, for obligations of the Company (including without limitation the payment of Facilities Rent and Additional Rent with respect to Bonds issued prior to the withdrawal of the Last Withdrawing Airline for so long as such Bonds remain outstanding) incurred prior to the withdrawal of the Last Withdrawing Airline in the ratio that each such Air Carrier's aggregate Gallonage during such five-year period bears to the total of all such Air Carriers' aggregate Gallonage during such five-year period. Such obligations of each Contracting Airline will be subject to the provisions of the Interline Agreement concerning payments and will survive any withdrawal by such Contracting Airline from the Interline Agreement.

Upon payment of the Withdrawal Payment to the Company, and upon payment of all other amounts payable by the Withdrawing Airline, the Interline Agreement will terminate as to the Withdrawing Airline only. The amounts in the Operating Reserve Account of the Withdrawing Airline will be returned to it, net of any required deductions or set-offs, within sixty days after the Withdrawal Date.

Subject to the obligations and requirements of the provisions of the Interline Agreement relating to withdrawal commitment and deposits, a Contracting Airline will be deemed to have withdrawn from the Interline Agreement as of the date it ceases to be a Member.

Notwithstanding anything in the Interline Agreement to the contrary, no Contracting Airline may withdraw from the Interline Agreement under any of the following circumstances:

- (a) prior to one year after the date a Certificate of the Company and an Architect's Certificate are delivered pursuant to and as described in the Trust Agreement; or
- (b) during any period of time when all or substantially all of the flight operations at the Airport are or the Fuel System is shut down or inoperable for any reason; or
- (c) if an event of default exists or by reason of such withdrawal would exist under the Trust Agreement or the Fuel System Lease; or
- (d) if immediately after such withdrawal, no Air Carriers would be a party to the Interline Agreement.

Termination

The Interline Agreement may be terminated at any time by the Contracting Airlines which constitute a Majority-In-Interest. Notwithstanding anything in the Interline Agreement to the contrary, the Interline Agreement will not be terminated so long as (a) the Fuel System Lease, including any renewal or extension thereof, is in effect, or any amount is owed to the City or the Trustee thereunder, (b) any payment obligations of a Contracting Airline, including without limitation a Withdrawing Airline, to the Company or to a Contracting Airline are outstanding, or (c) any Bonds are deemed outstanding under the terms of the Trust Agreement.

Survival of Certain Provisions

The payment and indemnity provisions set forth in the Interline Agreement will survive the termination of the Interline Agreement as to any one or as to all Contracting Airlines for events occurring prior to the date of termination.

Amendments

Except as provided in the following paragraph or otherwise expressly provided in the Interline Agreement, the Interline Agreement may be amended only by the Company and the Contracting Airlines constituting a Super-Majority-In-Interest; subject to the consent and other rights of the City, the Trustee and the holders of the Bonds pursuant to the Fuel System Lease and Trust Agreement. An amendment will be effective only if evidenced by a writing which sets forth the text of the amendment and which is signed by the Company and the requisite number of Contracting Airlines approving the amendment.

Each party to the Interline Agreement, by execution of a counterpart of the Interline Agreement, consents to the addition of other Contracting Airlines from time to time pursuant to its terms.

Assignment

The rights and obligations of any Contracting Airline under the Interline Agreement may not be assigned or transferred in any way, except to a transferee of such Contracting Airline's Interest in the Company. Subject to this restriction on assignment, the obligations under the Interline Agreement are binding on the successors and assigns of each Contracting Airline. Notwithstanding the foregoing, the Company may assign its rights under the Interline Agreement to the Trustee in connection with issuance of the Bonds. In connection therewith, each of the Contracting Airlines consents to the pledge, collateral assignment and grant of security interest to the Trustee of the Company's rights under, and claims against each of the Contracting Airlines pursuant to, the Interline Agreement.

No Bankruptcy Petition Against the Company

Each Contracting Airline agrees that, prior to the date which is one year and one day after the payment in full of all of the Bonds, it will not institute against the Company, or join any other person in instituting against the Company, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceeding under the laws of the United States or any state of the United States. The obligation of each Contracting Airline under this paragraph will survive the termination of the Interline Agreement or the withdrawal by such Contracting Airline from the Interline Agreement.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information concerning DTC and its book-entry only procedures set forth herein has been supplied by DTC, and the Airport Commission assumes no responsibility for the accuracy or completeness thereof. **Neither the Airport Commission nor the Company can give any assurances that DTC will distribute to Participants, or that Participants or others will distribute to the Beneficial Owners, payments of principal of, or interest or premium, if any, paid on the 1997 Bonds or any redemption or other notices, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Airport Commission nor the Company is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notices to a Beneficial Owner with respect to the 1997 Bonds or any error or delay related thereto.**

General

DTC will act as securities depository for the 1997 Bonds. The 1997 Bonds will be issued as fully-registered bonds, registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of the 1997 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 1997 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1997 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1997 Bonds are to be accompanied by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 1997 Bonds unless use of the book-entry system for the 1997 Bonds is discontinued.

To facilitate subsequent transfers, all 1997 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1997 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the

actual Beneficial Owners of the 1997 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 1997 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1997 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1997 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption premiums on the 1997 Bonds will be made to DTC. DTC's practice is to credit Direct Participant's accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Airport Commission, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1997 Bonds at any time by giving reasonable notice to the Airport Commission. Under such circumstances, in the event that a successor securities depository is not obtained, the 1997 Bonds are required to be printed and delivered as described in the Trust Agreement.

The Airport Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered as described in the Bond Trust Agreement.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the 1997 Bonds, payment of principal, interest and redemption premium on the 1997 Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such 1997 Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the 1997 Bonds at any time by giving notice to the Airport Commission and discharging its responsibilities with respect thereto under applicable law or the Airport Commission may terminate its participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the Airport Commission will execute, and the Registrar will authenticate and make available for delivery, replacement 1997 Bonds in the form of registered certificates, and such 1997 Bonds will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement.

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Municipal Bond Insurance Policy

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

Ambac

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

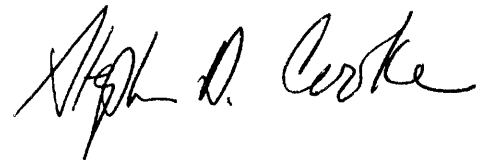
Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation



President



Secretary

Authorized Representative

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

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

Airport Commission of the City and County of San Francisco
San Francisco International Airport
Special Facilities Lease Revenue Bonds
(SFO FUEL COMPANY LLC), Series _____
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the Airport Commission (the "Commission") of the City and County of San Francisco (the "City") of \$_____ aggregate principal amount of San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series ____ (the "Bonds"), issued pursuant to a Trust Agreement, dated as of May 1, 1997 (the "Trust Agreement"), by and between the Commission and BNY Western Trust Company, as Trustee (the "Trustee"), the Charter of the City and County of San Francisco (the "Charter"), applicable ordinances of the City adopted thereunder and applicable laws of the State of California supplemental thereto (collectively, the "Law"). Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Fuel System Lease, dated as of September 1, 1997 (the "Lease"), by and between the Commission and SFO FUEL COMPANY LLC (the "Company"), Resolution No. 97-0145, adopted by the Commission on May 20, 1997 (the "Resolution"), the Tax Certificate of the Commission and the Company dated the date hereof (the "Tax Certificate"), certificates of the Commission, the Company, the Airport Consultant, the Trustee and others, opinions of counsel to the Commission, the Company, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and the validity against, any parties other than the Commission. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal

conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. Further, we call attention to the fact that the enforceability of the Lease is subject to the limitations on remedies under California law with respect to the breach of a lease of real property. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the Commission.
2. The Trust Agreement has been duly executed and delivered by the Commission, and assuming due authorization, execution and delivery thereof by the Trustee, constitutes the valid and binding obligation of the Commission. The Trust Agreement creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the Bonds, of the Trust Estate, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.
3. The Lease has been duly executed and delivered by the Commission, and, assuming due authorization, execution and delivery thereof by the Company, constitutes the valid and binding obligation of the Commission.
4. The Bonds are limited obligations of the Commission and shall be payable as to principal thereof, premium, if any, and interest thereon solely from the Trust Estate. The Bonds shall not constitute a general obligation of, or be secured by a pledge of the faith and credit or the taxing power of, the City and County of San Francisco, the State of California or any political subdivision of the State of California. The Bonds shall not constitute an indebtedness of the Commission except to the extent set forth in the Trust Agreement. Neither the State of California, any political subdivision of the State of California, nor the City and County of San Francisco (other than the Commission) shall be obligated to pay the principal of, premium, if any, or interest on the Bonds, or other costs incident thereto. The Commission shall be obligated to make such payments only from the Revenues and other amounts pledged therefor pursuant to the Trust Agreement.

[To be included in the final legal opinion for Series 1997A Bonds]

[5. Interest on the Series 1997A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes, except that no opinion is expressed as to the exclusion from gross income of interest on any Series 1997A Bond for any period during which such Series 1997A Bond is held by a "substantial user" of the facilities financed by the proceeds of the Series 1997A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. However, we observe that interest on the Series 1997A

Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997A Bonds.]

[To be included in the final legal opinion for Series 1997B Bonds]

[5. Interest on the Series 1997B Bonds is exempt from State of California personal income taxes. We observe that no attempt has been made or will be made to comply with certain requirements relating to the exclusion of interest on the Series 1997B Bonds from gross income for federal tax purposes. We express no opinion regarding the exclusion of interest on the Series 1997B Bonds from gross income for federal income tax purposes or any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997B Bonds.]

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

PAMELA S. JUE
Attorney at Law

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APPENDIX G

PROPOSED FORMS OF CONTINUING DISCLOSURE CERTIFICATE AND CONTINUING DISCLOSURE AGREEMENT

AIRPORT COMMISSION CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Airport Commission of the City and County of San Francisco (the "Commission") in connection with the issuance of its \$____,000,000 aggregate principal amount Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 1997A and Series 1997B (collectively, the "1997 Bonds"). The 1997 Bonds are being issued pursuant to a Trust Agreement, dated as of May 1, 1997, (the "Trust Agreement"), by and between the Commission and BNY Trust Company, as trustee (the "Trustee"). The Commission covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Commission for the benefit of the Holders and Beneficial Owners of the 1997 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following terms shall have the following meanings:

"Annual Disclosure Report" shall mean any Annual Disclosure Report provided by the Commission pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 1997 Bonds, including persons holding 1997 Bonds through nominees, depositories or other intermediaries.

"Dissemination Agent" shall mean the Commission, or any successor Dissemination Agent designated in writing by the Commission and which has filed with the Commission a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean any of the original underwriters of the 1997 Bonds required to comply with the Rule in connection with offering of the 1997 Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Disclosure Reports.

(a) The Commission shall, or shall cause the Dissemination Agent to, not later than [210] days after the end of the Commission's fiscal year (which currently ends June 30), commencing with the report for the 1996-97 Fiscal Year, provide to each Repository an Annual Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee. The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If the Commission's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Disclosure Report to Repositories, the Commission shall provide the Annual Disclosure Report to the Dissemination Agent (if other than the Commission).

(c) If the Commission is unable to provide to the Repositories an Annual Disclosure Report by the date required in subsection (a), the Commission shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Disclosure Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Commission (if the Commission is not Dissemination Agent) certifying that the Annual Disclosure Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Disclosure Reports. The Commission's Annual Disclosure Report shall contain or include by reference the following for the most recently ended fiscal year:

1. Air Traffic Data (number of scheduled aircraft arrivals and departures, domestic enplanements and deplanements, international enplanements and deplanements, and total passengers at the Airport; number of total enplanements at the Airport by carrier for top ten carriers).
2. Cargo Traffic Data (weight of air cargo on and off at the Airport).
3. Total Landed Weights (landed weight by carrier of the top ten carriers and total landed weight at the Airport).
4. Airline Service (identity of all domestic and international carriers serving the Airport during such fiscal year).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Commission or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference

is a final official statement, it must be available from the Municipal Securities Rulemaking Board to the extent required by the Rule. The Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 1997 Bonds, if material:

1. non-payment related defaults by the Commission.
2. adverse tax opinions or events affecting the tax-exempt status of the 1997 Bonds.
3. modifications to rights of Bondholders.
4. rating changes.

(b) Whenever the Commission obtains knowledge of the occurrence of a Listed Event, the Commission shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Commission determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Commission shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository, with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 1997 Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The Commission's obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the 1997 Bonds or (b) if, in the opinion of nationally recognized bond counsel, the Commission ceases to be an "obligated person" (within the meaning of the Rule) with respect to the 1997 Bonds or the 1997 Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the 1997 Bonds, the Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Commission.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Commission may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the 1997 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the

original issuance of the 1997 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 1997 Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 1997 Bonds.

In the event of any amendment or waiver of any provision of this Disclosure Certificate, the Commission shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of operating data being presented by the Commission.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Commission chooses to include any information in any Annual Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Commission shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Disclosure Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Commission to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 1997 Bonds and upon receipt of indemnity satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the 1997 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Commission to comply with its obligations under this Disclosure Certificate. Failure by the Commission to comply with any provision of this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Commission to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Commission, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 1997 Bonds, and shall create no rights in any other person or entity.

Date: September __, 1997.

AIRPORT COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO

By _____
Airport Director

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE
ANNUAL DISCLOSURE REPORT

Name of Issuer: Airport Commission of the City and County of San Francisco

Name of Bond Issue: San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO
FUEL COMPANY LLC) Series 1997A and Series 1997B

Date of Issuance: September __, 1997

NOTICE IS HEREBY GIVEN that the Airport Commission of the City and County of San Francisco (the "Commission") has not provided an Annual Disclosure Report with respect to the above-named 1997 Bonds as required by Section 3(a) of the Continuing Disclosure Certificate executed by the Commission in connection with the issuance of the 1997 Bonds. [The Commission anticipates that the Annual Disclosure Report will be filed by _____.]

Dated: _____

AIRPORT COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO

By: _____

cc: Trustee

EXHIBIT B

NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES

(approved by the Securities and Exchange Commission as of the date of the continuing disclosure certificate):

Bloomberg Municipal Repository

P.O.Box 840
Princeton, NJ 08542-0840
Internet address: MUNIS@bloomberg.com
(609) 279-3200
(609) 279-3204 to order documents
(609) 279-3235 or (609) 279-5963 [FAX]
Contact: Dave Campbell

JJ Kenny Information Services

The Repository
65 Broadway, 16th Floor
New York, NY 10006
(212) 770-4568
(212) 797-7994 [FAX]
Contact: Ms. Joan Horai, Repository

Moody's NRMSIR

Public Finance Information Center
99 Church Street
New York, NY 10007-2796
(800) 339-6306
(212) 553-1460 [FAX]
Contact: Donna Diotte (212) 553-4130

R.R. Donnelly Financial

Attn: Municipal Securities Disclosure Archive
559 Main Street
Hudson, MA 01749
(800) 580-3670
(508) 562-1969 [FAX]
Contact: Susan Harvey

ThompsonNRMSIR

Secondary Market Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
Internet address: Disclosure@muller.com
(212) 807-5001
(212) 989-2078 [FAX]
Contact: Carolyn Chin

DPC Data, Inc.

One Executive Drive
Fort Lee, N.J. 07024
Internet address: nrmsir@dpcdata.com
(201) 346-0701
(201) 346-0107 [FAX]
Contact: Dick Stout

COMPANY CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the SFO FUEL COMPANY LLC, a Delaware limited liability company (the "Company"), and BNY Western Trust Company (the "Trustee") in connection with the issuance of \$_____ aggregate principal amount Airport Commission of the City and County of San Francisco Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 1997A and Series 1997B (collectively, the "1997 Bonds"). The 1997 Bonds are being issued pursuant to a Trust Agreement, dated as of May 1, 1997, by and between the Airport Commission of the City and County of San Francisco (the "Commission") and the Trustee (the "Trust Agreement"). The proceeds of the 1997 Bonds are being made available to the Company pursuant to a Fuel System Lease (the "Fuel System Lease") dated as of September 1, 1997 by and between the Commission and the Company for the purpose of financing certain additions and improvements to the jet fuel and gasoline distribution facilities at San Francisco International Airport and other expenses related thereto. Pursuant to Section 6.07 of the Fuel System Lease, the Company and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Company and the Trustee for the benefit of the Holders and Beneficial Owners of the 1997 Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below). The Company, the Participating Underwriters and the Trustee acknowledge that the Commission has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Air Carrier" shall have the meaning ascribed thereto in the Interline Agreement.

"Airline Annual Report" shall mean each Airline Annual Report caused to be provided by the Company pursuant to, and as described in, Sections 3(b) and 4(b) of this Disclosure Agreement.

"Airport" shall mean San Francisco International Airport, located in the County of San Mateo, State of California, United States of America.

"Annual Reports" shall mean, collectively, the Company Annual Report and the Airline Annual Reports.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 1997 Bonds (including persons holding 1997 Bonds through nominees, depositories or other intermediaries).

"Common Use Area Cost Center" shall have the meaning ascribed thereto in the Interline Agreement.

"Company Annual Report" shall mean any Annual Report provided by the Company pursuant to, and as described in, Sections 3(a) and 4(a) of this Disclosure Agreement.

"Contracting Airline" shall have the meaning ascribed thereto in the Interline Agreement.

"Disclosure Representative" shall mean the Chairperson of the Fuel Committee of the Company or his or her designee, or such other person as the Company shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Company and which has filed with the Trustee a written acceptance of such designation.

"Fuel System" shall have the meaning ascribed thereto in the Interline Agreement.

"Gallon" shall have the meaning ascribed thereto in the Interline Agreement.

"Gallonage" shall have the meaning ascribed thereto in the Interline Agreement.

"Interline Agreement" shall mean that certain Amended and Restated Fuel System Interline Agreement, dated as of September 1, 1997 among the Contracting Airlines and the Company.

"Jet Fuel" shall have the meaning ascribed thereto in the Interline Agreement.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean any of the original underwriters of the 1997 Bonds required to comply with the Rule in connection with offering of the 1997 Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

"Total Fuel System Charge" shall have the meaning ascribed thereto in the Interline Agreement.

SECTION 3. Provision of Annual Reports.

(a) The Company shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Company's fiscal year (which currently ends December 31), commencing with the report for the 1997 fiscal year, provide to each Repository a Company Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Agreement. In each case, the Company Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Company may be submitted separately from the balance of the Company Annual Report and later than the date required above for the filing of the Company Annual Report if they are not available by that date. If the Company's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) The Company shall cause each Airline which was obligated to pay at least 10% of the Total Fuel System Charge during the Company's fiscal year, or shall cause the Dissemination Agent, not later than 270 days after the end of the Company's fiscal year, commencing with the 1997 fiscal year, to

provide to each Repository an Airline Annual Report which is consistent with the requirements of Section 4(b) of this Disclosure Agreement. In each case, the Airline Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Airline may be submitted separately from the balance of the Airline Annual Report and later than the date required above for the filing of the Airline Annual Report if they are not available by that date. If the Airline's fiscal year changes, the Company shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(c) Not later than fifteen (15) Business Days prior to the date specified in subsections (a) and (b) for providing the respective Annual Reports to the Repositories, the Company shall provide the Annual Reports to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by any such date the Trustee has not received a copy of the respective Annual Reports, the Trustee shall contact the Company and the Dissemination Agent to determine if the Company is in compliance with the first sentence of this subsection (c).

(d) If, after contacting the Company as required by paragraph (c), the Trustee is unable to verify that any Annual Report has been provided to the Repositories by the date required in subsection (a) or (b), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(e) The Dissemination Agent shall:

(i) determine each year prior to the date for providing each Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Company, the Commission and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Reports have been provided pursuant to this Disclosure Agreement, stating the date each was provided, and listing all the Repositories to which they were provided.

SECTION 4. Content of Annual Reports. (a) The Company Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Company for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. Such financial statements shall include, without limitation, information concerning aggregate expenses reimbursements by Contracting Airlines and by other persons, respectively. If the Company's audited financial statements are not available by the time the Company Annual Report is required to be filed pursuant to Section 3(a), the Company Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Company Annual Report when they become available.

2. The Contracting Airlines as of the end of the prior fiscal year.

3. The total Gallonage of Jet Fuel delivered through the Fuel System for the prior fiscal year.

4. The Contracting Airlines for the prior fiscal year, the total Gallonage of Jet Fuel delivered to each through the Fuel System during such fiscal year, and their respective percentages of the total Gallonage delivered through the Fuel System for such fiscal year.

5. The Air Carriers serving the Airport, other than Contracting Airlines, for the prior fiscal year, the total Gallonage of Jet Fuel delivered to each through the Fuel System during such fiscal year, and their respective percentages of the total Gallonage delivered through the Fuel System for such fiscal year.

6. The average fuel delivery system charge per Gallon for the Common Use Area Cost Center during the prior fiscal year (excluding any through-put charges imposed by the tank farm operator), calculated by dividing (a) the difference between (i) the aggregate Total Fuel System Charge attributable to the Common Use Area Cost Center for such fiscal year, less (ii) any applicable credits pursuant to the Interline Agreement, by (b) the aggregate Gallonage for all Contracting Airlines for such fiscal year.

7. The estimated and/or final construction costs of the Improvements.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Company is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board to the extent required by the Rule. The Company shall clearly identify each such other document so included by reference.

(b) Each Airline Annual Report shall contain or include by reference information as described in Schedule I hereto. Such information may be incorporated by reference to the annual report to stockholders filed with each Repository or with the Securities and Exchange Commission. If the Airline's audited financial statements are not available when the Airline Annual Report is due, unaudited financial statements shall be included and the audited financial statements additionally filed when available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Airline is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board to the extent required by the Rule. The Airline shall clearly identify each such other document so included by reference.

(c) The Trustee and the Dissemination Agent shall have no liability for the sufficiency or accuracy of any information contained in the Annual Reports.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Company shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 1997 Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties.
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the 1997 Bonds;

7. modifications to rights of Bondholders;
8. optional, contingent or unscheduled Bond calls;
9. defeasances;
10. release, substitution or sale of property securing repayment of the 1997 Bonds; and
11. rating changes.

(b) The Trustee shall, as soon as possible upon obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Company promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Company obtains actual knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Company shall as soon as possible determine if such event would be material under applicable federal securities laws. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 1997 Bonds pursuant to the Trust Agreement.

(d) If the Company has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Company shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Company determines that the Listed Event would not be material under applicable federal securities laws, the Company shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Company to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Company. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected 1997 Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The Company's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 1997 Bonds. If the Company's obligations under the Fuel System Lease are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Company and the original Company shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the 1997 Bonds, the Company shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Company may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Company pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. Any Dissemination Agent may resign by providing thirty days' written notice to the Company and the Trustee (if the Trustee is not the Dissemination Agent).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Company and the Trustee may, with the prior written consent of the Commission, amend this Disclosure Agreement (and the Trustee shall agree to any amendment reasonably requested by the Company which does not materially increase the obligations of the Trustee hereunder) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 1997 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 1997 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 1997 Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 1997 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Company shall describe such amendment in the next Company Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Company or the Airline. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the respective Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Company chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Company shall have no obligation under this Agreement to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Company or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 1997 Bonds, and upon receipt of indemnity satisfactory to it, shall), or any Holder or Beneficial Owner of the 1997 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Company or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement or the Fuel System Lease, and the sole remedy under this Disclosure Agreement in the event of any failure of the Company or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article IX of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Company agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or wilful misconduct. The obligations of the Company under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 1997 Bonds.

The Dissemination Agent shall be paid compensation by the Company as the Dissemination Agent and the Company shall agree from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Company, and shall not be deemed to be acting in any fiduciary capacity for the Company, the Commission, the Holders or any other party.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Company: SFO FUEL COMPANY LLC
c/o Aircraft Service International, Inc.
San Francisco International Airport
Cargo Building 6, Suite 202
P.O. Box 280415
San Francisco, CA 94128-0415
Telephone: (650) 877-0454
Facsimile: (650) 877-8219

with a copy to: Karen L. Chapman, Esq.
Sherman & Howard L.L.C.
633 Seventeenth Street, Suite 3000
Telephone: (303) 298-8258
Facsimile: (303) 298-0940

To the Trustee: BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attention: Corporate Trust Department
Facsimile: (415) 399-1647

To the Dissemination Agent:

BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108
Attention: Corporate Trust Department
Facsimile: (415) 399-1647

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Commission, the Company, the Trustee, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the 1997 Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: September __, 1997

SFO FUEL COMPANY LLC,
a Delaware Limited Liability Company

By _____

BNY WESTERN TRUST COMPANY, as Trustee
and Dissemination Agent

By _____
Authorized Officer

SCHEDULE 1

The Airline's most recent report on Form 10-K and on materials physically included therewith, filed by the Airline with the SEC or an incorporation by reference of such report on Form 10-K and accompanying materials. If the Airline is not or should cease to be a reporting company under the Exchange Act, then the Airline shall provide with the other information required in the Airline Annual Report its audited financial statements and operating data of the type which would be provided to the SEC if the Airline were a reporting company, any of which materials may be incorporated by reference from materials on file with the SEC or with each of the Repositories. The Airline's audited financial statements shall be prepared (i) so long as the Airline is a reporting company under the Securities Exchange Act of 1934, as amended, in accordance with the rules of the SEC for preparing audited financial statements to be filed as part of a Form 10-K, and (ii) if the Airline shall cease to be a reporting company, in accordance with generally accepted accounting principles.

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Airport Commission of the City and County of San Francisco
Name of Bond Issue: San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC) Series 1997A and Series 1997B
Name of Company: SFO FUEL COMPANY LLC
Date of Issuance: September __, 1997

NOTICE IS HEREBY GIVEN that the SFO FUEL COMPANY LLC (the "Company") has not provided an Annual Report for [the Company/_____ Airline] with respect to the above-named 1997 Bonds as required by Section 3[(a)/(b)] of the Continuing Disclosure Agreement executed by the Company and by Section 6.07 of the Fuel System Lease dated September __, 1997 between the Commission and the Company. The Company anticipates that such Annual Report will be filed by _____.

Dated: _____

BNY Western Trust Company,
on behalf of Company

cc: Company

EXHIBIT B

NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES

(approved by the Securities and Exchange Commission as of the date of the continuing disclosure agreement):

Bloomberg Municipal Repository

P.O.Box 840
Princeton, NJ 08542-0840
Internet address: MUNIS@bloomberg.com
(609) 279-3200
(609) 279-3204 to order documents
(609) 279-3235 or (609) 279-5963 [FAX]
Contact: Dave Campbell

JJ Kenny Information Services

The Repository
65 Broadway, 16th Floor
New York, NY 10006
(212) 770-4568
(212) 797-7994 [FAX]
Contact: Ms. Joan Horai, Repository

Moody's NRMSIR

Public Finance Information Center
99 Church Street
New York, NY 10007-2796
(800) 339-6306
(212) 553-1460 [FAX]
Contact: Donna Diotte (212) 553-4130

R.R. Donnelly Financial

Attn: Municipal Securities Disclosure Archive
559 Main Street
Hudson, MA 01749
(800) 580-3670
(508) 562-1969 [FAX]
Contact: Susan Harvey

ThompsonNRMSIR

Secondary Market Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
Internet address: Disclosure@muller.com
(212) 807-5001
(212) 989-2078 [FAX]
Contact: Carolyn Chin

DPC Data, Inc.

One Executive Drive
Fort Lee, N.J. 07024
Internet address: nrmsir@dpccdata.com
(201) 346-0701
(201) 346-0107 [FAX]
Contact: Dick Stout

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