

SEATAC FUEL FACILITIES LLC

2016 ANNUAL REPORT

Pursuant to the requirements of the Company Continuing Disclosure Agreement dated as of May 22, 2013 (the "Disclosure Agreement") executed by SEATAC FUEL FACILITIES LLC, a Delaware limited liability company (the "Company"), the Company hereby submits its 2016 Annual Report. Capitalized terms shall have the meaning set forth in the Disclosure Agreement. The Disclosure Agreement was executed in connection with the issuance of \$88,660,000 aggregate principal amount Special Facility Revenue Refunding Bonds (SEATAC Fuel Facilities LLC), Series 2013. Unless otherwise defined in this report, capitalized terms have the meaning provided in the Disclosure Agreement.

The Company's Annual Report is as follows:

1. Attached hereto as Exhibit A are the audited financial statements of the Company for 2016 prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board.
2. Attached hereto as Exhibit B is a list of the Contracting Airlines as of the end of 2016.
3. As of the end of 2016, the Company's entry fee remained \$50,000.
4.
 - a. Attached hereto as Exhibit C is historical operating information for 2016 of the type shown in the table of the Official Statement entitled "Seattle-Tacoma International Airport Total Fuel Consumption 2003-2012".
 - b. Attached hereto as Exhibit D is historical operating information for 2016 of the type shown in the table of the Official Statement under the heading "2012 Seatac Fuel Facilities LLC Gallonage".
5. Historical financial information for 2016 of the type shown in the Official Statement in the second paragraph under the heading "FUEL CONSUMPTION AND ESTIMATED TOTAL FACILITIES CHARGES – Estimated Total Facilities Charges" is as follows:

Debt service on the Series 2003 and 2013 Bonds was the largest component of the Total Facilities Charges. Total Operating Costs in 2016 were \$13,429,409 or \$0.0240 cents per gallon, based upon the 2016 volume of 559,307,059 gallons of Fuel and without taking into account the impact of higher per-gallon charges payable by other Users or the 90/10 allocation among Contracting Airlines. Debt service on the Series 2003 and 2013 Bonds in 2016 was \$0.0125 cents per gallon, based upon the 2016 volume of 559,307,059 and without taking into account the impact of higher per-gallon charges payable by other Users or the 90/10 allocation among Contracting Airlines.
6. No Additional Bonds were issued under the Resolution in 2013.

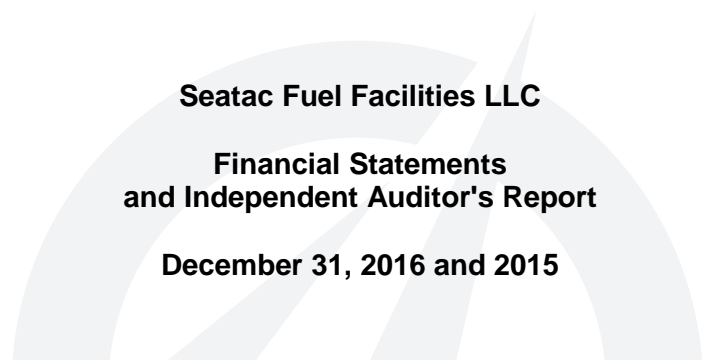
Dated: ^{may 22}~~June~~ __, 2017
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SEATAC FUEL FACILITIES LLC, a
Delaware limited liability company

By: 
Dean Williams, Chairman of the
Fuel Committee

EXHIBIT A

2016 AUDITED FINANCIAL STATEMENTS



Seatac Fuel Facilities LLC
**Financial Statements
and Independent Auditor's Report**
December 31, 2016 and 2015

Seatac Fuel Facilities LLC

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Independent Auditor's Report

To the Members
Seatac Fuel Facilities LLC

We have audited the accompanying financial statements of Seatac Fuel Facilities LLC, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seatac Fuel Facilities LLC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Tysons, Virginia
April 5, 2017

Seatac Fuel Facilities LLC
Balance Sheets
December 31, 2016 and 2015

	<u>Assets</u>	
	2016	2015
Current assets		
Cash and cash equivalents	\$ 2,813,691	\$ 3,071,114
Accounts receivable		
Billed member receivables	1,107,904	684,392
Billed nonmember receivables	218,425	156,010
Unbilled member receivable	32,919	208,430
Unbilled nonmember receivables	136,424	110,518
Prepaid expenses and other current assets	175,688	83,089
Total current assets	4,485,051	4,313,553
Property and equipment, net	245,839	257,453
Restricted cash	261,491	320,643
Other assets	1,325	1,325
Total assets	\$ 4,993,706	\$ 4,892,974
	<u>Liabilities and Members' Equity</u>	
Current liabilities		
Advance billings	\$ 967,834	\$ 800,435
Accounts payable and accrued expenses	670,374	475,408
Amounts due members	328,237	563,781
Amounts due members from nonmember receivables	366,873	266,528
Total current liabilities	2,333,318	2,106,152
Long-term liabilities		
Funds provided for Port of Seattle construction	261,491	320,643
Member and nonmember deposits	2,378,786	2,448,068
Total liabilities	4,973,595	4,874,863
Members' equity		
Contributed capital	32,000	30,000
Accumulated deficit	(11,889)	(11,889)
Total members' equity	20,111	18,111
Total liabilities and members' equity	\$ 4,993,706	\$ 4,892,974

See Notes to Financial Statements.

Seatac Fuel Facilities LLC

**Statements of Income
Years Ended December 31, 2016 and 2015**

	2016	2015
Revenues		
Member revenues	\$ 11,271,821	\$ 10,710,599
Nonmember revenues	1,955,718	1,676,484
Total revenues	13,227,539	12,387,083
Operating expenses		
Ground and office rent	7,950,746	7,835,036
Maintenance and operating costs	4,961,831	4,249,712
Professional fees	82,791	36,833
Insurance	313,983	330,430
Depreciation	78,168	75,983
Total operating expenses	13,387,519	12,527,994
Loss from operations	(159,980)	(140,911)
Other income (expense)		
Other income	58,920	89,877
Interest income	1,060	1,034
Member entry fee	100,000	50,000
Total other income	159,980	140,911
Net income	\$ -	\$ -

See Notes to Financial Statements.

Seatac Fuel Facilities LLC

**Statements of Members' Equity
Years Ended December 31, 2016 and 2015**

	<u>Contributed capital</u>	<u>Accumulated deficit</u>	<u>Total members' equity</u>
Balance, January 1, 2015	\$ 29,000	\$ (11,889)	\$ 17,111
Capital contribution	1,000	-	1,000
Net income	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2015	30,000	(11,889)	18,111
Capital contribution	2,000	-	2,000
Net income	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2016	<u><u>\$ 32,000</u></u>	<u><u>\$ (11,889)</u></u>	<u><u>\$ 20,111</u></u>

See Notes to Financial Statements.

Seatac Fuel Facilities LLC
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	78,168	75,983
Change in:		
Accounts receivable	(336,322)	(180,812)
Prepaid expenses and other	(92,599)	198,403
Advance billings	167,399	(69,652)
Accounts payable and accrued expenses	194,966	121,833
Amounts due members	(135,199)	530,605
	(123,587)	676,360
Net cash provided by (used in) operating activities		
Cash used in investing activities		
Purchases of property and equipment	(66,554)	(199,879)
Cash flows from financing activities		
Reductions in deposits	(69,282)	(160,914)
Proceeds from capital contribution	2,000	1,000
	(67,282)	(159,914)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	(257,423)	316,567
Cash and cash equivalents, beginning of year	3,071,114	2,754,547
Cash and cash equivalents, end of year	\$ 2,813,691	\$ 3,071,114

See Notes to Financial Statements.

Seatac Fuel Facilities LLC

Notes to Financial Statements December 31, 2016 and 2015

Note 1 - Summary of significant accounting policies

Organization and business

Seatac Fuel Facilities LLC (the "Company") is a limited liability company formed in Delaware on January 4, 2000. The Company was formed by a consortium of airlines to acquire, operate and maintain an aviation fuel distribution system at Seattle-Tacoma International Airport in Seattle, Washington. The Company shall not operate to derive a financial profit from providing services to its members or nonmembers. The following airlines are the members of the Company as of December 31, 2016:

- Alaska Airlines
- All Nippon Airways, Co. Ltd.
- American Airlines
- Asiana Airlines
- British Airways, PLC
- Cargolux Airlines, Int'l
- China Airlines
- Compass Airlines
- Delta Air Lines
- Emirates Airlines
- Eva Airways
- Federal Express
- Frontier Airlines
- Hainan Airlines
- Hawaiian Airlines
- Jet Blue Airways
- Korean Air
- Lufthansa German Airlines
- Skywest, Inc.
- Southwest Airlines
- Spirit
- United Airlines
- Virgin America

Airlines joining the Company are required to pay a \$1,000 capital contribution, which may be, but is not obligated to be, returned in the event of the withdrawal of the member. Additionally, new members must pay a \$50,000 entry fee and withdrawing members must pay a fee based on 10% of their share of net facilities charges for the previous 12 months.

Pursuant to a cost-sharing agreement (the "Inter-Line Agreement"), the member airlines agree, among other things, to restrictions concerning the sale or transfer of membership interests and to be liable for expenses, fees, indebtedness, claims and any other such liabilities that may arise in the ordinary course of business on a pro rata basis, as defined therein.

Swissport Fueling, Inc. ("Swissport") operates the fuel distribution system and provides certain other management services to the Company, pursuant to an operating agreement. On behalf of the Company, Swissport bills the members for the costs incurred in operating the fuel distribution facility plus a management fee and required deposits. Costs incurred in operating the facility are reduced by user fees collected from nonmember airlines and are allocated monthly to the member airlines in accordance with the Inter-Line Agreement.

Seatac Fuel Facilities LLC

Notes to Financial Statements December 31, 2016 and 2015

Cash and cash equivalents

Cash and cash equivalents and restricted cash include a checking and money market accounts. At December 31, 2016, the Company has cash deposits at its bank of approximately \$2,898,000 in excess of the federal insurance on these deposits.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to operations as incurred.

The estimated useful lives of property and equipment are as follows:

- Computer equipment - 3 years
- Office equipment, lab testing equipment, and furniture and fixtures - 3 to 5 years
- Vehicles - 5 to 7 years

Revenue recognition

Revenues are recognized on the accrual basis. Member revenues represent charges for costs incurred in maintaining and operating the fuel distribution system, reduced by nonmember revenues. Nonmember revenues represent charges to nonmembers for use of the fueling facilities. Nonmember revenues are based on gallons put through the facilities and are recognized as the facilities are used.

Accounts receivable

The Company does not record an allowance for doubtful accounts, as any bad debts are reimbursed by the remaining member airlines in accordance with the Inter-Line Agreement. Delinquency is determined based on the terms of the agreement. Management writes off accounts receivable once all attempts to collect the receivable have been completed and management determines it to be uncollectible. The Company requires deposits from its member and nonmember airlines, which generally reduces credit exposure. No bad debt expenses were incurred for 2016 or 2015.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Tax years prior to 2013 are no longer subject to examination by the IRS.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Seatac Fuel Facilities LLC

Notes to Financial Statements December 31, 2016 and 2015

Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. There was no effect on previously reported net income.

Subsequent events

The Company has evaluated events and transactions for potential disclosure through April 5, 2017, the date the financial statements were issued.

New accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." This update requires an entity to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about the entity's leasing arrangements. ASU 2016-02 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018, with early application permitted. A modified retrospective approach is required. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

Note 2 - Restricted cash - Port of Seattle construction

During 2008, the Port of Seattle advanced funds to the Company for the purpose of completing certain improvements to the fuel facility owned by the Port of Seattle. The unused portion of such funds is reported on the accompanying balance sheets as Restricted Cash and may only be used for designated construction projects. There is a corresponding long-term liability - Funds Provided for Port of Seattle Construction.

Note 3 - Property and equipment

Property and equipment at December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Property and equipment		
Vehicles	\$ 381,383	\$ 381,383
Lab equipment	285,301	280,144
Security system	188,410	139,068
Computers	26,499	19,676
Furniture and fixtures	<u>16,783</u>	<u>11,551</u>
	898,376	831,822
Accumulated depreciation and amortization	<u>(652,537)</u>	<u>(574,369)</u>
	<u>\$ 245,839</u>	<u>\$ 257,453</u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 was \$78,168 and \$75,983, respectively.

Seatac Fuel Facilities LLC

**Notes to Financial Statements
December 31, 2016 and 2015**

Note 4 - Related party transactions

Following is a summary of management fees, expense reimbursements and accounts payable to Swissport.

	2016	2015
Year ended December 31,		
Management fees	\$ 164,000	\$ 162,803
Reimbursement of expenses	1,341,934	1,254,442
At December 31,		
Accounts payable to Swissport	\$ 154,433	\$ 90,381

Note 5 - Lease obligation

The Company has a lease agreement with the Port of Seattle for the lease of land, tank farm and improvements, and the hydrant system at the Seattle-Tacoma International Airport. The lease began May 14, 2003 and extends through July 31, 2033. The lease agreement contains two 5-year renewal options. Rent expense for the years ended December 31, 2016 and 2015 was \$7,948,699 and \$7,748,236, respectively.

Future minimum lease payments required are as follows:

Year ending December 31	Future Minimum Payments
2017	\$ 7,877,522
2018	7,872,147
2019	7,868,272
2020	7,860,522
2021	7,858,397
Thereafter	89,562,884
Total	\$ 128,899,744

Payments due under the lease with the Port of Seattle include \$787,464 of annual base rent, which is adjusted every five years to fair market value. Lease payments also include debt service payments on Port of Seattle (the "Port") Special Facility Revenue Bonds. The Port originally issued Special Facility Revenue Bonds in 2003 to finance the acquisition, design and construction of jet aircraft fuel storage and delivery facilities at the Seattle-Tacoma International Airport. In June 2013, the Port issued Special Facility Revenue Refunding Bonds in the amount of \$88,660,000 to refund the Port's outstanding 2003 bonds and reduce debt service requirements. The bonds mature from 2014 through 2033 and bear interest rates from 3-5%. Scheduled payments are adjusted as needed for redemptions. The Company has granted a security interest in all of its assets and had unconditionally guaranteed payment of the bonds. The remaining principal outstanding at December 31, 2016 is \$79,460,000. The Company has an outstanding performance bond in the amount of \$393,736 in lieu of a deposit.

Seatac Fuel Facilities LLC

**Notes to Financial Statements
December 31, 2016 and 2015**

Note 6 - Income taxes

Net deferred tax assets at December 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Deferred tax assets		
Net operating loss carryforward	\$ 15,700	\$ 20,400
Deferred tax asset - depreciation differences	<u>5,400</u>	<u>3,300</u>
	21,100	23,700
Valuation allowance	<u>(21,100)</u>	<u>(23,700)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2016, the Company had net operating loss carryforwards of approximately \$46,000, which will expire from 2026 through 2034.

Note 7 - Concentration of revenue

During 2016, Alaska Airlines and Delta Air Lines accounted for approximately \$4,318,000 and \$3,349,000 of the Company's revenue, respectively.

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EXHIBIT B

2016 CONTRACTING AIRLINES

Alaska Airlines
All Nippon Airways
American Airlines / US Airways
Asiana Airlines
British Airways
Cargo Lux
China Airlines
Compass Air
Delta Air Lines
Emirates
Eva Air
Federal Express
Frontier Airlines
Hainan
Hawaiian Airlines
Jet Blue
Korean Airlines
Lufthansa
SkyWest Airlines
Southwest Airlines
Spirit Airlines
United Airlines
Virgin America

As of December 31, 2015, no Additional Contracting Airline had been admitted since May 14, 2003 except Air France, AirTran, Skywest Airlines, Inc., Korean Airlines, Great Wall Airways, Hainan Airlines Lufthansa Airlines, Emirates (February 1, 2012), Virgin America (June 1, 2015) Spirit Airlines (March 1, 2016), and Compass Air (September 1, 2016) and no Contracting Airline had withdrawn, except Great Wall Airlines, Scandinavian Airlines System and Air France. AirTran Airways merged with Southwest Airlines Co. Continental Airlines, Inc. merged with United Airlines, Inc. US Airways merged with American Airlines.

EXHIBIT C

2016 TOTAL JET FUEL CONSUMPTION

Seattle-Tacoma International Airport
Total Jet Fuel Consumption⁽¹⁾
2003-2016

<u>Year</u>	<u>Gallons</u>	<u>% Change</u>
2003	437,548,054	(2.50)
2004	446,552,918	2.10
2005	435,993,201	(2.40)
2006	441,414,181	1.24
2007	454,018,686	2.86
2008	455,493,807	0.32
2009	425,577,161	(6.57)
2010	418,119,119	(1.75)
2011	427,873,734	2.33
2012	427,107,910	(0.18)
2013	451,110,910	5.62
2014	487,128,110	7.98
2015	544,806,648	11.84
2016	586,300,186	7.62

(1) Excludes Jet Fuel used by Weyerhaeuser Co. aircraft.

Sources: SEATAC Fuel Facilities LLC from information provided by the Fuel System Operator.

EXHIBIT D

2016 TOTAL JET FUEL CONSUMPTION

SEATAC Fuel Facilities LLC Members
Twelve Months Ended December 31, 2016

<u>SEATAC FUEL MEMBERS</u>	<u>Gallons</u>	<u>Share of Member Gallons</u>
Alaska Airlines **	174,761,799	29.81%
All Nippon Airways	5,745,416	0.98%
American Airlines / US Airways	29,945,056	5.11%
Asiana Airlines	13,654,113	2.33%
British Airways	12,910,294	2.20%
Cargo Lux	3,158,660	0.54%
China Airlines	9,556,569	1.63%
Compass Airlines -(joined 09/16)	2,824,255	0.48%
Delta Air Lines	121,594,737	20.74%
Emirates	23,935,524	4.08%
Eva Air	13,844,143	2.36%
Federal Express	13,995,466	2.39%
Frontier Airlines	2,856,384	0.49%
Hainan	10,053,754	1.71%
Hawaiian Airlines	7,522,454	1.28%
Jet Blue	7,604,365	1.30%
Korean Airlines	15,703,229	2.68%
Lufthansa	10,354,740	1.77%
SkyWest Airlines	16,029,898	2.73%
Southwest Airlines	29,103,684	4.96%
Spirit Airlines - (joined 03/16)	1,530,906	0.26%
United Airlines	28,714,685	4.90%
Virgin America (joined 06/15)	3,906,928	0.67%
Total Member Gallons	559,307,059	95.40%
Non- Member Gallons	26,993,084	4.60%
Total Gallons	586,300,143	

- (1) Includes Gallons of Horizon, an Associate Airline. Alaska Airlines, Inc. and Horizon are wholly-owned subsidiaries of Alaska Air Group, Inc.
- (2) The total represents **95.4%** percent of the Jet Fuel consumed at the Airport during 2016.
Source: SEATAC Fuel Facilities LLC from information provided by the Fuel System Operator.
- (3) USAirways and American Airlines gallons were combined effective April 1, 2014