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To: Sears, Michael M  
Cc: Palmer, James F; Spong, E.David; Gower, Bob; Simons, Randall R; Ferguson, John E; De Leon, Rudy F; Ellis, Andrew K  
Subject: tanker lease  
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Good meetings with the USAF (Darleen and Roche) and members of Congress yesterday and a follow up strategy session with Phi and Rudy. My assessment.....

HAC has marked and probably included the PURCHASE of a small number of tankers and C-40s

SAC will mark next week with a LEASE of a large number of both. SAC is still trying to get the scoring rules changed, but CBO and OMB are not buying it. My best guess is that the conference committee will either go to the HAC solution or to the SAC plan with an operating lease instead of capital lease for 100 tankers and 20+ C-40s.

USAF wants us to support their language for an operating lease. Darleen will make the actual contract favorable and is willing to go to the financial market with us to stress the low risk involved in such a lease with the USAF so badly in need of tankers. I think we should support her plan.

Need help. What does an operating lease look like when we put it in the framework of our LRBP? And Phil, who is generally supportive of this approach, want to know what level of lease exposure is the saturation point for the corporation. We talked about the likelihood of even taking part of the financing ourselves to help lower the perceived risk to other sources of financing. GE has expressed interest in putting together both an engine deal and a finance deal.

Randy, I would like you and John to work with Mike and Jim's organizations to put the operating lease strategy together and show the LRBP impact.

Bob Gower, we have to have language supportive of this operating lease fallback position that is acceptable to the USAF. Work that part through the DC office. Jerry

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